

Company No. 818444-T

**OCBC AL-AMIN BANK BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

Domiciled in Malaysia  
Registered Office:  
19th Floor, Menara OCBC  
18 Jalan Tun Perak  
50050 Kuala Lumpur

Company No.818444-T

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**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the financial year ended 31 December 2014.

### **PRINCIPAL ACTIVITIES**

The Bank is a licensed Islamic Bank principally engaged in Islamic banking, offering customers a comprehensive range of products and services in accordance with Shariah principles. There has been no significant change in the nature of these activities during the financial year.

### **FINANCIAL RESULTS**

	<b>2014 RM'000</b>
Profit for the year	<u>70,529</u>

### **SHARE CAPITAL AND DEBENTURES**

The Bank issued 40 million ordinary shares of RM1 each at RM3 per ordinary share for a cash consideration of RM120 million to its holding company, OCBC Bank (Malaysia) Berhad, on 13 June 2014. There were no other changes in the authorised, issued and paid-up share capital of the Bank during the financial year. There were no debentures issued during the financial year.

### **RESERVES AND PROVISIONS**

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

### **DIVIDENDS**

No dividends have been paid or declared by the Bank since the end of the previous financial year. The Directors do not recommend payment of any dividend in respect of the current financial year ended 31 December 2014.

### **COMPLIANCE WITH BANK NEGARA MALAYSIA'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 ("BNM") expectations on financial reporting have been complied with, including those as set out in the BNM Guidelines on Financial Reporting for Islamic Banking Institutions, the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing and the BNM Guidelines on Capital Funds for Islamic Banks.

### **OTHER STATUTORY INFORMATION**

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts and financing have been written off and adequate impairment allowance made for doubtful debts and financing, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have 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:

- i) that would render the amount written off for bad debts and financing or the amount of the impairment allowance for doubtful debts and financing in the Bank inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Bank misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate, or

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

### **OTHER STATUTORY INFORMATION (continued)**

At the date of this report, the Directors are not aware of any circumstances: (continued)

- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Bank misleading.

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

- i) any charge on the assets of the Bank that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Bank that has arisen since the end of the financial year, other than in the ordinary course of banking business.

No contingent liability or other liability of the Bank, other than those arising from the transactions made in the ordinary course of business of 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 Bank to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Bank for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### **FINANCIAL PERFORMANCE**

The Bank registered net profit after tax of RM70.5 million for the financial year ended 31 December 2014; a 34% or RM37 million decrease compared to the previous year. Despite higher total income by 31% or RM100.6 million, net profit was impacted by higher impairment allowances of RM105.3 million and overheads of RM44.3 million. Strong growth in net finance income was derived from gross financing and advances which grew by RM2.5 billion or 37% to RM9.4 billion while customer deposits increased by RM3.3 billion or 50% to RM10.0 billion.

Shareholders' funds strengthened to RM788.8 million and the Bank is well capitalised with a core capital ratio after the effects of Profit Sharing Investment Account ("PSIA") of 12.609% and risk weighted capital ratio after PSIA of 15.458%.

### **ACTIVITIES AND ACHIEVEMENTS**

The Bank's growth in 2014 was underpinned by intensive efforts to market Islamic financing and cash management solutions to corporates, small and medium enterprises ("SMEs") and individuals. Unsecured term financing, large corporate deals and consumer mortgages contributed significantly to the growth.

Major deals in 2014 included being appointed Mandated Lead Arranger for a RM210 million Commodity Murabahah facility for a power plant to fund its capital expenditure and working capital and a bilateral USD70 million term financing facility to a plantation company. The Bank teamed up with Great Eastern Takaful Sdn Bhd to introduce i-Great Raudah, a takaful product for life and disability coverage with optional add-on features for coverage while performing Hajj.

The Bank collaborated with Credit Guarantee Corporation Malaysia ("CGC") on the country's first SME wholesale guarantee scheme, which saw the ratio of risk involved in financing unsecured businesses shared equally between the two entities. The Bank also assisted Oversea-Chinese Banking Corporation Limited ("OCBC Bank") to set up its Islamic Banking Window ("IBW") in Labuan with operations commencing in December 2014.

The Bank received several awards in 2014. These included the prestigious Islamic Bank of the Year (Malaysia) 2014 award from the London-based *The Banker*, both the Best Islamic Project Finance award and the Best Islamic Structured Financing (Highly Commended Category) from *The Asset Magazine*, UK Deals of the Year 2013 by the *Islamic Finance News* and the Most Outstanding Islamic Corporate Banking Product Award at the *KLIFF* (Kuala Lumpur Islamic Finance Forum) *Islamic Finance Award 2014*.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

### **MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2015**

Moving into 2015, the Bank will intensify its efforts to extend its presence in new markets and deepening penetration into existing ones both domestically and regionally in collaboration with the relevant stakeholders in the OCBC Group such as Pac Lease and Great Eastern Takaful.

In the retail banking sphere, the Bank will target the emerging mass affluent with products offerings in wealth and credit financing. For this group, the Bank will reward customers for usage while at the same time improving digital channels to attract these consumers. There are plans to expand customer reach through the opening of new branches in the short to medium term.

The IBW in Labuan is expected to meet the increasing demand for sizeable Islamic foreign currency financing solutions from corporate customers both domestically and throughout the entire OCBC Group network in 2015.

### **RATINGS BY EXTERNAL AGENCIES**

No rating has been conducted by external agencies on the Bank.

### **CORPORATE GOVERNANCE**

#### **Board Composition and Independence**

The Board comprises nine Directors, of whom five are independent Directors, three non-independent non-executive Directors and an executive Director. The independent Directors are Dato' Ooi Sang Kuang (Chairman of the Bank with effect from 30 March 2014), Dr Raja Lope Bin Raja Shahrome, Mr Lai Teck Poh, Mr Ng Hon Soon (appointed as non-independent non-executive Director with effect from 16 July 2014 and was subsequently redesignated as independent non-executive Director with effect from 1 November 2014) and Mr Tong Hon Keong (appointed as independent non-executive Director with effect from 21 July 2014), while the non-independent non-executive Directors are Mr Samuel N. Tsien, Mr Ching Wei Hong and Mr Tan Siew Peng, Darren. Tuan Syed Abdull Aziz Jailani Bin Syed Kechik is an Executive Director and the Chief Executive Officer ("CEO") of the Bank.

The roles of the Chairman and the CEO are separated, which is consistent with the principles of corporate governance as set out in the BNM Guidelines on Corporate Governance for Licensed Islamic Institutions to institute an appropriate balance of power and authority. The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agendas in consultation with the CEO; ensuring that the Directors receive accurate, timely and clear information; encouraging constructive relations between the Board and management; facilitating the effective contribution of non-executive Directors and promoting high standards of corporate governance. This is pertaining to only Board proceedings and is not a comprehensive list of the duties and responsibilities of the Chairman.

The members of the Board, as a group, provide skills and competencies to ensure the effectiveness of the Board. These include banking, accounting, Shariah principles and Islamic Finance, legal, strategy formulation, business acumen, management experience, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors' professional qualifications and background are outlined in "Profile of the Board of Directors".

As a principle of good corporate governance, all Directors are subject to re-election. The Bank's Articles of Association provide for the retirement of Directors by rotation. All appointments and re-appointments of Directors have to be approved by BNM.

Some of the Directors are also members of the Board Audit Committee, the Nominating Committee and the Risk Management Committee. 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 interests of the shareholder while taking into account the interests of the other stakeholders.

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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Board Conduct and Responsibilities (continued)**

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

- i) Reviewing and approving overall business strategy developed and recommended by management;
- ii) Ensuring that decisions and investments are consistent with long-term strategic goals;
- iii) Ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- iv) 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;
- v) Reviewing any transaction for the acquisition or disposal of assets that is material to the Bank; and
- vi) 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.

Prior to each meeting, members are provided with timely and adequate information to enable them to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial reports, risk management reports, budgets, forecasts and reports of variance from budgets and forecasts.

The Board and the Board Audit Committee have separate and independent access to the internal auditors, external auditors, the Bank's senior management and the Bank's 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 development, on a continuing basis, to perform their roles on the Board and its Committees. This, among other subjects, includes updates on regulatory developments, new business and products, accounting and finance, corporate governance and risk management, which are provided by subject matter experts from within and outside the Bank. A separate programme is established for new Directors which focuses on introductory information, briefings by senior executives on their respective areas and external courses, where relevant. The Board, as a whole, also receives briefings on relevant new rules, laws and regulations, risk management updates and changes in accounting standards.

#### **Board and Individual Director Performance**

The annual performance evaluation process was established to assess the Board as a whole, as well as the performance of each individual Director with the endorsement of the Nominating Committee.

#### **Board Audit Committee**

The Board Audit Committee ("BAC") comprises Mr Lai Teck Poh (appointed as Chairman of the BAC with effect from 1 April 2014), Mr Ng Hon Soon (appointed as member of BAC with effect from the 16 July 2014) and Mr Tong Hon Keong (appointed as member of BAC with effect from 1 August 2014); all of whom are independent Directors. Tan Sri Dato' Nasruddin Bin Bahari ceased to be the Chairman of BAC with effect from 29 March 2014 and Ms Tan Siok Choo ceased to be a member of BAC on 31 July 2014. Dato' Ooi Sang Kuang was appointed as a member of BAC with effect from 20 May 2014 and later stepped down on 28 July 2014.

The Board approved the terms of reference of the BAC. The Committee may meet at any time but no less than six times a year. It has full access to, and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Bank's financial statements, the BAC reviews and evaluates with the external and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls; and risk management policies and systems. It reviews the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the external auditors. When the external auditors provide non-audit services to the Bank, the Committee keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The BAC also reviews significant financial reporting issues and judgments to ensure the integrity of the financial statements, and announcements relating to financial performance.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Board Audit Committee (continued)**

The Bank has in place a whistle blowing policy and the BAC reviews concerns, including anonymous complaints, which staff may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed-up. It meets at least once a year with the external and internal auditors in separate sessions and without the presence of management to consider any matters which might be raised privately. Formal reports are sent to the BAC on a regular basis. The Board is updated on these reports. The BAC has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Bank and the external auditors are compatible with maintaining the independence of the external auditors.

#### **Internal Audit Function**

The BAC 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 and charter require it to provide independent and reasonable, but not absolute assurance that the Bank's system of risk management, control and governance processes, as designed and implemented by senior management, are adequate and effective. Internal Audit reports on the adequacy of the system of internal controls to the BAC and management, but does not form any part of the system of internal controls. Internal Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors and the Shariah Governance Framework for Islamic Financial Institutions issued by BNM. In addition, the Internal Auditors have acquired the necessary qualifications and training in Islamic Banking.

Internal Audit has implemented risk-based audit processes. Audit work is prioritised and scoped according to an assessment of risk exposures, including not only financial risks but operational, compliance and strategic risks as well.

The work undertaken by Internal Audit includes the audit of the Bank's system of internal controls over its key operations, review of security and access controls for the Bank's key computer systems, review of control processes within and around new products and system enhancements, and review of controls over the monitoring of market, liquidity and credit risks. Internal Audit also participates in major new system developments and special projects, to help evaluate risk exposures and to help ensure that proposed compensating internal controls are adequately evaluated on a timely basis. It also ascertains that the internal controls are adequate to ensure prompt and accurate recording of transactions and proper safekeeping of assets, and that the Bank complies with laws and regulations, adheres to established policies and takes appropriate steps to address control deficiencies.

The BAC is responsible for the adequacy of the internal audit function, its resources and its 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. Internal Audit reports functionally to the BAC and administratively to the CEO, and has unfettered access to the BAC, Board and senior management, as well as the right to seek information and explanations. The division is organised into departments that are aligned with the structure of the Bank. The BAC approves the appointment and removal of the Head of Internal Audit.

#### **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 judgment in decision making, human error, losses, fraud or other irregularities.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

**CORPORATE GOVERNANCE (continued)**

**Disclosure of Shariah Committee**

In accordance with the Shariah Governance Framework, the Shariah Committee ("SC") members are expected to participate and engage themselves actively in deliberating Shariah issues in relation to the Bank's activities and operations. Their main duties and responsibilities are as follows:

- (a) To be responsible and accountable for all Shariah decisions, opinions and views sought by the Bank;
- (b) To advise the Board on Shariah related matters and to ensure that the Bank complies with Shariah principles at all times;
- (c) To endorse the SC's Report on the state of the Shariah compliance of the Bank disclosed in the annual financial statements of the Bank;
- (d) To review and endorse Shariah related guidelines;
- (e) To validate the relevant documentations in order to ensure that the Bank's Islamic Banking products comply with Shariah principles, the SC must approve:
  - (i) the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
  - (ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product;
- (f) To provide advice on Shariah matters to the Bank's related parties such as legal counsel, auditors or consultants upon request;
- (g) To provide written Shariah opinion in the following circumstances:
  - (i) where the Bank makes reference to the Shariah Advisory Council ("SAC") of BNM for further deliberations; or
  - (ii) where the Bank submits applications to BNM for new product approvals;
- (h) To oversee the computation and distribution of zakat and other funds to be channelled to charity;
- (i) To put on record, in written form, any opinion that it gives on Shariah related issues;
- (j) To develop a structured process in arriving at Shariah decisions which must be documented, adopted and maintained at all times to ensure the credibility of decision-making; and
- (k) SC members shall not act in a manner that would undermine the rulings and decisions made by the SAC or the committee they represent.

**Shariah Advisors' Attendance at Shariah Committee Meetings in 2014**

Name of Shariah Advisor	Scheduled Meetings	
	Held+	Attended
Prof. Dr Abdullah @ Alwi Bin Hj. Hassan	10	9
Assoc. Prof. Dr Mahamad Bin Arifin	10	10
Prof. Dr Wan Sabri Bin Wan Yusof	10	10
Asst. Prof. Dr Muhammad Naim Bin Omar	10	8
Asst. Prof. Dr Mohamad Asmadi Bin Haji Abdullah *	7	7

\* Asst. Prof. Dr Mohamad Asmadi Bin Haji Abdullah joined as SC Member on 1 April 2014

+ Reflects the number of meetings held during the time the Advisor held office



**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)****CORPORATE GOVERNANCE (continued)****Management Information**

All Directors review Board reports prior to the Board meeting. Information and materials, duly endorsed by the CEO 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, financials and risks to the Directors on a regular basis as well as on an ad-hoc basis. The Board reports include, amongst others, the following:

- i) Minutes of meeting of all Board Committees
- ii) Monthly Performance Report of the Bank
- iii) At least quarterly Credit Risk Management Report
- iv) At least quarterly Asset Liability & Market Risk Report
- v) At least quarterly Operational Risk Management Report
- vi) At least quarterly Shariah Risk Management Update; and
- vii) At least quarterly Report of Shariah Committee Decisions

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 2014**

Name of Director	Schedule of meetings							
	Board		Board Audit Committee		Nominating Committee		Risk Management Committee	
	Held+	Attended	Held+	Attended	Held+	Attended	Held+	Attended
Dato' Ooi Sang Kuang (Appointed as Chairman on 30 March 2014)	7	7	2	2	4	4	6	6
Tuan Syed Abdull Aziz Jailani Bin Syed Kechik	7	^ 6	-	-	-	-	-	-
Samuel N. Tsien	7	6	-	-	4	3	6	5
Ching Wei Hong	7	^ 6	-	-	4	4	6	6
Dr Raja Lope Bin Raja Shahrome	7	7	-	-	-	-	6	6
Lai Teck Poh	7	7	6	6	4	4	6	6
Tan Siew Peng, Darren	7	^ 5	-	-	-	-	6	5
Ng Hon Soon (Appointed on 16 July 2014)	3	3	3	3	1	1	3	3
Tong Hon Keong (Appointed on 21 July 2014)	3	3	2	2	-	-	3	3
Tan Sri Dato' Nasruddin Bin Bahari (Retired as Chairman on 29 March 2014)	3	3	2	2	1	1	2	2
Tan Siok Choo (Retired on 31 July 2014)	5	4	4	4	3	3	4	4
Chew Sun Teong, Jeffrey (Resigned on 1 July 2014)	4	4	-	-	-	-	3	3

+ Reflects the number of meetings held during the time the Director held office.

^ Tuan Syed Abdull Aziz Jailani Bin Syed Kechik, Mr Ching Wei Hong and Mr Tan Siew Peng, Darren abstained themselves from attending the Special Board Meeting on 20 February 2014 by virtue that they are deemed interested in the subject matter being discussed.

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

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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Profile of the Board of Directors**

##### **Dato' Ooi Sang Kuang**

###### ***Chairman***

Dato' Ooi Sang Kuang was appointed to the Board on 6 April 2012 and later as Deputy Chairman on 27 November 2012 and then Chairman of the Board on 30 March 2014. He was a Special Advisor in Bank Negara Malaysia ("BNM") until he retired on 31 December 2011. Prior to this, he was Deputy Governor and Member of the Board of Directors of BNM, from 2002 to 2010. Dato' Ooi is presently the Chairman of Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"), Cagamas Berhad (the national mortgage corporation in Malaysia) and its subsidiaries, Xeraya Capital Sdn Bhd and Xeraya Capital Labuan Ltd as well as a director of OCBC Management Services Pte Ltd and OCBC Wing Hang Bank Limited. Dato' Ooi holds a Bachelor of Economics with Honours from the University of Malaya and a Master of Arts (Development Finance) from Boston University, USA, and is a Fellow Member of the Asian Institute of Chartered Bankers and a Council Member of the Financial Services Talent Council.

##### **Tuan Syed Abdull Aziz Jailani Bin Syed Kechik**

###### ***Director & Chief Executive Officer, OCBC Al-Amin***

Tuan Syed Abdull Aziz was appointed as a Director and the Chief Executive Officer of OCBC Al-Amin on 24 November 2008. He graduated from Boston University, Massachusetts, USA, and began his career in banking in 1990 as a Risk Management Officer in Corporate Banking Group of Citibank Malaysia Berhad ("Citibank"). During his 12 years in Citibank, he was involved in various business and risk management functions within the Corporate and Institutional Banking wholesale banking division. Prior to joining OCBC Al-Amin, he was the Chief Operating Officer and Head of Corporate and Investment Banking of Bank Muamalat Malaysia Berhad. He is also a member of the Association of Certified Islamic Finance Professional.

##### **Mr Samuel N. Tsien**

Mr Samuel Tsien was appointed to the Board on 15 April 2012. He was appointed to the Board of Oversea-Chinese Banking Corporation Limited ("OCBC Bank") on 13 February 2014 and as Group Chief Executive Officer on 15 April 2012. Mr Tsien joined OCBC Bank in July 2007 as Senior Executive Vice President, managing the Group's corporate and commercial banking business. In 2008, he assumed the position as Global Head of Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 37 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Mr Tsien is presently Chairman of OCBC Bank (China) Ltd and a Commissioner of PT Bank OCBC NISP Tbk. He also serves on the boards of major OCBC Group companies, including Great Eastern Holdings Ltd, Bank of Singapore Ltd and OCBC Wing Hang Bank Ltd. He is also concurrently the Chairman of the Association of Banks in Singapore since June 2013, a council member of the Singapore Business Federation and a Director of Mapletree Investments Pte Ltd. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles ("UCLA").

##### **Mr Ching Wei Hong**

Mr Ching Wei Hong was appointed to the Board on 1 August 2008. He was appointed as the Group Chief Operating Officer of OCBC Bank on 15 April 2012. In addition to Global Consumer Financial Services which he has oversight of since May 2010, he is responsible for the Group Operations & Technology, Group Corporate Communications, Group Quality & Service Excellence and OCBC Property Services functions of OCBC Bank. Mr Ching is also the Chairman of Bank of Singapore Ltd, OCBC Securities Pte Ltd, Lion Global Investors Limited and OCBC Investment Research Pte Ltd. As Head of Global Consumer Financial Services, he is responsible for building the OCBC Group's consumer banking business in key markets and expanding its wealth management franchise. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Before joining OCBC Bank, 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.

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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

### **CORPORATE GOVERNANCE (continued)**

#### **Profile of the Board of Directors (continued)**

##### **Dr Raja Lope Bin Raja Shahrome**

Dr Raja Lope was appointed to the Board on 1 August 2008. Dr Raja Lope holds an Honours Degree in Economics from the University of Malaya in Singapore, a Master of Arts 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 worked in a rating agency. He sits on the Board of Directors of OCBC Malaysia, First Nationwide Holdings Sdn Bhd, Pac Lease Berhad, and several other private companies.

##### **Mr Lai Teck Poh**

Mr Lai Teck Poh was appointed to the Board on 7 January 2011. He joined OCBC Bank as an Executive Vice President and Head of Corporate Banking in January 1988. During his tenure with OCBC Bank, he 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 before his retirement on 14 April 2010. He has over 45 years of banking experience, including about 20 years in Citibank, N.A. Singapore with overseas assignments in Jakarta, New York and London. He is also a Director of OCBC Bank, OCBC Malaysia and AVJennings Limited, and a Commissioner of PT Bank OCBC NISP Tbk. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore.

##### **Mr Tan Siew Peng, Darren**

Mr Darren Tan was appointed to the Board on 6 April 2012. He is an Executive Vice President and the Group Chief Financial Officer ("CFO") of OCBC Bank. He oversees financial, regulatory and management accounting, treasury financial control, corporate treasury, funding and capital management, corporate planning and development and investor relations of OCBC Bank. He joined OCBC Bank in March 2007 as Head of Asset Liability Management in Global Treasury and assumed the role of Deputy CFO in May 2011 prior to being appointed CFO in December 2011. Prior to joining OCBC Bank, he worked for 13 years in the Government of Singapore Investment Corporation ("GIC") with his last position in GIC as Head of Money Markets. He is also a Director of OCBC Overseas Investments Pte Ltd, OCBC Sigma Investment Private Limited, Lion Global Investors Limited, OCBC Bank (China) Ltd, OCBC Pearl Limited and OCBC Malaysia. Mr Darren Tan graduated with First Class Honours in Accountancy from Nanyang Technological University and is a Chartered Financial Analyst.

##### **Mr Ng Hon Soon**

Mr Ng Hon Soon was appointed to the Board on 16 July 2014 as a non-independent non-executive Director and was later redesignated as an independent non-executive Director on 1 November 2014. He was previously attached to the Economics Department of BNM from 1984 to 1994 before joining the research team of Nomura Advisory Services (M) Sdn Bhd in 1994. He then joined The Pacific Bank Berhad in 1995 overseeing, amongst others, corporate planning and risk management functions. In 2001, he was appointed to head PacificMas Berhad (renamed from The Pacific Bank Berhad following the sale of its banking business) as its General Manager. He was seconded by PacificMas Berhad to The Pacific Insurance Berhad as its Chief Executive Officer from 2002 to 2003 and was appointed the Chief Executive Officer of PacificMas Berhad in 2004 until his resignation in 2012, following the commencement of the voluntary winding-up of the company. Mr Ng is currently a Director of OCBC Malaysia, Great Eastern Life Assurance (Malaysia) Berhad, Overseas Assurance Corporation (Malaysia) Berhad, RAM Rating Services Berhad and Pac Lease Berhad. Mr Ng holds a Bachelor of Applied Science (Hons.) from Universiti Sains Malaysia and a Master in Public Administration from Harvard University.

##### **Mr Tong Hon Keong**

Mr Tong Hon Keong was appointed to the Board on 21 July 2014. He had an illustrious career in Maybank spanning over 30 years. He gained wide ranging experience in various functional responsibilities, covering Planning, Information Systems, Central Operations and Management Information Services. He is a Director of OCBC Malaysia. Mr Tong holds a Bachelor of Economics (Hons.) from University of Malaya.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

**DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS**

Directors who served since the date of the last report are:

Dato' Ooi Sang Kuang - Chairman (Appointed Chairman on 30 March 2014)  
 Tuan Syed Abdull Aziz Jailani Bin Syed Kechik  
 Samuel N. Tsien  
 Ching Wei Hong  
 Dr Raja Lope Bin Raja Shahrome  
 Lai Teck Poh  
 Tan Siew Peng, Darren  
 Ng Hon Soon (Appointed on 16 July 2014)  
 Tong Hon Keong (Appointed on 21 July 2014)  
 Tan Sri Dato' Nasruddin Bin Bahari (Retired as Chairman on 29 March 2014)  
 Tan Siok Choo (Retired on 31 July 2014)  
 Chew Sun Teong, Jeffrey (Resigned on 1 July 2014)

In accordance with Articles 106 and 107 of the Bank's Articles of Association, Dato' Ooi Sang Kuang and Mr Tan Siew Peng, Darren 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 Ng Hon Soon and Mr Tong Hon Keong shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dr Raja Lope Bin Raja Shahrome, who has attained 70 years of age, offers himself 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

	Shareholdings registered in the name of Directors of in which Directors have a direct interest		
	At 1 January 2014	Acquired	At 31 December 2014
<u>Ordinary Shares</u>			
Dato' Ooi Sang Kuang	5,163	7,870	13,033
Tuan Syed Abdull Aziz Jailani Bin Syed Kechik	-	7,012	7,012
Samuel N. Tsien	183,029	132,431	315,460
Ching Wei Hong	125,584	89,458	215,042
Dr Raja Lope Bin Raja Shahrome	2,000	79	2,079
Lai Teck Poh	599,266	191,428	790,694
Tan Siew Peng, Darren	192,716	133,700	326,416

OCBC AL-AMIN BANK BERHAD  
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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)

### DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS (continued)

#### Oversea-Chinese Banking Corporation Limited (continued)

	OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan				
	At 1 January 2014	Acquired/ Awarded/ Granted	Rights Issue	Exercised/ Forfeited/ Lapsed	At 31 December 2014
Tuan Syed Abdull Aziz Jailani					
Bin Syed Kechik	9,671 *	6,006	341	(2,793)	13,225
Samuel N. Tsien	344,227	261,779	14,394	(87,258)	533,142
Ching Wei Hong	171,703	71,925	5,130	(58,690)	190,068
Tan Siew Peng, Darren	214,460	81,516	5,859	(84,775)	217,060

\* Restated from 14,555 as disclosed previously

	Unexercised share options available to the Directors under the OCBC Share Option Scheme 2001					
	At 1 January 2014	Granted	Rights Issue	Exercised/ Forfeited/ Lapsed	At 31 December 2014	Date options expire
Tuan Syed Abdull Aziz Jailani Bin Syed Kechik	31,537	15,449	890	(13,343)	34,533	13/3/2021-13/3/2024
Samuel N. Tsien	1,827,201	647,892	70,044	-	2,545,137	15/3/2019-13/3/2024
Ching Wei Hong	704,407	166,724	24,651	-	895,782	13/3/2017-13/3/2024
Lai Teck Poh	267,000	-	5,518	(72,000)	200,518	13/3/2015-15/3/2019
Tan Siew Peng, Darren	296,214	190,048	13,759	-	500,021	14/3/2020-13/3/2024

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

Since the end of the previous 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 the Directors as shown in the financial statements or the fixed salary of a full time employee of the Bank or of related corporations) 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.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Bank to 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 OCBC Bank pursuant to the OCBC Share Option Scheme 2001, 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.

### HOLDING AND ULTIMATE HOLDING COMPANY

The Bank is a wholly-owned subsidiary of OCBC Bank (Malaysia) Berhad and the Directors regard Oversea-Chinese Banking Corporation Limited, a licensed commercial bank incorporated in Singapore, as the ultimate holding company of the Bank.

Company No.818444-T

OCBC AL-AMIN BANK BERHAD  
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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)**

**AUDITORS**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**DATO' OOI SANG KUANG**  
Chairman

**TUAN SYED ABDULL AZIZ JAILANI BIN SYED KECHIK**  
Director

Kuala Lumpur, Malaysia

27 March 2015

Company No.818444-T

OCBC AL-AMIN BANK 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 17 to 74 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2014 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**DATO' OOI SANG KUANG**  
Chairman

**TUAN SYED ABDULL AZIZ JAILANI BIN SYED KECHIK**  
Director

Kuala Lumpur, Malaysia

27 March 2015

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

I, Yuen Sook Cheng, the officer primarily responsible for the financial management of OCBC Al-Amin Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 17 to 74 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 Malaysia on 27 March 2015

**YUEN SOOK CHENG**

Before me:

Commissioner for Oaths

OCBC AL-AMIN BANK BERHAD  
(Incorporated in Malaysia)

### **SHARIAH COMMITTEE'S REPORT**

To the shareholders, depositors and customers of OCBC Al-Amin Bank Berhad;

In the name of Allah, the most Beneficent, the most Merciful.

Praise to Allah, the Lord of the Worlds and peace and blessings be upon our Prophet Muhammad, and on his family and companions.

In carrying out the roles and responsibilities of the Bank's Shariah Committee as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, we hereby submit the following report for the financial year ended 31 December 2014:

We have reviewed the principles and contracts relating to the transactions and applications undertaken by the Bank during the financial year ended 31 December 2014. We have also conducted our review to form an opinion as to whether the Bank has complied with Shariah rules and relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and requirements. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and, to report to you.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah principles.

We are of the opinion that:

- (a) The contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2014, that we have reviewed are in compliance with the Shariah principles except as disclosed in (c);
- (b) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
- (c) During the financial year, the Bank received RM88,912 as Shariah non-compliant income from Shariah non-compliant events and as a result of commission received from conventional insurers. There were ten (10) occurrences of Shariah non-compliant events identified during the year. In general, the Shariah non-compliant events were due to people and process factors such as failure to adhere to procedures/guidelines and improper execution of documentation and contracts according to the Shariah requirements. The Bank has taken the necessary steps to rectify the breaches. The Bank has also implemented several preventive measures to avoid similar occurrences such as revising the process flow for documentation execution, tightening the controls in the products' process flows and organising training sessions to instill strong Shariah awareness and understanding amongst the Bank's staff. The distribution of the Shariah non-compliant income is disclosed in Note 31; and
- (d) In the financial year, the Bank has fulfilled its obligation to pay zakat on its business to state zakat authorities and the zakat is computed using the growth capital method.

We, the members of the Shariah Committee of OCBC Al-Amin Bank Berhad, do hereby confirm that the operations of the Bank for the year ended 31 December 2014 have been conducted in conformity with the Shariah principles.

**PROF. DR ABDULLAH @ ALWI BIN HJ. HASSAN**  
Chairman of the Shariah Committee

**ASSOC. PROF. DR MAHAMAD BIN ARIFIN**  
Member of Shariah Committee

Kuala Lumpur, Malaysia  
Date: 27 March 2015



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OCBC AL-AMIN BANK BERHAD**

Company No.818444-T  
(Incorporated in Malaysia)

### **Report on the Financial Statements**

We have audited the financial statements of OCBC Al-Amin Bank Berhad, which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 74.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls 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 about 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 judgement, 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.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Company No.818444-T

**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

**Ow Peng Li**

Approval Number: 2666/09/15(J)  
Chartered Accountant

Petaling Jaya, Malaysia  
Date: 27 March 2015

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
<b>ASSETS</b>			
Cash and cash equivalents	2	1,179,551	963,230
Financial investments available-for-sale	3	2,843,810	2,061,763
Financing and advances	4	9,168,014	6,762,954
Derivative financial assets	6	4,102	44
Other assets	7	75,988	54,716
Current tax assets		9,678	1,682
Statutory deposits with Bank Negara Malaysia	8	379,800	270,800
Property and equipment	9	5,482	8,049
Deferred tax assets	10	1,966	2,446
<b>Total assets</b>		<u>13,668,391</u>	<u>10,125,684</u>
<b>LIABILITIES</b>			
Deposits from customers	11	10,014,608	6,675,588
Deposits and placements of banks and other financial institutions	12	2,521,511	2,555,128
Bills and acceptances payable		20,644	13,679
Subordinated bond	13	200,000	200,000
Derivative financial liabilities	6	4,136	36
Other liabilities	14	118,693	86,056
Zakat		35	30
<b>Total liabilities</b>		<u>12,879,627</u>	<u>9,530,517</u>
<b>EQUITY</b>			
Share capital	15	165,000	125,000
Reserves	16	623,764	470,167
<b>Total equity</b>		<u>788,764</u>	<u>595,167</u>
<b>Total liabilities and equity</b>		<u>13,668,391</u>	<u>10,125,684</u>
<b>Commitments and contingencies</b>	28	<u>1,883,257</u>	<u>1,549,635</u>

The accompanying notes form an integral part of the financial statements.

OCBC AL-AMIN BANK BERHAD  
(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
Income derived from investment of depositors' funds and others	17	638,511	449,068
Income derived from investment of shareholder's funds	18	88,952	74,510
Impairment allowance on financing and advances	19	<u>(161,329)</u>	<u>(56,054)</u>
Total distributable income		566,134	467,524
Income attributable to depositors	20	<u>(296,862)</u>	<u>(193,644)</u>
Total net income		269,272	273,880
Operating expenses	22	<u>(181,925)</u>	<u>(137,583)</u>
<b>Profit before income tax expense and zakat</b>		87,347	136,297
Income tax expense	26	(16,783)	(28,774)
Zakat		<u>(35)</u>	<u>(30)</u>
<b>Profit for the year</b>		<u>70,529</u>	<u>107,493</u>
 <b>Other comprehensive income/(loss), net of income tax</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Fair value (available-for-sale) reserve:			
- Change in fair value		5,375	(12,669)
- Amount transferred to profit or loss		(1,285)	(6,100)
Income tax expense relating to components of other comprehensive income		<u>(1,022)</u>	<u>4,692</u>
<b>Other comprehensive income/(loss) for the year, net of income tax</b>		<u>3,068</u>	<u>(14,077)</u>
<b>Total comprehensive income for the year</b>		<u>73,597</u>	<u>93,416</u>
Profit attributable to owner of the Bank		<u>70,529</u>	<u>107,493</u>
Total comprehensive income attributable to owner of the Bank		<u>73,597</u>	<u>93,416</u>
<b>Basic earnings per ordinary share (sen)</b>	27	<u>47.93</u>	<u>90.14</u>

The accompanying notes form an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<i>Non-distributable</i>			<i>Distributable</i>		<b>Total Equity</b>
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Statutory Reserve</b>	<b>Fair Value Reserve</b>	<b>Retained Earnings</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2014</b>						
At 1 January 2014	125,000	250,000	107,389	(5,410)	118,188	595,167
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	5,375	-	5,375
- Amount transferred to profit or loss	-	-	-	(1,285)	-	(1,285)
Income tax expense relating to components of other comprehensive income	-	-	-	(1,022)	-	(1,022)
<b>Total other comprehensive income for the year</b>	-	-	-	3,068	-	3,068
Profit for the year	-	-	-	-	70,529	70,529
<b>Total comprehensive income for the year</b>	-	-	-	3,068	70,529	73,597
<b>Contributions by and distributions to owner of the Bank</b>						
Issue of ordinary shares	40,000	80,000	-	-	-	120,000
Transfer to statutory reserve	-	-	35,264	-	(35,264)	-
At 31 December 2014	165,000	330,000	142,653	(2,342)	153,453	788,764
<b>2013</b>						
At 1 January 2013	115,000	230,000	53,643	8,667	64,441	471,751
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	(12,669)	-	(12,669)
- Amount transferred to profit or loss	-	-	-	(6,100)	-	(6,100)
Income tax expense relating to components of other comprehensive income	-	-	-	4,692	-	4,692
<b>Total other comprehensive loss for the year</b>	-	-	-	(14,077)	-	(14,077)
Profit for the year	-	-	-	-	107,493	107,493
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	(14,077)	107,493	93,416
<b>Contributions by and distributions to owner of the Bank</b>						
Issue of ordinary shares	10,000	20,000	-	-	-	30,000
Transfer to statutory reserve	-	-	53,746	-	(53,746)	-
At 31 December 2013	125,000	250,000	107,389	(5,410)	118,188	595,167

The accompanying notes form an integral part of the financial statements.

OCBC AL-AMIN BANK BERHAD  
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	2014	2013
Note	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before income tax expense and zakat	87,347	136,297
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial investments available-for-sale	(1,285)	(6,100)
- Property and equipment	21	27
Depreciation of property and equipment	2,755	3,447
Impairment allowance on financing and advances	161,329	56,054
Unrealised loss on revaluation of derivatives	42	41
Operating profit before changes in working capital	<u>250,209</u>	<u>189,766</u>
<i>(Increase)/Decrease in Operating Assets:</i>		
Financing and advances	(2,566,389)	(2,523,286)
Derivative financial assets	(4,058)	5,548
Other assets	(21,314)	39,839
Statutory deposits with Bank Negara Malaysia	(109,000)	(56,300)
<i>Increase/(Decrease) in Operating Liabilities:</i>		
Deposits from customers	3,339,020	2,195,746
Deposits and placements of banks and other financial institutions	(33,617)	861,246
Bills and acceptances payable	6,965	(1,116)
Derivative financial liabilities	4,100	(5,507)
Other liabilities	32,657	(7,374)
<b>Cash generated from operations</b>	<u>898,573</u>	<u>698,562</u>
Income tax and zakat paid	<u>(25,351)</u>	<u>(26,357)</u>
<b>Net cash generated from operating activities</b>	<u>873,222</u>	<u>672,205</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial investments available-for-sale	(3,507,020)	(2,632,407)
Proceeds from disposal of financial investments available-for-sale	2,730,348	2,873,252
Acquisition of property and equipment	(301)	(4,566)
Proceeds from disposal of property and equipment	72	1,059
<b>Net cash (used in)/generated from investing activities</b>	<u>(776,901)</u>	<u>237,338</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	<u>120,000</u>	<u>30,000</u>
<b>Net cash generated from financing activities</b>	<u>120,000</u>	<u>30,000</u>
<b>Net increase in cash and cash equivalents</b>	216,321	939,543
<b>Cash and cash equivalents at 1 January</b>	<u>963,230</u>	<u>23,687</u>
<b>Cash and cash equivalents at 31 December</b>	2 <u>1,179,551</u>	<u>963,230</u>

The accompanying notes form an integral part of the financial statements.

OCBC AL-AMIN BANK BERHAD  
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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

### GENERAL INFORMATION

The Bank is a licensed Islamic Bank principally engaged in Islamic Banking and related financial services. There were no significant changes in these activities during the financial year.

The immediate and ultimate holding company of the Bank is OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"), incorporated in Malaysia and Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), incorporated in Singapore, respectively.

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, and the address of the principal place of business is 25th Floor, Wisma Lee Rubber, 1, Jalan Melaka, 50100, Kuala Lumpur.

These financial statements were approved and authorised for issue by the Board of Directors on 27 March 2015.

### BASIS OF PREPARATION

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

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

#### (a) Statement of Compliance

The financial statements of the Bank have been prepared under the historical cost convention (except as disclosed in the notes to the financial statements), in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and Shariah requirements.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank as they are either not applicable or not yet effective.

#### Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS12, *Disclosures of Interest in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**BASIS OF PREPARATION (continued)**

**(a) Statement of Compliance (continued)**

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

The Bank plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016 except for MFRS 141 which is not applicable to the Bank.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements except as mentioned below:

**MFRS 15, *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretations 131, *Revenue - Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 15.

**MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 9.

**(b) Use of estimates and judgements**

In the preparation of the financial statements in conformity with MFRSs, requires management 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**BASIS OF PREPARATION (continued)**

**(b) Use of estimates and judgements (continued)**

There are no significant areas of estimation uncertainty and critical judgements used in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

- (i) Fair value estimation for financial investments available-for-sale (Note 3) and derivative financial assets and liabilities (Note 6). 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 is not available, judgement is required in the determination of model input, which normally incorporates assumptions that other market participants would use in their valuations, including assumptions about profit rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgement is also required in assessing the impairment of financial investments available-for-sale as the Bank 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 flows.
- (ii) For impaired financing and advances which are individually and collectively assessed, management judgement 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 on the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ.
- (iii) Assessment of impairment of financial investments available-for-sale (Note 3) is made when the investment is impaired. Management judgement is required to evaluate the duration and extent of fair value loss for financial investments available-for-sale in order to determine if impaired.

**1. SIGNIFICANT ACCOUNTING POLICIES**

**A. Foreign currency transactions**

Transactions in foreign currencies are translated to RM, which is the functional currency of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Financial Instruments**

**(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, 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 Bank categorises financial instruments as follows:

***Financial assets***

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

Fair value through profit or loss category comprises financial assets that are held-for-trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives 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.

Other financial assets categorised as fair value through profit or loss are measured at their fair values with the gain or loss recognised in profit or loss as net trading income. Contractual finance income is recognised in profit or loss as finance income.

At the end of the reporting period, financial assets at fair value through profit or loss of the Bank are trading derivatives.

**(b) Held-to-maturity investments**

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Bank has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are measured at amortised cost using the effective profit rate method.

At the end of the reporting period, there are no financial assets of the Bank that are categorised as held-to-maturity investments.

**(c) Financial investments available-for-sale**

Financial investments available-for-sale comprises investment in equity and debt securities instruments that are not held for trading.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Financial Instruments (continued)**

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

***Financial assets (continued)***

**(c) Financial investments available-for-sale (continued)**

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. Other 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 allowances, 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 profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Finance income on debt instruments are calculated using the effective profit rate method and recognised in profit or loss.

**(d) Financing and receivables**

Financing and receivables category comprises debt instruments that are not quoted in an active market, cash and cash equivalents, deposits and placements with banks and other financial institutions and financing and advances.

Financial assets categorised as financing and receivables are measured at amortised cost using the effective profit rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective profit 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 profit rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Finance income is recognised in profit or loss using the effective profit rate method.

Financing and advances consist of sales based contracts (Bai' Inah, Bai' Bithaman Ajil, Tawarruq, Murabahah and Bai' Dayn), leased based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik), equity based contracts (Musharakah Mutanaqisah) and other contracts (Wakalah and Qard).

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (See Note 1(F)).

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are measured at their fair values with the gain or loss recognised in profit or loss.

At the end of the reporting period, there are no financial liabilities categorised as fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Financial instruments (continued)**

**(iii) Financial guarantee contract**

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

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss 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 a 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 market place concerned.

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

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

**(v) Derivatives**

Derivatives are categorised as trading unless they are designated as hedging instruments.

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

All derivative financial instruments are recognised at inception on the statement 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 profit 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 (for example, 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 profit or loss.

When the Bank 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.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Financial instruments (continued)**

**(vi) 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 control of the asset is not retained or substantially all of the risks and rewards of ownership the financial asset are transferred to another party. 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) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, 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 profit or loss.

**(vii) Offsetting**

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

**C. Property and equipment**

**(i) Recognition and measurement**

Items of property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment allowance.

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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other operating income" and "operating expenses" respectively in profit or loss.

**(ii) Subsequent costs**

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be reliably measured. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Property and equipment (continued)**

**(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of the asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Office equipment and furniture	10 years
Computer equipment	3 - 5 years
Renovation	3 - 5 years

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

**D. Operating Lease**

Leases where the Bank does not assume substantially all the risks and rewards of ownership, are classified as operating leases and not recognised on the statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

**E. Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances with banks and central banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of one month or less.

Cash and cash equivalents are categorised and measured as financing and receivables in accordance with Note 1B(ii)(d).

**F. Impairment**

**(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

**(a) Held-to-maturity investments**

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Impairment (continued)**

**(i) Financial assets (continued)**

**(b) Financial investments available-for-sale**

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

Impairment allowance in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated cash flows discounted in the current market rate of return for a similar financial asset.

For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. Impairment allowance recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

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 allowance was recognised in profit or loss, the impairment allowance 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 profit or loss.

**(c) Financing and receivables**

The Bank 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 BNM Guidelines on Classification and Impairment Provisions for Loans/Financing where financing and advances that are past due for more than 90 days or 3 months are 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 profit or principal payments, that it is possible that they will enter bankruptcy or other financial reorganisation 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 potential default.

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

Collective impairment allowance is provided in accordance with the requirements of MFRS 139, Financial Instruments: Recognition and Measurement on collective impairment allowance. Under MFRS 139, financial assets that have not been individually assessed are grouped together and collectively assessed for impairment allowance. These financial assets are grouped according to their credit risk characteristics and collectively assessed for impairment allowance.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Impairment (continued)**

**(i) Financial assets (continued)**

**(c) Financing and receivables (continued)**

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

**(ii) Other assets**

The carrying amounts of other assets (except for deferred tax assets, assets arising from employee benefits and non-current assets (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. If any such indication exists, then 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 inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

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

Impairment allowance is recognised in profit or loss. Impairment allowance recognised in respect of cash-generating units is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (groups of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment allowance recognised in prior periods is assessed at the end of each reporting date for any indications that the loss has decreased or no longer exists. An impairment allowance is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment allowance was recognised. An impairment allowance 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 allowance had been recognised. Reversals of impairment allowance are credited to profit or loss in the year in which the reversals are recognised.

**G. Equity instruments**

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

Ordinary shares are classified as equity.

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



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Employee Benefits**

**(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of 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 services is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

The Bank's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once contributions have been paid, the Bank has no further payment obligations.

**(ii) Share-based payment transactions**

**(a) OCBC Deferred Share Plan**

Under the OCBC Deferred Share Plan ("the Plan"), shares of the ultimate holding company of the Bank are awarded to executives of the rank of Assistant Manager 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.

**(b) OCBC Share Option Scheme 2001**

Under the OCBC Share Option Scheme 2001, shares of the ultimate holding company of the Bank are offered to executives of the rank of Manager and above, including executive Directors and non-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 except for options granted to non-executive Directors which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and are fully vested after the 3rd anniversary.

**(c) OCBC 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.

Equity instruments granted are recognised as expense in profit or loss based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, with corresponding entries to the equity. At each reporting date, the Group revises the estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with recognition of a corresponding liability payable to the ultimate holding company of the Bank. The Bank accrues for profit on the monthly contributions made by employees to the savings-based ESP Plan.

Further details of the equity compensation benefits are disclosed in the financial statements of the immediate holding company.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Provisions**

A provision is recognised if, as a result of past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 finance cost.

**(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 not recognised in the statement of financial position and is disclosed as a 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.

**(ii) Contingent assets**

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, the asset is not recognised in the statement of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

**J. Income and expenses**

**(i) Finance income and finance expense**

Finance income and finance expense are recognised in profit or loss using the effective profit rate method.

The effective profit rate method is a method of calculating the amortised cost of a financial asset, profit-bearing financial investments available-for-sale or a financial liability and of allocating the finance income or finance expense over the relevant period. The effective profit rate is the rate that discounts estimated future cash payments or 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 profit rate, the Bank 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 profit 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 allowance, finance income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment allowance.

Finance income for sale-based contracts (Bai' Inah, Bai' Bithaman Ajil, Tawarruq, Murabahah and Bai' Dayn) are recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding.

Finance income for lease-based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik) are recognised on effective profit rate basis over the lease term.

Finance income for equity-based contracts (Musharakah Mutanaqisah) are recognised on the basis of the reducing balance on a time-apportioned basis that reflects the effective yield on the asset.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Income and expenses (continued)**

**(ii) Fees and commission income**

Processing fees from financing and commissions are recognised on an accrual basis when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as operating income based on time apportionment.

**(iii) Net trading income**

Net trading income comprises gains and losses from changes in fair value of financial assets, trading derivatives, gains and losses on foreign exchange trading and other trading activities.

**(iv) Other Income**

Pursuant to the BNM Guidelines on Late Payment Charges for Islamic Banking Institutions, the Bank recognises all late penalty income as 'Non Finance Income' in profit or loss.

**(v) Dividend Income**

Dividend income is recognised in profit or loss on the date that the Bank's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

**K. Income Tax**

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss 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 financial 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 assets 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 be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the 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.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Zakat contribution**

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

**M. Earnings per ordinary share**

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

**N. Restricted profit sharing investment accounts ("RPSIA")**

These deposits are used to fund specific financing and follow the principle of Mudharabah which states that profits will be shared with the Bank as mudarib and losses borne by depositors.

**O. Profit Equalisation Reserve ("PER")**

PER refers to the amount appropriated out of total gross income in order to maintain an acceptable level of return to depositors as stipulated by the BNM Guidelines on Profit Equalisation Reserve. The Profit Equalisation Reserve is a provision shared by both the depositors and the Bank; the portion belonging to the depositors continues to be recognised as other liabilities while the portion belonging to the Bank is transferred to retained earnings. The Bank currently does not have any PER outstanding.

**P. Fair value measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can assess at the measurement date.

Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Bank recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****2. CASH AND CASH EQUIVALENTS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	29,551	55,580
Money at call and deposit placements with financial institutions maturing within one month	1,150,000	907,650
	<u>1,179,551</u>	<u>963,230</u>
i) By geographical distribution		
Malaysia	1,171,761	928,372
Singapore	3,538	4,738
Other ASEAN	910	956
Rest of the World	3,342	29,164
	<u>1,179,551</u>	<u>963,230</u>

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

**3. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Malaysian Government Investment Issues	1,100,972	1,250,238
Malaysian Government Debt Securities	173,140	115,819
Malaysian Government Islamic Treasury Bills	8,873	-
Bank Negara Malaysia Monetary Notes	772,441	-
Islamic Private Debt Securities	358,955	407,114
Islamic Negotiable Instruments of Deposit	299,457	173,985
Sanadat Mudharabah Cagamas	4,965	64,969
Foreign Government Debt Securities	125,007	49,638
	<u>2,843,810</u>	<u>2,061,763</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****4. FINANCING AND ADVANCES**

(i) By type and Shariah contracts

	Sale based contracts					Lease based contracts			Equity based contracts	Others	Total RM'000
	Bai'		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah		Ijarah	Musharakah Mutanaqisah RM'000	Wakalah and Qard RM'000	
	Bai' Inah RM'000	Bithaman Ajil RM'000				Thumma Al- Bai RM'000	Ijarah RM'000	Muntahiah Bi Al-Tamlik RM'000			
<b>2014</b>											
Term Financing											
- Cash line financing	57,616	51,177	-	-	-	-	55,567	-	-	238	164,598
- House financing	-	20,184	-	-	-	-	-	1,233,772	122,476	-	1,376,432
- Syndicated term financing	-	-	-	-	-	-	-	165,709	-	-	165,709
- Hire purchase receivables	-	-	-	-	-	674,585	-	228,946	-	-	903,531
- Other term financing	2,012,286	253,147	294,059	-	-	-	-	2,140,189	160,653	-	4,860,334
Bills receivable	-	-	-	-	13,007	-	-	-	-	-	13,007
Trust receipts	-	-	-	247	-	-	-	-	-	-	247
Revolving credit	9,144	-	1,641,478	-	-	-	-	-	-	-	1,650,622
Claims on customers under acceptance credits	-	-	-	168,122	60,025	-	-	-	-	-	228,147
Other financing	-	-	-	21,594	-	-	-	-	-	1	21,595
Gross financing and advances	<u>2,079,046</u>	<u>324,508</u>	<u>1,935,537</u>	<u>189,963</u>	<u>73,032</u>	<u>674,585</u>	<u>55,567</u>	<u>3,768,616</u>	<u>283,129</u>	<u>239</u>	<u>9,384,222</u>
Allowance for financing and advances											
- Individual impairment											(62,398)
- Collective impairment											(153,810)
Net financing and advances											<u>9,168,014</u>

Included in financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Accounts ("RPSIA"), arrangements between the Bank and its parent bank, OCBC Malaysia. The parent bank, being the RPSIA depositor, is exposed to the risks and rewards of the business venture and will account for all the individual impairment allowance arising thereon whereas the collective impairment allowance is borne by the Bank.

As at 31 December 2014, the gross exposure relating to RPSIA financing is RM1,320 million (2013: RM649 million) and the collective impairment relating to this RPSIA of RM21.8 million (2013: RM5.7 million).

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****4. FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contracts (continued)

	Sale based contracts				Lease based contracts				Equity based contracts	Others	Total RM'000	
	Bai' Bithaman		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma		Ijarah Muntahiah Bi Al-Tamlik		Musharakah Mutanaqisah RM'000		Wakalah and Qard RM'000
	Bai' Inah RM'000	Ajil RM'000				Al- Bai RM'000	Ijarah RM'000	Bi Al-Tamlik RM'000				
<b>2013</b>												
Term Financing												
- Cash line financing	51,564	58,300	-	-	-	-	3,997	-	-	123	113,984	
- House financing	-	25,454	-	-	-	-	-	501,950	132,237	-	659,641	
- Syndicated term financing	-	-	-	-	-	-	-	150,037	-	-	150,037	
- Hire purchase receivables	-	-	-	-	-	623,877	-	139,803	-	-	763,680	
- Other term financing	1,626,760	301,364	-	-	-	-	-	1,203,615	151,368	-	3,283,107	
Bills receivable	-	-	-	-	11,743	-	-	-	-	30,589	42,332	
Trust receipts	-	-	-	10,556	-	-	-	-	-	-	10,556	
Revolving credit	-	-	1,629,669	-	-	-	-	-	-	-	1,629,669	
Claims on customers under acceptance credits	-	-	-	151,419	39,791	-	-	-	-	-	191,210	
Other financing	-	-	-	23,735	-	-	-	-	-	-	23,735	
Gross financing and advances	1,678,324	385,118	1,629,669	185,710	51,534	623,877	3,997	1,995,405	283,605	30,712	6,867,951	
Allowance for financing and advances												
- Individual impairment											(44,846)	
- Collective impairment											(60,151)	
Net financing and advances											6,762,954	

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****4. FINANCING AND ADVANCES (continued)**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(ii) By type of customer		
Domestic banking institutions	-	30,589
Domestic non-bank financial institutions		
- Others	42,250	130,208
Domestic business enterprises		
- Small and medium enterprises	2,920,762	2,261,736
- Others	2,946,306	2,127,805
Individuals	2,325,249	1,352,278
Foreign entities	1,149,655	965,335
	<u>9,384,222</u>	<u>6,867,951</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	24,820	34,643
- Hire purchase receivables	690,384	632,403
- Other fixed rate financing	2,964,577	2,279,353
Variable rate		
- BFR plus	1,863,893	901,850
- Cost plus	3,840,548	3,019,702
	<u>9,384,222</u>	<u>6,867,951</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	250,740	216,921
Mining and quarrying	92,844	178,872
Manufacturing	1,799,120	1,309,598
Electricity, gas and water	240,636	71,540
Construction	323,238	215,064
Real estate	611,980	658,347
Wholesale & retail trade and restaurants & hotels	1,515,393	1,050,877
Transport, storage and communication	353,918	234,930
Finance, insurance and business services	378,546	399,239
Community, social and personal services	341,178	262,370
Household		
- Purchase of residential properties	1,409,024	651,853
- Purchase of non-residential properties	44,079	25,129
- Others	937,388	715,497
Others	1,086,138	877,714
	<u>9,384,222</u>	<u>6,867,951</u>
(v) By geographical distribution		
Malaysia	8,550,832	6,045,469
Singapore	11,875	5,337
Rest of the world	821,515	817,145
	<u>9,384,222</u>	<u>6,867,951</u>

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



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****4. FINANCING AND ADVANCES (continued)**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(vi) By residual contractual maturity		
Within one year	2,136,309	2,077,386
One year to five years	3,269,819	2,656,952
Over five years	3,978,094	2,133,613
	<u>9,384,222</u>	<u>6,867,951</u>

**5. IMPAIRED FINANCING AND ADVANCES**

## (a) Movements in impaired financing and advances

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	107,359	54,938
Impaired during the year	302,466	170,811
Reclassified as unimpaired	(26,032)	(18,322)
Amount recovered	(127,100)	(66,671)
Amount written off	(60,011)	(33,397)
At 31 December	<u>196,682</u>	<u>107,359</u>
Individual impairment allowance	(62,398)	(44,846)
Collective impairment allowance	(2,216)	(551)
Net impaired financing and advances	<u>132,068</u>	<u>61,962</u>

## (i) By sector

Agriculture, hunting, forestry and fishing	655	524
Mining and quarrying	87	-
Manufacturing	53,233	54,932
Construction	1,367	1,949
Real estate	71,270	1,340
Wholesale & retail trade and restaurants & hotels	18,005	14,474
Transport, storage and communication	6,876	2,269
Finance, insurance and business services	6,255	2,814
Community, social and personal services	2,118	1,350
Household		
- Purchase of residential properties	8,472	2,289
- Purchase of non-residential properties	192	74
- Others	27,489	24,694
Others	663	650
	<u>196,682</u>	<u>107,359</u>

## (ii) By geographical distribution

Malaysia	<u>196,682</u>	<u>107,359</u>
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The analysis by geography is determined based on where the credit risk resides.

## (iii) By period overdue

Less than 3 months	136,978	63,245
3 months to less than 6 months	33,128	20,701
6 months to less than 9 months	7,575	3,297
Over 9 months	19,001	20,116
	<u>196,682</u>	<u>107,359</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****5. IMPAIRED FINANCING AND ADVANCES (continued)**

(a) Movements in impaired financing and advances (continued)	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(iv) By collateral type		
Property	90,986	9,222
Fixed deposits	-	143
Machinery	6,932	6,441
Secured - others	8,625	7,811
Unsecured - corporate and other guarantees	9,832	2,975
Unsecured - clean	80,307	80,767
	<u>196,682</u>	<u>107,359</u>

## (b) Movements in allowance for financing and advances

**Individual impairment allowance**

At 1 January	44,846	32,333
Made during the year	115,007	74,672
Amount written back	(37,331)	(28,650)
Amount written off	(60,011)	(33,371)
Financing income earned on impaired financing	(113)	(138)
At 31 December	<u>62,398</u>	<u>44,846</u>

**Collective impairment allowance**

At 1 January	60,151	41,191
Made during the year	93,659	18,960
At 31 December	<u>153,810</u>	<u>60,151</u>

## (i) By sector

<b>2014</b>	<b>Individual impairment allowance RM'000</b>	<b>Individual impairment allowance charged to profit or loss RM'000</b>	<b>Individual impairment allowance written off RM'000</b>	<b>Collective impairment allowance RM'000</b>
Agriculture, hunting, forestry and fishing	236	185	103	4,133
Mining and quarrying	87	87	-	1,531
Manufacturing	11,992	9,932	4,456	29,488
Electricity, gas and water	-	-	-	3,971
Construction	698	1,100	1,106	5,322
Real estate	288	-	-	10,093
Wholesale & retail trade and restaurants & hotels	11,550	17,923	11,714	24,813
Transport, storage and communication	3,481	3,788	1,070	5,782
Finance, insurance and business services	3,890	5,016	1,689	6,182
Community, social and personal services	1,662	2,609	1,277	5,602
Household				
- Purchase of residential properties	1,130	1,028	83	23,230
- Purchase of non-residential properties	-	-	-	727
- Others	27,316	73,284	38,513	15,016
Others	68	55	-	17,920
	<u>62,398</u>	<u>115,007</u>	<u>60,011</u>	<u>153,810</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****5. IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for financing and advances (continued)

(i) By sector (continued)

2013	Individual	Individual	Individual	Collective
	impairment	impairment	impairment	impairment
	allowance	allowance	allowance	allowance
	RM'000	charged to	written off	RM'000
		profit or loss	RM'000	
		RM'000		
Agriculture, forestry and fishing	180	7	5	1,911
Mining and quarrying	-	-	-	1,577
Manufacturing	7,158	2,245	1,007	11,482
Electricity, gas and water	-	-	-	631
Construction	773	909	243	1,889
Real estate	394	411	-	5,800
Wholesale & retail trade and restaurants & hotels	8,085	6,894	2,547	9,193
Transport, storage and communication	1,304	995	9	2,060
Finance, insurance and business services	1,181	1,437	500	3,509
Community, social and personal services	689	672	97	2,307
Household				
- Purchase of residential properties	643	234	161	5,741
- Purchase of non-residential properties	-	-	-	222
- Others	24,389	60,798	28,557	6,093
Others	50	70	245	7,736
	<u>44,846</u>	<u>74,672</u>	<u>33,371</u>	<u>60,151</u>

(ii) By geographical distribution

	2014	2013
	RM'000	RM'000
<b>Individual impairment allowance</b>		
Malaysia	<u>62,398</u>	<u>44,846</u>
<b>Collective impairment allowance</b>		
Malaysia	140,059	52,900
Singapore	196	47
Rest of the World	13,555	7,204
	<u>153,810</u>	<u>60,151</u>

**6. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	2014			2013		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets	Liabilities		Assets	Liabilities
		RM'000	RM'000		RM'000	RM'000
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	51,426	32	69	10,358	16	36
- Swaps	219,697	4,070	4,067	815	28	-
	<u>271,123</u>	<u>4,102</u>	<u>4,136</u>	<u>11,173</u>	<u>44</u>	<u>36</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****7. OTHER ASSETS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit receivable	18,490	18,417
Other receivables, deposits and prepayments	1,577	1,160
Shared services fee receivable from holding company (Note 25)	-	372
Amount due from holding company (Note 25)	55,921	34,767
	<u>75,988</u>	<u>54,716</u>

The amount due from holding company is unsecured, profit-free and repayable on demand.

**8. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA**

The non-profit bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as set percentages of total eligible liabilities.

**9. PROPERTY AND EQUIPMENT**

<b>2014</b>	<b>Office equipment and furniture RM'000</b>	<b>Computer equipment RM'000</b>	<b>Renovation RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January	4,401	13,631	6,260	24,292
Additions/transfer from holding company	174	104	23	301
Disposals/Written off/transfer to holding company	(111)	(53)	(44)	(208)
Reclassification	40	-	(40)	-
At 31 December	<u>4,504</u>	<u>13,682</u>	<u>6,199</u>	<u>24,385</u>
<b>Accumulated depreciation</b>				
At 1 January	(1,612)	(10,255)	(4,376)	(16,243)
Depreciation for the year	(449)	(1,580)	(726)	(2,755)
Disposals/Written off/transfer to holding company	62	29	4	95
At 31 December	<u>(1,999)</u>	<u>(11,806)</u>	<u>(5,098)</u>	<u>(18,903)</u>
Carrying amount as at 31 December	<u>2,505</u>	<u>1,876</u>	<u>1,101</u>	<u>5,482</u>
<b>2013</b>				
<b>Cost</b>				
At 1 January	4,231	6,529	6,167	16,927
Additions/transfer from holding company	309	7,510	1,086	8,905
Disposals/Written off/transfer to holding company	(416)	(408)	(716)	(1,540)
Reclassification	277	-	(277)	-
At 31 December	<u>4,401</u>	<u>13,631</u>	<u>6,260</u>	<u>24,292</u>
<b>Accumulated depreciation</b>				
At 1 January	(1,359)	(3,604)	(3,939)	(8,902)
Transfer from holding company	(2)	(4,337)	-	(4,339)
Depreciation for the year	(442)	(2,521)	(484)	(3,447)
Disposals/Written off/transfer to holding company	191	207	47	445
At 31 December	<u>(1,612)</u>	<u>(10,255)</u>	<u>(4,376)</u>	<u>(16,243)</u>
Carrying amount as at 31 December	<u>2,789</u>	<u>3,376</u>	<u>1,884</u>	<u>8,049</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****10. DEFERRED TAX ASSETS**

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Change in fair value of financial instruments	781	1,803	-	-	781	1,803
Excess of capital allowances over depreciation	-	-	(756)	(1,150)	(756)	(1,150)
Other temporary differences	1,941	1,793	-	-	1,941	1,793
Tax assets/(liabilities)	2,722	3,596	(756)	(1,150)	1,966	2,446
Set off of tax	(756)	(1,150)	756	1,150	-	-
Net tax assets	1,966	2,446	-	-	1,966	2,446

	<b>At 1 January</b>	<b>Recognised in profit or loss (Note 26)</b>	<b>Recognised in other comprehensive income</b>	<b>At 31 December</b>
<b>2014</b>				
Change in fair value of financial instruments		1,803	(1,022)	781
Excess of capital allowances over depreciation		(1,150)	394	(756)
Other temporary differences		1,793	148	1,941
Total		2,446	542	1,966

	<b>At 1 January</b>	<b>Recognised in profit or loss (Note 26)</b>	<b>Recognised in other comprehensive income</b>	<b>At 31 December</b>
<b>2013</b>				
Change in fair value of financial instruments		(2,889)	4,692	1,803
Collective impairment allowance on financing and advances		2,406	(2,406)	-
Excess of capital allowances over depreciation		(1,017)	(133)	(1,150)
Other temporary differences		2,935	(1,142)	1,793
Total		1,435	(3,681)	2,446

OCBC AL-AMIN BANK BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**11. DEPOSITS FROM CUSTOMERS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) By type of deposit		
<b>Non-Mudharabah</b>		
Demand deposits (Wadiah)	2,781,807	2,229,073
Savings deposits (Wadiah)	305,379	314,132
General investment deposits (Commodity Murabahah)	5,647,115	2,795,065
Negotiable instruments of deposit (Bai' Inah)	67,874	89,527
Wakalah short term deposits	1,176,935	716,976
	<u>9,979,110</u>	<u>6,144,773</u>
<b>Mudharabah</b>		
General investment deposits	35,498	530,815
	<u>10,014,608</u>	<u>6,675,588</u>
(ii) By type of customer		
Government and statutory bodies	249,476	9,642
Business enterprises	4,997,013	3,390,844
Individuals	2,319,206	1,081,941
Foreign entities	102,211	33,992
Others	2,346,702	2,159,169
	<u>10,014,608</u>	<u>6,675,588</u>
(iii) By maturity structure		
Within six months	8,735,905	5,789,788
Six months to one year	1,213,265	824,026
One year to three years	2,812	1,876
Three years to five years	100	4
Over five years	62,526	59,894
	<u>10,014,608</u>	<u>6,675,588</u>

**12. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	1,201,475	1,905,966
<b>Mudharabah</b>		
Licensed banks	1,320,036	649,162
	<u>2,521,511</u>	<u>2,555,128</u>

Included in the deposits and placements of banks and other financial institutions are the Restricted Profit Sharing Investment Accounts ("RPSIA") placed by its holding company, OCBC Malaysia, amounting to RM1,320 million (2013: RM649 million) at profit rates ranging from 1.56% to 5.67% (2013: 1.51% to 4.68%) per annum.

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)

### 13. SUBORDINATED BOND

On 1 December 2008, the Bank issued a RM200 million non-tradeable non-transferable redeemable Islamic subordinated bond due in 2021 and non-callable until 2016 under the principle of Mudharabah (profit sharing contract) at a projected constant rate of 5.45% per annum for the period from the issue date up to 23 November 2016 and a step up of 100 basis points commencing from 24 November 2016 and ending on the date of full redemption of the subordinated bond, 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 bond shall be redeemed in full by five equal and consecutive annual payments. The call option, subject to prior approval from Bank Negara Malaysia and Monetary Authority of Singapore, is redeemable in whole but not in part on 24 November 2016 and on every Profit Payment Date thereafter. The subordinated bond was fully subscribed by its holding company, OCBC Malaysia.

The unrestricted subordinated bond qualifies as Tier 2 capital subject to gradual phase out as required under the BNM Capital Adequacy Framework for Islamic Banks (Capital Component).

### 14. OTHER LIABILITIES

	2014 RM'000	2013 RM'000
Profit payable	69,269	36,979
Other accruals and charges	49,243	43,668
Shared services fee payable to holding company (Note 25)	-	5,409
Shared services fee payable to related company (Note 25)	181	-
	<u>118,693</u>	<u>86,056</u>

### 15. SHARE CAPITAL

	2014 RM'000	2013 RM'000
<b>Authorised</b>		
Ordinary shares of RM1 each	<u>500,000</u>	<u>500,000</u>
<b>Issued and fully paid</b>		
Ordinary shares of RM1 each		
At 1 January	125,000	115,000
Issued to holding company	40,000	10,000
At 31 December	<u>165,000</u>	<u>125,000</u>

In June 2014, the Bank increased its share capital via the issuance of 40 million ordinary shares of RM1 each at RM3 per ordinary share for cash to its holding company, OCBC Bank (Malaysia) Berhad.

### 16. RESERVES

The detailed breakdown of the reserves are shown in the Statement of Changes in Equity.

The statutory reserve is maintained in compliance with Section 12 and 57(2)(f) of the Islamic Financial Services Act, 2013.

Fair value reserve comprises the cumulative net change in the fair value of financial investments available-for-sale and its corresponding effect on deferred tax until the investments are derecognised or impaired. The cumulative fair value adjustments will be reversed to profit or loss upon disposal or derecognition of the instruments.

### 17. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2014 RM'000	2013 RM'000
Income derived from investment of:		
(i) General investment deposits	282,983	147,324
(ii) Other deposits	355,528	301,744
	<u>638,511</u>	<u>449,068</u>

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**17. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

(i) Income derived from investment of general investment deposits

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>		
Unimpaired financing and advances	232,322	116,392
Impaired financing and advances	47	42
Financial investments available-for-sale	32,815	22,105
Deposits and placements with banks and other financial institutions	17,043	6,826
	<u>282,227</u>	<u>145,365</u>
<b>Other operating income</b>		
Net gain from disposal of financial assets-held-for-trading	1	-
Net gain from disposal of financial investments available-for-sale	558	1,849
Others	197	110
	<u>282,983</u>	<u>147,324</u>

(ii) Income derived from investment of other deposits

<b>Finance income and hibah</b>		
Unimpaired financing and advances	292,160	238,153
Impaired financing and advances	60	87
Financial investments available-for-sale	41,246	45,416
Deposits and placements with banks and other financial institutions	21,160	14,013
	<u>354,626</u>	<u>297,669</u>
<b>Other operating income</b>		
Net gain from disposal of financial assets held-for-trading	2	-
Net gain from disposal of financial investments available-for-sale	651	3,854
Others	249	221
	<u>355,528</u>	<u>301,744</u>

**18. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and hibah</b>		
Unimpaired financing and advances	33,038	24,045
Impaired financing and advances	6	9
Financial investments available-for-sale	4,660	4,595
Deposits and placements with banks and other financial institutions	2,396	1,404
	<u>40,100</u>	<u>30,053</u>
<b>Other operating income</b>		
Net gain from disposal of financial investments available-for-sale	76	397
Others	28	22
<b>Other trading income</b>		
Net trading (loss)/gain		
- Foreign currency	(1,241)	567
- Trading derivatives	11,768	8,890
- Revaluation of derivatives	(42)	(41)
<b>Fee and commission income</b>		
Commission	17,601	18,051
Service charges and fees	20,662	16,571
	<u>88,952</u>	<u>74,510</u>



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**19. IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Individual impairment allowance		
- Made during the year	115,007	74,672
- Written back	<u>(37,331)</u>	<u>(28,650)</u>
	77,676	46,022
Collective impairment allowance		
- Made during the year	93,659	18,960
Impaired financing recovered	<u>(10,006)</u>	<u>(8,928)</u>
	<u>161,329</u>	<u>56,054</u>

**20. INCOME ATTRIBUTABLE TO DEPOSITORS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers		
- Mudharabah	8,629	48,785
- Non-Mudharabah	<u>226,094</u>	<u>92,568</u>
	234,723	141,353
Deposits and placements of banks and other financial institutions		
- Mudharabah	23,502	12,208
- Non-Mudharabah	<u>27,737</u>	<u>29,183</u>
	51,239	41,391
Subordinated bond	<u>10,900</u>	<u>10,900</u>
	<u>296,862</u>	<u>193,644</u>

**21. FINANCE INCOME AND EXPENSE ANALYSED BY CATEGORY OF FINANCIAL INSTRUMENTS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income</b>		
Financing and advances	557,633	378,728
Financial investments available-for-sale	78,721	72,116
Deposits and placements with banks and other financial institutions	<u>40,599</u>	<u>22,243</u>
	<u>676,953</u>	<u>473,087</u>
<b>Finance expense</b>		
Liabilities at amortised cost	<u>296,862</u>	<u>193,644</u>

**22. OPERATING EXPENSES**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Personnel expenses</b>		
Wages, salaries and bonus	27,519	24,792
Employees Provident Fund contributions	4,373	3,789
Share-based expenses	220	165
Others	<u>2,400</u>	<u>2,221</u>
	<u>34,512</u>	<u>30,967</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****22. OPERATING EXPENSES (continued)**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Establishment expenses</b>		
Depreciation of property and equipment	2,755	3,447
Rental of premises	2,328	2,775
Repair and maintenance	422	431
Information technology costs	94	9
Others	2,247	1,917
	<u>7,846</u>	<u>8,579</u>
<b>Marketing expenses</b>		
Advertising and business promotion	2,846	1,577
Transport and travelling	899	679
Others	178	111
	<u>3,923</u>	<u>2,367</u>
<b>General administrative expenses</b>		
Shared service fees to holding company (Note 25)	106,428	71,224
Transaction processing fees* (Note 25)	22,698	19,744
Auditors' remuneration		
- Statutory audit	74	74
- Other services	45	45
Others	6,399	4,583
	<u>135,644</u>	<u>95,670</u>
<b>Total operating expenses</b>	<u>181,925</u>	<u>137,583</u>

\* Transaction processing fees were incurred for transactions processed by a related company.

**23. DIRECTORS' AND SHARIAH COMMITTEE'S REMUNERATION**

	<b>Salaries &amp; bonuses</b>	<b>Fees</b>	<b>Employees Provident Fund</b>	<b>Other accrued employee benefits</b>	<b>Benefits- in-kind</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2014</b>						
<b>Executive Director and CEO</b>						
Syed Abdul Aziz Jailani						
Bin Syed Kechik	910	-	145	158	5	1,218
<b>Non-Executive Directors</b>						
Dato' Ooi Sang Kuang	-	42	-	-	-	42
Dr. Raja Lope Bin Raja						
Shahrome	-	29	-	-	-	29
Lai Teck Poh	-	50	-	-	-	50
Ng Hon Soon	-	24	-	-	-	24
Tong Hon Keong	-	19	-	-	-	19
Tan Sri Dato' Nasuruddin						
bin Bahari (Retired)	-	16	-	-	-	16
Tan Siok Choo (Retired)	-	22	-	-	-	22
	<u>910</u>	<u>202</u>	<u>145</u>	<u>158</u>	<u>5</u>	<u>1,420</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****23. DIRECTORS' AND SHARIAH COMMITTEE'S REMUNERATION (continued)**

	Salaries & bonuses RM'000	Fees RM'000	Employees Provident Fund RM'000	Other accrued employee benefits RM'000	Benefits- in-kind RM'000	Total RM'000
<b>2013</b>						
<b>Executive Director and CEO</b>						
Syed Abdull Aziz Jailani Bin Syed Kechik	852	-	136	139	5	1,132
<b>Non-Executive Directors</b>						
Dato' Ooi Sang Kuang	-	24	-	-	-	24
Dr. Raja Lope Bin Raja Shahrome	-	20	-	-	-	20
Lai Teck Poh	-	42	-	-	-	42
Tan Sri Dato' Nasruddin bin Bahari (Retired)	-	42	-	-	-	42
Tan Siok Choo (Retired)	-	42	-	-	-	42
	<b>852</b>	<b>170</b>	<b>136</b>	<b>139</b>	<b>5</b>	<b>1,302</b>

The remuneration of the members of the Shariah Committee charged to profit or loss during the financial year are as follows:

	2014 RM'000	2013 RM'000
Shariah Committee	205	183

**24. ZAKAT**

The Bank only pays zakat on its business. The Bank does not pay zakat on behalf of its depositors nor shareholder.

**25. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

For the purposes of these financial statements, parties are considered to be related to the Bank if 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 where the Bank and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

Related parties of the Bank are as follows:

- Ultimate holding company, Oversea-Chinese Banking Corporation Limited;
- Holding company, OCBC Bank (Malaysia) Berhad;
- Other related companies within the Oversea-Chinese Banking Corporation Limited Group; and
- Key management personnel, including close member of the family of key management and personnel.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****25. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

(i) The significant transactions and outstanding balances with related parties are as follows:

<b>2014</b>	<b>Ultimate Holding Company</b>	<b>Holding Company</b>	<b>Other Related Companies</b>	<b>Key Management</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Income</b>				
Profit income on financing and advances	-	-	-	38
Shared service fees	-	4,001	-	-
Fee and commission income	-	-	2,889	-
	<u>-</u>	<u>4,001</u>	<u>2,889</u>	<u>38</u>
<b>Expenditure</b>				
Profit expense on general investment deposits	-	-	-	9
Profit expense on other deposits	-	-	4,218	-
Profit expense on negotiable instruments of deposit	-	2,793	-	-
Profit expense on deposits and placements	1,546	49,540	-	-
Profit expense on subordinated bond	-	10,900	-	-
Shared service fees (Note 22)	-	106,428	-	-
Transaction processing fees (Note 22)	-	-	22,698	-
Rental expenses	-	65	-	-
Personnel and other expenses	-	83	1,491	-
	<u>1,546</u>	<u>169,809</u>	<u>28,407</u>	<u>9</u>
<b>2013</b>				
<b>Income</b>				
Profit income on financing and advances	-	-	-	39
Shared service fees	-	2,344	-	-
Fee and commission income	-	-	2,003	-
	<u>-</u>	<u>2,344</u>	<u>2,003</u>	<u>39</u>
<b>Expenditure</b>				
Profit expense on general investment deposits	-	-	8	8
Profit expense on other deposits	-	-	3,157	-
Profit expense on negotiable instruments of deposit	-	2,955	-	-
Profit expense on deposits and placements	779	38,413	-	-
Profit expense on subordinated bond	-	10,900	-	-
Shared service fees (Note 22)	-	71,224	-	-
Transaction processing fees (Note 22)	-	-	19,744	-
Rental expenses	-	43	-	-
Personnel and other expenses	-	-	185	-
	<u>779</u>	<u>123,535</u>	<u>23,094</u>	<u>8</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****25. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

(i) The significant transactions and outstanding balances of the Bank with related parties are as follows: (continued)

	<b>Ultimate Holding Company</b>	<b>Holding Company</b>	<b>Related Companies</b>	<b>Key Management</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2014</b>				
<b>Amount due from</b>				
Deposits and placements with banks and other financial institutions	4,269	-	179	-
Financing and advances	-	-	-	838
Other assets (Note 7)	-	55,921	-	-
	<u>4,269</u>	<u>55,921</u>	<u>179</u>	<u>838</u>
<b>Amount due to</b>				
Demand deposits and general investment deposits	-	-	12,834	284
Other deposits	-	-	224,560	4
Negotiable instruments of deposit	-	62,526	-	-
Deposits and placements of banks and other financial institutions	762,428	1,706,560	-	-
Subordinated bond (Note 13)	-	200,000	-	-
Profit payable	232	8,969	92	3
Shared service fees payable (Note 14)	-	-	181	-
Other liabilities	80	-	25	-
	<u>762,740</u>	<u>1,978,055</u>	<u>237,692</u>	<u>291</u>
<b>Commitments</b>				
Foreign exchange derivatives	-	153,963	200	-
<b>2013</b>				
<b>Amount due from</b>				
Deposits and placements with banks and other financial institutions	5,509	-	184	-
Shared service fees receivable (Note 7)	-	372	-	-
Financing and advances	-	-	-	887
Other assets (Note 7)	-	34,767	-	-
	<u>5,509</u>	<u>35,139</u>	<u>184</u>	<u>887</u>
<b>Amount due to</b>				
Demand deposits and general investment deposits	-	-	7,901	263
Other deposits	-	-	127,208	8
Negotiable instruments of deposit	-	71,375	-	-
Deposits and placements of banks and other financial institutions	473,495	2,015,160	-	-
Subordinated bond (Note 13)	-	200,000	-	-
Profit payable	76	10,899	54	3
Shared service fees payable (Note 14)	-	5,409	-	-
Other liabilities	73	-	-	-
	<u>473,644</u>	<u>2,302,843</u>	<u>135,163</u>	<u>274</u>
<b>Commitments</b>				
Foreign exchange derivatives	-	5,090	2,000	-

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****25. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

## (ii) Credit exposure arising from credit transactions with connected parties

The following disclosure is made pursuant to the BNM Guidelines on Credit Transactions and Exposures with Connected Parties:

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Aggregate value of outstanding credit exposures with connected parties</b>		
Credit facility and leasing (except guarantee)	2,066	4,439
Commitments and contingencies	44,240	4,074
	<u>46,306</u>	<u>8,513</u>
Percentage of outstanding credit exposures to connected parties		
- As a proportion of total credit exposures	0.41%	0.11%
- As a proportion of impaired or in default	-	-

## (iii) Key management personnel compensation

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits	4,152	4,143
Share-based benefits	220	181
	<u>4,372</u>	<u>4,324</u>

Key management personnel comprises persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly, including Directors of the Bank.

**26. INCOME TAX EXPENSE**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax		
- Current year	17,474	28,504
- Prior years	(149)	(3,411)
	<u>17,325</u>	<u>25,093</u>
Deferred tax (Note 10)		
- Origination and reversal of temporary differences	(555)	1,177
- Prior years	13	2,504
	<u>(542)</u>	<u>3,681</u>
	<u>16,783</u>	<u>28,774</u>

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

	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
Malaysian tax rate at 25%	25.0	25.0
Tax effect of:		
Expenses not deductible for tax purposes	0.4	0.2
Income not subject to tax	(6.0)	(3.4)
Under/(Over) provision in prior years		
- Income tax	(0.2)	(2.5)
- Deferred tax	-	1.8
Average effective tax rate	<u>19.2</u>	<u>21.1</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)

### 27. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share of the Bank were calculated based on the net profit attributable to the ordinary shareholder and the weighted average number of ordinary shares in issue during the financial year. There were no dilutive potential ordinary shares during the financial year.

	2014	2013
Net profit for the year (RM'000)	70,529	107,493
Weighted average number of ordinary shares in issue ('000)	147,137	119,247
Basic earnings per share (sen)	47.93	90.14

### 28. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. There were no material losses anticipated as a result of these transactions.

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 for Islamic Banks (CAFIB Basel II) - Disclosure Requirements (Pillar 3).

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
<b>2014</b>				
Direct credit substitutes	20,833		20,833	13,599
Transaction-related contingent items	211,647		110,445	82,202
Short-term self-liquidating trade-related contingencies	34,793		9,485	3,461
Foreign exchange related contracts				
- Less than one year	271,117	4,097	7,416	1,199
Formal standby facilities and credit lines				
- Maturity not exceeding one year	1,283		1,045	670
- Maturity exceeding one year	540,259		456,852	109,822
Other unconditionally cancellable commitments	803,325		3,436	1,107
	<u>1,883,257</u>	<u>4,097</u>	<u>609,512</u>	<u>212,060</u>
<b>2013</b>				
Direct credit substitutes	44,485		44,485	47,783
Transaction-related contingent items	190,666		95,333	76,996
Short-term self-liquidating trade-related contingencies	59,166		11,833	6,214
Foreign exchange related contracts				
- Less than one year	11,160	44	74	11
Formal standby facilities and credit lines				
- Maturity not exceeding one year	1,920		1,920	1,036
- Maturity exceeding one year	383,432		326,611	88,239
Other unconditionally cancellable commitments	858,806		2,908	1,523
	<u>1,549,635</u>	<u>44</u>	<u>483,164</u>	<u>221,802</u>

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## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)

### 29. LEASE COMMITMENTS

The Bank has 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:

	2014 RM'000	2013 RM'000
Less than one year	2,353	1,683
Between one to five years	3,098	879
	<u>5,451</u>	<u>2,562</u>

### 30. CAPITAL COMMITMENTS

	2014 RM'000	2013 RM'000
Capital commitments in respect of property and equipment		
- Authorised but not contracted for	3,418	8,990
- Contracted but not provided for	-	708
	<u>3,418</u>	<u>9,698</u>

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank has exposure to credit risk, liquidity risk and market risk from the use of financial instruments, and exposure to operational risk. The Bank's 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. Exposure to credit risk arises from financing, underwriting, trading, investment and other activities undertaken by the Bank. Through the Group's risk management structure established at the Bank's holding company ("OCBC Malaysia"), the Bank shares the services of OCBC Malaysia's Credit Risk Management function to monitor credit risk and this includes credit approval, credit reviews, impaired 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 extensions are jointly approved by authorised officers from line management as well as Credit Risk Management Department. 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 large financing as well as impaired financing and advances are reported to the Board of Directors. These include exposures by industry, risk grade, business segment, financing maturity, secured/unsecured position and product. Prudential limits are placed on exposures to cross-border transfer risk and single customer groups.

Corporate and large impaired financing and advances are centrally managed by the Special Asset Management Department, with the Small and Medium Enterprises and Commercial Property impaired financing and advances managed by Emerging Business Loan Recovery Unit, whilst retail and consumer impaired financing and advances are overseen by the Collections Department. The Bank shares the services of these departments provided by OCBC Malaysia through a shared service agreement.



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**31. 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 Bank is exposed to market risks from its trading activities. The Asset Liability Management Committee ("ALCO") is the senior management committee that supports the Risk Management Committee and the CEO in market risk oversight. ALCO establishes market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems, and internal controls. ALCO is supported at the working level by the Market Risk Management ("MRM") Department. Business units are responsible for undertaking proactive risk management along with their pursued trading strategies, while MRM acts as the independent monitoring unit that ensures sound governance practices.

Risk identification is addressed via the Bank'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 analysis.

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 escalated to Treasury for further action as well as to senior management for rectification as per the internal limit framework. 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 clean 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 profit rate management and funding liquidity risk management. The ALCO is the senior management committee that oversees the Bank's liquidity and statement of financial position risks. The ALCO is chaired by OCBC Malaysia's CEO and includes senior management from the business, risk and support units. The ALCO is supported by the Market Risk Management Department within Group Risk Management Division.

*Banking Book Profit Rate Risk*

The primary goal of profit rate risk management is to ensure that profit rate risk exposures are maintained within defined risk tolerances. Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in profit rates. Limits and policies to manage profit rate exposures are established in line with the Group's strategy and risk appetite. Thresholds and policies are appropriately approved and reviewed regularly to ensure they remain relevant to the external environment. Control systems are in place to monitor the risk 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 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. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

**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 management also covers fiduciary, legal risk, reputational risk and Shariah compliance risk.

The Bank's operational risk management aims to both manage expected and unexpected losses, including those caused by catastrophic events. The twin goals enable new business opportunities to be pursued in a risk-conscious and controlled manner.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Operational Risk Management (continued)**

*Operational Risk Management Oversight and Organisation*

The Operational Risk and Information Security Committee (“ORISC”) is the senior management committee that oversees the execution of the Bank’s Operational Risk Management, Information Security and Technology Risk practices. The ORISC ensures that the various risk management programmes that are in place are appropriate, effective, and support the Bank’s business strategy.

The Operational Risk Management (“ORM”) department within Group Risk Management Division establishes the ORM framework, including supporting policies and methodologies. The ORM department also provides independent oversight of operational risk monitoring and control that reside within business, products and process owners. The ORM programmes are actively implemented through the respective Operational Risk Co-ordinators or managers in the business units and subsidiaries. Self-assessment declarations are subject to risk-based independent reviews.

*Operational Risk Management Approach*

The Bank 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 Bank’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.

Each business unit undertakes regular self-assessment on the robustness of its own risk and control environment, including meeting all regulatory and legal requirements. Performance metrics are also used to detect early warning signals and drive appropriate management actions before risks become material losses.

Senior management also attests annually to the CEO, the Board Audit Committee and the Risk Management Committee on the adequacy and effectiveness of the internal control system, as well as report key control deficiencies and accompanying remedial plans. Operational risk losses and incidents data trends are also analysed and regularly reported.

The Bank protects and ensures the confidentiality, integrity, and availability of 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 Bank’s holistic approach to managing technology risk.

*Physical and People Security*

The Bank recognises that their personnel and assets may be exposed to external physical threats. The Physical Security Policy and Standards provide the baseline safeguard requirements on security for the Bank.

*Business Continuity Management*

The programme aims to reduce the interruption of essential business activities and services during times of crisis. Review and testing of its business recovery strategy and plans are carried out on an annual basis. Every year, senior management provides an attestation to the Risk Management Committee. The attestation includes a measurement of the programme’s maturity, extent of alignment to the Bank Negara Malaysia Guidelines and declaration of acceptable residual risk.

*Fraud Risk Management*

The Bank’s Fraud Risk Management and Whistle-Blowing programmes help prevent and detect fraud or misconduct. Fraud incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents, are regularly reported to senior management. Internal Audit independently reviews all fraud and whistle-blowing cases, with regular reporting to the Board Audit Committee.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Reputational Risk Management**

Reputation risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the Bank on the part of customers, counterparties, shareholders, investors and regulators. The Bank has a reputational risk management programme which focuses on understanding and managing our responsibilities toward our different stakeholders, and protecting our reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

**Fiduciary Risk Management**

The Bank has a fiduciary risk management programme to manage risks associated with fiduciary relationships from managing funds or providing other agency services. The programme provides guidelines on regular identification, assessment, mitigation, and monitoring of fiduciary risk exposures, to ensure the Bank's compliance with applicable corporate standards.

**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 the Board of Directors on the state of regulatory compliance.

**Shariah Governance**

The Bank is governed by the Shariah Governance Framework ("SGF" or the "framework") which is designed to meet the following purposes:

- (i) Defines Shariah governance structures, policies and processes to ensure that its operations and business activities are in accordance with Shariah principles;
- (ii) Provides comprehensive guidance to the Board, management and the Shariah Committee of the Bank in discharging their respective duties in matters relating to Shariah; and
- (iii) Outlines the functions relating to Shariah review, Shariah audit, Shariah research and Secretariat and Shariah risk management.

The SGF stipulates that all new products, services and collateral 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, Shariah review is conducted to assess the level of compliance of the activities and operations to Shariah requirements post product launch. Any non-Shariah compliant findings resulting from the review will be rectified, monitored and tracked until closure. Internal Audit 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 of ensuring a sound and effective internal control system for Shariah compliance.

***Shariah Risk***

Shariah risk arises from the Bank's failure to comply with the Shariah rules and principles as determined by Shariah Committee and Bank Negara Malaysia's Shariah Advisory Council. The SGF provides the necessary structure and process to mitigate any Shariah risk arising from its activities and operations.

During the financial year ended 31 December 2014, the Bank had received Shariah non-compliant income. The Shariah non-compliant income will be channelled to charitable organisations as determined by the Bank's Shariah Committee. Details of the income are as follows:

<b>Sources and uses of charity funds</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
At 1 January	122	15
<u>Sources of charity funds</u>		
Shariah non-compliant income	89	122
<u>Uses of charity funds</u>		
Contribution to non-profit organisations	(112)	(15)
At 31 December	<u>99</u>	<u>122</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****32. PROFIT RATE RISK**

The Bank is exposed to various risks associated with the effects of fluctuation in the prevailing level of market profit rate on the financial position and cashflows. The following tables summarise the Bank's exposure to profit rate risk. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing and maturity dates.

2014	←----- Non Trading Book -----→						Non-profit sensitive RM'000	Trading Book RM'000	Total RM'000	Average profit rate %
	Up to 3 months RM'000	>3-12 months RM'000	>1-3 years RM'000	>3-5 years RM'000	Over 5 years RM'000					
<b>Assets</b>										
Cash and cash equivalents	1,150,000	-	-	-	-	29,551	-	1,179,551	3.01	
Financial investments available-for-sale	656,156	872,441	665,679	371,649	277,885	-	-	2,843,810	3.43	
Financing and advances										
- Unimpaired	5,557,473	376,045	1,054,048	1,713,988	485,749	(151,357)	-	9,035,946	6.94	
- Impaired	-	-	-	-	-	132,068	-	132,068	-	
Derivative financial assets	-	-	-	-	-	-	4,102	4,102	-	
Other assets	-	-	-	-	-	75,988	-	75,988	-	
Current tax assets	-	-	-	-	-	9,678	-	9,678	-	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	379,800	-	379,800	-	
Property and equipment	-	-	-	-	-	5,482	-	5,482	-	
Deferred tax assets	-	-	-	-	-	1,966	-	1,966	-	
<b>Total assets</b>	<b>7,363,629</b>	<b>1,248,486</b>	<b>1,719,727</b>	<b>2,085,637</b>	<b>763,634</b>	<b>483,176</b>	<b>4,102</b>	<b>13,668,391</b>		

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)

## 32. PROFIT RATE RISK (continued)

2014	←----- Non Trading Book -----→						Trading Book RM'000	Total RM'000	Average profit rate %
	Up to 3 months RM'000	>3-12 months RM'000	>1-3 years RM'000	>3-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000			
<b>Liabilities</b>									
Deposits from customers	7,557,863	2,071,326	2,647	100	62,526	320,146	-	10,014,608	2.96
Deposits and placements of banks and other financial institutions	2,318,994	18	100,052	50,058	10	52,379	-	2,521,511	2.03
Bills and acceptances payable	-	-	-	-	-	20,644	-	20,644	-
Subordinated bond	-	-	200,000	-	-	-	-	200,000	5.45
Derivative financial liabilities	-	-	-	-	-	-	4,136	4,136	-
Other liabilities	-	-	-	-	-	118,693	-	118,693	-
Zakat	-	-	-	-	-	35	-	35	-
<b>Total liabilities</b>	<b>9,876,857</b>	<b>2,071,344</b>	<b>302,699</b>	<b>50,158</b>	<b>62,536</b>	<b>511,897</b>	<b>4,136</b>	<b>12,879,627</b>	
On-statement of financial position profit sensitivity gap	(2,513,228)	(822,858)	1,417,028	2,035,479	701,098	(28,721)	(34)	788,764	
Off-statement of financial position profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(2,513,228)</b>	<b>(822,858)</b>	<b>1,417,028</b>	<b>2,035,479</b>	<b>701,098</b>	<b>(28,721)</b>	<b>(34)</b>	<b>788,764</b>	

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)

## 32. PROFIT RATE RISK (continued)

2013	←----- Non Trading Book -----→						Trading Book RM'000	Total RM'000	Average profit rate %
	Up to 3 months RM'000	>3-12 months RM'000	>1-3 years RM'000	>3-5 years RM'000	Over 5 years RM'000	Non- profit sensitive RM'000			
<b>Assets</b>									
Cash and cash equivalents	907,650	-	-	-	-	55,580	-	963,230	2.67
Financial investments available-for-sale	238,990	487,126	612,230	593,014	130,403	-	-	2,061,763	3.34
Financing and advances									
- Unimpaired	4,110,892	119,201	764,714	1,447,447	318,215	(59,477)	-	6,700,992	6.84
- Impaired	-	-	-	-	-	61,962	-	61,962	-
Derivative financial assets	-	-	-	-	-	-	44	44	-
Other assets	-	-	-	-	-	54,716	-	54,716	-
Current tax assets	-	-	-	-	-	1,682	-	1,682	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	270,800	-	270,800	-
Property and equipment	-	-	-	-	-	8,049	-	8,049	-
Deferred tax assets	-	-	-	-	-	2,446	-	2,446	-
<b>Total assets</b>	<b>5,257,532</b>	<b>606,327</b>	<b>1,376,944</b>	<b>2,040,461</b>	<b>448,618</b>	<b>395,758</b>	<b>44</b>	<b>10,125,684</b>	

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****32. PROFIT RATE RISK (continued)**

2013	←----- Non Trading Book ----->						Trading Book RM'000	Total RM'000	Average profit rate %
	Up to 3 months RM'000	>3-12 months RM'000	>1-3 years RM'000	>3-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000			
<b>Liabilities</b>									
Deposits from customers	5,404,559	1,004,078	1,547	-	59,895	205,509	-	6,675,588	2.50
Deposits and placements of banks and other financial institutions	2,230,355	250,018	144	-	-	74,611	-	2,555,128	1.87
Bills and acceptances payable	-	-	-	-	-	13,679	-	13,679	-
Subordinated bond	-	-	200,000	-	-	-	-	200,000	5.45
Derivative financial liabilities	-	-	-	-	-	-	36	36	-
Other liabilities	-	-	-	-	-	86,056	-	86,056	-
Zakat	-	-	-	-	-	30	-	30	-
<b>Total liabilities</b>	<b>7,634,914</b>	<b>1,254,096</b>	<b>201,691</b>	<b>-</b>	<b>59,895</b>	<b>379,885</b>	<b>36</b>	<b>9,530,517</b>	
On-statement of financial position profit sensitivity gap	(2,377,382)	(647,769)	1,175,253	2,040,461	388,723	15,873	8	595,167	
Off-statement of financial position profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(2,377,382)</b>	<b>(647,769)</b>	<b>1,175,253</b>	<b>2,040,461</b>	<b>388,723</b>	<b>15,873</b>	<b>8</b>	<b>595,167</b>	

The impact on the net finance income is simulated under various profit rate assumptions. The following table sets out the impact on the net finance income based on a 50bps parallel shift in profit rates at reporting date for a period of 12 months, as follows:

	2014 RM'000	2013 RM'000
<b>+ 50bps</b>	402,478	321,749
<b>- 50bps</b>	391,745	316,666

The 50 bps shock impact on the net finance income is based on simplified scenarios, using the Bank's profit 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 profit rate risk. In reality, Treasury Division seeks to proactively change the profit rate risk profile to minimise losses and maximise net revenues. The projection assumes that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on the net finance income of some rates changing while others remain unchanged. The projections also assume a constant statement of financial position and that all positions run to maturity.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****33. LIQUIDITY RISK****Contractual maturity of financial liabilities**

The tables below show the undiscounted cash outflows of the Bank's financial liabilities by remaining contractual maturities. Information on cash outflow of gross financing commitments is set in Note 28. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

<b>2014</b>	<b>Carrying amount RM'000</b>	<b>Up to 3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1-3 years RM'000</b>	<b>&gt;3-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	10,014,608	7,874,082	861,823	1,213,265	2,812	100	62,526	10,014,608
Deposits and placements of banks and other financial institutions	2,521,511	1,991,993	50,019	47,787	280,940	96,568	54,204	2,521,511
Bills and acceptances payable	20,644	20,644	-	-	-	-	-	20,644
Subordinated bond	200,000	-	-	-	200,000	-	-	200,000
Other liabilities	118,693	82,947	35,020	59,290	64,502	14,439	20,622	276,820
Zakat	35	-	-	35	-	-	-	35
<b>Derivative financial liabilities</b>								
<u>Gross settled derivatives</u>								
<i>Trading:</i>								
Foreign exchange derivatives								
- Forward and swap	4,136							
- Outflow		39,823	111,793	-	-	-	-	151,616
- Inflow		(39,759)	(107,903)	-	-	-	-	(147,662)
	<b>12,879,627</b>	<b>9,969,730</b>	<b>950,752</b>	<b>1,320,377</b>	<b>548,254</b>	<b>111,107</b>	<b>137,352</b>	<b>13,037,572</b>



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****33. LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

2013	Carrying amount RM'000	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
<b>Non-derivative financial liabilities</b>								
Deposits from customers	6,675,588	5,438,867	350,921	824,026	1,876	4	59,894	6,675,588
Deposits and placements of banks and other financial institutions	2,555,128	2,304,966	200,006	50,012	144	-	-	2,555,128
Bills and acceptances payable	13,679	13,679	-	-	-	-	-	13,679
Subordinated bond	200,000	-	-	-	200,000	-	-	200,000
Other liabilities	86,056	55,270	21,937	38,938	44,357	1	20,106	180,609
Zakat	30	-	-	30	-	-	-	30
<b>Derivative financial liabilities</b>								
<u>Gross settled derivatives</u>								
<i>Trading:</i>								
Foreign exchange derivatives								
- Forward and swap	36							
- Outflow		5,254	-	-	-	-	-	5,254
- Inflow		(5,222)	-	-	-	-	-	(5,222)
	<b>9,530,517</b>	<b>7,812,814</b>	<b>572,864</b>	<b>913,006</b>	<b>246,377</b>	<b>5</b>	<b>80,000</b>	<b>9,625,066</b>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****34. CURRENCY RISK**

<b>2014</b>	<b>MYR RM'000</b>	<b>GBP RM'000</b>	<b>USD RM'000</b>	<b>SGD RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>						
Cash and cash equivalents	1,171,761	371	2,360	3,538	1,521	1,179,551
Financial investments						
available-for-sale	2,475,273	22,513	243,340	102,684	-	2,843,810
Financing and advances	7,912,350	821,515	429,279	4,870	-	9,168,014
Derivative financial assets	4,102	-	-	-	-	4,102
Other assets	71,179	221	3,247	1,305	36	75,988
Current tax assets	9,678	-	-	-	-	9,678
Statutory deposits with Bank Negara Malaysia	379,800	-	-	-	-	379,800
	<b>12,024,143</b>	<b>844,620</b>	<b>678,226</b>	<b>112,397</b>	<b>1,557</b>	<b>13,660,943</b>
<b>Financial liabilities</b>						
Deposits from customers	9,959,418	147	50,996	4,047	-	10,014,608
Deposits and placements of banks and other financial institutions	934,616	840,039	636,172	109,824	860	2,521,511
Bills and acceptances payable	20,644	-	-	-	-	20,644
Subordinated bond	200,000	-	-	-	-	200,000
Derivative financial liabilities	4,136	-	-	-	-	4,136
Other liabilities	114,559	2,982	496	656	-	118,693
Zakat	35	-	-	-	-	35
	<b>11,233,408</b>	<b>843,168</b>	<b>687,664</b>	<b>114,527</b>	<b>860</b>	<b>12,879,627</b>
<b>Net financial assets exposure</b>	<b>790,735</b>	<b>1,452</b>	<b>(9,438)</b>	<b>(2,130)</b>	<b>697</b>	<b>781,316</b>
<b>2013</b>						
<b>Financial assets</b>						
Cash and cash equivalents	780,722	-	176,459	4,738	1,311	963,230
Financial investments						
available-for-sale	1,765,392	-	208,112	88,259	-	2,061,763
Financing and advances	5,653,485	816,786	285,175	7,508	-	6,762,954
Derivative assets	44	-	-	-	-	44
Other assets	50,463	-	3,288	852	113	54,716
Current tax assets	1,682	-	-	-	-	1,682
Statutory deposits with Bank Negara Malaysia	270,800	-	-	-	-	270,800
	<b>8,522,588</b>	<b>816,786</b>	<b>673,034</b>	<b>101,357</b>	<b>1,424</b>	<b>10,115,189</b>
<b>Financial liabilities</b>						
Deposits from customers	6,630,765	-	42,064	2,759	-	6,675,588
Deposits and placements of banks and other financial institutions	1,014,149	812,514	631,258	97,207	-	2,555,128
Bills and acceptances payable	13,679	-	-	-	-	13,679
Subordinated bond	200,000	-	-	-	-	200,000
Derivative liabilities	36	-	-	-	-	36
Other liabilities	83,096	2,351	430	179	-	86,056
Zakat	30	-	-	-	-	30
	<b>7,941,755</b>	<b>814,865</b>	<b>673,752</b>	<b>100,145</b>	<b>-</b>	<b>9,530,517</b>
<b>Net financial assets exposure</b>	<b>580,833</b>	<b>1,921</b>	<b>(718)</b>	<b>1,212</b>	<b>1,424</b>	<b>584,672</b>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****35. CREDIT RISK**

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank's maximum credit exposure of the financial assets, without taking into account any collateral held or other credit enhancements equals their carrying amount as reported in the statement of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that 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.

	Note	2014 RM'000	2013 RM'000
Cash and cash equivalents		1,179,551	963,230
Financial investments available-for-sale	(a)	2,843,810	2,061,763
Financing and advances	(b)	9,384,222	6,867,951
Derivative financial assets	(c)	4,102	44
Other assets		75,988	54,716
Contingent liabilities and credit commitments	(d)	808,815	679,669
		<u>14,296,488</u>	<u>10,627,373</u>

**Collateral**

(i) The main types of collateral obtained by the Bank are as follows:

- For personal house financing, mortgages over residential properties;
- For commercial property financing, charges over properties being financed; and
- For other financing, charges over business assets such as premises, inventories, trade receivables or deposits.

As at 31 December 2014, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

(ii) Quantification of the extent to which collateral and other credit enhancements mitigate credit risk and that best represents the maximum exposure to credit risk for impaired financing.

	2014 RM'000	2013 RM'000
Fair value of collateral held against the covered portion of financing and advances	<u>126,551</u>	<u>29,705</u>
Covered portion of financing and advances	106,543	23,617
Uncovered portion of financing and advances	<u>90,139</u>	<u>83,742</u>
	<u>196,682</u>	<u>107,359</u>

**Credit quality**

Financing and advances are categorised according to the Bank's customer classification grades as Pass, Special Mention, Substandard, Doubtful and Loss.

Financing and advances classified as Pass and Special Mention are neither past due nor impaired whereas Substandard, Doubtful and Loss are impaired financing and advances.

Past due but not impaired financing and advances are financing where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are due one or more days after the contractual due date but less than three (3) months.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****35. CREDIT RISK (continued)****Credit quality (continued)****(a) Credit quality of financial investments available-for-sale**

In view of the following sound credit rating of counterparties, the Bank does not expect any counterparty to fail to meet its obligation.

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) By issuer		
Government and Central Bank	2,055,426	1,366,057
Foreign government	125,007	49,638
Banks	299,457	173,985
Corporates	363,920	472,083
	<u>2,843,810</u>	<u>2,061,763</u>
(ii) By geographical distribution		
Malaysia	2,718,803	2,012,125
Other ASEAN	60,408	49,638
Rest of the world	64,599	-
	<u>2,843,810</u>	<u>2,061,763</u>
(iii) By credit rating		
Government and Central Bank (unrated)	849,863	19,985
Government (A)	1,205,563	1,346,072
Foreign government (unrated)	22,514	-
Foreign government (AAA to BBB)	102,493	49,638
Investment grade (AAA to BBB)	251,222	303,643
Unrated	412,155	342,425
	<u>2,843,810</u>	<u>2,061,763</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	36,256	19,122
Manufacturing	-	70,172
Construction	20,028	-
Transport, storage and communication	-	10,009
Finance, insurance and business services	379,078	298,765
Others	2,408,448	1,663,695
	<u>2,843,810</u>	<u>2,061,763</u>
(v) By residual contractual maturity		
Within one year	1,528,597	726,116
One year to five years	1,037,328	1,205,244
Over five years	277,885	130,403
	<u>2,843,810</u>	<u>2,061,763</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**35. CREDIT RISK (continued)**

**Credit quality (continued)**

**(b) Credit quality of financing and advances**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	9,067,514	6,704,436
Past due financing	188,493	106,870
- Unimpaired	120,026	56,156
- Impaired	68,467	50,714
Impaired but not past due	128,215	56,645
Gross financing and advances	9,384,222	6,867,951
<u>Neither past due nor impaired</u>		
By the Bank's internal grading system		
Pass	8,805,457	6,466,112
Special mention	262,057	238,324
	9,067,514	6,704,436
<u>Past due but not impaired</u>		
(i) By period overdue		
Less than 2 months	93,996	44,547
2 months to less than 3 months	26,030	11,609
	120,026	56,156
(ii) By geographical distribution		
Malaysia	120,026	56,156
(iii) By sector		
Agriculture, hunting, forestry and fishing	1,428	-
Mining and quarrying	1,749	-
Manufacturing	19,059	14,734
Electricity, gas and water	222	-
Construction	3,528	508
Wholesale & retail trade and restaurants & hotels	21,400	9,086
Transport, storage and communication	4,544	2,482
Finance, insurance and business services	4,218	1,901
Community, social and personal services	6,494	1,638
Household		
- Purchase of residential properties	19,396	3,936
- Others	37,988	21,871
	120,026	56,156

The analysis of impaired financing and advances are detailed in Note 5.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****35. CREDIT RISK (continued)****Credit quality (continued)****(c) Credit quality of derivative assets**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) By counterparty		
Banks	4,080	28
Corporates	22	16
	<u>4,102</u>	<u>44</u>
(ii) By geographical distribution		
Malaysia	32	44
Rest of the World	4,070	-
	<u>4,102</u>	<u>44</u>

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

**(iii) By sector**

Manufacturing	13	12
Wholesale & retail trade and restaurants & hotels	4	4
Finance, insurance and business services	4,085	28
	<u>4,102</u>	<u>44</u>

**(iv) By residual contractual maturity**

Within one year	<u>4,102</u>	<u>44</u>
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**(d) Credit quality of contingent liabilities and credit commitments**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) By counterparty		
Banks	20,510	12,139
Other financial institutions	1,092	235
Corporates	113,267	304,931
Small and medium enterprises	300,324	133,552
Individuals	373,622	228,812
	<u>808,815</u>	<u>679,669</u>
(ii) By geographical distribution		
Malaysia	808,606	679,444
Singapore	209	225
	<u>808,815</u>	<u>679,669</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**35. CREDIT RISK (continued)**

**Credit quality (continued)**

**(d) Credit quality of contingent liabilities and credit commitments (continued)**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(iii) By sector		
Agriculture, hunting, forestry and fishing	2,344	4,389
Mining and quarrying	2,307	397
Manufacturing	93,766	114,121
Construction	126,080	149,865
Real estate	1,800	11,885
Wholesale & retail trade and restaurants & hotels	39,979	83,864
Transport, storage and communication	22,449	8,375
Finance, insurance and business services	31,607	9,780
Community, social and personal services	5,861	3,672
Household	373,622	228,811
Others	109,000	64,510
	<u>808,815</u>	<u>679,669</u>
(iv) By residual contractual maturity		
Within one year	136,250	165,979
One year to five years	161,487	169,943
Over five years	511,078	343,747
	<u>808,815</u>	<u>679,669</u>

**36. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. The fair value of a financial instrument is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Bank's financial instruments, including financing and advances to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

The Bank uses various methodologies to estimate the fair values of such instruments. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimated 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 Bank's financial instruments, including financing 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 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 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 MFRS 132 which requires fair value information to be disclosed. These include property and equipment.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**

**36. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

For financial assets and liabilities not carried at fair value on the financial statements, the Bank has determined that their fair values were not materially different from the carrying amounts at the reporting date.

**A) Fair value measurement**

**(i) Financial assets and financial liabilities**

(a) Short term financial instruments

The carrying amounts approximate the fair values of cash and cash equivalents, deposits and placements with banks and other financial institutions with maturity less than one year, profit and other short-term receivables due to their short tenor or frequent re-pricing.

(b) Deposits and placements with/of banks and other financial institutions

For deposits and placements with maturity of one year or more, the fair value is estimated based on discounted cash flows using prevailing money market rates for deposits and placements with similar remaining periods to maturity.

(c) Financial assets held-for-trading and financial investments available-for-sale

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

(d) Financing and advances

Financing and advances are carried at amortised cost on the statement of financial position, net of individual and collective impairment allowances. The fair values of financing and advances with maturity of less than one year are estimated to approximate their carrying amounts. For financing and advances with maturity of one year or more, the fair values are estimated based on discounted cash flows using market rates of financing and advances of similar credit risks and maturity.

(e) Deposits from customers

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

(f) Bills and acceptances payable

Bills and acceptances payable are substantially with maturity of less than one year. The carrying amount of bills and acceptances payable is a reasonable estimate of the fair value.

(g) Subordinated bond

Fair value for the subordinated bond is determined using quoted market prices and where available, or by reference to quoted market prices of similar instruments.

**(ii) Off-statement of financial position financial instruments**

The fair value of off-statement of financial position financial instruments is the estimated amount the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statement of financial position financial instruments are disclosed in Note 6 of the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****36. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy**

The Bank measures the fair values of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.
- Level 1 - quoted prices (unadjusted) for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data); and
- Level 3 - inputs for the valuation that are not based on observable market data.

<b>2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>			
Available-for-sale	2,265,695	578,115	2,843,810
Derivative financial assets	11	4,091	4,102
	<u>2,265,706</u>	<u>582,206</u>	<u>2,847,912</u>
<b>Financial liabilities</b>			
Derivative financial liabilities	53	4,083	4,136
	<u>53</u>	<u>4,083</u>	<u>4,136</u>
 <b>2013</b>			
<b>Financial assets</b>			
Available-for-sale	1,546,610	515,153	2,061,763
Derivative financial assets	4	40	44
	<u>1,546,614</u>	<u>515,193</u>	<u>2,061,807</u>
<b>Financial liabilities</b>			
Derivative financial liabilities	6	30	36
	<u>6</u>	<u>30</u>	<u>36</u>

There was no transfers between Level 1 and Level 2 fair values. The Bank also did not hold any Level 3 financial assets and liabilities measured at fair value nor was there any transfer to or from Level 3 in the fair value hierarchy.

**Valuation control framework**

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions and this is applied to the Bank as well.

The Market Risk Management ("MRM") function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Group's Treasury Financial Control – Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation related policies are reviewed annually by the Group's MRM and Finance Division. Any material change to the framework requires the approval of the Group's Chief Executive Officer and concurrence from the Group's Board Risk Management Committee. Group Internal Audit provides independent assurance on the respective divisions' compliance with the policy.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****36. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****C) Fair values of financial instruments not carried at fair value**

The table below is a comparison of the carrying amounts and fair values of the financial assets and liabilities of the Bank which are not measured at fair value in the financial statements. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts reasonably approximate their fair values. It also does not include non-financial assets and liabilities.

	2014		2013	
	Carrying Amount RM'000	Fair Value (Level 3) RM'000	Carrying Amount RM'000	Fair Value (Level 3) RM'000
<b>Financial assets</b>				
Financing and advances	9,168,014	9,365,309	6,762,954	6,847,201

The following is the method and assumption used to estimate the fair value of the above category of financial instruments:

The fair values of variable rate financing and advances are carried approximately to their carrying values. For fixed rate financing and advances, the fair values are valued based on expected future discounted cash flows using market rates of financing and advances of similar credit risks and maturity. For impaired financing and advances, the fair values are carried at amortised cost net of individual and collective impairment allowance.

**37. FINANCIAL ASSETS AND LIABILITIES**

The table below provides an analysis of financial instruments categorized as follows:

- Financial Investments Available-for-Sale financial assets ("AFS")
- Fair Value Through Profit or Loss - Held For Trading ("FVTPL-HFT")
- Financing and receivables ("F&R")
- Financial Liabilities measured at amortised cost ("FL").

2014	AFS RM'000	FVTPL-HFT RM'000	F&R / FL RM'000	Carrying amount RM'000
<b>Financial assets</b>				
Cash and cash equivalents	-	-	1,179,551	1,179,551
Financial investments				
available-for-sale	2,843,810	-	-	2,843,810
Financing and advances	-	-	9,168,014	9,168,014
Derivative financial assets	-	4,102	-	4,102
Other assets	-	-	75,988	75,988
Current tax assets	-	-	9,678	9,678
Statutory deposits with Bank Negara Malaysia	-	-	379,800	379,800
	<u>2,843,810</u>	<u>4,102</u>	<u>10,813,031</u>	<u>13,660,943</u>
<b>Financial liabilities</b>				
Deposits from customers	-	-	10,014,608	10,014,608
Deposits and placements of banks and other financial institutions	-	-	2,521,511	2,521,511
Bills and acceptances payable	-	-	20,644	20,644
Subordinated bond	-	-	200,000	200,000
Derivative financial liabilities	-	4,136	-	4,136
Other liabilities	-	-	118,693	118,693
Zakat	-	-	35	35
	<u>-</u>	<u>4,136</u>	<u>12,875,491</u>	<u>12,879,627</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****37. FINANCIAL ASSETS AND LIABILITIES (continued)**

2013	AFS RM'000	FVTPL-HFT RM'000	F&R / FL RM'000	Carrying amount RM'000
<b>Financial assets</b>				
Cash and cash equivalents	-	-	963,230	963,230
Financial investments				
available-for-sale	2,061,763	-	-	2,061,763
Financing and advances	-	-	6,762,954	6,762,954
Derivative financial assets	-	44	-	44
Other assets	-	-	54,716	54,716
Current tax assets	-	-	1,682	1,682
Statutory deposits with Bank Negara Malaysia	-	-	270,800	270,800
	<u>2,061,763</u>	<u>44</u>	<u>8,053,382</u>	<u>10,115,189</u>
<b>Financial liabilities</b>				
Deposits from customers	-	-	6,675,588	6,675,588
Deposits and placements of banks and other financial institutions	-	-	2,555,128	2,555,128
Bills and acceptances payable	-	-	13,679	13,679
Subordinated bond	-	-	200,000	200,000
Derivative financial liabilities	-	36	-	36
Other liabilities	-	-	86,056	86,056
Zakat	-	-	30	30
	<u>-</u>	<u>36</u>	<u>9,530,481</u>	<u>9,530,517</u>

**38. CAPITAL ADEQUACY****Capital Management**

It is the Bank'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 Bank manages its capital actively to ensure that its capital adequacy ratios are comfortably above the regulatory minima while balancing shareholder's desire for sustainable returns and high standards of prudence. Presently, the Bank's capital composition mainly consists of paid-up share capital and share premium.

The Bank's capital management process is guided by Oversea-Chinese Banking Corporation Limited Group's risk appetite and strategic business strategy as well as its capital monitoring guidelines which set an internal capital minima which is above the minimum regulatory requirement. This includes an annual capital planning exercise to forecast capital requirements and monthly monitoring of capital adequacy ratios.

**Capital Initiatives**Tier 1 Capital

The Bank issued 40 million ordinary shares on 13 June 2014, at RM3 each totalling RM120 million which was fully subscribed by its immediate holding company, OCBC Bank (Malaysia) Berhad.

Tier 2 Capital

The entire Subordinated Bond qualifies as Tier 2 capital subject to a gradual phase-out treatment as required by BNM's Adequacy Framework for Islamic Banks (Capital Components).

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)****38. CAPITAL ADEQUACY (continued)****Capital Adequacy Ratios**

The Bank is required to comply with Common Equity Tier 1 capital ratio of 4.0%, Tier 1 capital ratio of 5.5% and risk-weighted capital ratio of 8% prescribed by BNM. The Bank was in compliance with all prescribed capital ratio requirements throughout the financial year.

The capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components). Recognition of the Bank's Tier 2 capital instruments is subject to a gradual phase-out as required by BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up share capital	165,000	125,000
Share premium	330,000	250,000
Retained earnings	153,453	118,188
Other reserves	142,653	107,389
Unrealised loss on financial investments available-for-sale	(2,342)	(5,410)
CET1 capital	<u>788,764</u>	<u>595,167</u>
Regulatory adjustment for CET1 capital	(4,232)	(38,768)
Eligible CET1 / Tier 1 capital	<u>784,532</u>	<u>556,399</u>
<b>Tier 2 capital</b>		
Collective impairment allowance under Standardised Approach*	11,503	8,556
Surplus eligible provisions over expected losses	5,764	-
Subordinated bond	160,000	180,000
Eligible Tier 2 capital	<u>177,267</u>	<u>188,556</u>
Capital base	<u>961,799</u>	<u>744,955</u>

\* Excludes collective impairment allowance on impaired financing and advances

**Before the effects of PSIA**

CET1 / Tier 1 capital ratio	11.532%	9.977%
Total capital ratio	<u>14.138%</u>	<u>13.358%</u>

**After the effects of PSIA**

CET1 / Tier 1 capital ratio	12.609%	10.549%
Total capital ratio	<u>15.458%</u>	<u>14.125%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account (PSIA) as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts (RPSIA) which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 31 December 2014, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM581 million (2013 : RM302 million).

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

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk RWA	5,603,120	4,826,824
Market risk RWA	8,333	4,175
Operational risk RWA	610,401	443,178
	<u>6,221,854</u>	<u>5,274,177</u>