

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2012

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

Company No. 295400-W

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REPORTS AND FINANCIAL STATEMENTS

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Bank for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	GROUP	BANK
	2012	2012
	RM'000	RM'000
Profit for the year	<u>811,339</u>	<u>764,728</u>

DIVIDENDS

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

- i) A net cash dividend of 4.51% (on issue price) amounting to RM9.0 million to preference shareholders on 20 March 2012;
- ii) A final gross dividend of 150.0 sen per ordinary share less tax at 25% amounting to RM323.44 million on 2 May 2012 in respect of the financial year ended 31 December 2011;
- iii) A net cash dividend of 4.51% (on issue price) amounting to RM9.0 million to preference shareholders on 20 September 2012; and
- iv) An interim gross dividend of 30.0 sen per ordinary share less tax at 25% amounting to RM64.69 million on 4 October 2012 in respect of the year ended 31 December 2012.

The Directors now recommend a net cash dividend of 4.51% (on the issue price) amounting to RM9.0 million to the preference shareholders payable in March 2013 and a final gross dividend of 160.0 sen per ordinary share less tax at 25% in respect of the current financial year amounting to RM345 million on the fully issued and paid-up ordinary shares of the Bank, subject to member's approval at the forthcoming Annual General Meeting.

SHARE CAPITAL AND DEBENTURES

There were no 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 or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

COMPLIANCE WITH BANK NEGARA'S EXPECTATIONS ON FINANCIAL REPORTING

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

FINANCIAL PERFORMANCE

The Bank and its subsidiaries ("Group") recorded a net profit of RM811 million for the financial year ended 31 December 2012, registering an increase of RM32 million or 4% compared to 2011. Pre-tax profit rose 5% from the previous year to slightly over RM1 billion in 2012. The higher net profit was derived from growth in operating profit over last year, rising RM39 million or 3% to RM1.17 billion, coupled with a reduction in impairment loss and provisions of RM12 million or 13% to RM84 million.

Total operating income for the Group rose by RM144 million or 8% to RM2.0 billion as a result of a RM26 million or 2% increase in net interest income whilst income from Islamic banking operations improved by RM62 million or 34% to RM243 million and net trading income grew by RM48 million or 32% to RM196 million. Operating expenses expanded by RM105 million or 14% to RM851 million as the Group continued to build its capabilities and systems and opened new branches.

Individual impairment allowance for loans, advances and financing during the year increased by RM11 million to RM73 million compared to RM62 million last year while collective impairment allowances during the year decreased by RM23 million to RM53 million due to slower loan growth in 2012.

The Group's gross loans, advances and financing as at 31 December 2012 grew by RM5 billion or 12% to RM48 billion for the full year. The growth came mainly from consumer and business loans of RM3.5 billion and RM1.6 billion respectively. Total assets grew by RM8 billion to RM73 billion. Asset quality improved as net impaired loans, advances and financing ratio trended downwards to 1.43% (2011: 1.84%).

Group shareholders' funds strengthened to RM5.3 billion while the Group and Bank's risk weighted capital ratios as at 31 December 2012 stood at 16.87% and 17.01% respectively after taking into account proposed dividend payout.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

ACTIVITIES AND ACHIEVEMENTS

OCBC Bank (Malaysia) Berhad (OCBC Bank), together with its Islamic banking subsidiary, OCBC Al-Amin Bank Berhad (OCBC Al-Amin) (collectively, OCBC Malaysia), is today among the largest foreign banks in Malaysia and has been operating in the country for eight decades.

OCBC Malaysia has a network of 31 conventional and 8 Islamic banking branches. The latest conventional branch was opened this year in Cheras, Selangor, while three inaugural Xpres branches were opened by OCBC Al-Amin. The Xpres branches, which open daily from 10am to 10pm, are sited in Bukit Bintang, Balakong and Taman Melawati as part of a larger strategy to expand the Bank's reach and provide convenient touch points closer to where existing and potential Islamic banking customers work and live.

OCBC Malaysia won several awards in 2012 including Best Cash Management Solution, Best Trade Finance Solution (Islamic) and Best SME (Working Capital) Bank by The Asset Magazine, as well as Credit Card Initiative of the Year-Malaysia by the Asian Banking & Finance Magazine.

OCBC Malaysia continued to focus its corporate social responsibility activities on education, through its annual public scholarship programme; health, through OCBC Cycle Malaysia which saw the successful run of the second edition in January 2013; and children, through various visits, donations and volunteer programmes.

MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2013

Moving into 2013, OCBC Malaysia will strive to entrench its position as a banker of choice to the retail, SME and corporate segments by expanding its presence into new markets and deepening its penetration into existing ones. These efforts will hinge on providing a wider and enhanced pool of innovative products and convenient services.

On the business banking front, OCBC Malaysia will execute different strategies to meet the diverse needs of our key sub-segments namely corporate customers, commercial customers and SMEs. For corporates, OCBC Malaysia's industry and project specialist teams will centre on opportunities arising from the government's Economic Transformation Plan (ETP) as well as intensify efforts to deepen our involvement in privatisation and syndication deals. For commercial customers, the focus will be on deepening OCBC Bank's share of wallet through higher cross-selling of cash, trade and treasury products while continuing to focus on contract and equipment financing. For SMEs, OCBC Malaysia will concentrate on growing its distribution channels and further widening its product offerings.

In retail banking, OCBC Malaysia will continue to expand its Islamic banking network to complement the overall branch presence and so strengthen the distribution capacity of its wealth management and deposit-related marketing efforts. OCBC Malaysia will also continue to invest in its internet platform and social media activities in line with consumers' rapid move into the online banking space. In unsecured lending, OCBC Malaysia will continue to focus on the mass affluent segment, especially in urban centres, while maintaining its prudent risk-taking stance. For housing loans, OCBC Malaysia will continue to review its lending criteria in areas where prices have moved up, alongside its focus on lending to home owners rather than investors. The customer experience at all touch points will also receive heightened attention, drawing from the upgrading of the Bank's core banking systems, call centre and service training.

In the treasury business, OCBC Malaysia will focus on providing corporate customers with enhanced risk management solutions in order to both protect and grow their investments. A major thrust for the year will be on developing investment products for both retail and institutional clients. As Malaysia continues to lead global standards in Islamic Banking, the Bank will keep pace by introducing Shariah-compliant treasury products to make its offerings even more comprehensive and far-reaching.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

RATINGS BY EXTERNAL AGENCIES

RAM Rating Services Berhad ("RAM") has reaffirmed OCBC Bank's respective long term and short term financial institution ratings at AAA and P1, with stable outlook, on 12 December 2012. The ratings reflect OCBC Bank's healthy credit fundamentals and established franchise among mid-sized corporates as well as small and medium-sized enterprises.

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises nine Directors, of whom eight are non-executive Directors. The non-executive Directors are Tan Sri Dato' Nasruddin Bin Bahari (Chairman of the Bank), Dato' Ooi Sang Kuang (Deputy Chairman with effect from 27 November 2012), Dr Raja Lope Bin Raja Shahrome, Mr Samuel N. Tsien, Mr Ching Wei Hong, Ms Tan Siok Choo, Mr Lai Teck Poh and Mr Tan Siew Peng, Darren.

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

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

The Board has five independent Directors, namely, Tan Sri Dato' Nasruddin Bin Bahari, Dato' Ooi Sang Kuang, Dr Raja Lope Bin Raja Shahrome, Ms Tan Siok Choo and Mr Lai Teck Poh (with effect from 8 January 2013).

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

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

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

CORPORATE GOVERNANCE (continued)

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 shareholders while taking into account the interests of the stakeholders.

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

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

In 2012, the Board, the Board Audit Committee and the Risk Management Committee held a total of six meetings each while the Nominating Committee held a total of two meetings. Prior to each meeting, members are provided with timely and adequate information to enable members to fulfil their responsibilities. Information provided include background information and matters to be addressed by the Board, copies and disclosure documents, monthly internal financial statements, 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 company secretary. The Directors, in addition, may seek independent professional advice at the Bank's expense as may be deemed appropriate.

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

Board 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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

CORPORATE GOVERNANCE (continued)

Board Audit Committee

The Board Audit Committee comprises Tan Sri Dato' Nasruddin Bin Bahari (Chairman of the Board Audit Committee), Ms Tan Siok Choo and Mr Lai Teck Poh, all of whom are independent Directors. Mr Lai Teck Poh was re-designated as an independent Director with effect from 8 January 2013.

The Board approved the terms of reference of the Board Audit Committee. 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 Board Audit Committee reviews and evaluates with the external auditors and internal auditors, the adequacy of the system of internal controls including financial, operational and compliance 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 Board Audit Committee also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements, and announcements relating to financial statements.

The Bank has in place a whistle blowing policy and the Board Audit Committee 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 auditors and internal auditors in separate sessions and without the presence of management to consider any matters which might be raised privately. In addition, the Chairman of the Board Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Bank's operations. Formal reports are sent to the Board Audit Committee on a regular basis. The Board is updated on these reports. The Board Audit Committee 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 Board Audit Committee approves the Audit Charter of Internal Audit and reviews the effectiveness of the internal audit function. In line with leading practice, Internal Audit's mission statement 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 systems of control to the Board Audit Committee and management, but does not form any part of those systems of control. Internal Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

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, technology and strategic risks as well.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

CORPORATE GOVERNANCE (continued)

Internal Audit Function (continued)

The work undertaken by Internal Audit includes the audit of the Bank's system of internal control 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 management of market, liquidity, and credit risks. Internal Audit also participates in major new systems developments and special projects, to help evaluate risk exposures and 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 Board Audit Committee 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 Board Audit Committee and administratively to the CEO, and has unfettered access to the Board Audit Committee, 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 Board Audit Committee 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 can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

MANAGEMENT INFORMATION

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

1. Minutes of meetings of all Board Committees
2. Monthly Performance Report of the Bank
3. At least quarterly Credit Risk Management Report
4. At least quarterly Asset Liability & Market Risk Report
5. At least quarterly Operational Risk Management Report

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' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)**CORPORATE GOVERNANCE (continued)****Directors' Attendance at Board and Board Committee Meetings in 2012**

Name of Director	Number of Meetings attended in 2012							
	Board		Board Audit Committee		Nominating Committee		Risk Management Committee	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
Tan Sri Dato' Nasruddin Bin Bahari	6	6	6	6	2	2	6	6
Dr Raja Lope Bin Raja Shahrome	6	6	-	-	-	-	6	6
Tan Siok Choo	6	6	6	6	2	2	6	6
Lai Teck Poh	6	6	6	6	2	2	6	6
Ching Wei Hong	6	6	-	-	2	1	6	6
Chew Sun Teong, Jeffrey	6	6	-	-	-	-	-	-
Dato' Ooi Sang Kuang (appointed as a Director on 6 April 2012 and Deputy Chairman on 27 November 2012)	4	4	-	-	-	-	4	4
Tan Siew Peng, Darren (appointed on 6 April 2012)	4	4	-	-	-	-	4	4
Samuel N. Tsien (appointed on 15 April 2012)	4	4	-	-	1	1	4	4
David Conner (resigned on 15 April 2012)	2	2	-	-	1	1	2	2

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

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.

Profile on the Board of Directors**Tan Sri Dato' Nasruddin Bin Bahari, Chairman**

Tan Sri Dato' Nasruddin was appointed to the Board on 23 January 1996. Tan Sri Dato' Nasruddin holds a Bachelor of Arts with Honours from the University of Malaya and a Master of Public Administration from the University of Pittsburgh, USA. Apart from having held the office of Chairman of OCBC Bank (Malaysia) Berhad ("OCBC Bank") since October 1997, he is also the Chairman of OCBC Al-Amin Bank Berhad, Affin Moneybrokers Sdn Bhd, OCBC Credit Berhad, OCBC Advisers (Malaysia) Sdn Bhd and Sumber Petroleum Cemerlang Sdn Bhd and a Director of Great Eastern Life Assurance (Malaysia) Berhad, Lingkaran Trans Kota Holdings Bhd, IJM Land Berhad, Great Eastern Takaful Sdn Bhd and I Great Capital Holdings Sdn Bhd.

Dato' Ooi Sang Kuang, Deputy Chairman

Dato' Ooi was appointed to the Board on 6 April 2012 and later as Deputy Chairman on 27 November 2012. He was 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 Cagamas Berhad (the national mortgage corporation in Malaysia) and its subsidiaries, and Malaysian Electronic Clearing Corporation Sendirian Berhad (subsidiary of BNM), as well as a Director of Oversea-Chinese Banking Corporation Limited, OCBC Al-Amin Bank Berhad, Great Eastern Life Assurance (Malaysia) Berhad, Overseas Assurance Corporation (Malaysia) Berhad and Great Eastern Capital (Malaysia) Sdn Bhd. 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 Institute of Bankers Malaysia.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

CORPORATE GOVERNANCE (continued)

Profile of the Board of Directors (continued)

Mr Chew Sun Teong, Jeffrey, Director & Chief Executive Officer

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

Mr Samuel N. Tsien

Mr Samuel Tsien was appointed to the Board on 15 April 2012. He was appointed Group Chief Executive Officer of Oversea-Chinese Banking Corporation Limited ("OCBCL") on 15 April 2012. He joined OCBCL in July 2007 as Senior Executive Vice President, managing the OCBC 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 35 years of banking experience. In 2006, he became the President and Chief Executive Officer of China Construction Bank (Asia) when it 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. He served as Bank of America's Head of Asia Credit Risk Management for the commercial and retail banking group before that. Mr Tsien is presently the Chairman of OCBC Bank (China) Ltd and Singapore Island Bank Ltd, and a Commissioner of PT Bank OCBC NISP Tbk. He serves as a Director of several companies in the OCBC Group, including Great Eastern Holdings Ltd, OCBC Al-Amin Bank Berhad and Bank of Singapore. 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 20 June 2006. He was appointed Chief Operating Officer of OCBCL 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 Legal & Regulatory Compliance, Group Corporate Communications, Group Customer Experience, Group Quality & Service Excellence and OCBC Property Services functions of OCBCL. Mr Ching is also Chairman of Bank of Singapore, OCBC Securities and Lion Global Investors. 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 OCBCL, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Mr Ching has more than 27 years of experience in regional finance, corporate banking and cash management. Before joining OCBCL, 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.

Ms Tan Siok Choo

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (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 10 March 2007. Dr Raja Lope holds an Honours Degree in Economics from the University of Malaya in Singapore, an MA from the University of Pennsylvania and a PhD from the London School of Economics. His working experience was mainly in central and commercial banking except for a few years when he was working in a rating agency. He currently sits on the Board of Directors/Governors of OCBC Al-Amin Bank Berhad, First Nationwide Holdings Sdn Bhd, Pac Lease Berhad and several other private companies.

Mr Lai Teck Poh

Mr Lai was appointed to the Board on 7 January 2011. He joined OCBCL as an Executive Vice President and Head of Corporate Banking in January 1988. During his tenure with OCBCL, 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 42 years of banking experience, including about 20 years in Citibank, N.A. Singapore with overseas assignments in Jakarta, New York and London. He is also a Director of OCBCL, OCBC Al-Amin Bank Berhad, WBL Corporation Limited and AVJennings Limited, and a Commissioner of OCBC NISP. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore.

Mr Darren Tan Siew Peng

Mr Tan was appointed to the Board on 6 April 2012. He is also an Executive Vice President and the Chief Financial Officer (CFO) of OCBCL overseeing financial, regulatory and management accounting, capital management, corporate development and investor relations. He joined OCBCL 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 as the OCBC Group CFO in December 2011. Prior to joining OCBCL, 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, Singapore Island Bank Limited, Lion Global Investors Limited, OCBC Bank (China) Limited and OCBC Al-Amin Bank Berhad. Mr Tan graduated with First Class Honours in Accountancy from Nanyang Technological University and is a Chartered Financial Analyst.

DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS

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

Tan Sri Dato' Nasruddin Bin Bahari (Chairman)
Dato' Ooi Sang Kuang (Deputy Chairman) (appointed as a Director on 6 April 2012
and Deputy Chairman on 27 November 2012)
Dr Raja Lope Bin Raja Shahrome
Tan Siok Choo
Lai Teck Poh
Ching Wei Hong
Chew Sun Teong, Jeffrey
Tan Siew Peng, Darren (appointed on 6 April 2012)
Samuel N. Tsien (appointed on 15 April 2012)
David Conner (resigned on 15 April 2012)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)**DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS (continued)**

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

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

In accordance with Article 110 of the Bank's Articles of Association, Dato' Ooi Sang Kuang, Mr Tan Siew Peng, Darren and Mr Samuel N. Tsien shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

Oversea-Chinese Banking Corporation Limited ("OCBCL")

	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
	As at 1 January 2012	Acquired	Disposed	As at 31 December 2012
<u>Ordinary Shares</u>				
Tan Sri Dato' Nasruddin Bin Bahari	20,285	-	-	20,285
Dr Raja Lope Bin Raja Shahrome	-	2,000	-	2,000
Tan Siok Choo	48,000	893	-	48,893
Lai Teck Poh	416,703	168,121	30,000	554,824
Ching Wei Hong	81,257	111,585	56,280	136,562
Chew Sun Teong, Jeffrey	18,914	137,734	156,540	108
Tan Siew Peng, Darren	85,585 †	4,114	-	89,699
Samuel N. Tsien	121,555 *	-	-	121,555
<u>Class G Preference Shares</u>				
Tan Siok Choo	9,600	-	-	9,600
<u>Class B Preference Shares</u>				
Lai Teck Poh	2,500	-	-	2,500
Ching Wei Hong	2,500	-	-	2,500
Tan Siew Peng, Darren	2,000 †	-	-	2,000
	Shareholdings in which Directors have deemed interest			
	As at 1 January 2012	Acquired/ Awarded/ Granted	Disposed/ Exercised	As at 31 December 2012
<u>Ordinary Shares</u>				
Tan Siok Choo	3,553,453	-	-	3,553,453
<u>Class G Preference Shares</u>				
Tan Siok Choo	656,152	-	-	656,152

† As at 6 April 2012 (date of appointment).

* As at 15 April 2012 (date of appointment).

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)**DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS (continued)**Oversea-Chinese Banking Corporation Limited ("OCBCL")OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan

	Shareholdings in which Directors have deemed interest			
	As at 1 January 2012	Acquired/ Awarded/ Granted	Exercised/ Withdrawn	As at 31 December 2012
Lai Teck Poh	36,070	493	22,121	14,442
Ching Wei Hong	145,542	76,070	59,419	162,193
Chew Sun Teong, Jeffrey	93,063	41,712	45,734	89,041
Tan Siew Peng, Darren	256,936 †	12,941	4,114	265,763
Samuel N. Tsien	214,802 *	11,451	4,114	222,139

Unexercised share options available to the Directors under the OCBC Share Option Scheme 2001

	Shareholdings in which Directors have deemed interest				
	As at 1 January 2012	Offered	Exercised /Lapsed	As at 31 December 2012	Date options expire
Lai Teck Poh	481,000	-	140,000	341,000	14/3/2014 – 15/3/2019
Ching Wei Hong	533,643	136,369	56,280	613,732	13/3/2016 – 13/3/2022
Chew Sun Teong, Jeffrey	247,964	78,134	92,000	234,098	14/3/2020 – 13/3/2022
Tan Siew Peng, Darren	155,589 †	-	-	155,589	15/3/2019 – 13/3/2022
Samuel N. Tsien	1,125,538 *	-	-	1,125,538	13/3/2018 – 13/3/2022

† As at 6 April 2012 (date of appointment).

* As at 15 April 2012 (date of appointment).

PacificMas Berhad (In Members' Voluntary Winding Up)

	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
	As at 1 January 2012	Acquired	Disposed	As at 31 December 2012
<u>Ordinary Shares</u>				
Dr Raja Lope Bin Raja Shahrome	10,000	-	10,000	-
Tan Siok Choo	15,800	-	15,800	-
	Shareholdings in which Directors have deemed interest			
	As at 1 January 2012	Acquired	Disposed	As at 31 December 2012
<u>Ordinary Shares</u>				
Dr Raja Lope Bin Raja Shahrome	2,000	-	2,000	-

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.

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS (continued)

During and at the end of the financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 29 to the financial statements, or the fixed salary of full-time employees of the Bank or related companies) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate except for the share options granted to executives of OCBCCL 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.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year were as follows:

- (i) Subscription of 30 million ordinary shares of RM1 each at RM3 per ordinary share issued by its subsidiary, OCBC Al-Amin Bank Berhad, as disclosed in Note 11.
- (ii) Issuance of RM600 million redeemable subordinated bonds as disclosed in Note 19 (e).
- (iii) Redemption of RM400 million redeemable subordinated bonds as disclosed in Note 19 (b).

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 18 March 2013.

TAN SRI DATO' NASRUDDIN BIN BAHARI
DIRECTOR

CHEW SUN TEONG, JEFFREY
DIRECTOR

Kuala Lumpur

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 20 to 172 are drawn up in accordance with the provisions of the 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 Group and of the Bank as at 31 December 2012 and of their financial performances and cash flows for the year ended on that date.

In accordance with a resolution of the Board of Directors dated 18 March 2013.

TAN SRI DATO' NASRUDDIN BIN BAHARI
DIRECTOR

CHEW SUN TEONG, JEFFREY
DIRECTOR

Kuala Lumpur

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

I, Teoh Yin Meng, the officer primarily responsible for the financial management of OCBC Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 172 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at)
Kuala Lumpur in Wilayah Persekutuan)
On 18 March 2013) TEOH YIN MENG

Before me,

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

Company No. 295400-W
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of OCBC Bank (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and statements of cash flow of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 172.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of these financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are responsible for such internal control as the management determines 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly 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 Group and of the Bank as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

Company No. 295400-W

Report on Other Legal and Regulatory Requirements

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Ow Peng Li

Approval Number: 2666/09/13(J)
Chartered Accountant

Petaling Jaya, Selangor.

Date: 18 March 2013

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

Group		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
ASSETS	Note			
Cash and cash equivalents	2	11,361,095	7,759,574	11,004,041
Deposits and placements with banks and other financial institutions	3	1,285,868	1,868,584	1,935,632
Financial assets held-for-trading	4	228,230	466,302	505,657
Financial investments available-for-sale	5	9,813,105	9,602,189	5,964,308
Loans, advances and financing	6	47,478,794	42,368,410	35,299,340
Derivative financial assets	8	544,241	617,269	499,772
Other assets	9	259,769	244,435	203,813
Statutory deposits with Bank Negara Malaysia	10	1,625,592	1,400,992	79,342
Property, plant and equipment	12	255,428	207,905	210,647
Prepaid lease payments	13	928	964	1,000
Investment properties	14	13,040	16,439	20,731
Non-current assets held for sale	15	2,822	-	-
Deferred tax assets	16	2,566	23,502	7,909
Current tax assets		443	558	54,063
Total assets		72,871,921	64,577,123	55,786,255
LIABILITIES				
Deposits from customers	17	55,484,372	48,934,661	43,236,933
Deposits and placements of banks and other financial institutions	18	8,590,337	7,411,880	5,013,388
Bills and acceptances payable		356,718	351,990	281,944
Recourse obligation on loans sold to Cagamas Berhad		25,662	65,611	329,988
Subordinated term loan/bonds	19	1,705,231	1,514,672	1,504,132
Derivative financial liabilities	8	503,574	489,637	485,177
Other liabilities	20	914,182	878,751	472,329
Current tax liabilities and zakat		32,868	89,498	-
Deferred tax liabilities	16	1,809	-	-
Total Liabilities		67,614,753	59,736,700	51,323,891
EQUITY				
Share capital	21	291,500	291,500	291,500
Reserves	22	4,965,668	4,548,923	4,170,864
Total equity		5,257,168	4,840,423	4,462,364
Total liabilities and equity		72,871,921	64,577,123	55,786,255
Commitments and contingencies	35	93,576,669	77,924,155	64,496,086

The notes on pages 27 to 172 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (continued)

Bank		31 December 2012	31 December 2011	1 January 2011
ASSETS	Note	RM'000	RM'000	RM'000
Cash and cash equivalents	2	11,961,869	7,589,329	10,616,038
Deposits and placements with banks and other financial institutions	3	1,953,967	2,144,699	2,235,614
Financial assets held-for-trading	4	228,230	466,302	505,657
Financial investments available-for-sale	5	7,559,727	7,768,300	4,904,779
Loans, advances and financing	6	43,183,072	39,179,097	32,799,446
Derivative financial assets	8	544,129	616,021	492,132
Other assets	9	447,306	431,709	395,030
Statutory deposits with Bank Negara Malaysia	10	1,411,092	1,241,592	52,592
Investments in subsidiary companies	11	346,617	256,611	256,611
Property, plant and equipment	12	247,403	201,813	202,825
Prepaid lease payments	13	928	964	1,000
Investment properties	14	13,040	16,439	20,731
Non-current assets held for sale	15	2,822	-	-
Deferred tax assets	16	-	20,677	3,119
Current tax assets		-	-	52,703
Total assets		67,900,202	59,933,553	52,538,277
LIABILITIES				
Deposits from customers	17	51,075,434	44,555,869	40,381,661
Deposits and placements of banks and other financial institutions	18	8,189,016	7,323,838	4,734,425
Bills and acceptances payable		341,923	315,440	270,837
Recourse obligation on loans sold to Cagamas Berhad		25,662	65,611	329,988
Subordinated term loan/bonds	19	1,705,231	1,514,672	1,504,132
Derivative financial liabilities	8	503,511	488,409	477,549
Other liabilities	20	902,838	825,305	440,166
Current tax liabilities and zakat		32,843	89,478	-
Deferred tax liabilities	16	1,809	-	-
Total Liabilities		62,778,267	55,178,622	48,138,758
EQUITY				
Share capital	21	291,500	291,500	291,500
Reserves	22	4,830,435	4,463,431	4,108,019
Total equity		5,121,935	4,754,931	4,399,519
Total liabilities and equity		67,900,202	59,933,553	52,538,277
Commitments and contingencies	35	91,607,682	76,075,749	63,390,651

The notes on pages 27 to 172 form an integral part of these financial statements.

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Note	Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	23	2,774,147	2,446,088	2,803,159	2,469,750
Interest expense	23	(1,528,480)	(1,226,473)	(1,537,665)	(1,232,907)
Net interest income	23	1,245,667	1,219,615	1,265,494	1,236,843
Income from Islamic banking operations	24	243,283	181,647	-	-
Net fee and commission income	25	274,216	272,034	274,216	272,034
Net trading income	26	195,535	147,873	195,535	147,873
Other operating income	27	61,701	55,255	121,444	106,654
Operating income		2,020,402	1,876,424	1,856,689	1,763,404
Personnel and operating expenses	28	(851,432)	(746,218)	(787,743)	(685,184)
Operating profit before allowance for impairment loss and provision		1,168,970	1,130,206	1,068,946	1,078,220
Impairment allowance on loans, advances and financing	30	(88,650)	(97,908)	(48,382)	(73,868)
Impairment allowance written back/ (made) on investment properties	14	1,642	(2,205)	1,642	(2,205)
Reversal of impairment allowance on property, plant and equipment	12	-	3,836	-	3,836
Reversal of impairment allowance on investments in subsidiary companies	11	-	-	6	-
Reversal of provision for commitment and contingencies	20(b)	2,895	-	2,895	-
Profit before income tax expense and zakat		1,084,857	1,033,929	1,025,107	1,005,983
Income tax expense	32	(273,493)	(254,848)	(260,379)	(248,881)
Zakat		(25)	(20)	-	-
Profit for the year		811,339	779,061	764,728	757,102
Other comprehensive income, net of income tax expense					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		58,146	27,467	52,329	25,717
- Amount transferred to profit or loss		(42,315)	(17,721)	(40,914)	(17,097)
Income tax expense relating to components of other comprehensive income	16	(4,207)	(4,583)	(2,921)	(4,145)
Other comprehensive income for the year, net of tax		11,624	5,163	8,494	4,475
Total comprehensive income for the year		822,963	784,224	773,222	761,577
Profit attributable to shareholder of the Bank		811,339	779,061	764,728	757,102
Total comprehensive income attributable to shareholder of the Bank		822,963	784,224	773,222	761,577
Basic earnings per ordinary share (sen)	33	275.9	264.7	259.7	257.1

The notes on pages 27 to 172 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

Group	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Balance at 1 January 2012	291,500	858,500	352,596	56,619	131,078	3,150,130	4,840,423
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	58,146	-	58,146
- Amount transferred to profit or loss	-	-	-	-	(42,315)	-	(42,315)
Income tax expense relating to components of other comprehensive income	-	-	-	-	(4,207)	-	(4,207)
Total other comprehensive income for the year	-	-	-	-	11,624	-	11,624
Profit for the year	-	-	-	-	-	811,339	811,339
Total comprehensive income for the year	-	-	-	-	11,624	811,339	822,963
<i>Contributions by and distributions to owners of the Group</i>							
Transfer to statutory reserve	-	-	23,047	-	-	(23,047)	-
Dividends paid (Note 34)							
- Final 2011 ordinary	-	-	-	-	-	(323,438)	(323,438)
- Interim 2012 ordinary	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	(18,093)	(18,093)
Balance at 31 December 2012	<u>291,500</u>	<u>858,500</u>	<u>375,643</u>	<u>56,619</u>	<u>142,702</u>	<u>3,532,204</u>	<u>5,257,168</u>
Balance at 1 January 2011	291,500	858,500	330,660	56,619	125,915	2,799,170	4,462,364
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	27,467	-	27,467
- Amount transferred to profit or loss	-	-	-	-	(17,721)	-	(17,721)
Income tax expense relating to components of other comprehensive income	-	-	-	-	(4,583)	-	(4,583)
Total other comprehensive income for the year	-	-	-	-	5,163	-	5,163
Profit for the year	-	-	-	-	-	779,061	779,061
Total comprehensive income for the year	-	-	-	-	5,163	779,061	784,224
<i>Contributions by and distributions to owners of the Group</i>							
Transfer to statutory reserve	-	-	21,936	-	-	(21,936)	-
Dividends paid (Note 34)							
- Final 2010 ordinary	-	-	-	-	-	(323,437)	(323,437)
- Interim 2011 ordinary	-	-	-	-	-	(64,688)	(64,688)
- Preference	-	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2011	<u>291,500</u>	<u>858,500</u>	<u>352,596</u>	<u>56,619</u>	<u>131,078</u>	<u>3,150,130</u>	<u>4,840,423</u>

The notes on pages 27 to 172 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Bank	<i>Non-distributable</i>			<i>Distributable</i>		Total equity
	Share capital	Share premium	Statutory reserve	Fair value reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2012	291,500	858,500	322,000	128,533	3,154,398	4,754,931
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	52,329	-	52,329
- Amount transferred to profit or loss	-	-	-	(40,914)	-	(40,914)
Income tax expense relating to components of other comprehensive income	-	-	-	(2,921)	-	(2,921)
Total other comprehensive income for the year	-	-	-	8,494	-	8,494
Profit for the year	-	-	-	-	764,728	764,728
Total comprehensive income for the year	-	-	-	8,494	764,728	773,222
<i>Contributions by and distributions to owners of the Bank</i>						
Dividends paid (Note 34)						
- Final 2011 ordinary	-	-	-	-	(323,438)	(323,438)
- Interim 2012 ordinary	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	(18,093)	(18,093)
Balance at 31 December 2012	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>137,027</u>	<u>3,512,908</u>	<u>5,121,935</u>
Balance at 1 January 2011	291,500	858,500	322,000	124,058	2,803,461	4,399,519
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	25,717	-	25,717
- Amount transferred to profit or loss	-	-	-	(17,097)	-	(17,097)
Income tax expense relating to components of other comprehensive income	-	-	-	(4,145)	-	(4,145)
Total other comprehensive income for the year	-	-	-	4,475	-	4,475
Profit for the year	-	-	-	-	757,102	757,102
Total comprehensive income for the year	-	-	-	4,475	757,102	761,577
<i>Contributions by and distributions to owners of the Bank</i>						
Dividends paid (Note 34)						
- Final 2010 ordinary	-	-	-	-	(323,437)	(323,437)
- Interim 2011 ordinary	-	-	-	-	(64,688)	(64,688)
- Preference	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2011	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>128,533</u>	<u>3,154,398</u>	<u>4,754,931</u>

The notes on pages 27 to 172 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities					
Profit before income tax expense and zakat		1,084,857	1,033,929	1,025,107	1,005,983
<i>Adjustments for:</i>					
Net gains from disposal of:					
- Financial investments available-for-sale	27	(41,586)	(22,137)	(40,914)	(19,034)
- Property, plant and equipment	27	(9,630)	(3,689)	(9,630)	(3,689)
Dividends on financial investments available-for-sale	27	(1,271)	(787)	(1,271)	(787)
Depreciation of property, plant and equipment	28	40,439	36,595	38,434	34,051
Depreciation of investment properties	28	205	719	205	719
Amortisation of prepaid lease payments	28	36	36	36	36
Impairment allowance (written back)/made on investment properties		(1,642)	2,205	(1,642)	2,205
Reversal of impairment allowance on property, plant and equipment		-	(3,836)	-	(3,836)
Reversal of impairment allowance on investments in subsidiary companies		-	-	(6)	-
Impairment allowance on loans, advances and financing	30	88,650	97,908	48,382	73,868
Reversal of provision for commitment and contingencies	20(b)	(2,895)	-	(2,895)	-
Equity compensation benefits	28	6,150	8,116	5,923	7,909
Unrealised (gains)/losses on revaluation of:					
- Financial assets held-for-trading	26	(282)	8,874	(282)	8,874
- Trading derivatives	26	75,145	(103,552)	75,145	(103,552)
- Hedging derivatives	27	800	1,015	800	1,015
Operating profit before changes in working capital		1,238,976	1,055,396	1,137,392	1,003,762
<i>(Increase)/Decrease in operating assets and Increase/(Decrease) in operating liabilities:</i>					
Deposits and placements with banks and other financial institutions		582,716	67,048	190,732	90,915
Financial assets held-for-trading		238,354	30,481	238,354	30,481
Loans, advances and financing		(5,199,034)	(7,166,978)	(4,052,357)	(6,453,519)
Other assets		(15,334)	(40,622)	(15,597)	(36,679)
Statutory deposits with Bank Negara Malaysia		(224,600)	(1,321,650)	(169,500)	(1,189,000)
Derivative financial assets and liabilities		(3,714)	(18,202)	(3,685)	(18,194)
Deposits from customers		6,549,711	5,697,728	6,519,565	4,174,208
Deposits and placements of banks and other financial institutions		1,178,457	2,398,492	865,178	2,589,413
Bills and acceptances payable		4,728	70,046	26,483	44,603
Recourse obligation on loans sold to Cagamas Berhad		(39,949)	(264,377)	(39,949)	(264,377)
Other liabilities		32,266	398,367	74,596	377,291
Cash generated from operations		4,342,577	905,729	4,771,212	348,904
Income tax and zakat paid		(311,251)	(131,834)	(297,449)	(128,403)
Net cash generated from operating activities		4,031,326	773,895	4,473,763	220,501

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (continued)

	Note	Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from investing activities					
Proceeds from disposal of financial investments available-for-sale (net)		16,374,684	9,759,867	12,101,120	6,753,686
Acquisition of financial investments available-for-sale (net)		(16,522,947)	(13,347,891)	(11,834,739)	(9,571,372)
Increase in investments in subsidiary companies		-	-	(90,000)	-
Acquisition of property, plant and equipment		(90,222)	(30,767)	(86,264)	(29,946)
Proceeds from disposal of investment properties		3,642	96	3,642	96
Proceeds from disposal of property, plant and equipment		10,262	5,711	10,242	5,704
Dividends received from financial investments available-for-sale		1,271	787	1,271	787
Net cash (used in)/generated from investing activities		(223,310)	(3,612,197)	105,272	(2,841,045)
Cash flows from financing activities					
Dividends paid to preference shareholders		(18,093)	(18,040)	(18,093)	(18,040)
Dividends paid to shareholders of the Bank		(388,125)	(388,125)	(388,125)	(388,125)
Proceeds from subordinated term loan/bonds (net)		599,723	-	599,723	-
Repayment of subordinated bonds		(400,000)	-	(400,000)	-
Net cash used in financing activities		(206,495)	(406,165)	(206,495)	(406,165)
Net increase/(decrease) in cash and cash equivalents		3,601,521	(3,244,467)	4,372,540	(3,026,709)
Cash and cash equivalents at 1 January		7,759,574	11,004,041	7,589,329	10,616,038
Cash and cash equivalents at 31 December	2	11,361,095	7,759,574	11,961,869	7,589,329

The notes on pages 27 to 172 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

GENERAL INFORMATION

The principal activities of the Group and of the Bank are banking and other related financial services which also include Islamic Banking ("IB") business. The subsidiaries of the Bank are principally engaged in the businesses of IB and the provision of nominee services. There were no significant changes in the nature of these activities during the financial year.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2012 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Bank as at and for the year ended 31 December 2012 do not include other entities.

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

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

These financial statements were approved for issue by the Board of Directors on 18 March 2013.

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening Malaysian Financial Reporting Standards ("MFRS") statements of financial position of the Group and of the Bank at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

A. Basis of preparation of the financial statements

The financial statements of the Group and the Bank for the financial year ended 31 December 2012 have been prepared under the historical cost convention (except as disclosed in the notes to the financial statements), in accordance with the MFRS, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia and Shariah requirements (operations of IB). These are the Group's and the Bank's first annual audited financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

Since the previous annual audited financial statements as at 31 December 2011 were issued, the Group and the Bank have adopted the MFRS framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012 in preparing these financial statements. The MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the IFRS framework issued by the International Accounting Standards Board ("IASB"). Whilst all FRS issued under the previous FRS framework were equivalent to the MFRS issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain FRS. An explanation of the impact of the transition to MFRS on the financial position, financial performance and cash flows of the Group and the Bank is provided in Note 48.

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.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The following MFRS, IC Interpretation and Amendments to MFRS have been adopted by the Group during the current period:

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to MFRS 1)
Disclosures - Transfers of Financial Assets (Amendments to MFRS 7)
Deferred tax: Recovery of Underlying Assets (Amendments to MFRS 112)

The Group and the Bank have early adopted the Amendments to MFRS 101, *Presentation of Financial Statements* which are originally effective for annual periods beginning on or after 1 July 2012.

The early adoption of the Amendments to MFRS 101 above did not have any financial impact on the consolidated financial statements other than the presentation format of the statements of profit or loss and other comprehensive income.

Except as described below, the accounting policies applied by the Group and the Bank in these financial statements are the same as those applied by the Group and the Bank in its consolidated annual financial statements as at and for the year ended 31 December 2011.

Impairment of loans, advances and financing

With effect from 1 January 2012, the Group and the Bank have ceased to maintain collective impairment allowance of at least 1.5% of total outstanding loans, advances and financing, net of individual impairment allowance in line with the transitional provision pursuant to Bank Negara Malaysia ("BNM") Guidelines on Classification and Impairment Provisions for Loans/Financing.

With effect from 1 January 2012, the Group and the Bank have adopted 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 for purposes of calculating an estimated collective allowance. This change in accounting policy has been accounted for retrospectively as disclosed in Note 48.

Profit Equalisation Reserve (PER)

The Group has discontinued the usage of PER to manage the IB's Displaced Commercial Risk (DCR) with effect from 1 January 2012. Presently, the IB uses two other techniques prescribed in BNM's revised Guidelines on Profit Equalisation Reserve that require either foregoing the IB's share of the profit or transferring from its retained earnings to the investment account holder.

The Group and the Bank have not applied the following MFRS, Amendments to MFRS and IC Interpretations that have been issued by the MASB as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (as amended by the IASB in June 2011)
MFRS 127	Separate Financial Statements (as amended by the IASB in May 2011)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Effective for annual periods commencing on or after 1 January 2013 (continued)

MFRS 128	Investments in Associates and Joint Ventures (as amended by the IASB in May 2011)
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by the IASB in March 2004)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to MFRS 1,	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to MFRS 7,	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS	contained in the documents entitled "Annual Improvements 2009 - 2011 Cycle"
Consolidated Financial	Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

Effective for annual periods commencing on or after 1 January 2014

Offsetting Financial	Assets and Financial Liabilities (Amendment to MFRS 132)
Amendments to MFRS	10, Consolidated Financial Statements: Investment Entities
Amendments to MFRS	12, Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS	127, Separate Financial Statements (2011): Investment Entities

Effective for annual periods commencing on or after 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
Amendments to MFRS	7, Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine is not applicable to the Group and the Bank as it is not relevant to the business of the Group and the Bank.

The financial effects of the above MFRS and Amendments to MFRS are still being assessed due to the complexity of these new MFRS and Amendments to MFRS, and their proposed changes.

Material impacts of initial application of a standard, an amendment or an interpretation are discussed below:

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. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's and the Bank's investments in unquoted shares will be measured at fair value through other comprehensive income.

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

MFRS 10, Consolidated Financial Statements

MFRS 10, *Consolidated Financial Statements* introduces a new single control model to determine which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation - Special Purpose Entities*. There are three elements to the definition of control in MFRS 10: (1) power by investor over an investee, (2) exposure, or rights, to variable returns from investor's involvement with the investee, and (3) investor's ability to affect those returns through its power over the investee.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

MFRS 13, Fair Value Measurement

MFRS 13, *Fair Value Measurement* establishes the principles for fair value measurement and replaces the existing guidance in different MFRS.

B. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investment includes transaction costs.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investment or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

C. Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Bank categorises financial instruments as follows:

Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

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

Financial assets (continued)

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

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

As at 31 December 2012, financial assets at fair value through profit or loss of the Group are financial assets held-for-trading and trading derivatives. There are no financial assets that are specifically designated into this category upon initial recognition. Financial assets held-for-trading are financial assets acquired and held with the intention of resale in the short term.

(b) Held-to-maturity investments

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

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

As at 31 December 2012, there are no financial assets of the Group that are categorised as held-to-maturity investments.

(c) Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

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

Financial assets (continued)

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

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

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Financial investments categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit and loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest on debt instruments are calculated using the effective interest method is recognised as interest income in profit or loss.

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

Financial liabilities

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

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

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

(iii) Financial guarantee contracts

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

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using the 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Hedge accounting

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

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

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

Fair value hedge

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

(v) Hedge accounting (continued)

Cash flow hedge

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

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

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

(vi) 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, interest rate and currency swaps, financial futures and option contracts. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial instruments (continued)

(vii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially transfer all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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 or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(viii) Offsetting

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

D. Property, plant and equipment

(i) Recognition and measurement

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

The cost of an item of property, plant and equipment includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent costs

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Property, plant and equipment (continued)

(iii) Depreciation

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

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

The principal annual rates are:

Buildings on freehold land	50 years
Office equipment and furniture	10 years
Computer equipment and software	3-8 years
Renovation	3-5 years
Motor vehicles	5 years

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

E. Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in 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 intended.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Investment properties (carried at cost)

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

Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. The Group has adopted the cost method in measuring investment properties. Investment properties are stated at cost less any accumulated depreciation and any allowance for impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 1(D).

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

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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

G. Receivables

Receivables are categorised and measured as loans and receivables in accordance with Note 1(C).

H. Non-current assets held for sale

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Cash and Cash Equivalents

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

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

J. Impairment of financial assets

(i) Held-to-maturity investments

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

(ii) Financial investments available-for-sale

Impairment loss 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 loss previously recognised. Where a decline in fair value of an available-for-sale financial investment has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised in profit or loss.

An impairment loss 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 asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss 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 loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(iii) Loans, advances and financing

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired subject to BNM guidelines on Classification and Impairment Provisions for Loans/Financing where loans, advances and financing 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Impairment of financial assets (continued)

(iii) Loans, advances and financing (continued)

Objective evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, that it is possible that they will enter bankruptcy or other financial 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

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

Collective impairment allowance

With effect from 1 January 2012, the Group and the Bank have ceased to maintain collective impairment allowance of at least 1.5% of total outstanding loans, advances and financing, net of individual impairment allowance in line with the transitional provision pursuant to BNM Guidelines on Classification and Impairment Provisions for Loans/Financing.

With effect from 1 January 2012, the Group and the Bank have adopted 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.

Impaired loans, advances and financing written off

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

K. Impairment of other assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Impairment of other assets (continued)

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

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

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

L. Equity instruments

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

Ordinary shares are classified as equity.

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

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

M. Employee benefits

(i) Short-term employee benefits

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

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

(ii) Employee leave entitlements

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Employee benefits (continued)

(iii) Share-based payment transactions

(a) OCBC Deferred Share Plan

The OCBC Deferred Share Plan (“the Plan”) was implemented with effect from 2003. Under the Plan, shares of the ultimate holding company of the Bank are 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 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 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 and the Bank revise 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, with a corresponding adjustment to equity over the remaining vesting period. The Group and the Bank accrue for interest on the monthly contributions made by employees to the savings-based ESP Plan. Further details of the equity compensation benefits are disclosed in Note 20(a).

N. Provisions

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

- (a) the Group and the Bank has a present legal or constructive obligation as a result of past events;
- (b) it is probable that an outflow of resources will be required to settle the obligation; and
- (c) a reliable estimate of the amount can be made.

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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Revenue and expenses

(i) Interest income and expense

Interest income and expense is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments 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 interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

(ii) Net trading income

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

(iii) Fees and commission income

Loan processing fees and commissions are recognised when all conditions precedent are fulfilled.

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

(iv) Dividend income

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

(v) Rental income

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

P. Recourse obligation on loans sold to Cagamas Berhad

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Recourse obligation on loans sold to Cagamas Berhad (continued)

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

Q. Foreign currency transactions

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

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

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

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

R. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is 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 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 apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by end of the reporting period.

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

S. Zakat Contribution

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Earnings per ordinary share

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

U. Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank. The Bank does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

V. Significant accounting judgments and estimation

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Significant accounting judgments and estimation (continued)

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

- (i) Fair value estimation for financial assets held-for-trading (Note 4), financial investments available-for-sale (Note 5) and derivative financial assets and liabilities (Note 8). Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives), the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads. Where observable market data are not available, judgement is required in the determination of model inputs, which normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgment is also required in assessing the impairment of financial investments available-for-sale as the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.
- (ii) For impaired loans, advances and financing which are individually and collectively assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in determining recoverable amount. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ from this.
- (iii) Impairment of assets – assessment of impairment of financial investments available-for-sale (Note 5) is made when the investment is impaired. Management judgement is required to evaluate the duration and extent of fair value loss for financial investments available-for-sale in order to determine if the securities were impaired.
- (iv) Valuation of investment properties (Note 14) – the measurement of the fair value for investment properties performed by management is determined with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**2 CASH AND CASH EQUIVALENTS**

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and balances with banks and other financial institutions	406,768	205,948	1,279,485
Money at call and deposit placements with financial institutions maturing within one month	10,954,327	7,553,626	9,724,556
	<u>11,361,095</u>	<u>7,759,574</u>	<u>11,004,041</u>
i) By geographical distribution			
Malaysia	10,656,143	7,238,927	10,202,861
Singapore	234,371	235,014	720,220
Other ASEAN	8,157	3,925	179
Rest of the world	462,424	281,708	80,781
	<u>11,361,095</u>	<u>7,759,574</u>	<u>11,004,041</u>

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

Bank

Cash and balances with banks and other financial institutions	383,080	178,209	1,265,235
Money at call and deposit placements with financial institutions maturing within one month	11,578,789	7,411,120	9,350,803
	<u>11,961,869</u>	<u>7,589,329</u>	<u>10,616,038</u>
i) By geographical distribution			
Malaysia	11,260,937	7,075,238	9,818,875
Singapore	233,265	234,461	720,097
Other ASEAN	7,864	3,776	-
Rest of the world	459,803	275,854	77,066
	<u>11,961,869</u>	<u>7,589,329</u>	<u>10,616,038</u>

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

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	<u>1,285,868</u>	<u>1,868,584</u>	<u>1,935,632</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)**

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) By geographical distribution			
Malaysia	1,161,481	1,044,959	1,112,890
Singapore	-	357,789	822,742
Other ASEAN	-	52,719	-
Rest of the world	124,387	413,117	-
	<u>1,285,868</u>	<u>1,868,584</u>	<u>1,935,632</u>

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

ii) By residual contractual maturity

Maturity within one year	1,248,303	1,868,584	1,935,632
One year to five years	37,565	-	-
Over five years	-	-	-
	<u>1,285,868</u>	<u>1,868,584</u>	<u>1,935,632</u>

Bank

Licensed banks	<u>1,953,967</u>	<u>2,144,699</u>	<u>2,235,614</u>
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i) By geographical distribution

Malaysia	1,829,580	1,321,074	1,412,872
Singapore	-	357,789	822,742
Other ASEAN	-	52,719	-
Rest of the world	124,387	413,117	-
	<u>1,953,967</u>	<u>2,144,699</u>	<u>2,235,614</u>

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

ii) By residual contractual maturity

Maturity within one year	1,916,402	1,975,222	2,031,008
One year to five years	37,565	169,477	138,645
Over five years	-	-	65,961
	<u>1,953,967</u>	<u>2,144,699</u>	<u>2,235,614</u>

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

As at 31 December 2012, the RPSIA placements amounted to RM318 million (31 December 2011: RM276 million; 1 January 2011: RM205 million) for a tenure of more than 1 year at profit rates ranging from 1.92% to 4.31% per annum (31 December 2011: 2.08% to 5.03%; 1 January 2011: 1.87% to 4.31%).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**4 FINANCIAL ASSETS HELD-FOR-TRADING**

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At fair value			
Malaysia Government treasury bills	23,258	9,969	-
Malaysia Government securities	-	133,346	5,008
Government investment certificate	-	15,687	31,156
Bank Negara Malaysia monetary notes	47,178	-	68,912
Private debt securities	153,838	296,266	283,051
Quoted shares in Malaysia	3,956	11,034	117,530
	228,230	466,302	505,657

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
	Group		
At fair value			
Malaysia Government securities	2,438,721	3,015,392	2,262,198
Government investment certificate	1,695,843	1,760,443	610,317
Bank Negara Malaysia monetary notes	751,584	646,125	799,976
Bank Negara Malaysia Islamic bonds	-	-	33,255
Private debt securities	2,438,359	2,266,189	1,496,506
Negotiable instruments of deposit	2,135,049	1,643,050	502,094
Malaysia Government debt securities	142,048	90,277	19,137
Foreign Government debt securities	85,622	60,043	39,928
Bankers' acceptances	-	-	84,330
Quoted shares outside Malaysia	17,155	11,946	-
Unquoted shares in Malaysia	108,546	108,546	106,478
Unquoted shares outside Malaysia	-	-	10,020
Debentures	190	190	190
	9,813,117	9,602,201	5,964,429
Impairment allowance			
- Unquoted shares in Malaysia	-	-	(109)
- Debentures	(12)	(12)	(12)
	(12)	(12)	(121)
	9,813,105	9,602,189	5,964,308

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (continued)**

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
<u>Bank</u>			
At fair value			
Malaysia Government securities	2,438,721	3,015,392	2,262,198
Government investment certificate	136,312	743,759	313,188
Bank Negara Malaysia monetary notes	701,760	546,249	544,449
Private debt securities	2,058,051	1,944,761	1,232,024
Negotiable instruments of deposit	2,033,055	1,358,813	352,023
Malaysia Government debt securities	29,970	-	-
Foreign Government debt securities	35,979	38,656	-
Bankers' acceptances	-	-	84,330
Quoted shares outside Malaysia	17,155	11,946	-
Unquoted shares in Malaysia	108,546	108,546	106,478
Unquoted shares outside Malaysia	-	-	10,020
Debentures	190	190	190
	<u>7,559,739</u>	<u>7,768,312</u>	<u>4,904,900</u>
Impairment allowance			
- Unquoted shares in Malaysia	-	-	(109)
- Debentures	(12)	(12)	(12)
	<u>(12)</u>	<u>(12)</u>	<u>(121)</u>
	<u>7,559,727</u>	<u>7,768,300</u>	<u>4,904,779</u>

Included in Malaysian Government Securities of the Group and the Bank were securities utilised to meet the statutory reserve requirement as referred to in Note 10. The nominal value of securities utilised was NIL (31 December 2011: NIL ; 1 January 2011: RM233 million).

The accumulated impairment allowance for financial investments available-for-sale is as follows:

	Group and Bank	
	2012 RM'000	2011 RM'000
Balance at 1 January	12	121
Reversal of impairment allowance	-	(109)
Balance at 31 December	<u>12</u>	<u>12</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**6 LOANS, ADVANCES AND FINANCING**

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At amortised cost			
i) By type			
Overdrafts	4,003,363	3,840,440	3,357,978
Term loans/financing:			
- Housing loans/financing	15,793,727	12,472,884	10,166,900
- Syndicated term loans/financing	2,081,983	2,893,114	3,967,231
- Hire purchase receivables	653,132	624,920	558,520
- Lease receivables	44	294	2,264
- Other term loans	19,767,534	17,197,367	12,607,066
Credit/charge card receivables	460,727	413,884	421,253
Bills receivable	439,666	1,446,312	76,387
Trust receipts	35,950	44,481	54,515
Claims on customers under acceptance credits	1,920,050	1,891,209	1,997,296
Block discounting	-	-	330
Loans to banks and other financial institutions	149,566	179,854	230,767
Revolving credit	2,930,819	1,965,861	2,135,768
Staff loans	98,915	106,836	113,248
Other loans	406,585	448,566	642,722
	<u>48,742,061</u>	<u>43,526,022</u>	<u>36,332,245</u>
Less: Unearned interest and income	(490,445)	(384,207)	(263,527)
Gross loans, advances and financing	<u>48,251,616</u>	<u>43,141,815</u>	<u>36,068,718</u>
Allowance for loans, advances and financing:			
- Individual impairment	(264,575)	(318,091)	(389,872)
- Collective impairment	(508,247)	(455,314)	(379,506)
Net loans, advances and financing	<u>47,478,794</u>	<u>42,368,410</u>	<u>35,299,340</u>
ii) By type of customer			
Domestic non-bank financial institutions:			
- Stockbroking companies	-	2,007	1,801
- Others	231,287	519,376	945,519
Domestic business enterprises:			
- Small medium enterprises	9,688,782	7,098,872	5,651,910
- Others	17,182,006	17,245,616	15,722,735
Individuals	20,591,838	16,769,545	13,570,766
Other domestic entities	310	646	1,223
Foreign entities	557,393	1,505,753	174,764
	<u>48,251,616</u>	<u>43,141,815</u>	<u>36,068,718</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**6 LOANS, ADVANCES AND FINANCING (continued)**

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
iii) By interest/profit rate sensitivity			
Fixed rate			
- Housing loans/financing	505,446	513,431	46,866
- Hire purchase receivables	581,492	567,861	506,200
- Other fixed rate loans/financing	2,461,111	3,022,988	1,885,344
Variable rate			
- BLR plus	29,876,603	26,546,536	23,113,163
- Cost plus	14,172,952	11,849,960	4,244,415
- Other variable rates	654,012	641,039	6,272,730
	<u>48,251,616</u>	<u>43,141,815</u>	<u>36,068,718</u>
iv) By sector			
Agriculture, hunting and related activities	2,618,407	2,228,595	2,253,919
Mining and quarrying	845,423	741,082	570,977
Manufacturing	5,775,051	5,420,134	4,838,887
Electricity, gas and water	530,194	669,365	816,120
Construction	1,172,782	1,301,651	1,062,486
Real estate	6,809,106	5,956,177	4,350,295
Wholesale & retail trade and restaurants & hotels	5,362,645	4,793,238	4,846,634
Transport, storage and communication	1,707,541	1,660,805	1,216,769
Finance, insurance and business services	1,496,378	1,244,583	1,429,305
Community, social and personal services	820,942	643,832	668,459
Household, of which:			
- Purchase of residential properties	17,055,487	13,614,391	10,092,467
- Purchase of non-residential properties	1,250,708	1,020,900	1,220,609
- Others	2,524,717	2,232,955	2,359,480
Others	282,235	1,614,107	342,311
	<u>48,251,616</u>	<u>43,141,815</u>	<u>36,068,718</u>
v) By geographical distribution			
Malaysia	48,024,986	43,016,216	35,896,212
Singapore	185,908	65,943	129,471
Other ASEAN	38,374	17,920	2,899
Rest of the world	2,348	41,736	40,136
	<u>48,251,616</u>	<u>43,141,815</u>	<u>36,068,718</u>
The analysis by geography is determined based on where the credit risk resides.			
vi) By residual contractual maturity			
Maturity within one year	11,534,223	10,048,640	8,411,976
One year to five years	7,673,218	6,924,523	6,128,598
Over five years	29,044,175	26,168,652	21,528,144
	<u>48,251,616</u>	<u>43,141,815</u>	<u>36,068,718</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**6 LOANS, ADVANCES AND FINANCING (continued)**

<u>Bank</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At amortised cost			
i) By type			
Overdrafts	3,077,430	2,973,679	2,916,414
Term loans/financing:			
- Housing loans/financing	15,573,233	12,310,453	10,020,070
- Syndicated term loans/financing	2,041,977	2,691,712	3,720,418
- Hire purchase receivables	55	72	75
- Lease receivables	44	294	2,227
- Other term loans	17,948,907	16,276,746	11,981,310
Credit/charge card receivables	460,727	413,884	421,253
Bills receivable	387,843	1,415,809	64,443
Trust receipts	35,950	44,481	54,515
Claims on customers under acceptance credits	1,693,978	1,687,484	1,793,827
Block discounting	-	-	330
Loans to banks and other financial institutions	149,566	179,854	230,767
Revolving credit	2,015,171	1,371,973	1,596,582
Staff loans	98,915	106,836	113,248
Other loans	398,574	418,956	597,662
	<u>43,882,370</u>	<u>39,892,233</u>	<u>33,513,141</u>
Less: Unearned interest and income	-	(106)	(161)
Gross loans, advances and financing	<u>43,882,370</u>	<u>39,892,127</u>	<u>33,512,980</u>
Allowance for loans, advances and financing:			
- Individual impairment	(232,242)	(289,280)	(358,784)
- Collective impairment	(467,056)	(423,750)	(354,750)
Net loans, advances and financing	<u>43,183,072</u>	<u>39,179,097</u>	<u>32,799,446</u>
ii) By type of customer			
Domestic non-bank financial institutions:			
- Stockbroking companies	-	2,007	1,801
- Others	231,287	519,376	945,519
Domestic business enterprises:			
- Small medium enterprises	8,586,670	6,519,800	5,260,077
- Others	14,885,945	15,392,580	14,079,971
Individuals	19,656,662	15,968,785	13,114,114
Other domestic entities	310	646	1,218
Foreign entities	521,496	1,488,933	110,280
	<u>43,882,370</u>	<u>39,892,127</u>	<u>33,512,980</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**6 LOANS, ADVANCES AND FINANCING (continued)**

<u>Bank</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
iii) By interest/profit rate sensitivity			
Fixed rate			
- Housing loans/financing	475,751	475,784	-
- Hire purchase receivables	72	72	75
- Other fixed rate loans/financing	884,955	1,730,365	977,974
Variable rate			
- BLR plus	29,562,617	26,373,222	23,040,259
- Cost plus	12,304,963	10,671,645	3,221,942
- Other variable rates	654,012	641,039	6,272,730
	43,882,370	39,892,127	33,512,980
iv) By sector			
Agriculture, hunting and related activities	2,326,473	1,864,465	1,792,066
Mining and quarrying	639,716	446,485	301,288
Manufacturing	4,792,001	4,575,040	4,207,498
Electricity, gas and water	458,471	569,048	716,004
Construction	1,044,745	1,202,375	985,527
Real estate	5,919,061	5,705,044	4,269,985
Wholesale & retail trade and restaurants & hotels	4,940,925	4,587,946	4,645,864
Transport, storage and communication	1,558,577	1,479,358	1,064,505
Finance, insurance and business services	1,379,292	1,185,844	1,397,171
Community, social and personal services	710,295	597,491	639,111
Household, of which:			
- Purchase of residential properties	16,838,298	13,471,507	9,975,853
- Purchase of non-residential properties	1,238,131	1,015,574	1,217,855
- Others	1,813,483	1,577,876	2,020,317
Others	222,902	1,614,074	279,936
	43,882,370	39,892,127	33,512,980
v) By geographical distribution			
Malaysia	43,687,416	39,780,819	33,402,226
Singapore	184,457	65,943	67,719
Other ASEAN	8,301	3,629	2,899
Rest of the world	2,196	41,736	40,136
	43,882,370	39,892,127	33,512,980
The analysis by geography is determined based on where the credit risk resides.			
vi) By residual contractual maturity			
Maturity within one year	10,195,257	9,101,574	7,498,735
One year to five years	6,101,144	5,426,025	5,137,238
Over five years	27,585,969	25,364,528	20,877,007
	43,882,370	39,892,127	33,512,980

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**7 IMPAIRED LOANS, ADVANCES AND FINANCING**

a) Movements in impaired loans, advances and financing

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	1,105,135	1,006,464	1,057,651	961,020
Classified as impaired during the year	902,317	678,046	825,562	628,061
Reclassified as performing	(379,359)	(156,162)	(366,338)	(147,809)
Amount recovered	(550,973)	(294,973)	(531,166)	(281,391)
Amount written off	(123,162)	(128,636)	(86,689)	(102,626)
Effect of foreign exchange difference	(1,153)	396	(1,153)	396
Balance at 31 December	952,805	1,105,135	897,867	1,057,651
Individual impairment allowance	(264,575)	(318,091)	(232,242)	(289,280)
Collective impairment allowance	(7,337)	(8,405)	(7,122)	(8,222)
Net impaired loans, advances and financing	680,893	778,639	658,503	760,149

i) Impaired loans, advances and financing by sector

	31 December	31 December	1 January
	2012	2011	2011
	RM'000	RM'000	RM'000
Group			
Agriculture, hunting and related activities	9,871	9,677	13,224
Manufacturing	339,920	293,113	348,289
Construction	30,032	264,435	70,443
Real estate	67,620	38,133	49,954
Wholesale & retail trade and restaurants & hotels	139,042	142,616	144,883
Transport, storage and communication	26,846	25,004	23,697
Finance, insurance and business services	21,510	24,984	21,685
Community, social and personal services	6,808	5,843	3,391
Household, of which:			
- Purchase of residential properties	220,716	218,112	229,864
- Purchase of non-residential properties	17,480	18,778	18,488
- Others	65,950	60,978	76,209
Others	7,010	3,462	6,337
	952,805	1,105,135	1,006,464

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

i) Impaired loans, advances and financing by sector (continued)

<u>Bank</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Agriculture, hunting and related activities	9,274	9,551	12,704
Manufacturing	323,450	271,727	324,273
Construction	26,874	259,967	66,316
Real estate	67,620	38,133	49,947
Wholesale & retail trade and restaurants & hotels	129,522	137,661	141,425
Transport, storage and communication	25,581	24,651	23,189
Finance, insurance and business services	19,053	23,343	20,698
Community, social and personal services	6,136	4,810	3,242
Household, of which:			
- Purchase of residential properties	218,209	216,025	226,552
- Purchase of non-residential properties	17,480	18,778	18,488
- Others	47,900	49,543	67,849
Others	6,768	3,462	6,337
	897,867	1,057,651	961,020

ii) Impaired loans, advances and financing by geographical distribution

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Malaysia	952,805	1,105,135	1,006,464
<u>Bank</u>			
Malaysia	897,867	1,057,651	961,020

iii) Impaired loans, advances and financing by period overdue

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Over 270 days	475,027	587,506	722,473
Over 180 days to 270 days	44,194	44,703	74,000
Over 90 days to 180 days	108,757	84,609	82,256
Less than 90 days	324,827	388,317	127,735
	952,805	1,105,135	1,006,464
<u>Bank</u>			
Over 270 days	455,826	567,166	695,471
Over 180 days to 270 days	42,426	42,357	71,891
Over 90 days to 180 days	86,150	73,209	73,783
Less than 90 days	313,465	374,919	119,875
	897,867	1,057,651	961,020

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

iv) Impaired loans, advances and financing by collateral type

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Property	544,620	658,575	755,256
Fixed deposits	1,194	1,806	484
Stock and shares	348	216,784	5,522
Machinery	2,307	-	-
Secured - others	86,040	121,739	113,973
Unsecured - corporate and other guarantees	156,891	41,751	73,213
Unsecured - clean	161,405	64,480	58,016
	<u>952,805</u>	<u>1,105,135</u>	<u>1,006,464</u>
 Bank			
Property	534,952	656,017	752,013
Fixed deposits	1,194	1,394	484
Stock and shares	348	216,784	5,522
Secured - others	76,495	94,175	86,277
Unsecured - corporate and other guarantees	142,490	39,094	70,113
Unsecured - clean	142,388	50,187	46,611
	<u>897,867</u>	<u>1,057,651</u>	<u>961,020</u>

b) Movements in allowance for loans, advances and financing are as follows:

	<u>Group</u>		<u>Bank</u>	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<u>Individual impairment allowance</u>				
Balance at 1 January	318,091	389,872	289,280	358,784
Made during the financial year	177,736	180,375	118,492	142,795
Amount written back	(104,990)	(118,136)	(84,696)	(104,335)
Amount written off	(123,004)	(128,636)	(87,576)	(102,626)
Discount unwind	(3,258)	(5,384)	(3,258)	(5,338)
Balance at 31 December	<u>264,575</u>	<u>318,091</u>	<u>232,242</u>	<u>289,280</u>
 <u>Collective impairment allowance</u>				
Balance at 1 January	455,314	379,506	423,750	354,750
Made during the financial year	52,933	75,808	43,306	69,000
Balance at 31 December	<u>508,247</u>	<u>455,314</u>	<u>467,056</u>	<u>423,750</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

i) Individual impairment allowance by sector

<u>Group</u>	Cumulative individual impairment allowance			Impairment allowance charged to profit or loss		Impairment allowance written off	
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Agriculture, hunting and related activities	555	604	1,040	217	418	261	758
Manufacturing	55,583	93,598	139,451	22,418	27,467	33,323	47,247
Electricity, gas and water	-	-	48	-	-	-	48
Construction	17,035	30,517	48,912	2,480	12,182	13,113	3,390
Real estate	4,009	4,498	7,760	59	457	109	2,935
Wholesale & retail trade and restaurants & hotels	50,251	52,663	55,721	27,735	20,705	12,250	13,137
Transport, storage and communication	9,190	8,706	9,034	1,647	788	244	741
Finance, insurance and business services	3,043	2,486	3,650	3,046	1,357	786	1,251
Community, social and personal services	1,839	2,335	944	1,001	1,054	335	116
Household, of which:							
- Purchase of residential properties	67,315	75,269	76,710	32,618	39,482	11,546	14,101
- Purchase of non-residential properties	3,867	5,326	5,383	1,519	1,589	1,225	1,111
- Others	46,379	39,443	31,885	83,074	74,811	48,482	43,567
Others	5,509	2,646	9,334	1,922	65	1,330	234
	264,575	318,091	389,872	177,736	180,375	123,004	128,636

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

i) Individual impairment allowance by sector (continued)

Bank	Cumulative individual impairment allowance			Impairment allowance charged to profit or loss		Impairment allowance written off	
	31 December 2012	31 December 2011	1 January 2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting and related activities	372	478	839	72	366	175	707
Manufacturing	49,061	80,640	121,024	16,638	23,076	24,109	39,847
Electricity, gas and water	-	-	48	-	-	-	48
Construction	15,970	29,153	47,437	2,144	10,938	13,080	2,442
Real estate	4,009	4,498	7,752	58	456	108	2,935
Wholesale & retail trade and restaurant & hotels	46,699	51,832	55,071	24,539	20,353	12,117	13,089
Transport, storage and communication	8,489	8,593	8,527	869	723	244	437
Finance, insurance and business services	2,492	2,017	3,332	2,661	1,200	566	1,251
Community, social and personal services	1,762	1,695	876	928	196	322	116
Household, of which:							
- Purchase of residential properties	66,636	74,564	75,782	32,189	38,866	11,440	13,628
- Purchase of non-residential properties	3,867	5,326	5,383	1,519	1,589	1,225	1,111
- Others	27,707	27,838	23,526	35,267	44,967	22,860	26,781
Others	5,178	2,646	9,187	1,608	65	1,330	234
	232,242	289,280	358,784	118,492	142,795	87,576	102,626

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

ii) Collective impairment allowance by sector

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Agriculture, hunting and related activities	27,660	23,512	23,690
Mining and quarrying	8,799	7,664	5,867
Manufacturing	60,023	56,245	49,732
Electricity, gas and water	5,587	7,072	8,642
Construction	12,214	13,513	10,778
Real estate	71,744	63,457	46,393
Wholesale & retail trade and restaurants & hotels	56,340	50,540	51,082
Transport, storage and communication	17,994	17,514	12,786
Finance, insurance and business services	15,839	13,238	15,226
Community, social and personal services	8,631	6,823	7,116
Household, of which:			
- Purchase of residential properties	181,513	129,782	107,065
- Purchase of non-residential properties	13,326	16,362	13,000
- Others	25,686	32,349	24,608
Others	2,891	17,243	3,521
	<u>508,247</u>	<u>455,314</u>	<u>379,506</u>
<u>Bank</u>			
Agriculture, hunting and related activities	24,889	19,945	19,166
Mining and quarrying	6,845	4,777	3,224
Manufacturing	50,748	48,090	43,725
Electricity, gas and water	4,906	6,089	7,661
Construction	11,008	12,553	10,038
Real estate	63,291	60,996	45,606
Wholesale & retail trade and restaurants & hotels	52,368	48,536	49,121
Transport, storage and communication	16,586	15,737	11,299
Finance, insurance and business services	14,732	12,667	14,914
Community, social and personal services	7,581	6,375	6,829
Household, of which:			
- Purchase of residential properties	179,457	128,389	105,931
- Purchase of non-residential properties	13,207	16,310	12,973
- Others	19,108	26,043	21,366
Others	2,330	17,243	2,897
	<u>467,056</u>	<u>423,750</u>	<u>354,750</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

iii) Impairment allowance on impaired loans, advances and financing by geographical distribution is as follows:

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
<u>Individual impairment allowance</u>			
Malaysia	264,575	318,091	389,872
<u>Collective impairment allowance</u>			
Malaysia	505,860	453,983	377,716
Singapore	1,988	706	1,330
Other ASEAN	375	179	31
Rest of the world	24	446	429
	<u>508,247</u>	<u>455,314</u>	<u>379,506</u>
 <u>Bank</u>			
<u>Individual impairment allowance</u>			
Malaysia	232,242	289,280	358,784
<u>Collective impairment allowance</u>			
Malaysia	464,970	422,559	353,565
Singapore	1,974	706	725
Other ASEAN	89	39	31
Rest of the world	23	446	429
	<u>467,056</u>	<u>423,750</u>	<u>354,750</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

8 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	31 December 2012			31 December 2011			1 January 2011		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading:									
Foreign exchange derivatives									
- forward	4,821,479	33,846	32,404	4,843,690	52,688	13,519	3,642,172	19,973	36,409
- swaps	24,094,664	207,646	173,076	19,851,860	239,522	179,658	17,708,541	258,152	258,696
- options	1,825,511	21,758	20,073	1,935,305	22,126	5,957	1,315,447	13,115	13,813
- others	39,469	14,496	14,496	39,469	6,725	6,725	17,262	2,648	2,648
Interest rate derivatives									
- swaps	34,756,291	142,330	147,497	30,257,100	185,580	167,195	25,727,144	184,855	137,629
- options	1,872,633	-	11,857	2,181,473	1,438	17,873	1,490,742	2,380	10,765
- futures	8,111	10	-	-	-	-	-	-	-
- swaptions	1,750,000	2,360	1,897	450,000	4,560	2,562	200,000	-	1,009
- others	64,781	2,735	-	304,781	4,496	5,313	27,770	2,710	-
Equity and other derivatives									
- swaps	256,500	7,356	7,356	71,340	512	512	71,780	779	779
- exchange traded futures	3,777	-	14	11,009	1	100	21,170	1	62
- options	1,039,371	38,211	15,745	1,195,090	67,934	67,004	555,421	688	21,272
- commodity futures	50,200	2,391	2,394	45,621	2,502	2,502	1,887	7	-
- warrants	1,148	296	-	42,542	2,487	2,913	-	-	-
- credit linked notes	3,183,000	63,533	57,610	455,000	10,734	5,492	-	-	-
	73,766,935	536,968	484,419	61,684,280	601,305	477,325	50,779,336	485,308	483,082
Hedging:									
Interest rate derivatives									
- swaps	1,482,786	7,273	19,155	1,325,928	15,964	12,312	1,370,653	14,464	2,095
	75,249,721	544,241	503,574	63,010,208	617,269	489,637	52,149,989	499,772	485,177

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

8 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

	31 December 2012			31 December 2011			1 January 2011		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Bank									
Trading:									
Foreign exchange derivatives									
- forward	5,195,217	30,816	33,512	4,334,877	40,670	13,518	3,484,689	19,702	30,637
- swaps	23,720,916	210,564	171,905	19,851,801	251,522	179,658	17,595,139	252,639	258,696
- options	1,825,511	21,758	20,073	1,846,942	20,896	4,730	1,228,189	11,259	11,957
- others	39,469	14,496	14,496	39,469	6,725	6,725	17,262	2,648	2,648
Interest rate derivatives									
- swaps	34,756,291	142,330	147,497	30,257,100	185,580	167,195	25,727,144	184,855	137,629
- options	1,872,633	-	11,857	2,181,473	1,438	17,873	1,490,742	2,380	10,765
- futures	8,111	10	-	-	-	-	-	-	-
- swaptions	1,750,000	2,360	1,897	450,000	4,560	2,562	200,000	-	1,009
- others	64,781	2,735	-	304,781	4,496	5,313	27,770	2,710	-
Equity and other derivatives									
- swaps	256,500	7,356	7,356	71,340	512	512	71,780	779	779
- exchange traded futures	3,777	-	14	11,009	1	100	21,170	1	62
- options	1,039,371	38,211	15,745	1,195,090	67,934	67,004	555,421	688	21,272
- commodity futures	50,200	2,391	2,394	45,621	2,502	2,502	1,887	7	-
- warrants	1,148	296	-	42,542	2,487	2,913	-	-	-
- credit linked notes	3,183,000	63,533	57,610	455,000	10,734	5,492	-	-	-
	73,766,925	536,856	484,356	61,087,045	600,057	476,097	50,421,193	477,668	475,454
Hedging:									
Interest rate derivatives									
- swaps	1,482,786	7,273	19,155	1,325,928	15,964	12,312	1,370,653	14,464	2,095
	75,249,711	544,129	503,511	62,412,973	616,021	488,409	51,791,846	492,132	477,549

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**9 OTHER ASSETS**

<u>Group</u>	31 December	31 December	1 January
	2012	2011	2011
	RM'000	RM'000	RM'000
Interest receivable	123,919	114,827	83,944
Other receivables, deposits and prepayments	135,850	129,608	119,869
	<u>259,769</u>	<u>244,435</u>	<u>203,813</u>
<u>Bank</u>			
Interest receivable	107,283	102,770	76,869
Unquoted Islamic Subordinated Bonds of subsidiary	200,000	200,000	200,000
Other receivables, deposits and prepayments	140,023	128,939	118,161
	<u>447,306</u>	<u>431,709</u>	<u>395,030</u>

The unquoted Islamic Subordinated Bonds issued by the Islamic subsidiary, OCBC AI-Amin, were subscribed by the Bank in connection with the transfer and vesting of its IB business to OCBC AI-Amin.

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

As at 1 January 2011, the Bank had utilised Malaysian Government Securities instead of cash to meet a portion of the SRR requirement as allowed under the Principal Dealership granted to the Bank, pursuant to BNM's circular on "Statutory Reserve Requirement" and BNM's subsequent letter dated 10 July 2009 on "Regulatory Treatment related to the Statutory Reserve Requirement (SRR) Incentive for Principal Dealers and Islamic Principal Dealers". The nominal value of securities utilised as at 1 January 2011 was RM233 million. The incentive granted to the Bank ceased on 31 December 2011.

11 INVESTMENTS IN SUBSIDIARY COMPANIES

	Bank		
	31 December	31 December	1 January
	2012	2011	2011
	RM'000	RM'000	RM'000
Unquoted shares at cost in Malaysia	346,617	256,617	256,617
Less : Impairment loss	-	(6)	(6)
	<u>346,617</u>	<u>256,611</u>	<u>256,611</u>

In July 2012, the Bank has further subscribed 30 million ordinary shares of RM1 each at RM3 per ordinary share issued by its subsidiary, OCBC AI-Amin.

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

<u>Name</u>	<u>Principal activities</u>	<u>Percentage of equity held</u>		
		31 December	31 December	1 January
		2012	2011	2011
		%	%	%
OCBC AI-Amin Bank Berhad	Islamic banking	100	100	100
OCBC Credit Berhad	Dormant	100	100	100
Malaysia Nominees (Tempatan) Sdn Bhd	Nominee services	100	100	100
Malaysia Nominees (Asing) Sdn Bhd	Nominee services	100	100	100

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**12 PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold land and buildings RM'000	Leasehold land	Buildings on leasehold land		Office equipment and furniture RM'000	Computer Equipment RM'000	Motor Vehicles RM'000	Renovation RM'000	Work in Progress RM'000	Leased Assets RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000	50 years or more RM'000							
2012											
Cost											
Balance as at 1 January	129,662	3,745	3,607	7,018	104,670	185,648	1,380	51,798	13,531	1,826	502,885
Additions	-	-	-	-	9,336	50,593	-	19,562	10,731	-	90,222
Disposal/Written off	-	-	-	-	(3,446)	(12,605)	(345)	(54)	-	(1,826)	(18,276)
Reclassification	-	-	-	-	5,033	23,165	-	(5,033)	(23,165)	-	-
Reclassified to investment properties	(1,900)	-	-	-	-	-	-	-	-	-	(1,900)
Balance as at 31 December	127,762	3,745	3,607	7,018	115,593	246,801	1,035	66,273	1,097	-	572,931
Accumulated depreciation											
Balance as at 1 January	26,074	337	1,212	1,972	66,939	150,572	1,327	39,824	-	1,336	289,593
Additions	2,116	35	53	77	8,886	24,757 *	53	4,412	-	53	40,442
Disposal/Written off	-	-	-	-	(3,307)	(12,553)	(345)	(53)	-	(1,389)	(17,647)
Reclassified to investment properties	(272)	-	-	-	-	-	-	-	-	-	(272)
Balance as at 31 December	27,918	372	1,265	2,049	72,518	162,776	1,035	44,183	-	-	312,116
Impairment allowance											
Balance as at 1 January/ 31 December	1,967	50	1,085	2,285	-	-	-	-	-	-	5,387
Net carrying amount as at 31 December											
	97,877	3,323	1,257	2,684	43,075	84,025	-	22,090	1,097	-	255,428

* Included accumulated depreciation of computer equipment transferred from a related company of RM3,000.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**12 PROPERTY, PLANT AND EQUIPMENT (continued)**

Group	Freehold land and buildings RM'000	Leasehold land	Buildings on leasehold land		Office equipment and furniture RM'000	Computer Equipment RM'000	Motor Vehicles RM'000	Renovation RM'000	Work in Progress RM'000	Leased Assets RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000	50 years or more RM'000							
2011											
Cost											
Balance as at 1 January	185,949	3,745	3,607	7,076	77,814	192,617	2,310	32,993	2,828	2,318	511,257
Additions	-	-	-	-	1,223	11,893	-	5,947	11,569	135	30,767
Disposal/Written off	-	-	-	-	(20,058)	(21,155)	(1,019)	(19)	(866)	-	(43,117)
Reclassification	(56,293)	-	-	(58)	45,676	2,293	89	9,349	-	(627)	429
Reclassified from investment properties	6	-	-	-	15	-	-	3,528	-	-	3,549
Balance as at 31 December	129,662	3,745	3,607	7,018	104,670	185,648	1,380	51,798	13,531	1,826	502,885
Accumulated depreciation											
Balance as at 1 January	51,480	313	1,132	1,885	55,376	151,463	1,983	25,779	-	1,900	291,311
Additions	2,408	16	94	152	8,122	18,045	156	7,563	-	39	36,595
Disposal/Written off	-	-	-	-	(18,965)	(21,143)	(901)	(10)	-	-	(41,019)
Reclassification	(27,814)	8	(14)	(65)	22,403	2,207	89	4,218	-	(603)	429
Reclassified from investment properties	-	-	-	-	3	-	-	2,274	-	-	2,277
Balance as at 31 December	26,074	337	1,212	1,972	66,939	150,572	1,327	39,824	-	1,336	289,593
Impairment allowance											
Balance as at 1 January	4,172	1,607	1,085	728	1,707	-	-	-	-	-	9,299
(Write back)/Additions	(2,205)	(1,557)	-	1,557	(1,631)	-	-	-	-	-	(3,836)
Disposal/Written off	-	-	-	-	(76)	-	-	-	-	-	(76)
Balance as at 31 December	1,967	50	1,085	2,285	-	-	-	-	-	-	5,387
Net carrying amount as at 31 December											
	101,621	3,358	1,310	2,761	37,731	35,076	53	11,974	13,531	490	207,905

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank	Freehold land and buildings RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land		Office equipment and furniture RM'000	Computer Equipment RM'000	Motor Vehicles RM'000	Renovation RM'000	Work in Progress RM'000	Leased Assets RM'000	Total RM'000
			Less than 50 years RM'000	50 years or more RM'000							
2012											
Cost											
Balance as at 1 January	129,530	3,745	3,607	7,018	100,970	180,869	1,291	46,792	13,531	1,826	489,179
Additions	-	-	-	-	8,611	48,603	-	18,319	10,731	-	86,264
Disposal/Written off	-	-	-	-	(3,421)	(12,590)	(345)	(54)	-	(1,826)	(18,236)
Reclassification	-	-	-	-	5,033	23,165	-	(5,033)	(23,165)	-	-
Reclassified to investment properties	(1,900)	-	-	-	-	-	-	-	-	-	(1,900)
Balance as at 31 December	127,630	3,745	3,607	7,018	111,193	240,047	946	60,024	1,097	-	555,307
Accumulated depreciation											
Balance as at 1 January	26,037	337	1,212	1,972	65,796	147,921	1,238	36,130	-	1,336	281,979
Additions	2,116	35	53	77	8,493	23,566 *	53	3,991	-	53	38,437
Disposal/Written off	-	-	-	-	(3,299)	(12,541)	(345)	(53)	-	(1,389)	(17,627)
Reclassified to investment properties	(272)	-	-	-	-	-	-	-	-	-	(272)
Balance as at 31 December	27,881	372	1,265	2,049	70,990	158,946	946	40,068	-	-	302,517
Impairment allowance											
Balance as at 1 January/ 31 December	1,967	50	1,085	2,285	-	-	-	-	-	-	5,387
Net carrying amount as at 31 December											
	97,782	3,323	1,257	2,684	40,203	81,101	-	19,956	1,097	-	247,403

* Included accumulated depreciation of computer equipment transferred from a related company of RM3,000.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**12 PROPERTY, PLANT AND EQUIPMENT (continued)**

Bank	Freehold land and buildings	Leasehold land 50 years or more	Buildings on leasehold land		Office equipment and furniture	Computer Equipment	Motor Vehicles	Renovation	Work in Progress	Leased Assets	Total
			Less than 50 years	50 years or more							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011											
Cost											
Balance as at 1 January	185,817	3,745	3,607	7,076	74,333	188,309	2,221	28,623	2,828	2,318	498,877
Additions	-	-	-	-	1,184	11,549	-	5,509	11,569	135	29,946
Disposal/Written off	-	-	-	-	(20,058)	(21,144)	(1,019)	(19)	(866)	-	(43,106)
Reclassification	(56,293)	-	-	(58)	45,496	2,155	89	9,151	-	(627)	(87)
Reclassified from investment properties	6	-	-	-	15	-	-	3,528	-	-	3,549
Balance as at 31 December	129,530	3,745	3,607	7,018	100,970	180,869	1,291	46,792	13,531	1,826	489,179
Accumulated depreciation											
Balance as at 1 January	51,443	313	1,132	1,885	54,762	149,921	1,894	23,503	-	1,900	286,753
Additions	2,408	16	94	152	7,773	17,070	156	6,343	-	39	34,051
Disposal/Written off	-	-	-	-	(18,965)	(21,139)	(901)	(10)	-	-	(41,015)
Reclassification	(27,814)	8	(14)	(65)	22,223	2,069	89	4,020	-	(603)	(87)
Reclassified from investment properties	-	-	-	-	3	-	-	2,274	-	-	2,277
Balance as at 31 December	26,037	337	1,212	1,972	65,796	147,921	1,238	36,130	-	1,336	281,979
Impairment allowance											
Balance as at 1 January	4,172	1,607	1,085	728	1,707	-	-	-	-	-	9,299
(Write back)/Additions	(2,205)	(1,557)	-	1,557	(1,631)	-	-	-	-	-	(3,836)
Disposal/Written off	-	-	-	-	(76)	-	-	-	-	-	(76)
Balance as at 31 December	1,967	50	1,085	2,285	-	-	-	-	-	-	5,387
Net carrying amount as at 31 December											
	101,526	3,358	1,310	2,761	35,174	32,948	53	10,662	13,531	490	201,813

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**13 PREPAID LEASE PAYMENTS**

	Group and Bank	
	Leasehold land	
	Unexpired period less than 50 years	
	2012	2011
	RM'000	RM'000
Cost		
Balance at 1 January/31 December	3,047	3,047
Accumulated amortisation		
Balance at 1 January	529	493
Amortisation for the year	36	36
Balance at 31 December	565	529
Impairment allowance		
Balance at 1 January/31 December	1,554	1,554
Carrying amount		
Balance at 1 January	964	1,000
Balance at 31 December	928	964

14 INVESTMENT PROPERTIES

	Group and Bank	
	2012	2011
	RM'000	RM'000
Cost		
Balance at 1 January	25,976	29,634
Transferred from/(to) property, plant and equipment	1,900	(3,549)
Transferred to non-current assets held for sale	(9,619)	-
Disposal	-	(109)
Balance at 31 December	18,257	25,976
Accumulated depreciation		
Balance at 1 January	5,288	6,859
Additions	205	719
Transferred from/(to) property, plant and equipment	272	(2,277)
Transferred to non-current assets held for sale	(2,231)	-
Disposal	-	(13)
Balance at 31 December	3,534	5,288

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**14 INVESTMENT PROPERTIES (continued)**

	Group and Bank	
	2012	2011
	RM'000	RM'000
Impairment allowance		
Balance at 1 January	4,249	2,044
(Write back)/Allowance made during the year	(1,642)	2,205
Transferred to non-current assets held for sale	(924)	-
Balance at 31 December	<u>1,683</u>	<u>4,249</u>
Carrying amount*		
Balance at 1 January	<u>16,439</u>	<u>20,731</u>
Balance at 31 December	<u>13,040</u>	<u>16,439</u>
* Included in carrying amount are freehold land and buildings.		
Fair value		
At 1 January	<u>95,819</u>	<u>73,925</u>
At 31 December	<u>105,625</u>	<u>95,819</u>

The following are recognised in profit or loss in respect of income generating investment properties:

	Group and Bank	
	2012	2011
	RM'000	RM'000
Rental income	2,700	1,726
Direct operating expenses from income-generating investment properties	(269)	(170)
	<u>2,431</u>	<u>1,556</u>

15 NON-CURRENT ASSETS HELD FOR SALE

	Group and Bank	
	2012	2011
	RM'000	RM'000
Investment properties		
Balance at 1 January	-	-
Amount reclassified from investment properties (Note 14):		
- Cost	9,619	-
- Accumulated depreciation	(2,231)	-
- Impairment allowance	(924)	-
Disposal	(3,642)	-
Balance at 31 December	<u>2,822</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**16 DEFERRED TAX ASSETS**

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

	Assets			Liabilities			Net		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Impairment allowance on financial investments available-for-sale	4	165	190	-	-	-	4	165	190
Temporary differences arising from leasing business	3,570	5,015	4,317	-	-	-	3,570	5,015	4,317
Excess of capital allowance over depreciation	-	-	-	(28,378)	(13,015)	(15,210)	(28,378)	(13,015)	(15,210)
Collective impairment allowance on loans, advances and financing	13,236	18,963	4	-	-	-	13,236	18,963	4
Changes in fair value of financial instruments	-	-	-	(15,893)	(11,686)	(7,103)	(15,893)	(11,686)	(7,103)
Other temporary differences	28,218	24,060	25,711	-	-	-	28,218	24,060	25,711
Tax assets/(liabilities)	45,028	48,203	30,222	(44,271)	(24,701)	(22,313)	757	23,502	7,909
Set off of tax	(42,462)	(24,701)	(22,313)	42,462	24,701	22,313	-	-	-
Net tax assets/(liabilities)	2,566	23,502	7,909	(1,809)	-	-	757	23,502	7,909

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**16 DEFERRED TAX ASSETS (continued)**

	Assets			Liabilities			Net		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
<u>Bank</u>									
Impairment allowance on financial investments available-for-sale	4	165	190	-	-	-	4	165	190
Temporary differences arising from leasing business	3,575	4,967	4,322	-	-	-	3,575	4,967	4,322
Excess of capital allowance over depreciation	-	-	-	(27,361)	(12,145)	(14,200)	(27,361)	(12,145)	(14,200)
Collective impairment allowance on loans, advances and financing	10,826	17,250	-	-	-	-	10,826	17,250	-
Changes in fair value of financial instruments	-	-	-	(14,136)	(11,215)	(7,070)	(14,136)	(11,215)	(7,070)
Other temporary differences	25,283	21,655	19,877	-	-	-	25,283	21,655	19,877
Net tax assets/(liabilities)	<u>39,688</u>	<u>44,037</u>	<u>24,389</u>	<u>(41,497)</u>	<u>(23,360)</u>	<u>(21,270)</u>	<u>(1,809)</u>	<u>20,677</u>	<u>3,119</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**16 DEFERRED TAX ASSETS (continued)**

Group	At 1 January	Recognised in profit or loss (Note 32)	Recognised in other comprehensive income	Reversal upon disposal of investments available- for-sale	At 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000
2012					
Impairment allowance on financial investments available-for-sale	165	(161)	-	-	4
Temporary differences arising from leasing business	5,015	(1,445)	-	-	3,570
Excess of capital allowance over depreciation	(13,015)	(15,363)	-	-	(28,378)
Collective impairment allowance on loans, advances and financing	18,963	(5,727)	-	-	13,236
Changes in fair value of financial instruments	(11,686)	(244)	(4,207)	244	(15,893)
Other temporary differences	24,060	4,158	-	-	28,218
	<u>23,502</u>	<u>(18,782)</u>	<u>(4,207)</u>	<u>244</u>	<u>757</u>
2011					
Impairment allowance on financial investments available-for-sale	190	(25)	-	-	165
Temporary differences arising from leasing business	4,317	698	-	-	5,015
Excess of capital allowance over depreciation	(15,210)	2,195	-	-	(13,015)
Collective impairment allowance on loans, advances and financing	4	18,959	-	-	18,963
Changes in fair value of financial instruments	(7,103)	(207)	(4,583)	207	(11,686)
Other temporary differences	25,711	(1,651)	-	-	24,060
	<u>7,909</u>	<u>19,969</u>	<u>(4,583)</u>	<u>207</u>	<u>23,502</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**16 DEFERRED TAX ASSETS (continued)**

	At 1 January	Recognised in profit or loss (Note 32)	Recognised in other comprehensive income	At 31 December
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
2012				
Impairment allowance on financial investments available-for-sale	165	(161)	-	4
Temporary differences arising from leasing business	4,967	(1,392)	-	3,575
Excess of capital allowance over depreciation	(12,145)	(15,216)	-	(27,361)
Collective impairment allowance on loans, advances and financing	17,250	(6,424)	-	10,826
Changes in fair value of financial instruments	(11,215)	-	(2,921)	(14,136)
Other temporary differences	21,655	3,628	-	25,283
	<u>20,677</u>	<u>(19,565)</u>	<u>(2,921)</u>	<u>(1,809)</u>
2011				
Impairment allowance on financial investments available-for-sale	190	(25)	-	165
Temporary differences arising from leasing business	4,322	645	-	4,967
Excess of capital allowance over depreciation	(14,200)	2,055	-	(12,145)
Collective impairment allowance on loans, advances and financing	-	17,250	-	17,250
Changes in fair value of financial instruments	(7,070)	-	(4,145)	(11,215)
Other temporary differences	19,877	1,778	-	21,655
	<u>3,119</u>	<u>21,703</u>	<u>(4,145)</u>	<u>20,677</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**17 DEPOSITS FROM CUSTOMERS**

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) By type of deposits			
Demand deposits	9,337,361	7,145,686	6,550,242
Savings deposits	4,002,613	3,146,779	2,866,111
Fixed deposits	34,225,868	32,694,716	25,796,190
Negotiable instruments of deposit	49,710	51,875	106,860
Short-term money market deposits	4,468,407	4,542,632	6,635,552
Structured investments	3,395,259	1,345,744	1,271,963
Others	5,154	7,229	10,015
	55,484,372	48,934,661	43,236,933
ii) By type of customers			
Government and statutory bodies	19,191	791,048	416,667
Business enterprises	23,585,564	22,629,361	22,321,686
Individuals	24,611,564	20,518,986	17,856,169
Foreign entities	1,328,403	1,194,313	10,465
Others	5,939,650	3,800,953	2,631,946
	55,484,372	48,934,661	43,236,933
iii) By maturity structure			
Maturity within six months	44,775,610	39,683,557	37,718,345
Six months to one year	7,580,387	7,880,910	4,052,463
One year to three years	1,633,191	823,399	808,786
Three years to five years	1,395,184	546,795	656,572
More than five years	100,000	-	767
	55,484,372	48,934,661	43,236,933
Bank			
i) By type of deposits			
Demand deposits	7,596,891	5,806,142	5,497,122
Savings deposits	3,676,736	2,818,034	2,534,891
Fixed deposits	32,091,676	30,329,200	24,820,206
Negotiable instruments of deposit	36,083	38,282	38,839
Short-term money market deposits	4,314,761	4,258,466	6,256,487
Structured investments	3,354,133	1,298,516	1,224,101
Others	5,154	7,229	10,015
	51,075,434	44,555,869	40,381,661
ii) By type of customers			
Government and statutory bodies	4,859	6,716	4,663
Business enterprises	21,029,170	19,920,293	20,753,410
Individuals	23,321,127	19,965,945	17,406,410
Foreign entities	1,307,552	1,182,729	-
Others	5,412,726	3,480,186	2,217,178
	51,075,434	44,555,869	40,381,661
iii) By maturity structure			
Maturity within six months	40,820,443	36,043,782	34,955,112
Six months to one year	7,169,161	7,184,118	4,010,557
One year to three years	1,590,722	781,340	800,798
Three years to five years	1,395,108	546,629	614,427
More than five years	100,000	-	767
	51,075,434	44,555,869	40,381,661

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Licensed banks	8,217,734	6,967,557	4,510,560
Other financial institutions	372,603	444,323	502,828
	<u>8,590,337</u>	<u>7,411,880</u>	<u>5,013,388</u>

Bank

Licensed banks	7,816,413	6,879,515	4,231,597
Other financial institutions	372,603	444,323	502,828
	<u>8,189,016</u>	<u>7,323,838</u>	<u>4,734,425</u>

19 SUBORDINATED TERM LOAN / BONDS

		<u>Group and Bank</u>		
		31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
	Note			
RM200 million redeemable Islamic subordinated bonds 2006/2021	(a)	200,000	200,000	200,000
RM400 million redeemable subordinated bonds 2007/2017	(b)	-	405,003	406,077
RM400 million Innovative Tier 1 Capital Securities	(c)	400,000	400,000	400,000
RM500 million redeemable subordinated bonds 2010/2020	(d)	506,840	509,669	498,055
RM600 million redeemable subordinated bonds 2012/2022	(e)	598,391	-	-
		<u>1,705,231</u>	<u>1,514,672</u>	<u>1,504,132</u>

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

The subordinated bonds, rated AA1 on 12 December 2012 by Rating Agency Malaysia Berhad, which previously qualified as Tier 2 capital, have been offset against the Restricted Subordinated Bonds held by the Bank.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

19 SUBORDINATED TERM LOAN / BONDS (continued)

- (b) On 30 November 2007, the Bank issued redeemable subordinated bonds of RM400 million on a 10-years non-callable 5-years basis at an initial coupon rate of 4.55% per annum payable semi annually for the first 5 years and a step up of 100 basis point above the initial coupon rate with effect from (and including) the 5th anniversary date onward and up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. Unless the call option is exercised by the Bank, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments. The Bank may, at its option and subject to the prior approval of BNM, exercise its call option where it may redeem in whole, but not in part, the subordinated bonds on the 5th anniversary date. Unless the call option is exercised by the Bank, the subordinated bonds would essentially have a final maturity of 10 years. The Bank had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying amount of the subordinated bonds.

The subordinated bonds, rated AA1 by Rating Agency Malaysia Berhad, qualified as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank. The subordinated bonds were redeemed in full on 30 November 2012.

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

The IT1 Capital Securities, rated AA2 on 12 December 2012 by Rating Agency Malaysia Berhad, qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

- (d) On 4 November 2010, the Bank issued redeemable subordinated bonds of RM500 million on a 10-years non-callable 5-years basis at a coupon rate of 4.20% per annum payable semi-annually up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. Unless the call option is exercised by the Bank, the subordinated bonds are to be redeemed in full in 5 equal and consecutive annual payments. The Bank may, at its option and subject to the prior approval of BNM, exercise its call option where it may redeem in whole, but not in part, the subordinated bonds on the 5th anniversary date from the issue date and on every coupon payment date thereafter at 100% of the principal amount outstanding together with accrued but unpaid coupon payment. Unless the call option is exercised by the Bank, the subordinated bonds would essentially have a final maturity of 10 years. The Bank had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying amount of the subordinated bonds.

The subordinated bonds, rated AA1 on 12 December 2012 by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

- (e) On 15 August 2012, the Bank issued RM600 million redeemable 10 years non-callable 5 years subordinated bonds at a coupon rate of 4.00% per annum payable semi-annually up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. The Bank may, at its option and subject to the prior approval of BNM, exercise its call option and may redeem in whole, but not in part, of the subordinated bonds on the 5th anniversary date from the issue date and on every coupon payment date thereafter at 100% of the principal amount outstanding together with accrued but unpaid coupon payment. Unless the call option is exercised by the Bank, the subordinated bonds would essentially have a final maturity of 10 years. The Bank had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying amount of the subordinated bonds.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**19 SUBORDINATED TERM LOAN / BONDS (continued)**

(e) The subordinated bonds, rated AA1 on 12 December 2012 by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

20 OTHER LIABILITIES

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Accruals for personnel costs	83,275	65,724	57,297
Equity compensation benefits (a)	13,075	13,413	14,524
Provision for commitments and contingencies (b)	4,809	7,704	7,704
Interest payable	310,306	259,230	185,048
Other accruals and charges	289,536	238,738	207,756
Liabilities arising from structured investments	213,181	293,942	-
	914,182	878,751	472,329
Bank			
Accruals for personnel costs	83,243	65,685	57,265
Equity compensation benefits (a)	13,075	13,413	14,524
Obligations under finance lease	-	384	363
Provision for commitments and contingencies (b)	4,809	7,704	7,704
Interest payable	271,606	242,023	177,667
Other accruals and charges	244,491	202,154	182,643
Liabilities arising from structured investments	213,181	293,942	-
Amount due to subsidiary companies (c)	72,433	-	-
	902,838	825,305	440,166

(a) Equity compensation benefits

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

Included in equity compensation benefits are:

(i) OCBC Deferred Share Plan

The OCBC Deferred Share Plan ("the Plan") was implemented with effect from 2003. Under the Plan, shares of the ultimate holding company of the Bank are 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.

The deferred share awards are as follows:

- (a) Share awards, which are granted annually to eligible executives who are paid variable performance bonus of Singapore Dollar \$70,000 and above. The share awards form 20% to 40% of their total variable performance bonus for the year. Half (50%) of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.
- (b) In addition to the above, senior executives are also granted deferred share awards as part of their long term incentive compensation. These share awards are not deducted from their variable performance bonus and the whole award vests after three years.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**20 OTHER LIABILITIES (continued)****(a) Equity compensation benefits (continued)****(i) OCBC Deferred Share Plan (continued)**

The awards will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

(ii) 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. Options granted are exercisable for a period commencing after the 1st anniversary of the respective dates of grant. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

The options will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined by the Remuneration Committee.

Movements in the number of options and weighted average exercise prices are as follows:

	2012		2011	
	Number of share options	Weighted average acquisition price (\$)	Number of share options	Weighted average acquisition price (\$)
At 1 January	3,628,378	5.925	4,011,989	5.765
Granted	205,417	8.798	141,982	9.350
Exercised	(1,489,428)	5.561	(518,591)	5.607
Forfeited/Lapsed	(142,214)	5.771	(7,002)	7.386
At 31 December	<u>2,202,153</u>	<u>6.449</u>	<u>3,628,378</u>	<u>5.925</u>
Exercisable options at 31 December	<u>1,839,757</u>	<u>5.959</u>	<u>3,285,647</u>	<u>5.711</u>
Weighted average share price for options exercised (\$)		<u>9.009</u>		<u>9.311</u>

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (\$)	31 December 2012	
				Outstanding	Exercisable
2003	27/03/2003	28/03/2004 to 26/03/2013	4.067	503,597	503,597
2004	15/03/2004	16/03/2005 to 14/03/2014	5.142	350,470	350,470
2005	14/03/2005	15/03/2006 to 13/03/2015	5.767	158,390	158,390
2006	14/03/2006	15/03/2007 to 13/03/2016	6.820	142,921	142,921
2007	14/03/2007	15/03/2008 to 13/03/2017	8.590	201,607	201,607
2008	14/03/2008	15/03/2009 to 13/03/2018	7.520	222,625	222,625
2009	16/03/2009	17/03/2010 to 15/03/2019	4.138	105,341	105,341
2010	15/03/2010	16/03/2011 to 14/03/2020	8.762	170,815	108,969
2011	14/03/2011	15/03/2012 to 13/03/2021	9.350	140,970	45,837
2012	14/03/2012	15/03/2013 to 13/03/2022	8.798	205,417	-
				<u>2,202,153</u>	<u>1,839,757</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**20 OTHER LIABILITIES (continued)**(a) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 (continued)

Details of the options outstanding are as follows (continued):

Grant year	Grant date	Exercise period	Acquisition price (S\$)	31 December 2011	
				Outstanding	Exercisable
2002	08/04/2002	09/04/2003 to 08/04/2012	5.742	1,056,955	1,056,955
2003	27/03/2003	28/03/2004 to 26/03/2013	4.067	744,382	744,382
2004	15/03/2004	16/03/2005 to 14/03/2014	5.142	418,681	418,681
2005	14/03/2005	15/03/2006 to 13/03/2015	5.767	194,319	194,319
2006	14/03/2006	15/03/2007 to 13/03/2016	6.820	172,188	172,188
2007	14/03/2007	15/03/2008 to 13/03/2017	8.590	247,787	247,787
2008	14/03/2009	15/03/2009 to 13/03/2018	7.520	285,680	285,680
2009	16/03/2010	17/03/2010 to 15/03/2019	4.138	186,149	109,819
2010	15/03/2010	16/03/2011 to 14/03/2020	8.762	180,255	55,836
2011	14/03/2011	16/03/2012 to 14/03/2021	9.350	141,982	-
				3,628,378	3,285,647

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

The fair value of share options granted during the financial year ended 31 December 2012 determined using the binomial valuation model was S\$305,430 (31 December 2011: S\$255,329; 1 January 2011: S\$433,812). Significant inputs to the valuation model are set out below:

	31 December 2012	31 December 2011	1 January 2011
Acquisition price (S\$)	8.80	9.35	8.76
Average share price from grant date to acceptance date (S\$)	8.89	9.40	8.85
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	20.53	18.26	28.10
Risk-free rate based on SGD bond yield at acceptance date (%)	1.61	2.45	2.79
Expected dividend yield (%)	3.38	3.09	3.16
Exercise multiple (times)	1.57	1.57	1.57
Option life (years)	10	10	10

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**20 OTHER LIABILITIES (continued)****(a) Equity compensation benefits (continued)****(iii) OCBC Employee Share Purchase Plan**

The OCBC Employee Share Purchase Plan (“ESP Plan”) was implemented in 2004 for all employees of the Group, including Executive Directors, for the rights to acquire the ordinary shares of the ultimate holding company.

The ESP Plan is a saving-based share ownership plan to help employees own ordinary shares in the Bank through their monthly contributions via deductions from payroll. The employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions. As a further incentive to employees to enrol in the ESP Plan, the Bank pays interest on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date.

Movements in the number of acquisition rights of the ESP Plan are as follows:

	2012		2011	
	Number of acquisition rights	Weighted average acquisition price S\$	Number of acquisition rights	Weighted average acquisition price S\$
At 1 January	1,306,591	9.018	1,222,195	7.762
Acquisition	876,797	8.680	813,506	9.210
Forfeited/Lapsed	(649,407)	8.869	(147,821)	8.897
Exercised	(156,924)	8.816	(581,289)	6.676
At 31 December	<u>1,377,057</u>	<u>8.896</u>	<u>1,306,591</u>	<u>9.018</u>
Weighted average share price for rights exercised (S\$)		<u>9.185</u>		<u>9.523</u>

The fair value of rights, determined using the binomial valuation model was S\$787,714 (31 December 2011: S\$605,248; 1 January 2011: S\$603,207). Significant inputs to the valuation model are set out below:

	31 December 2012	31 December 2011	1 January 2011
Acquisition price (S\$)	8.68	9.21	8.75
Average share price (S\$)	8.70	9.03	8.32
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	20.59	16.70	22.31
Risk-free rate based on 2-year swap rate (%)	0.15	0.68	1.16
Expected dividend yield (%)	<u>2.76</u>	<u>2.57</u>	<u>2.69</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**20 OTHER LIABILITIES (continued)**

(b) Movements in provision for commitments and contingencies:

	Group and Bank	
	2012	2011
	RM'000	RM'000
Balance at 1 January	7,704	7,704
Reversal made during the year	(2,895)	-
Balance at 31 December	<u>4,809</u>	<u>7,704</u>

The provision was made for the Group's and Bank's commitments and contingencies incurred in the normal course of business.

(c) The amount due to subsidiary companies is unsecured, interest free and repayable on demand.

21 SHARE CAPITAL

	Group and Bank		
	31 December	31 December	1 January
	2012	2011	2011
	RM'000	RM'000	RM'000
Authorised			
Ordinary shares of RM1 each	1,000,000	1,000,000	1,000,000
Non-cumulative, Non-convertible perpetual preference shares of RM1 each	5,000	5,000	5,000
	<u>1,005,000</u>	<u>1,005,000</u>	<u>1,005,000</u>
Issued and fully paid			
287,500,000 Ordinary shares of RM1 each	287,500	287,500	287,500
4,000,000 Non-cumulative, Non-convertible perpetual preference shares of RM1 each	4,000	4,000	4,000
	<u>291,500</u>	<u>291,500</u>	<u>291,500</u>

The main features of the non-cumulative, non-convertible perpetual preference shares issued on 12 August 2005 are as follows:

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

22 RESERVES

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

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

The Bank has tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of dividends amounting to RM826,918,000 of its retained earnings as at 31 December 2012. The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2007. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Bank until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**23 NET INTEREST INCOME**

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Other than recoveries from impaired loans, advances and financing	2,057,471	1,876,839	2,057,471	1,876,839
- Recoveries from impaired loans, advances and financing	67,733	12,031	67,733	12,031
- Discount unwind from impaired loans, advances and financing	2,899	5,967	2,899	5,967
Money at call and deposit placements with banks and other financial institutions	310,669	298,714	310,669	298,714
Financial assets held-for-trading	25,364	16,153	25,364	16,153
Financial investments available-for-sale	296,457	216,546	296,457	216,546
Unquoted Islamic Subordinated Bonds of subsidiary	-	-	10,900	12,771
Others	13,554	19,838	31,666	30,729
	2,774,147	2,446,088	2,803,159	2,469,750
Interest expense				
Deposits from other customers	1,356,422	1,044,675	1,356,422	1,051,084
Deposits and placements of banks and other financial institutions	75,506	84,872	84,674	84,872
Recourse obligation on loans sold to Cagamas Berhad	1,253	12,058	1,253	12,058
Subordinated term loan/bonds	77,055	68,551	77,055	68,551
Others	18,244	16,317	18,261	16,342
	1,528,480	1,226,473	1,537,665	1,232,907
Net interest income	1,245,667	1,219,615	1,265,494	1,236,843

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Analysed by categories of financial instruments				
Interest income:				
- Financial assets at fair value through profit or loss	25,364	16,153	25,364	16,153
- Loans and receivables	2,452,326	2,213,389	2,481,338	2,237,051
- Financial investments available-for-sale	296,457	216,546	296,457	216,546
	2,774,147	2,446,088	2,803,159	2,469,750
Interest expense:				
- Liabilities at amortised cost	1,528,480	1,226,473	1,537,665	1,232,907

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**24 INCOME FROM ISLAMIC BANKING OPERATIONS**

	Group	
	2012	2011
	RM'000	RM'000
Income derived from investment of depositors funds and others	336,934	231,686
Income derived from investment of shareholder's funds	51,462	37,278
Income attributable to depositors	(145,113)	(87,317)
	<u>243,283</u>	<u>181,647</u>

25 NET FEE AND COMMISSION INCOME

	Group and Bank	
	2012	2011
	RM'000	RM'000
Commission	95,514	94,176
Service charges and fees	152,043	143,562
Guarantee fees	25,282	23,625
Other fee income	1,377	10,671
	<u>274,216</u>	<u>272,034</u>

26 NET TRADING INCOME

	Group and Bank	
	2012	2011
	RM'000	RM'000
Gains on foreign exchange	62,601	109,953
Realised gains on financial assets held-for-trading	39,331	19,323
Realised gains/(losses) on trading derivatives	168,466	(76,081)
Unrealised gains/(losses) on financial assets held-for-trading	282	(8,874)
Unrealised (losses)/gains on trading derivatives	(75,145)	103,552
	<u>195,535</u>	<u>147,873</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**27 OTHER OPERATING INCOME**

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Losses on hedging derivatives (Note 44)	(800)	(1,015)	(800)	(1,015)
Gross dividends from financial investments available-for-sale				
- Malaysia	1,168	719	1,168	719
- Outside Malaysia	103	68	103	68
Gross dividends from financial assets held-for-trading				
- Malaysia	593	22,253	593	22,253
Rental of premises	6,738	6,708	6,836	6,830
Rental of safe deposit box	4,064	3,526	4,064	3,526
Realised gains on disposal of financial investments available-for-sale	40,914	19,034	40,914	19,034
Gains from disposal of property, plant and equipment	9,630	3,689	9,630	3,689
Shared services income received from subsidiary	-	-	59,645	51,277
Others	(709)	273	(709)	273
	61,701	55,255	121,444	106,654

28 PERSONNEL AND OPERATING EXPENSES

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (i)	430,338	381,228	395,328	344,348
Establishment expenses (ii)	113,845	94,775	106,048	89,131
Marketing expenses (iii)	38,758	33,282	35,755	31,337
Administration and general expenses (iv)	268,491	236,933	250,612	220,368
	851,432	746,218	787,743	685,184

The above expenditure includes the following statutory disclosures:

Amortisation of prepaid lease payments	36	36	36	36
Auditors' remuneration				
- Statutory audit	405	361	330	277
- Other services	286	237	261	207
Depreciation of property, plant and equipment	40,439	36,595	38,434	34,051
Depreciation of investment properties	205	719	205	719
Directors' remuneration* (Note 29)	5,891	5,388	4,689	4,212
Rental of premises	13,164	12,084	11,431	10,486

* excluding Benefits-in-kind

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**28 PERSONNEL AND OPERATING EXPENSES (continued)****(i) Personnel expenses**

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonus	338,340	297,125	311,007	267,986
Defined contribution plan (EPF)	52,971	46,311	48,242	41,912
Equity compensation benefits	6,150	8,116	5,923	7,909
Employee benefits	1,352	-	1,352	-
Other personnel costs	31,525	29,676	28,804	26,541
	430,338	381,228	395,328	344,348

(ii) Establishment expenses

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Rental of premises	13,164	12,084	11,431	10,486
Rental of equipment	1,213	1,936	1,213	1,936
Depreciation of property, plant and equipment	40,439	36,595	38,434	34,051
Depreciation of investment properties	205	719	205	719
Amortisation of prepaid lease payments	36	36	36	36
Repair and maintenance	5,352	4,999	4,962	4,718
Others	53,436	38,406	49,767	37,185
	113,845	94,775	106,048	89,131

(iii) Marketing expenses

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Transport and travelling	6,414	6,177	5,867	5,687
Advertisement and business promotion	30,791	25,540	28,409	24,176
Others	1,553	1,565	1,479	1,474
	38,758	33,282	35,755	31,337

(iv) Administration and general expenses

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Printing and stationery	9,236	7,842	8,487	7,227
Postage and courier	7,829	6,904	7,262	6,453
Telephone, telex and fax	11,474	9,151	10,681	8,976
Legal and consultancy fees	5,996	8,299	5,554	7,785
Transaction processing fees*	190,628	163,440	175,403	148,725
Other administrative and general expenses	43,328	41,297	43,225	41,202
	268,491	236,933	250,612	220,368

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**29 DIRECTORS' REMUNERATION**

Forms of remuneration in aggregate for all Directors charged to profit or loss for the financial year are as follows:

Group	Salaries and bonuses	Fees	Benefits-in-kind	Employees provident fund	Other accrued employee benefits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012						
Executive Director of the Bank (CEO)						
Chew Sun Teong, Jeffrey	2,512	-	2	402	1,036	3,952
Executive Director of subsidiary companies						
Syed Abdull Aziz Jailani Bin Syed Kechik	768	-	5	123	119	1,015
Non Executive Directors						
Tan Sri Dato' Nasruddin Bin Bahari	-	364	25	-	-	389
Tan Siok Choo	-	170	-	-	-	170
Dr Raja Lope Bin Raja Shahrome	-	128	-	-	-	128
Lai Teck Poh	-	170	-	-	-	170
Dato' Lim Eng Soon	-	14	-	-	-	14
Dato' Ooi Sang Kuang	-	85	-	-	-	85
	3,280	931	32	525	1,155	5,923
2011						
Executive Director of the Bank (CEO)						
Chew Sun Teong, Jeffrey	2,356	-	2	377	790	3,525
Executive Director of subsidiary companies						
Syed Abdull Aziz Jailani Bin Syed Kechik	792	-	5	127	77	1,001
Non Executive Directors						
Tan Sri Dato' Nasruddin Bin Bahari	-	365	31	-	-	396
Tan Siok Choo	-	170	-	-	-	170
David Wong Cheong Fook	-	51	-	-	-	51
Dr Raja Lope Bin Raja Shahrome	-	126	-	-	-	126
Lai Teck Poh	-	143	-	-	-	143
Dato' Lim Eng Soon	-	14	-	-	-	14
	3,148	869	38	504	867	5,426

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**29 DIRECTORS' REMUNERATION (continued)**

Bank	Salaries and bonuses	Fees	Benefits-in-kind	Employees provident fund	Other accrued employee benefits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012						
Executive Director (CEO)						
Chew Sun Teong, Jeffrey	2,512	-	2	402	1,036	3,952
Non-Executive Directors						
Tan Sri Dato' Nasruddin Bin Bahari	-	306	25	-	-	331
Tan Siok Choo	-	130	-	-	-	130
Dr Raja Lope Bin Raja Shahrome	-	104	-	-	-	104
Lai Teck Poh	-	130	-	-	-	130
Dato' Ooi Sang Kuang	-	69	-	-	-	69
	2,512	739	27	402	1,036	4,716
2011						
Executive Director (CEO)						
Chew Sun Teong, Jeffrey	2,356	-	2	377	790	3,525
Non-Executive Directors						
Tan Sri Dato' Nasruddin Bin Bahari	-	307	31	-	-	338
Tan Siok Choo	-	130	-	-	-	130
David Wong Cheong Fook	-	37	-	-	-	37
Dr Raja Lope Bin Raja Shahrome	-	102	-	-	-	102
Lai Teck Poh	-	113	-	-	-	113
	2,356	689	33	377	790	4,245

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**30 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Impairment allowance on impaired loans, advances and financing:				
i) Individual impairment				
- Made during the year	177,736	180,375	118,492	142,795
- Written back	(104,990)	(118,136)	(84,696)	(104,335)
ii) Collective impairment				
- Made during the year	52,933	75,808	43,306	69,000
Impaired loans, advances and financing				
- Recovered during the year	(37,170)	(40,203)	(28,861)	(33,641)
Others	141	64	141	49
	88,650	97,908	48,382	73,868

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties of the Bank are as follows:

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

- i) The significant related party transactions during the financial year and balances at reporting date are as follows:

Group	Holding Company	Other Related Companies	Key Management
	RM'000	RM'000	RM'000
2012			
Income			
Interest on deposits and placements with banks and other financial institutions	1,941	-	-
Interest on loans, advances and financing	-	7,298	130
Commission income	-	23,913	-
Other fee income	1,556	334	3
Rental income	-	4,822	-
	3,497	36,367	133

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- i) The significant related party transactions during the financial year and balances at reporting date are as follows (continued):

<u>Group</u>	<u>Holding Company</u> RM'000	<u>Other Related Companies</u> RM'000	<u>Key Management</u> RM'000
2012			
Expenditure			
Interest on deposits from customers	-	3,601	1,169
Interest on deposits and placements of banks and other financial institutions	65,395	-	-
Rental expenses	-	846	-
Other expenses	122	6,068	-
Transaction processing fees	-	190,628	-
	<u>65,517</u>	<u>201,143</u>	<u>1,169</u>
31 December 2012			
Amount due from			
Cash and cash equivalents	63,004	3,097	-
Deposits and placements with banks and other financial institutions	4,451	7,415	-
Interest/profit receivable	-	463	-
Loans, advances and financing	-	200,100	2,958
	<u>67,455</u>	<u>211,075</u>	<u>2,958</u>
Amount due to			
Deposits from customers	-	252,937	37,264
Deposits and placements of banks and other financial institutions	5,453,449	-	-
Other liabilities	2,264	-	-
Interest payable	4,087	181	86
	<u>5,459,800</u>	<u>253,118</u>	<u>37,350</u>
Commitments			
Foreign exchange derivatives	1,429,786	203,926	-
Interest rate derivatives	2,867,091	728,111	-
Transaction related contingent items	157,337	114,542	-
	<u>4,454,214</u>	<u>1,046,579</u>	<u>-</u>
2011			
Income			
Interest on deposits and placements with banks and other financial institutions	3,438	-	-
Interest on loans, advances and financing	-	3,485	44
Commission income	-	23,258	-
Other fee income	-	2,956	-
Rental income	-	4,689	-
	<u>3,438</u>	<u>34,388</u>	<u>44</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- i) The significant related party transactions during the financial year and balances at reporting date are as follows (continued):

Group	Holding Company	Other Related Companies	Key Management
	RM'000	RM'000	RM'000
2011			
Expenditure			
Interest on deposits from customers	-	2,710	901
Interest on deposits and placements of banks and other financial institutions	63,016	-	136
Rental expenses	-	850	-
Other expenses	64	3,889	-
Transaction processing fees	-	163,440	-
	63,080	170,889	1,037
31 December 2011			
Amount due from			
Cash and cash equivalents	38,560	4,559	-
Deposits and placements with banks and other financial institutions	337,901	22	-
Interest/profit receivable	431	-	-
Loans, advances and financing	-	99,652	1,083
Others	-	1,856	-
	376,892	106,089	1,083
Amount due to			
Deposits from customers	8,871	132,466	22,164
Deposits and placements of banks and other financial institutions	5,468,929	-	5,306
Transaction processing fees payable	-	46	-
Other liabilities	2,766	64,922	-
Interest payable	9,374	-	8
	5,489,940	197,434	27,478
Commitments			
Foreign exchange derivatives	1,667,124	147,324	-
Interest rate derivatives	5,760,634	205,000	-
Equity derivatives	96,645	-	-
Transaction related contingent items	181,561	92,814	-
	7,705,964	445,138	-
1 January 2011			
Amount due from			
Cash and cash equivalents	128,694	7	-
Deposits and placements with banks and other financial institutions	483,522	21	-
Interest/profit receivable	1,048	-	-
Loans, advances and financing	-	89,582	315
	613,264	89,610	315

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- i) The significant related party transactions during the financial year and balances at reporting date are as follows (continued):

Group	Holding Company RM'000	Other Related Companies RM'000	Key Management RM'000	
1 January 2011				
Amount due to				
Deposits from customers	17,010	109,217	48,059	
Deposits and placements of banks and other financial institutions	2,302,719	-	-	
Transaction processing fees payable	-	769	-	
Other liabilities	4,113	-	-	
Interest payable	898	-	9	
	2,324,740	109,986	48,068	
Commitments				
Foreign exchange derivatives	324,494	139,517	-	
Interest rate derivatives	3,988,606	260,000	-	
Transaction related contingent items	158,659	56,513	-	
	4,471,759	456,030	-	
	Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management RM'000
Bank				
2012				
Income				
Interest on deposits and placements with banks and other financial institutions	1,941	15,690	-	-
Interest on financial investments available-for-sale	-	2,421	-	-
Commission income	-	-	23,913	-
Interest on loans, advances and financing	-	-	7,298	86
Interest on Islamic subordinated bonds	-	10,900	-	-
Shared services income	-	59,645	-	-
Other fee income	1,556	-	334	3
Rental income	-	55	4,822	-
	3,497	88,711	36,367	89
Expenditure				
Interest on deposits from customers	-	1	50	996
Interest on deposits and placements of banks and other financial institutions	65,220	-	-	-
Shared services fee expense	-	1,487	-	-
Rental expenses	-	-	846	-
Other expenses	122	17	5,843	-
Transaction processing fees	-	-	175,403	-
	65,342	1,505	182,142	996

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- i) The significant related party transactions during the financial year and balances at reporting date are as follows (continued):

<u>Bank</u>	<u>Holding Company</u>	<u>Subsidiary Companies</u>	<u>Other Related Companies</u>	<u>Key Management</u>
	RM'000	RM'000	RM'000	RM'000
31 December 2012				
Amount due from				
Cash and cash equivalents	63,004	974,462	3,097	-
Deposits and placements with banks and other financial institutions	3,073	318,099	7,394	-
Financial investments available-for-sale	-	57,374	-	-
Interest/profit receivable	-	3,420	463	-
Islamic Subordinated Bonds (Note 9)	-	200,000	-	-
Loans, advances and financing	-	-	200,100	2,243
Shared service fee receivable	-	6,141	-	-
	66,077	1,559,496	211,054	2,243
Amount due to				
Deposits from customers	-	13,531	185,539	31,681
Deposits and placements of banks and other financial institutions	5,394,832	-	-	-
Other liabilities	2,239	72,433	-	-
Shared service fee payable	-	139	-	-
Interest payable	4,087	-	136	-
	5,401,158	86,103	185,675	31,681
Commitments				
Foreign exchange derivatives	1,429,786	985,114	203,504	-
Interest rate derivatives	2,867,091	-	728,111	-
Transaction related contingent items	157,337	-	114,542	-
	4,454,214	985,114	1,046,157	-
<u>Bank</u>				
2011				
Income				
Interest on deposits and placements with banks and other financial institutions	3,438	7,961	-	-
Interest on financial investments available-for-sale	-	2,929	-	-
Commission income	-	-	23,258	-
Interest on loans, advances and financing	-	1,871	3,485	5
Interest on Islamic subordinated bonds	-	10,900	-	-
Other fee income	-	51,278	418	-
Rental income	-	69	4,689	-
	3,438	75,008	31,850	5

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- i) The significant related party transactions during the financial year and balances at reporting date are as follows (continued):

	<u>Holding Company</u> RM'000	<u>Subsidiary Companies</u> RM'000	<u>Other Related Companies</u> RM'000	<u>Key Management</u> RM'000
Bank				
2011				
Expenditure				
Interest on deposits from customers	-	1	215	807
Interest on deposits and placements of bank and other financial institutions	62,912	-	-	136
Shared services fee paid/payable	-	1,386	-	-
Rental expenses	-	-	850	-
Other expenses	64	25	3,815	-
Transaction processing fees	-	-	148,725	-
	<u>62,976</u>	<u>1,412</u>	<u>153,605</u>	<u>943</u>
31 December 2011				
Amount due from				
Cash and cash equivalents	38,560	242,494	4,559	-
Deposits and placements with banks and other financial institutions	337,221	276,115	-	-
Financial investments available-for-sale	-	54,952	-	-
Interest/profit receivable	431	1,258	-	-
Islamic Subordinated Bonds (Note 9)	-	200,000	-	-
Loans, advances and financing	-	-	99,652	231
Others	-	4,921	1,847	-
	<u>376,212</u>	<u>779,740</u>	<u>106,058</u>	<u>231</u>
Amount due to				
Deposits from customers	8,871	13,351	95,383	19,200
Deposits and placements of banks and other financial institutions	5,444,379	-	-	5,306
Other liabilities	2,766	28,098	64,922	-
Interest payable	9,374	-	-	-
	<u>5,465,390</u>	<u>41,449</u>	<u>160,305</u>	<u>24,506</u>
Commitments				
Foreign exchange derivatives	1,667,124	509,142	146,720	-
Interest rate derivatives	5,760,634	-	205,000	-
Equity derivatives	96,645	-	-	-
Transaction related contingent items	181,561	-	92,814	-
	<u>7,705,964</u>	<u>509,142</u>	<u>444,534</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- i) The significant related party transactions during the financial year and balances at reporting date are as follows (continued):

	Holding Company	Subsidiary Companies	Other Related Companies	Key Management
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
1 January 2011				
Amount due from				
Cash and cash equivalents	128,694	66,277	7	-
Deposits and placements with banks and other financial institutions	483,240	454,606	-	-
Financial investments available-for-sale	-	52,789	-	-
Interest/profit receivable	1,048	2,005	-	-
Islamic Subordinated Bonds (Note 9)	-	200,000	-	-
Loans, advances and financing	-	-	89,582	91
Others	-	3,981	-	-
	612,982	779,658	89,589	91
Amount due to				
Deposits from customers	16,798	13,595	100,508	44,867
Deposits and placements of banks and other financial institutions	2,278,755	-	-	-
Other liabilities	4,113	31,075	-	-
Interest payable	898	-	-	-
	2,300,564	44,670	100,508	44,867
Commitments				
Foreign exchange derivatives	324,494	135,809	136,525	-
Interest rate derivatives	3,988,606	-	260,000	-
Transaction related contingent items	158,659	-	56,513	-
	4,471,759	135,809	453,038	-

- ii) Credit exposure arising from credit transactions with connected parties

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

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Aggregate value of outstanding credit exposure with connected parties^ :				
Credit facility and leasing (except guarantee)	399,258	308,143	397,070	307,532
Commitments and contingencies *	1,238,038	1,258,927	1,777,893	1,786,858
Total credit exposures	1,637,296	1,567,070	2,174,963	2,094,390

^ Comprises total outstanding balance and unutilised limit.

* Commitments and contingencies transactions that give rise to credit and/or counterparty risk.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Percentage of outstanding credit exposures to connected parties				
- As a proportion of total credit exposures	2.67%	2.87%	3.69%	4.13%
- Impaired or in default	0.00%	0.00%	0.00%	0.00%

iii) Key management personnel compensation

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	17,278	15,956	13,786	12,740
Other long-term benefits	-	3	-	3
Share-based benefits	2,241	2,149	2,049	2,004
	19,519	18,108	15,835	14,747

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. Included in the above is Directors' remuneration which is disclosed in Note 29.

32 INCOME TAX EXPENSE

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current year	272,212	274,817	256,843	270,584
- Overprovision in prior years	(17,501)	-	(16,029)	-
	254,711	274,817	240,814	270,584
Deferred tax				
- Relating to origination and reversal of temporary differences	(278)	(19,969)	2,224	(21,703)
- Underprovision in prior years	19,060	-	17,341	-
	18,782	(19,969)	19,565	(21,703)
	273,493	254,848	260,379	248,881

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**32 INCOME TAX EXPENSE (continued)**

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

	Group		Bank	
	2012	2011	2012	2011
	%	%	%	%
Malaysian tax rate of 25%	25.0	25.0	25.0	25.0
Tax effects of:				
Expenses not deductible for tax purposes	0.3	0.4	0.3	0.4
Income not subject to tax	(0.3)	(0.8)	(0.0)	(0.6)
(Over)/Under provision in prior years:				
- income tax	(1.7)	(12.3)	(1.6)	(11.9)
- deferred tax	1.9	13.0	1.7	12.7
Average effective tax rate	<u>25.2</u>	<u>25.3</u>	<u>25.4</u>	<u>25.6</u>

33 BASIC EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Group and of the Bank have been calculated based on the profit for the year less preference shares dividends of RM793,246,000 and RM746,635,000 respectively (2011: RM761,021,000 and RM739,062,000) and on 287,500,000 (2011: 287,500,000) ordinary shares of RM1.00 each in issue during the financial year.

The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

34 DIVIDENDS

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2012			
Final 2011 ordinary	112.5	323,438	2 May 2012
Final 2012 preference	451.0	18,093	20 March 2012 and 20 September 2012
Interim 2012 ordinary	22.5	<u>64,687</u>	4 October 2012
		<u>406,218</u>	
2011			
Final 2010 ordinary	112.5	323,437	21 April 2011
Final 2011 preference	451.0	18,040	20 March 2011 and 20 September 2011
Interim 2011 ordinary	22.5	<u>64,688</u>	7 October 2011
		<u>406,165</u>	

A final gross dividend of 160.0 sen per ordinary share less tax at 25% amounting to RM345 million on the fully issued and paid up ordinary shares of the Bank in respect of the financial year ended 31 December 2012 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2013 when approved by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**35 COMMITMENTS AND CONTINGENCIES**

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

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in Bank Negara Malaysia's Capital Adequacy Framework (Basel II) - Internal Ratings Based Approach.

Group	Principal amount	Positive fair value of derivative contracts	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000
31 December 2012				
Direct credit substitutes	777,022		777,022	641,439
Transaction-related contingent items	1,462,379		731,190	632,991
Short-term self-liquidating trade-related contingencies	583,969		116,794	87,023
Foreign exchange related contracts				
- Less than one year	23,570,089	98,288	337,679	93,426
- One year to less than five years	5,932,670	104,486	668,810	373,729
- Five years and above	1,431,754	60,639	340,256	279,691
Interest rate contracts				
- Less than one year	11,255,304	31,411	46,810	17,926
- One year to less than five years	24,798,505	87,095	673,480	382,756
- Five years and above	3,008,359	40,045	246,061	198,060
Equity, credit derivatives and commodity related contracts	1,720,685	77,278	207,023	131,281
Formal standby facilities and credit lines				
- Maturity not exceeding one year	171,676		27,394	9,022
- Maturity exceeding one year	4,340,858		3,986,504	657,007
Other unconditionally cancellable commitments	14,523,399		1,941,667	374,922
	93,576,669	499,242	10,100,690	3,879,273
31 December 2011				
Direct credit substitutes	805,801		805,801	766,688
Transaction-related contingent items	1,633,406		816,703	793,910
Short-term self-liquidating trade-related contingencies	442,553		88,511	60,075
Commitments with certain drawdowns	45,000		45,000	41,831
Obligations under underwriting agreement	5,000		2,500	2,500
Foreign exchange related contracts				
- Less than one year	22,077,986	206,684	442,706	135,860
- One year to less than five years	2,873,262	44,192	313,613	174,182
- Five years and above	1,437,339	63,171	323,649	271,847
Interest rate contracts				
- Less than one year	12,543,838	55,868	75,568	29,862
- One year to less than five years	18,074,636	171,110	505,009	245,661
- Five years and above	1,862,870	32,986	151,572	115,492
Equity, credit derivatives and commodity related contracts	458,949	184,700	199,608	153,690
Formal standby facilities and credit lines				
- Maturity not exceeding one year	22,885		22,885	8,413
- Maturity exceeding one year	2,922,095		2,920,671	482,119
Other unconditionally cancellable commitments	12,718,535		1,800,676	375,119
	77,924,155	758,711	8,514,472	3,657,249

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**35 COMMITMENTS AND CONTINGENCIES (continued)**

<u>Group</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
1 January 2011				
Direct credit substitutes	225,280		225,280	192,329
Transaction-related contingent items	2,035,213		1,017,607	1,089,435
Short-term self-liquidating trade-related contingencies	451,331		90,267	58,317
Obligations under underwriting agreement	8,000		4,000	4,000
Foreign exchange related contracts				
- Less than one year	17,204,174	184,115	459,224	119,782
- One year to less than five years	1,991,282	41,861	215,289	114,290
- Five years and above	783,419	53,330	194,938	181,992
Interest rate contracts				
- Less than one year	7,295,035	21,320	32,254	5,583
- One year to less than five years	18,790,778	184,020	544,515	215,007
- Five years and above	999,923	20,181	88,621	37,568
Equity, credit derivatives and commodity related contracts	242,352	-	14,958	1,289
Formal standby facilities and credit lines				
- Maturity not exceeding one year	7,950		1,590	1,192
- Maturity exceeding one year	1,481,016		1,069,626	1,183,964
Other unconditionally cancellable commitments	12,980,333		467,906	134,373
	64,496,086	504,827	4,426,075	3,339,121
Bank				
31 December 2012				
Direct credit substitutes	764,598		764,598	618,937
Transaction-related contingent items	1,384,538		692,269	593,059
Short-term self-liquidating trade-related contingencies	540,380		108,076	81,066
Foreign exchange related contracts				
- Less than one year	22,588,847	97,557	332,720	90,501
- One year to less than five years	5,932,670	104,486	668,810	373,729
- Five years and above	1,431,754	60,639	340,256	279,691
Interest rate contracts				
- Less than one year	11,255,304	31,411	46,810	17,926
- One year to less than five years	24,798,505	87,095	673,480	382,756
- Five years and above	3,008,359	40,045	246,061	198,060
Equity, credit derivatives and commodity related contracts	1,720,685	77,278	207,024	131,281
Formal standby facilities and credit lines				
- Maturity not exceeding one year	168,126		24,101	7,423
- Maturity exceeding one year	4,185,170		3,865,821	619,652
Other unconditionally cancellable commitments	13,828,746		1,937,935	373,209
	91,607,682	498,511	9,907,961	3,767,290

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**35 COMMITMENTS AND CONTINGENCIES (continued)**

<u>Bank</u>	<u>Principal amount</u>	<u>Positive fair value of derivative contracts</u>	<u>Credit equivalent amount</u>	<u>Risk weighted amount</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
31 December 2011				
Direct credit substitutes	805,801		805,801	766,688
Transaction-related contingent items	1,533,234		766,617	755,250
Short-term self-liquidating trade-related contingencies	413,308		82,662	56,812
Commitments with certain drawdowns	15,000		15,000	13,944
Obligations under underwriting agreement	5,000		2,500	2,500
Foreign exchange related contracts				
- Less than one year	21,071,907	194,465	419,171	127,568
- One year to less than five years	2,869,456	41,613	310,692	171,260
- Five years and above	1,437,339	63,171	323,649	271,847
Interest rate contracts				
- Less than one year	12,543,838	55,868	75,568	29,862
- One year to less than five years	18,074,636	171,110	505,009	245,661
- Five years and above	1,862,870	32,986	151,572	115,492
Equity, credit derivatives and commodity related contracts	458,949	184,700	199,608	153,690
Formal standby facilities and credit lines				
- Maturity not exceeding one year	20,991		20,991	7,429
- Maturity exceeding one year	2,894,996		2,893,573	474,759
Other unconditionally cancellable commitments	12,068,424		1,786,982	368,250
	76,075,749	743,913	8,359,395	3,561,012
1 January 2011				
Direct credit substitutes	220,927		220,927	187,989
Transaction-related contingent items	1,953,925		976,963	1,058,865
Short-term self-liquidating trade-related contingencies	422,113		84,423	52,088
Obligations under underwriting agreement	8,000		4,000	4,000
Foreign exchange related contracts				
- Less than one year	16,942,929	178,340	449,414	111,171
- One year to less than five years	1,900,151	36,133	203,105	109,276
- Five years and above	783,419	53,330	194,938	181,992
Interest rate contracts				
- Less than one year	7,295,035	21,320	32,254	5,583
- One year to less than five years	18,790,778	184,020	544,515	215,007
- Five years and above	999,923	20,181	88,621	37,568
Equity, credit derivatives and commodity related contracts	242,352	-	14,958	1,289
Formal standby facilities and credit lines				
- Maturity not exceeding one year	5,740		1,148	861
- Maturity exceeding one year	1,472,644		1,062,657	1,181,587
Other unconditionally cancellable commitments	12,352,715		467,906	134,373
	63,390,651	493,324	4,345,829	3,281,649

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**36 LEASE COMMITMENTS**

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

	Group		Bank	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Less than one year	15,585	12,106	13,611	10,700
One to five years	11,282	12,265	9,708	10,652
	26,867	24,371	23,319	21,352

37 CAPITAL COMMITMENTS

	Group		Bank	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Capital expenditure in respect of property, plant and equipment				
- Authorised and contracted for	30,269	24,106	27,394	23,015
- Authorised but not contracted for	61,125	164,799	50,291	153,559
	91,394	188,905	77,685	176,574

38 MINIMUM LEASE RENTAL RECEIVABLE

The future minimum lease rental receivable under non-cancellable operating leases by remaining period to lease expiry is as follows:

	Group		Bank	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Less than one year	1,356	856	1,395	895
One to five years	1,389	1,324	1,428	1,402
	2,745	2,180	2,823	2,297

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit Risk Management

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet their contractual obligations. Such risk arises from lending, underwriting, trading, investment and other activities undertaken by the Group. Oversight of the credit risk is the responsibility of the Credit Risk Management function within the Group, which includes credit approval, credit reviews, portfolio reviews, non-performing asset management and credit policy development.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

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. 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 impaired loans, advances and financing are reported to the Board of Directors. These include exposures by industry, risk grade, business segment, loan maturity, secured/unsecured position and product. Prudential limits are placed on exposures to cross-border transfer risk and single customer groups.

Corporate and large impaired loans, advances and financing are centrally managed by the Special Asset Management Department whilst retail and consumer impaired loans, advances and financing are overseen by the Collections Department.

Market Risk Management

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

Risk identification is addressed via the Group’s new product approval process at product inception. Several market risk measurements are also utilised regularly to quantify and assess potential losses. These include Value-at-risk (“VaR”), Present Value of a Basis Point (“PV01”), Greeks and stress testing with scenario 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 reported to senior management for appropriate rectification. Valuation and risk models are deployed and verified for pricing of financial instruments and VaR calculation respectively. Valuation reserves and other operational controls are also imposed to strengthen overall general and model risk management. To ensure the continued integrity of the VaR model, the Group conducts back-testing to confirm the consistency of actual daily trading profits and losses (“P&L”), as well as theoretical P&L against the model’s statistical assumptions.

Asset Liability Management

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

Structural Interest Rate Risk

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset Liability Management (continued)

Liquidity Risk

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

Operational Risk Management

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

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

The Bank has adopted The Standardised Approach, with effect from March 2012, while its Islamic subsidiary, OCBC Al-Amin, is on the Basic Indicator Approach.

Operational Risk Management Oversight and Organisation

The Operational Risk Management and Information Security Committee ("ORISC") is the senior management committee that oversees the execution of the Group's Operational Risk Management, Information Security and Technology Risk practices, and ensures that the respective risk management programmes are appropriate, effective, and support the Group's business strategy. ORISC also has oversight over the management of the Group's fiduciary, reputational and legal risks.

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

Operational Risk Management Approach

The Group manages operational risk through a framework that ensures operational risk is properly identified, managed, monitored, mitigated, and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Group's control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing their control functions without fear of intimidation or reprisal. The Group recognises the importance of establishing a risk-awareness culture in the managing of operational risk through embedding risk management in the Group's core processes. The Group started the roll-out of an Enterprise Operational Risk Management System that will provide the Group with a web-based integrated operational risk management system that brings together qualitative and quantitative tools.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Operational Risk Management Approach (continued)

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

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

To mitigate the impact of unforeseen operational risk events, the Group has implemented business continuity management and crisis management programmes to ensure the uninterrupted availability of all business resources to support essential business activities. On an annual basis, senior management provides an attestation to the Risk Management Committee on the state of business continuity management including the internally developed business continuity management maturity scorecard, extent of alignment to BNM guidelines and declaration of residual risk. The Group also monitors the health and security environment of the locations of the Group's key operations to assess possible threats that may adversely affect the Group and its employees.

The Group's Fraud Risk Management ("FRM") and whistle-blowing programmes help prevent and detect fraud or misconduct, as well as enable rapid and co-ordinated incident responses, including establishing the cause, remedial actions, and damage control procedures. The Group is proactively strengthening its FRM infrastructure to manage emerging threats through new programmes and initiatives.

Reputation Risk Management

Reputation risk is the current or prospective risk to earnings and capital arising from adverse perception of the image of the Group on the part of customers, counterparties, shareholders, investors and regulators. The Group has a reputation risk management programme to manage any such potential current, or future adverse impact on earnings and continued access to sources of funding. The programme focuses on understanding and managing the Group's responsibilities towards the Group's different stakeholders, and protecting the Group's reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

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 on the state of regulatory compliance.

Shariah Governance

The Group has drawn up the Shariah Governance Framework (“SGF”) which is designed to meet the following purposes:

- (i) sets out Shariah governance structures, policies and processes to ensure that all its operations and business activities are in accordance with Shariah;
- (ii) provides comprehensive guidance to the Board, Management and Shariah Bank Committee of the Group 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 processes.

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 Group, at the post product launch, Shariah Review assesses the level of compliance of the activities and operations to Shariah requirements. Any non-Shariah compliance findings resulting from the review will be rectified, monitored and tracked until closure. Audit Department will also conduct Shariah Audit to provide an independent assessment and objective assurance designed to add value and improve the Group’s Shariah compliance with the main objective in ensuring a sound and effective internal control system for Shariah compliance.

Shariah Risk

Shariah risk arises from the Group's failure to comply with the Shariah rules and principles as determined by its 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 2012, the Group had received non-shariah compliant income in the form of commission income from conventional insurers. The non-shariah compliant income will be channelled to charitable organisations as determined by the Group's SC. Details of the non-shariah compliant income are as follows:

	2012 RM'000
Sources and uses of charity funds	
<u>Sources of charity funds</u>	
Non-shariah compliant income	15
<u>Uses of charity funds</u>	
Total uses of funds during the year	-
Undistributed charity funds as at 31 December	15

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**40 INTEREST/PROFIT RATE RISK**

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest / profit rate on the financial position and cashflows. The following tables summarises the Group's and the Bank's exposure to interest / profit rate risk. The assets and liabilities at carrying amounts are allocated to time bands by reference to the earlier of the next contractual repricing and maturity dates.

<u>Group</u>	← Non Trading Book →					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
31 December 2012									
Assets									
Cash and cash equivalents	10,954,327	-	-	-	-	406,768	-	11,361,095	2.46
Deposits and placements with banks and other financial institutions	667,338	580,965	-	-	-	37,565	-	1,285,868	2.46
Financial assets held-for-trading	-	-	-	-	-	-	228,230	228,230	3.29
Financial investments available-for-sale	2,387,891	891,039	3,356,156	1,810,342	1,241,798	125,879	-	9,813,105	3.75
Loans, advances and financing									
- Unimpaired	43,486,912	1,029,345	1,161,445	784,239	836,870	(500,910)	-	46,797,901	5.29
- Impaired	-	-	-	-	-	680,893	-	680,893	-
Derivative financial assets	-	-	7,256	17	-	-	536,968	544,241	0.36
Other assets	-	-	-	-	-	259,769	-	259,769	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,625,592	-	1,625,592	-
Property, plant and equipment	-	-	-	-	-	255,428	-	255,428	-
Prepaid lease payments	-	-	-	-	-	928	-	928	-
Investment properties	-	-	-	-	-	13,040	-	13,040	-
Non-current assets held for sale	-	-	-	-	-	2,822	-	2,822	-
Deferred tax assets	-	-	-	-	-	2,566	-	2,566	-
Current tax assets	-	-	-	-	-	443	-	443	-
Total assets	57,496,468	2,501,349	4,524,857	2,594,598	2,078,668	2,910,783	765,198	72,871,921	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Group	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
31 December 2012									
Liabilities									
Deposits from customers	29,744,680	14,286,936	1,633,191	1,395,184	100,000	8,324,381	-	55,484,372	2.56
Deposits and placements of banks and other financial institutions	8,312,367	115	139,555	-	-	138,300	-	8,590,337	1.41
Bills and acceptances payable	-	-	-	-	-	356,718	-	356,718	-
Recourse obligation on loans sold to Cagamas Berhad	476	25,186	-	-	-	-	-	25,662	4.17
Subordinated term loans/bonds	-	-	506,840	798,391	400,000	-	-	1,705,231	4.90
Derivative financial liabilities	-	-	6,001	1,508	11,646	-	484,419	503,574	1.20
Other liabilities	-	-	-	-	-	914,182	-	914,182	-
Current tax liabilities and zakat	-	-	-	-	-	32,868	-	32,868	-
Deferred tax liabilities	-	-	-	-	-	1,809	-	1,809	-
Total liabilities	38,057,523	14,312,237	2,285,587	2,195,083	511,646	9,768,258	484,419	67,614,753	
On-statements of financial position interest/profit sensitivity gap	19,438,945	(11,810,888)	2,239,270	399,515	1,567,022	(6,857,475)	280,779	5,257,168	
Off-statements of financial position interest/profit sensitivity gap	(1,482,786)	-	770,172	550,000	162,614	-	-	-	
Total interest/profit sensitivity gap	17,956,159	(11,810,888)	3,009,442	949,515	1,729,636	(6,857,475)	280,779	5,257,168	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Group	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
31 December 2011									
Assets									
Cash and cash equivalents	7,553,626	-	-	-	-	205,948	-	7,759,574	2.95
Deposits and placements with banks and other financial institutions	1,078,586	789,998	-	-	-	-	-	1,868,584	2.95
Financial assets held-for-trading	-	-	-	-	-	-	466,302	466,302	3.95
Financial investments available-for-sale	1,657,052	958,529	2,403,088	2,748,415	1,714,435	120,670	-	9,602,189	3.64
Loans, advances and financing									
- Unimpaired	39,201,227	816,245	809,826	635,345	574,037	(446,909)	-	41,589,771	5.20
- Impaired	-	-	-	-	-	778,639	-	778,639	-
Derivative financial assets	-	5,013	-	10,951	-	-	601,305	617,269	0.85
Other assets	-	-	-	-	-	244,435	-	244,435	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,400,992	-	1,400,992	-
Property, plant and equipment	-	-	-	-	-	207,905	-	207,905	-
Prepaid lease payments	-	-	-	-	-	964	-	964	-
Investment properties	-	-	-	-	-	16,439	-	16,439	-
Deferred tax assets	-	-	-	-	-	23,502	-	23,502	-
Current tax assets	-	-	-	-	-	558	-	558	-
Total assets	49,490,491	2,569,785	3,212,914	3,394,711	2,288,472	2,553,143	1,067,607	64,577,123	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Group	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
31 December 2011									
Liabilities									
Deposits from customers	28,650,961	12,478,983	823,399	546,795	-	6,434,523	-	48,934,661	2.61
Deposits and placements of banks and other financial institutions	7,077,643	1,799	129,082	65,961	-	137,395	-	7,411,880	1.39
Bills and acceptances payable	-	-	-	-	-	351,990	-	351,990	-
Recourse obligation on loans sold to Cagamas Berhad	38,437	1,474	25,700	-	-	-	-	65,611	4.40
Subordinated term loans/bonds	-	405,003	-	709,669	400,000	-	-	1,514,672	4.62
Derivative financial liabilities	-	-	-	5,763	6,549	-	477,325	489,637	1.41
Other liabilities	-	-	-	-	-	878,751	-	878,751	-
Current tax liabilities and zakat	-	-	-	-	-	89,498	-	89,498	-
Total liabilities	35,767,041	12,887,259	978,181	1,328,188	406,549	7,892,157	477,325	59,736,700	
On-statements of financial position interest/profit sensitivity gap	13,723,450	(10,317,474)	2,234,733	2,066,523	1,881,923	(5,339,014)	590,282	4,840,423	
Off-statements of financial position interest/profit sensitivity gap	(50,000)	(1,275,928)	400,000	766,045	159,883	-	-	-	
Total interest/profit sensitivity gap	13,673,450	(11,593,402)	2,634,733	2,832,568	2,041,806	(5,339,014)	590,282	4,840,423	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Group	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
1 January 2011									
Assets									
Cash and cash equivalents	9,724,556	-	-	-	-	1,279,485	-	11,004,041	2.70
Deposits and placements with banks and other financial institutions	1,672,590	263,042	-	-	-	-	-	1,935,632	2.70
Financial assets held-for-trading	-	-	-	-	-	-	505,657	505,657	3.78
Financial investments available-for-sale	1,432,443	323,992	1,801,598	1,987,658	302,050	116,567	-	5,964,308	3.80
Loans, advances and financing									
- Unimpaired	32,949,321	582,721	654,609	451,568	424,035	(372,921)	-	34,689,333	5.42
- Impaired	-	-	-	-	-	610,007	-	610,007	-
Derivative financial assets	-	-	7,968	1,905	4,591	-	485,308	499,772	1.36
Other assets	-	-	-	-	-	203,813	-	203,813	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	79,342	-	79,342	-
Property, plant and equipment	-	-	-	-	-	210,647	-	210,647	-
Prepaid lease payments	-	-	-	-	-	1,000	-	1,000	-
Investment properties	-	-	-	-	-	20,731	-	20,731	-
Deferred tax assets	-	-	-	-	-	7,909	-	7,909	-
Current tax assets	-	-	-	-	-	54,063	-	54,063	-
Total assets	45,778,910	1,169,755	2,464,175	2,441,131	730,676	2,210,643	990,965	55,786,255	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Group	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
1 January 2011									
Liabilities									
Deposits from customers	29,090,896	7,040,502	808,786	656,572	767	5,639,410	-	43,236,933	2.28
Deposits and placements of banks and other financial institutions	3,645,479	250,348	559	-	-	1,117,002	-	5,013,388	1.25
Bills and acceptances payable	-	-	-	-	-	281,944	-	281,944	-
Recourse obligation on loans sold to Cagamas Berhad	6,923	256,900	66,165	-	-	-	-	329,988	4.07
Subordinated term loans/bonds	-	-	406,077	498,055	600,000	-	-	1,504,132	5.19
Derivative financial liabilities	-	-	-	1,861	234	-	483,082	485,177	0.87
Other liabilities	-	-	-	-	-	472,329	-	472,329	-
Total liabilities	32,743,298	7,547,750	1,281,587	1,156,488	601,001	7,510,685	483,082	51,323,891	
On-statements of financial position interest/profit sensitivity gap	13,035,612	(6,377,995)	1,182,588	1,284,643	129,675	(5,300,042)	507,883	4,462,364	
Off-statements of financial position interest/profit sensitivity gap	(680,000)	(690,653)	400,000	812,871	157,782	-	-	-	
Total interest/profit sensitivity gap	12,355,612	(7,068,648)	1,582,588	2,097,514	287,457	(5,300,042)	507,883	4,462,364	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Bank	← Non Trading Book →					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
31 December 2012									
Assets									
Cash and cash equivalents	11,578,789	-	-	-	-	383,080	-	11,961,869	2.46
Deposits and placements with banks and other financial institutions	1,249,571	666,831	-	-	-	37,565	-	1,953,967	2.46
Financial assets held-for-trading	-	-	-	-	-	-	228,230	228,230	3.29
Financial investments available-for-sale	2,164,171	680,695	2,625,753	957,949	1,005,280	125,879	-	7,559,727	3.88
Loans, advances and financing									
- Unimpaired	41,089,210	912,164	648,080	30,435	304,614	(459,934)	-	42,524,569	5.13
- Impaired	-	-	-	-	-	658,503	-	658,503	-
Derivative financial assets	-	-	7,256	17	-	-	536,856	544,129	0.36
Other assets	-	-	-	200,000	-	247,306	-	447,306	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,411,092	-	1,411,092	-
Investments in subsidiary companies	-	-	-	-	-	346,617	-	346,617	-
Property, plant and equipment	-	-	-	-	-	247,403	-	247,403	-
Prepaid lease payments	-	-	-	-	-	928	-	928	-
Investment properties	-	-	-	-	-	13,040	-	13,040	-
Non-current assets held for sale	-	-	-	-	-	2,822	-	2,822	-
Total assets	56,081,741	2,259,690	3,281,089	1,188,401	1,309,894	3,014,301	765,086	67,900,202	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
31 December 2012									
Liabilities									
Deposits from customers	26,755,880	13,636,833	1,590,722	1,395,108	100,000	7,596,891	-	51,075,434	2.57
Deposits and placements of banks and other financial institutions	7,876,919	75	139,099	-	-	172,923	-	8,189,016	1.26
Bills and acceptances payable	-	-	-	-	-	341,923	-	341,923	-
Recourse obligation on loans sold to Cagamas Berhad	476	25,186	-	-	-	-	-	25,662	4.17
Subordinated term loans/bonds	-	-	506,840	798,391	400,000	-	-	1,705,231	4.90
Derivative financial liabilities	-	-	6,001	1,508	11,646	-	484,356	503,511	1.20
Other liabilities	-	-	-	-	-	902,838	-	902,838	-
Current tax liabilities and zakat	-	-	-	-	-	32,843	-	32,843	-
Deferred tax liabilities	-	-	-	-	-	1,809	-	1,809	-
Total liabilities	34,633,275	13,662,094	2,242,662	2,195,007	511,646	9,049,227	484,356	62,778,267	
On-statements of financial position interest/profit sensitivity gap	21,448,466	(11,402,404)	1,038,427	(1,006,606)	798,248	(6,034,926)	280,730	5,121,935	
Off-statements of financial position interest/profit sensitivity gap	(1,482,786)	-	770,172	550,000	162,614	-	-	-	
Total interest/profit sensitivity gap	19,965,680	(11,402,404)	1,808,599	(456,606)	960,862	(6,034,926)	280,730	5,121,935	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Bank	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
31 December 2011									
Assets									
Cash and cash equivalents	7,411,120	-	-	-	-	178,209	-	7,589,329	2.96
Deposits and placements with banks and other financial institutions	1,137,587	837,635	105,961	63,516	-	-	-	2,144,699	2.96
Financial assets held-for-trading	-	-	-	-	-	-	466,302	466,302	3.95
Financial investments available-for-sale	1,209,129	832,631	1,767,288	2,237,420	1,601,162	120,670	-	7,768,300	3.71
Loans, advances and financing									
- Unimpaired	37,651,661	722,422	311,761	15,208	133,424	(415,528)	-	38,418,948	5.10
- Impaired	-	-	-	-	-	760,149	-	760,149	-
Derivative financial assets	-	5,013	-	10,951	-	-	600,057	616,021	0.85
Other assets	-	-	-	200,000	-	231,709	-	431,709	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,241,592	-	1,241,592	-
Investments in subsidiary companies	-	-	-	-	-	256,611	-	256,611	-
Property, plant and equipment	-	-	-	-	-	201,813	-	201,813	-
Prepaid lease payments	-	-	-	-	-	964	-	964	-
Investment properties	-	-	-	-	-	16,439	-	16,439	-
Deferred tax assets	-	-	-	-	-	20,677	-	20,677	-
Total assets	47,409,497	2,397,701	2,185,010	2,527,095	1,734,586	2,613,305	1,066,359	59,933,553	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Bank	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
31 December 2011									
Liabilities									
Deposits from customers	26,341,026	11,080,732	781,340	546,629	-	5,806,142	-	44,555,869	2.62
Deposits and placements of banks and other financial institutions	7,053,213	1,760	194,534	-	-	74,331	-	7,323,838	1.36
Bills and acceptances payable	-	-	-	-	-	315,440	-	315,440	-
Recourse obligation on loans sold to Cagamas Berhad	38,437	1,474	25,700	-	-	-	-	65,611	4.40
Subordinated term loans/bonds	-	405,003	-	709,669	400,000	-	-	1,514,672	4.62
Derivative financial liabilities	-	-	-	5,763	6,549	-	476,097	488,409	1.41
Other liabilities	-	-	-	-	-	825,305	-	825,305	-
Current tax liabilities and zakat	-	-	-	-	-	89,478	-	89,478	-
Total liabilities	33,432,676	11,488,969	1,001,574	1,262,061	406,549	7,110,696	476,097	55,178,622	
On-statements of financial position interest/profit sensitivity gap	13,976,821	(9,091,268)	1,183,436	1,265,034	1,328,037	(4,497,391)	590,262	4,754,931	
Off-statements of financial position interest/profit sensitivity gap	(50,000)	(1,275,928)	400,000	766,045	159,883	-	-	-	
Total interest/profit sensitivity gap	13,926,821	(10,367,196)	1,583,436	2,031,079	1,487,920	(4,497,391)	590,262	4,754,931	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Bank	← Non Trading Book →					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
1 January 2011									
Assets									
Cash and cash equivalents	9,350,803	-	-	-	-	1,265,235	-	10,616,038	2.70
Deposits and placements with banks and other financial institutions	1,772,590	258,418	40,000	98,645	65,961	-	-	2,235,614	2.70
Financial assets held-for-trading	-	-	-	-	-	-	505,657	505,657	3.78
Financial investments available-for-sale	941,568	308,782	1,530,734	1,657,052	350,076	116,567	-	4,904,779	3.80
Loans, advances and financing									
- Unimpaired	31,600,128	502,988	267,135	64,468	117,241	(348,306)	-	32,203,654	5.36
- Impaired	-	-	-	-	-	595,792	-	595,792	-
Derivative financial assets	-	-	7,968	1,905	4,591	-	477,668	492,132	1.36
Other assets	-	-	-	-	200,000	195,030	-	395,030	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	52,592	-	52,592	-
Investments in subsidiary companies	-	-	-	-	-	256,611	-	256,611	-
Property, plant and equipment	-	-	-	-	-	202,825	-	202,825	-
Prepaid lease payments	-	-	-	-	-	1,000	-	1,000	-
Investment properties	-	-	-	-	-	20,731	-	20,731	-
Deferred tax assets	-	-	-	-	-	3,119	-	3,119	-
Current tax assets	-	-	-	-	-	52,703	-	52,703	-
Total assets	43,665,089	1,070,188	1,845,837	1,822,070	737,869	2,413,899	983,325	52,538,277	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

40 INTEREST/PROFIT RATE RISK (continued)

Bank	Non Trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/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				
1 January 2011									
Liabilities									
Deposits from customers	26,721,379	6,747,169	800,798	615,193	-	5,497,122	-	40,381,661	2.28
Deposits and placements of banks and other financial institutions	3,457,840	250,311	-	-	-	1,026,274	-	4,734,425	1.25
Bills and acceptances payable	-	-	-	-	-	270,837	-	270,837	-
Recourse obligation on loans sold to Cagamas Berhad	6,923	256,900	66,165	-	-	-	-	329,988	4.07
Subordinated term loans/bonds	-	-	406,077	498,055	600,000	-	-	1,504,132	5.19
Derivative financial liabilities	-	-	-	1,861	234	-	475,454	477,549	0.87
Other liabilities	-	-	-	-	-	440,166	-	440,166	-
Total liabilities	30,186,142	7,254,380	1,273,040	1,115,109	600,234	7,234,399	475,454	48,138,758	
On-statements of financial position interest/profit sensitivity gap	13,478,947	(6,184,192)	572,797	706,961	137,635	(4,820,500)	507,871	4,399,519	
Off-statements of financial position interest/profit sensitivity gap	(680,000)	(690,653)	400,000	812,871	157,782	-	-	-	
Total interest/profit sensitivity gap	12,798,947	(6,874,845)	972,797	1,519,832	295,417	(4,820,500)	507,871	4,399,519	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**40 INTEREST/PROFIT RATE RISK (continued)**

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

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
+ 50 bps	1,443,579	1,314,313	1,223,204	1,119,481
- 50 bps	1,267,155	1,170,317	1,042,308	973,430

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**41 LIQUIDITY RISK****Contractual maturity of financial liabilities**

The table below shows the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. Information on cash outflow of gross financing commitments is set in Note 35. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

Group	Carrying amount	Up to 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 3 years	> 3 - 5 years	Over 5 years	Total
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	55,484,372	38,318,885	6,873,529	7,822,746	1,756,639	1,669,555	123,037	56,564,391
Deposits and placements with banks and other financial institutions	8,590,337	8,434,866	26	89	140,939	32,344	-	8,608,264
Bills and acceptances payable	356,718	356,718	-	-	-	-	-	356,718
Recourse obligation on loans sold to Cagamas Berhad	25,662	741	741	24,789	-	-	-	26,271
Subordinated term loan/bonds	1,705,231	12,000	-	70,800	672,440	953,191	595,000	2,303,431
Other liabilities	914,182	322,802	6,941	4,610	275,442	-	-	609,795
	67,076,502	47,446,012	6,881,237	7,923,034	2,845,460	2,655,090	718,037	68,468,870
Derivative financial liabilities								
Net settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives		17,044	3,029	-	14,496	-	-	34,569
- Interest rate derivatives		17,521	12,929	19,978	66,218	50,873	1,466	168,985
- Equity and other derivatives		1,342	295	6,595	60,764	14,123	-	83,119
<i>Hedging:</i>								
- Interest rate derivatives		2,005	236	2,074	9,699	7,021	706	21,741
Gross settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives								
- Outflow		10,868,502	2,106,674	11,143	2,050,466	3,415,536	190,653	18,642,974
- Inflow		(10,712,305)	(2,003,918)	(113,747)	(2,058,621)	(3,480,056)	(196,024)	(18,564,671)
		194,109	119,245	(73,957)	143,022	7,497	(3,199)	386,717

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**41 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

Group	Carrying amount	Up to 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 3 years	> 3 - 5 years	Over 5 years	Total
31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	48,934,661	35,252,416	4,743,734	8,037,461	862,970	561,435	-	49,458,016
Deposits and placements with banks and other financial institutions	7,411,880	7,225,050	729	1,070	129,082	65,961	-	7,421,892
Bills and acceptances payable	351,990	351,990	-	-	-	-	-	351,990
Recourse obligation on loans sold to Cagamas Berhad	65,611	38,866	767	1,533	26,310	-	-	67,476
Subordinated term loan/bonds	1,514,672	-	38,500	443,503	157,560	849,469	527,440	2,016,472
Other liabilities	878,751	319,143	8,247	5,870	327,030	216	-	660,506
	59,157,565	43,187,465	4,791,977	8,489,437	1,502,952	1,477,081	527,440	59,976,352
Derivative financial liabilities								
Net settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives		2,600	1,546	519	6,725	-	-	11,390
- Interest rate derivatives		18,985	19,619	41,894	92,794	24,231	1,033	198,556
- Equity and other derivatives		1,129	3,750	1,034	67,119	5,491	-	78,523
<i>Hedging:</i>								
- Interest rate derivatives		2,669	389	2,591	9,150	2,039	(2,235)	14,603
Gross settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives								
- Outflow		7,212,914	813,230	1,435,023	1,871,175	1,558,424	1,262,091	14,152,857
- Inflow		(7,156,804)	(792,293)	(1,406,891)	(1,857,754)	(1,604,541)	(1,256,576)	(14,074,859)
		81,493	46,241	74,170	189,209	(14,356)	4,313	381,070

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**41 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

Group	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
1 January 2011								
Non-derivative financial liabilities								
Deposits from customers	43,236,933	34,857,169	3,056,088	4,208,487	820,024	698,078	1,162	43,641,008
Deposits and placements with banks and other financial institutions	5,013,388	4,767,255	3,340	247,008	559	-	-	5,018,162
Bills and acceptances payable	281,944	281,944	-	-	-	-	-	281,944
Recourse obligation on loans sold to Cagamas Berhad	329,988	10,249	132,834	132,834	68,062	-	-	343,979
Subordinated term loan/bonds	1,504,132	-	38,500	38,500	560,076	652,056	838,636	2,127,768
Other liabilities	472,329	149,623	14,266	4,308	28,075	-	-	196,272
	50,838,714	40,066,240	3,245,028	4,631,137	1,476,796	1,350,134	839,798	51,609,133
Derivative financial liabilities								
Net settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives		2,314	6,399	-	7,749	-	-	16,462
- Interest rate derivatives		21,160	19,469	26,375	56,531	24,458	1,525	149,518
- Equity and other derivatives		5,866	1,263	14,206	-	779	-	22,114
<i>Hedging:</i>								
- Interest rate derivatives		(527)	(465)	(651)	41	4,859	(893)	2,364
Gross settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives								
- Outflow		12,414,059	3,558,844	2,765,700	1,539,866	688,797	701,296	21,668,562
- Inflow		(12,466,902)	(4,616,152)	(1,638,605)	(1,491,581)	(683,222)	(706,389)	(21,602,851)
		(24,030)	(1,030,642)	1,167,025	112,606	35,671	(4,461)	256,169

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**41 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

Bank	Carrying amount	Up to 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 3 years	> 3 - 5 years	Over 5 years	Total
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	51,075,434	34,561,997	6,628,710	7,397,005	1,714,107	1,629,128	140,754	52,071,701
Deposits and placements with banks and other financial institutions	8,189,016	8,061,331	13	62	139,099	-	-	8,200,505
Bills and acceptances payable	341,923	341,923	-	-	-	-	-	341,923
Recourse obligation on loans sold to Cagamas Berhad	25,662	741	741	24,790	-	-	-	26,272
Subordinated term loan/bonds	1,705,231	12,000	-	70,800	672,440	953,191	595,000	2,303,431
Other liabilities	902,838	380,256	4,515	573	255,227	-	-	640,571
	62,240,104	43,358,248	6,633,979	7,493,230	2,780,873	2,582,319	735,754	63,584,403
Derivative financial liabilities								
Net settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives		17,044	3,030	-	14,495	-	-	34,569
- Interest rate derivatives		17,520	12,929	19,979	66,218	50,873	1,466	168,985
- Equity and other derivatives		1,342	295	6,595	60,764	14,123	-	83,119
<i>Hedging:</i>								
- Interest rate derivatives		2,005	236	2,074	9,699	7,021	706	21,741
Gross settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives								
- Outflow		10,869,462	2,106,674	11,142	2,050,466	3,415,536	190,653	18,643,933
- Inflow		(10,713,246)	(2,003,919)	(113,747)	(2,058,621)	(3,480,056)	(196,024)	(18,565,613)
		194,127	119,245	(73,957)	143,021	7,497	(3,199)	386,734

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**41 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

Bank	Carrying amount	Up to 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 3 years	> 3 - 5 years	Over 5 years	Total
31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	44,555,869	32,324,706	4,042,281	7,340,626	820,907	561,269	-	45,089,789
Deposits and placements with banks and other financial institutions	7,323,838	7,137,555	716	1,044	194,534	-	-	7,333,849
Bills and acceptances payable	315,440	315,440	-	-	-	-	-	315,440
Recourse obligation on loans sold to Cagamas Berhad	65,611	38,866	767	1,533	26,310	-	-	67,476
Subordinated term loan/bonds	1,514,672	-	38,500	443,503	157,560	849,469	527,440	2,016,472
Other liabilities	825,305	291,921	17,996	34	302,800	217	-	612,968
	54,600,735	40,108,488	4,100,260	7,786,740	1,502,111	1,410,955	527,440	55,435,994
Derivative financial liabilities								
Net settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives		1,511	1,546	381	6,725	-	-	10,163
- Interest rate derivatives		18,985	19,619	41,894	92,794	24,231	1,033	198,556
- Equity and other derivatives		1,129	3,750	1,034	67,119	5,491	-	78,523
<i>Hedging:</i>								
- Interest rate derivatives		2,669	389	2,591	9,150	2,039	(2,235)	14,603
Gross settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives								
- Outflow		7,212,497	813,230	1,435,023	1,871,175	1,558,423	1,262,091	14,152,439
- Inflow		(7,156,387)	(792,293)	(1,406,891)	(1,857,754)	(1,604,541)	(1,256,576)	(14,074,442)
		80,404	46,241	74,032	189,209	(14,357)	4,313	379,842

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**41 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

Bank	Carrying amount	Up to 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 3 years	> 3 - 5 years	Over 5 years	Total
1 January 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	40,381,661	32,337,923	2,801,135	4,165,335	811,685	654,487	-	40,770,565
Deposits and placements with banks and other financial institutions	4,734,425	4,487,781	3,328	246,984	-	-	-	4,738,093
Bills and acceptances payable	270,837	270,837	-	-	-	-	-	270,837
Recourse obligation on loans sold to Cagamas Berhad	329,988	10,249	132,834	132,834	68,062	-	-	343,979
Subordinated term loan/bonds	1,504,132	-	38,500	38,500	560,076	652,056	838,636	2,127,768
Other liabilities	440,166	154,540	12,316	832	8,983	-	-	176,671
	47,661,209	37,261,330	2,988,113	4,584,485	1,448,806	1,306,543	838,636	48,427,913
Derivative financial liabilities								
Net settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives		2,314	6,399	-	5,892	-	-	14,605
- Interest rate derivatives		21,160	19,469	26,375	56,531	24,458	1,525	149,518
- Equity and other derivatives		5,866	1,263	14,206	-	779	-	22,114
<i>Hedging:</i>								
- Interest rate derivatives		(527)	(465)	(651)	41	4,859	(893)	2,364
Gross settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives								
- Outflow		12,420,503	3,558,845	2,765,700	1,539,865	688,797	701,296	21,675,006
- Inflow		(12,473,343)	(4,616,146)	(1,638,605)	(1,491,581)	(683,222)	(706,389)	(21,609,286)
		(24,027)	(1,030,635)	1,167,025	110,748	35,671	(4,461)	254,321

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**42 CURRENCY RISK**

<u>Group</u>	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
31 December 2012					
Financial assets					
Cash and cash equivalents	9,749,748	928,111	1,555	681,681	11,361,095
Deposits and placements with banks and other financial institutions	7,080	1,253,569	-	25,219	1,285,868
Financial assets held-for-trading	228,112	-	-	118	228,230
Financial investments available-for-sale	8,815,272	470,528	345,901	181,404	9,813,105
Loans, advances and financing	44,870,184	1,784,013	31,696	792,901	47,478,794
Derivative financial assets	453,956	57,220	17,695	15,370	544,241
Other assets	170,554	19,159	38,812	31,244	259,769
Statutory deposits with Bank Negara Malaysia	1,625,592	-	-	-	1,625,592
	65,920,498	4,512,600	435,659	1,727,937	72,596,694
Financial liabilities					
Deposits from customers	52,014,446	2,558,693	170,887	740,346	55,484,372
Deposits and placements of banks and other financial institutions	2,809,836	4,253,814	234,199	1,292,488	8,590,337
Bills and acceptances payable	356,718	-	-	-	356,718
Recourse obligation on loans sold to Cagamas Berhad	25,662	-	-	-	25,662
Subordinated term loan/bonds	1,705,231	-	-	-	1,705,231
Derivative financial liabilities	358,264	129,256	-	16,054	503,574
Other liabilities	867,931	16,482	17,152	12,617	914,182
	58,138,088	6,958,245	422,238	2,061,505	67,580,076
Net financial assets/(liabilities) exposure	7,782,410	(2,445,645)	13,421	(333,568)	5,016,618

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**42 CURRENCY RISK (continued)**

<u>Group</u>	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
31 December 2011					
Financial assets					
Cash and cash equivalents	7,040,879	475,453	83,541	159,701	7,759,574
Deposits and placements with banks and other financial institutions	499,983	179,758	-	1,188,843	1,868,584
Financial assets held-for-trading	466,261	-	-	41	466,302
Financial investments available-for-sale	8,443,065	538,869	299,224	321,031	9,602,189
Loans, advances and financing	39,446,182	2,702,638	7,085	212,505	42,368,410
Derivative financial assets	596,025	20,435	101	708	617,269
Other assets	189,751	13,728	5,224	35,732	244,435
Statutory deposits with Bank Negara Malaysia	1,400,992	-	-	-	1,400,992
	58,083,138	3,930,881	395,175	1,918,561	64,327,755
Financial liabilities					
Deposits from customers	46,665,767	1,240,346	197,982	830,566	48,934,661
Deposits and placements of banks and other financial institutions	2,092,489	4,709,622	146,626	463,143	7,411,880
Bills and acceptances payable	351,990	-	-	-	351,990
Recourse obligation on loans sold to Cagamas Berhad	65,611	-	-	-	65,611
Subordinated term loan/bonds	1,514,672	-	-	-	1,514,672
Derivative financial liabilities	484,239	3,898	73	1,427	489,637
Other liabilities	853,209	5,423	16,881	3,238	878,751
	52,027,977	5,959,289	361,562	1,298,374	59,647,202
Net financial assets/(liabilities) exposure	6,055,161	(2,028,408)	33,613	620,187	4,680,553

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**42 CURRENCY RISK (continued)**

<u>Group</u>	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
1 January 2011					
Financial assets					
Cash and cash equivalents	9,467,563	1,081,379	116,303	338,796	11,004,041
Deposits and placements with banks and other financial institutions	160,034	1,151,373	-	624,225	1,935,632
Financial assets held-for-trading	505,657	-	-	-	505,657
Financial investments available-for-sale	5,110,374	224,832	284,401	344,701	5,964,308
Loans, advances and financing	34,460,395	705,480	4,058	129,407	35,299,340
Derivative financial assets	488,862	8,767	57	2,086	499,772
Other assets	174,463	18,112	5,076	6,162	203,813
Statutory deposits with Bank Negara Malaysia	79,342	-	-	-	79,342
	50,446,690	3,189,943	409,895	1,445,377	55,491,905
Financial liabilities					
Deposits from customers	40,713,569	1,290,432	196,926	1,036,006	43,236,933
Deposits and placements of banks and other financial institutions	2,173,374	2,235,714	179,960	424,340	5,013,388
Bills and acceptances payable	281,944	-	-	-	281,944
Recourse obligation on loans sold to Cagamas Berhad	329,988	-	-	-	329,988
Subordinated term loan/bonds	1,504,132	-	-	-	1,504,132
Derivative financial liabilities	473,456	9,383	-	2,338	485,177
Other liabilities	495,072	(1,481)	(17,503)	(3,759)	472,329
	45,971,535	3,534,048	359,383	1,458,925	51,323,891
Net financial assets/(liabilities) exposure	4,475,155	(344,105)	50,512	(13,548)	4,168,014

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**42 CURRENCY RISK (continued)**

Bank	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
31 December 2012					
Financial assets					
Cash and cash equivalents	10,354,542	926,377	449	680,501	11,961,869
Deposits and placements with banks and other financial institutions	397,080	1,299,435	-	257,452	1,953,967
Financial assets held-for-trading	228,112	-	-	118	228,230
Financial investments available-for-sale	6,807,607	283,157	287,559	181,404	7,559,727
Loans, advances and financing	41,128,901	1,603,742	31,696	418,733	43,183,072
Derivative financial assets	453,844	57,220	17,695	15,370	544,129
Other assets	362,486	16,694	37,453	30,673	447,306
Statutory deposits with Bank Negara Malaysia	1,411,092	-	-	-	1,411,092
Investments in subsidiaries	346,617	-	-	-	346,617
	61,490,281	4,186,625	374,852	1,584,251	67,636,009
Financial liabilities					
Deposits from customers	47,617,694	2,547,237	170,157	740,346	51,075,434
Deposits and placements of banks and other financial institutions	3,191,661	3,901,838	175,609	919,908	8,189,016
Bills and acceptances payable	341,923	-	-	-	341,923
Recourse obligation on loans sold Cagamas Berhad	25,662	-	-	-	25,662
Subordinated term loan/bonds	1,705,231	-	-	-	1,705,231
Derivative financial liabilities	358,201	129,256	-	16,054	503,511
Other liabilities	858,045	16,399	17,100	11,294	902,838
	54,098,417	6,594,730	362,866	1,687,602	62,743,615
Net financial assets/(liabilities) exposure	7,391,864	(2,408,105)	11,986	(103,351)	4,892,394

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**42 CURRENCY RISK (continued)**

Bank	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
31 December 2011					
Financial assets					
Cash and cash equivalents	6,634,696	713,050	83,721	157,862	7,589,329
Deposits and placements with banks and other financial institutions	664,944	290,912	-	1,188,843	2,144,699
Financial assets held-for-trading	466,261	-	-	41	466,302
Financial investments available-for-sale	6,761,745	410,687	274,837	321,031	7,768,300
Loans, advances and financing	36,482,259	2,477,248	7,085	212,505	39,179,097
Derivative financial assets	594,777	20,435	101	708	616,021
Other assets	378,825	12,178	4,974	35,732	431,709
Statutory deposits with Bank Negara Malaysia	1,241,592	-	-	-	1,241,592
Investments in subsidiaries	256,611	-	-	-	256,611
	53,481,710	3,924,510	370,718	1,916,722	59,693,660
Financial liabilities					
Deposits from customers	42,287,003	1,240,318	197,982	830,566	44,555,869
Deposits and placements of banks and other financial institutions	2,029,042	4,709,622	122,092	463,082	7,323,838
Bills and acceptances payable	315,440	-	-	-	315,440
Recourse obligation on loans sold Cagamas Berhad	65,611	-	-	-	65,611
Subordinated term loan/bonds	1,514,672	-	-	-	1,514,672
Derivative financial liabilities	483,011	3,898	73	1,427	488,409
Other liabilities	799,779	5,423	16,865	3,238	825,305
	47,494,558	5,959,261	337,012	1,298,313	55,089,144
Net financial assets/(liabilities) exposure	5,987,152	(2,034,751)	33,706	618,409	4,604,516

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**42 CURRENCY RISK (continued)**

Bank	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
1 January 2011					
Financial assets					
Cash and cash equivalents	9,017,300	1,144,949	116,180	337,609	10,616,038
Deposits and placements with banks and other financial institutions	464,640	1,146,749	-	624,225	2,235,614
Financial assets held-for-trading	505,657	-	-	-	505,657
Financial investments available-for-sale	4,158,975	140,078	261,025	344,701	4,904,779
Loans, advances and financing	32,205,828	460,153	4,058	129,407	32,799,446
Derivative financial assets	481,222	8,767	57	2,086	492,132
Other assets	367,052	16,985	4,831	6,162	395,030
Statutory deposits with Bank Negara Malaysia	52,592	-	-	-	52,592
Investments in subsidiaries	256,611	-	-	-	256,611
	47,509,877	2,917,681	386,151	1,444,190	52,257,899
Financial liabilities					
Deposits from customers	37,858,297	1,290,432	196,926	1,036,006	40,381,661
Deposits and placements of banks and other financial institutions	2,180,894	1,973,395	155,796	424,340	4,734,425
Bills and acceptances payable	270,837	-	-	-	270,837
Recourse obligation on loans sold Cagamas Berhad	329,988	-	-	-	329,988
Subordinated term loan/bonds	1,504,132	-	-	-	1,504,132
Derivative financial liabilities	465,828	9,383	-	2,338	477,549
Other liabilities	463,101	(1,661)	(17,515)	(3,759)	440,166
	43,073,077	3,271,549	335,207	1,458,925	48,138,758
Net financial assets/(liabilities) exposure	4,436,800	(353,868)	50,944	(14,735)	4,119,141

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS**

Credit risk management policies are disclosed in Note 39. Credit risk is the risk of a financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Bank's maximum credit exposure on the financial assets without taking into account any collateral held or other credit enhancements of the Group and the Bank equals their carrying amount as reported in the statements of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Group			
Cash and cash equivalents	11,361,095	7,759,574	11,004,041
Deposits and placements with banks and other financial institutions	1,285,868	1,868,584	1,935,632
Financial assets held-for-trading	228,230	466,302	505,657
Financial investments available-for-sale	9,813,117	9,602,201	5,964,429
Loans, advances and financing	48,251,616	43,141,815	36,068,718
Derivative financial assets	544,241	617,269	499,772
Other assets	259,769	244,435	203,813
Contingent liabilities and commitments	47,734,573	38,465,583	31,294,526
	<u>119,478,509</u>	<u>102,165,763</u>	<u>87,476,588</u>
Bank			
Cash and cash equivalents	11,961,869	7,589,329	10,616,038
Deposits and placements with banks and other financial institutions	1,953,967	2,144,699	2,235,614
Financial assets held-for-trading	228,230	466,302	505,657
Financial investments available-for-sale	7,559,739	7,768,312	4,904,900
Loans, advances and financing	43,882,370	39,892,127	33,512,980
Derivative financial assets	544,129	616,021	492,132
Other assets	447,306	431,709	395,030
Contingent liabilities and commitments	47,441,481	38,277,174	31,169,085
	<u>114,019,091</u>	<u>97,185,673</u>	<u>83,831,436</u>

Collateral

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

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

As at 31 December 2012, there were no assets repossessed by the Group and the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)*****Collateral (continued)***

- 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 loans, advances and financing.

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Fair value of collateral held against the covered portion of financing and advances	795,719	1,791,254	1,004,258
Covered portion of loans, advances and financing	545,492	890,523	726,465
Uncovered portion of loans, advances and financing	407,313	214,612	279,999
	952,805	1,105,135	1,006,464
<u>Bank</u>			
Fair value of collateral held against the covered portion of financing and advances	772,029	1,750,671	978,467
Covered portion of loans, advances and financing	526,577	868,736	703,623
Uncovered portion of loans, advances and financing	371,290	188,915	257,397
	897,867	1,057,651	961,020

Credit quality

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

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

Past due but unimpaired are loans, advances and 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 months.

a) *Credit quality of loans, advances and financing*

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Neither past due nor impaired	46,942,771	41,765,921	34,358,071
Past due loans	1,043,082	1,056,610	1,594,654
- Unimpaired	356,040	270,759	704,183
- Impaired	687,042	785,851	890,471
Impaired but not past due	265,763	319,284	115,993
Gross loans, advances and financing	48,251,616	43,141,815	36,068,718

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)*****Credit quality (continued)****a) Credit quality of loans, advances and financing (continued)*

<u>Bank</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Neither past due nor impaired	42,699,276	38,582,876	32,014,254
Past due loans	926,065	996,896	1,387,542
- Unimpaired	285,227	251,600	537,706
- Impaired	640,838	745,296	849,836
Impaired but not past due	257,029	312,355	111,184
Gross loans, advances and financing	<u>43,882,370</u>	<u>39,892,127</u>	<u>33,512,980</u>

Neither past due nor impaired*i) By the Group's and Bank's internal grading system*

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Pass	45,992,574	40,581,600	32,853,296
Special mention	950,197	1,184,321	1,504,775
	<u>46,942,771</u>	<u>41,765,921</u>	<u>34,358,071</u>
<u>Bank</u>			
Pass	41,810,297	37,439,132	30,607,339
Special mention	888,979	1,143,744	1,406,915
	<u>42,699,276</u>	<u>38,582,876</u>	<u>32,014,254</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)*****Credit quality (continued)****a) Credit quality of loans, advances and financing (continued)*Past due but not impaired

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) By period overdue			
Over 30 days to 60 days	266,373	36,347	671,548
Over 60 days to less than 90 days	89,667	234,412	32,635
	<u>356,040</u>	<u>270,759</u>	<u>704,183</u>
ii) By geographical distribution			
Malaysia	<u>356,040</u>	<u>270,759</u>	<u>704,183</u>
iii) By sector			
Agriculture, hunting and related activities	888	124	141,956
Mining and quarrying	710	-	169
Manufacturing	46,337	13,425	23,012
Electricity, gas and water	-	-	264
Construction	4,146	2,316	5,661
Real estate	2,657	1,642	55,308
Wholesale & retail trade and restaurants & hotels	32,370	17,037	44,611
Transport, storage and communication	8,526	2,071	204,141
Finance, insurance and business services	2,349	3,364	2,404
Community, social and personal services	1,819	2,226	2,014
Household, of which:			
- Purchase of residential properties	191,951	174,839	173,294
- Purchase of non-residential properties	7,621	2,427	5,101
- Others	56,109	51,288	45,885
Others	557	-	363
	<u>356,040</u>	<u>270,759</u>	<u>704,183</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)*****Credit quality (continued)****a) Credit quality of loans, advances and financing (continued)*Past due but not impaired (continued)

<u>Bank</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) By period overdue			
Over 30 days to 60 days	245,016	31,975	508,014
Over 60 days to less than 90 days	40,211	219,625	29,692
	<u>285,227</u>	<u>251,600</u>	<u>537,706</u>
ii) By geographical distribution			
Malaysia	<u>285,227</u>	<u>251,600</u>	<u>537,706</u>
iii) By sector			
Agriculture, hunting and related activities	467	92	3,955
Manufacturing	18,651	11,535	8,890
Electricity, gas and water	-	-	264
Construction	3,244	1,595	5,235
Real estate	2,657	-	55,308
Wholesale & retail trade and restaurants & hotels	26,042	15,874	43,476
Transport, storage and communication	3,502	2,071	203,647
Finance, insurance and business services	750	3,008	2,325
Community, social and personal services	1,819	2,226	1,410
Household, of which:			
- Purchase of residential properties	189,318	171,543	169,979
- Purchase of non-residential properties	7,621	2,427	5,048
- Others	30,599	41,229	37,806
Others	557	-	363
	<u>285,227</u>	<u>251,600</u>	<u>537,706</u>

The analysis of impaired loan, advances and financing are detailed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)***b) Credit quality of financial assets held-for-trading*

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

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) By geography			
Malaysia	178,125	466,302	505,657
Singapore	49,987	-	-
Rest of the world	118	-	-
	<u>228,230</u>	<u>466,302</u>	<u>505,657</u>
ii) By credit rating			
Malaysian Government and Central Bank issued and notes	70,436	159,002	105,076
Investment grade (AAA to BBB)	153,838	296,266	283,051
Non-rated	3,956	11,034	117,530
	<u>228,230</u>	<u>466,302</u>	<u>505,657</u>
iii) By industry			
Agriculture hunting and related activities	-	160	450
Manufacturing	72	-	48,731
Electricity, gas and water	512	-	-
Construction	88	-	95,417
Wholesale & retail trade and restaurants & hotels	16,034	22,221	-
Transport, storage and communication	1,806	1,029	4,952
Financial, insurance, real estate and business services	75,919	298,445	281,576
Others	133,799	144,447	74,531
	<u>228,230</u>	<u>466,302</u>	<u>505,657</u>
iv) By issuer			
Government and Central Bank	70,436	159,002	105,075
Public sector	-	5,015	-
Banks	28,599	61,846	3,387
Other financial institutions	-	35,139	-
Corporates	129,195	205,300	397,195
	<u>228,230</u>	<u>466,302</u>	<u>505,657</u>
v) By residual contractual maturity			
Within one year	74,392	31,064	68,912
One to five years	103,495	254,883	431,530
Over five years	50,343	180,355	5,215
	<u>228,230</u>	<u>466,302</u>	<u>505,657</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)***c) Credit quality of financial investments available-for-sale*

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

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) By geography			
Malaysia	9,440,656	9,081,728	5,491,311
Singapore	18,833	-	-
Other ASEAN countries	109,032	60,043	39,928
Rest of the world	244,596	460,430	433,190
	<u>9,813,117</u>	<u>9,602,201</u>	<u>5,964,429</u>
ii) By credit rating			
Malaysian Government and Central Bank securities	5,028,196	5,512,237	3,724,883
Other government securities	85,622	60,043	39,928
Investment grade (AAA to BBB)	1,460,276	1,822,252	1,290,510
Unrated	3,239,023	2,207,669	909,108
	<u>9,813,117</u>	<u>9,602,201</u>	<u>5,964,429</u>
iii) By industry			
Agriculture hunting and related activities	53,141	4,997	-
Manufacturing	580,491	310,687	70,511
Construction	30,385	161,925	45,379
Wholesale & retail trade and restaurants & hotels	118,400	136,199	50,695
Transport, storage and communication	106,460	62,924	15,063
Financial, insurance, real estate and business services	3,445,526	7,138,643	4,586,344
Others	5,478,714	1,786,826	1,196,437
	<u>9,813,117</u>	<u>9,602,201</u>	<u>5,964,429</u>
iv) By issuer			
Government and Central Bank	5,028,196	5,512,237	3,724,883
Foreign government	85,622	60,043	39,928
Public sector	-	89,040	19,137
Banks	2,479,760	2,265,440	1,102,820
Other financial institutions	96,722	318,935	325,236
Corporates	2,122,627	1,356,316	752,235
Others	190	190	190
	<u>9,813,117</u>	<u>9,602,201</u>	<u>5,964,429</u>
v) By residual contractual maturity			
Within one year	3,296,085	2,627,527	1,756,436
One to five years	5,166,498	5,151,503	3,789,256
Over five years	1,350,534	1,823,171	418,737
	<u>9,813,117</u>	<u>9,602,201</u>	<u>5,964,429</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)***c) Credit quality of financial investments available-for-sale (continued)*

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) By geography			
Malaysia	7,236,921	7,275,743	4,471,710
Singapore	18,833	-	-
Other ASEAN countries	59,389	38,656	-
Rest of the world	244,596	453,913	433,190
	<u>7,559,739</u>	<u>7,768,312</u>	<u>4,904,900</u>
ii) By credit rating			
Malaysian Government and Central Bank securities	3,306,763	4,305,400	3,119,835
Other government securities	35,979	38,656	-
Investment grade (AAA to BBB)	1,160,517	1,581,513	1,106,592
Unrated	3,056,480	1,842,743	678,473
	<u>7,559,739</u>	<u>7,768,312</u>	<u>4,904,900</u>
iii) By industry			
Agriculture hunting and related activities	53,141	4,997	-
Manufacturing	510,000	240,071	-
Construction	-	132,393	-
Wholesale & retail trade and restaurants & hotels	93,515	70,271	50,695
Transport, storage and communication	96,402	47,847	-
Financial, insurance, real estate and business services	3,243,401	6,747,364	4,402,077
Others	3,563,280	525,369	452,128
	<u>7,559,739</u>	<u>7,768,312</u>	<u>4,904,900</u>
iv) By issuer			
Government and Central Bank	3,306,763	4,305,400	3,119,835
Foreign government	35,979	38,656	-
Public sector	-	89,040	19,137
Banks	2,362,754	1,966,165	937,690
Other financial institutions	96,722	318,935	325,236
Corporates	1,757,331	1,049,926	502,812
Others	190	190	190
	<u>7,559,739</u>	<u>7,768,312</u>	<u>4,904,900</u>
v) By residual contractual maturity			
Maturity within one year	2,862,021	2,053,706	1,250,350
One year to five years	3,583,702	4,004,708	3,187,786
Over five years	1,114,016	1,709,898	466,764
	<u>7,559,739</u>	<u>7,768,312</u>	<u>4,904,900</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)***d) Credit quality of derivative assets*

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) Analysed by geography			
Malaysia	434,266	587,152	464,042
Singapore	83,041	16,186	23,896
Other ASEAN countries	23,040	12,023	5
Rest of the world	3,894	1,908	11,829
	<u>544,241</u>	<u>617,269</u>	<u>499,772</u>
ii) By industry			
Agriculture hunting and related activities	17,029	4,704	4,994
Manufacturing	16,025	50,497	19,138
Construction	42,126	73,616	6,875
Wholesale & retail trade and restaurants & hotels	21,604	10,030	4,410
Transport, storage and communication	70,833	2,056	54,046
Financial, insurance, real estate and business services	310,652	397,060	392,430
Others	65,972	79,306	17,879
	<u>544,241</u>	<u>617,269</u>	<u>499,772</u>
iii) Analysed by counterparty			
Banks	280,687	393,007	384,038
Other financial institutions	23,134	3,727	12,988
Corporates	216,428	215,930	98,463
Individuals	22,155	2,840	3,595
Others	1,837	1,765	688
	<u>544,241</u>	<u>617,269</u>	<u>499,772</u>
iv) By residual contractual maturity			
Within one year	171,454	239,402	218,904
One to five years	270,640	284,546	259,981
Over five years	102,147	93,321	20,887
	<u>544,241</u>	<u>617,269</u>	<u>499,772</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)***d) Credit quality of derivative assets (continued)*

Bank	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) Analysed by geography			
Malaysia	438,924	599,137	458,260
Singapore	83,040	16,185	23,893
Other ASEAN countries	18,271	21	5
Rest of the world	3,894	678	9,974
	<u>544,129</u>	<u>616,021</u>	<u>492,132</u>
ii) By industry			
Agriculture hunting and related activities	17,029	4,657	4,994
Manufacturing	15,909	50,494	19,067
Construction	42,126	73,616	6,871
Wholesale & retail trade and restaurants & hotels	21,604	10,030	4,410
Transport, storage and communication	70,823	2,056	54,046
Financial, insurance, real estate and business services	310,666	395,862	384,865
Others	65,972	79,306	17,879
	<u>544,129</u>	<u>616,021</u>	<u>492,132</u>
iii) Analysed by counterparty			
Banks	280,702	391,841	376,476
Other financial institutions	23,133	3,726	12,985
Corporates	216,302	215,849	98,388
Individuals	22,155	2,840	3,595
Others	1,837	1,765	688
	<u>544,129</u>	<u>616,021</u>	<u>492,132</u>
iv) By residual contractual maturity			
Within one year	171,342	238,154	213,119
One to five years	270,640	284,546	258,126
Over five years	102,147	93,321	20,887
	<u>544,129</u>	<u>616,021</u>	<u>492,132</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)***e) Credit quality of contingent liabilities and commitments*

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) Analysed by geography			
Malaysia	44,318,738	29,066,172	26,958,393
Singapore	3,175,834	5,791,848	4,014,672
Other ASEAN countries	143,661	6,748	52,815
Rest of the world	96,340	3,600,815	268,646
	<u>47,734,573</u>	<u>38,465,583</u>	<u>31,294,526</u>
ii) By industry			
Agriculture hunting and related activities	433,782	652,708	656,575
Mining and quarrying	456,452	309,670	228,205
Manufacturing	869,107	695,886	789,435
Electricity, gas and water	276,867	-	-
Construction	737,158	748,792	850,305
Wholesale & retail trade and restaurants & hotels	555,990	349,225	383,072
Transport, storage and communication	557,422	56,953	346,221
Financial, insurance, real estate and business services	40,012,237	32,233,845	27,572,134
Others	3,835,558	3,418,504	468,579
	<u>47,734,573</u>	<u>38,465,583</u>	<u>31,294,526</u>
iii) Analysed by counterparty			
Banks	36,196,347	30,455,195	25,511,493
Other financial institutions	1,944,487	451,450	284,612
Corporates	3,378,264	3,566,968	4,065,370
Small medium enterprise	912,459	848,929	917,019
Individuals	4,515,205	2,935,258	502,540
Others	787,811	207,783	13,492
	<u>47,734,573</u>	<u>38,465,583</u>	<u>31,294,526</u>
iv) By residual contractual maturity			
Within one year	13,048,149	14,274,181	9,236,895
One to five years	27,545,708	19,376,196	20,332,127
Over five years	7,140,716	4,815,206	1,725,504
	<u>47,734,573</u>	<u>38,465,583</u>	<u>31,294,526</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**43 CREDIT RISKS (continued)***e) Credit quality of contingent liabilities and commitments (continued)*

<u>Bank</u>	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
i) Analysed by geography			
Malaysia	44,026,103	28,877,763	26,832,952
Singapore	3,175,377	5,791,848	4,014,672
Other ASEAN countries	143,661	6,748	52,815
Rest of the world	96,340	3,600,815	268,646
	<u>47,441,481</u>	<u>38,277,174</u>	<u>31,169,085</u>
ii) By industry			
Agriculture hunting and related activities	432,705	650,647	655,466
Mining and quarrying	455,273	309,207	227,005
Manufacturing	801,157	669,311	762,775
Electricity, gas and water	276,867	-	-
Construction	662,070	669,718	774,887
Wholesale & retail trade and restaurants & hotels	537,220	338,981	380,075
Transport, storage and communication	557,185	52,232	337,631
Financial, insurance, real estate and business services	39,991,534	32,231,760	27,569,814
Others	3,727,470	3,355,318	461,432
	<u>47,441,481</u>	<u>38,277,174</u>	<u>31,169,085</u>
iii) Analysed by counterparty			
Banks	36,196,347	30,455,195	25,511,493
Other financial institutions	1,941,089	451,203	283,321
Corporates	3,305,784	3,388,637	3,946,367
Small medium enterprise	847,255	848,929	917,019
Individuals	4,363,236	2,925,463	497,432
Others	787,770	207,747	13,453
	<u>47,441,481</u>	<u>38,277,174</u>	<u>31,169,085</u>
iv) By residual contractual maturity			
Within one year	12,950,045	14,172,323	9,164,166
One to five years	27,487,077	19,341,915	20,287,338
Over five years	7,004,359	4,762,936	1,717,581
	<u>47,441,481</u>	<u>38,277,174</u>	<u>31,169,085</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**44 HEDGING ACTIVITIES****Fair value hedge**

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

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

	Group and Bank	
	2012	2011
	RM'000	RM'000
Losses on hedging instruments	(15,534)	(8,717)
Gains on the hedged items attributable to the hedged risk	14,734	7,702
	<u>(800)</u>	<u>(1,015)</u>

45 FAIR VALUES OF FINANCIAL INSTRUMENTS**Fair values**

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

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

The Group and 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 Group's and the Bank's financial instruments, including loans and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sales transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as going concerns.

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 require fair value information to be disclosed. These include property, plant and equipment, investment properties, prepaid lease payments and investments in subsidiary companies.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

45 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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, interest and other short-term receivables due to their short tenor or frequent re-pricing.

b) Deposits and placements with/to banks and other financial institutions with maturity one year or more

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 interest rates for deposits and placements with similar remaining period 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 technique.

d) Loans, advances and financing

Loans, advances and financing are carried at amortised cost on the statement of financial position, net of individual and collective impairment allowances. The Group and the Bank deem the fair value of loans, advances and financing to approximate the carrying amount as substantially the loans, advances and financing are subject to frequent re-pricing.

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) Recourse obligation on loans sold to Cagamas Berhad

For floating rate contracts, the carrying amount is generally a reasonable estimate of the fair value. The fair value of fixed rate contracts is estimated based on discounted cash flows using prevailing rates offered by Cagamas Berhad for similar products and remaining period to maturity.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**45 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****A) Fair value measurement (continued)****i) Financial assets and financial liabilities (continued)****h) Subordinated term loan / bonds**

Subordinated term loan / bonds are carried at face value, except for debts which are fair value hedged, which are then disclosed at their fair value. Fair value is estimated based on discounted cash flows using prevailing money market interest rates for interest rate swap with similar remaining period to maturity.

ii) Off-statement of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Group or 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 8 of the financial statements.

B) Fair value hierarchy

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

- Level 1 – quoted market 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 are not based on observable market data.

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
31 December 2012				
Financial assets at fair value				
Held-for-trading	74,392	153,838	-	228,230
Available-for-sale	5,011,205	4,693,354	108,546	9,813,105
Derivative assets	997	440,067	103,177	544,241
	<u>5,086,594</u>	<u>5,287,259</u>	<u>211,723</u>	<u>10,585,576</u>
Financial liabilities at fair value				
Derivative liabilities	2,527	414,865	86,182	503,574
	<u>2,527</u>	<u>414,865</u>	<u>86,182</u>	<u>503,574</u>
31 December 2011				
Financial assets at fair value				
Held-for-trading	170,036	296,266	-	466,302
Available-for-sale	5,012,071	4,481,572	108,546	9,602,189
Derivative assets	4,453	529,203	83,613	617,269
	<u>5,186,560</u>	<u>5,307,041</u>	<u>192,159</u>	<u>10,685,760</u>
Financial liabilities at fair value				
Derivative liabilities	3,657	394,418	91,562	489,637
	<u>3,657</u>	<u>394,418</u>	<u>91,562</u>	<u>489,637</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**45 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

<u>Bank</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
31 December 2012				
Financial assets at fair value				
Held-for-trading	74,392	153,838	-	228,230
Available-for-sale	3,240,129	4,211,052	108,546	7,559,727
Derivative assets	1,015	439,937	103,177	544,129
	<u>3,315,536</u>	<u>4,804,827</u>	<u>211,723</u>	<u>8,332,086</u>
Financial liabilities at fair value				
Derivative liabilities	2,543	414,786	86,182	503,511
	<u>2,543</u>	<u>414,786</u>	<u>86,182</u>	<u>503,511</u>
31 December 2011				
Financial assets at fair value				
Held-for-trading	170,036	296,266	-	466,302
Available-for-sale	3,883,723	3,776,031	108,546	7,768,300
Derivative assets	4,517	527,891	83,613	616,021
	<u>4,058,276</u>	<u>4,600,188</u>	<u>192,159</u>	<u>8,850,623</u>
Financial liabilities at fair value				
Derivative liabilities	3,793	393,054	91,562	488,409
	<u>3,793</u>	<u>393,054</u>	<u>91,562</u>	<u>488,409</u>

Fair value hierarchy comparatives as at 1 January 2011 have not been disclosed as the Group and the Bank were exempted by virtue of paragraph 44G of FRS 7 in the prior year.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**45 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

Movements in the Group and the Bank's Level 3 financial assets and liabilities are as follows:

2012	Group and Bank		
	Trading RM'000	Available-for- sale RM'000	Total RM'000
Financial assets at fair value			
At 1 January	83,613	108,546	192,159
Purchases	1,191	-	1,191
Settlements/disposals	(5,255)	-	(5,255)
Gains recognised in profit or loss	23,628	-	23,628
At 31 December	103,177	108,546	211,723
Financial liabilities at fair value			
At 1 January	91,562	-	91,562
Issues	4,390	-	4,390
Reclassified to other liabilities	(11,789)	-	(11,789)
Gains recognised in profit or loss	2,019	-	2,019
At 31 December	86,182	-	86,182
Total unrealised gains included in profit or loss for financial assets/liabilities held at the end of the year			
- Financial assets	22,323	-	22,323
- Financial liabilities	17,245	-	17,245
Total realised gains/(losses) included in profit or loss for the year			
- Financial assets	1,305	-	1,305
- Financial liabilities	(15,226)	-	(15,226)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**45 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

2011	Group and Bank		
	Trading	Available-for-sale	Total
	RM'000	RM'000	RM'000
Financial assets at fair value			
At 1 January	2,578	106,148	108,726
Purchases	52,401	-	52,401
Gains recognised in profit or loss	28,634	-	28,634
Other comprehensive income	-	2,398	2,398
At 31 December	<u>83,613</u>	<u>108,546</u>	<u>192,159</u>
Financial liabilities at fair value			
At 1 January	32,556	-	32,556
Issues	55,161	-	55,161
Settlements/disposals	(17,187)	-	(17,187)
Gains recognised in profit or loss	21,032	-	21,032
At 31 December	<u>91,562</u>	<u>-</u>	<u>91,562</u>
Total unrealised gains included in profit or loss for financial assets/liabilities held at the end of the year			
- Financial assets	28,634	-	28,634
- Financial liabilities	25,439	-	25,439
Total realised gains/(losses) included in profit or loss for the year			
- Financial liabilities	<u>(4,407)</u>	<u>-</u>	<u>(4,407)</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**46 FINANCIAL ASSETS AND LIABILITIES**

Group	At fair value			At amortised cost	Total
	Trading	Hedging	Available- for-sale	RM'000	
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Cash and cash equivalents	-	-	-	11,361,095	11,361,095
Deposits and placements with banks and other financial institutions	-	-	-	1,285,868	1,285,868
Financial assets held-for-trading	228,230	-	-	-	228,230
Financial investments available-for-sale	-	-	9,813,105	-	9,813,105
Loans, advances and financing	-	-	-	47,478,794	47,478,794
Derivative financial assets	536,968	7,273	-	-	544,241
Other assets	-	-	-	259,769	259,769
Statutory deposits with Bank Negara Malaysia	-	-	-	1,625,592	1,625,592
	765,198	7,273	9,813,105	62,011,118	72,596,694
Non-financial assets	-	-	-	275,227	275,227
Total assets	765,198	7,273	9,813,105	62,286,345	72,871,921
Financial liabilities					
Deposits from customers	-	-	-	55,484,372	55,484,372
Deposits and placements of banks and other financial institutions	-	-	-	8,590,337	8,590,337
Bills and acceptances payable	-	-	-	356,718	356,718
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	25,662	25,662
Subordinated term loan/bonds	-	-	-	1,705,231	1,705,231
Derivative financial liabilities	484,419	19,155	-	-	503,574
Other liabilities	-	-	-	914,182	914,182
	484,419	19,155	-	67,076,502	67,580,076
Non-financial liabilities	-	-	-	34,677	34,677
Total liabilities	484,419	19,155	-	67,111,179	67,614,753

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**46 FINANCIAL ASSETS AND LIABILITIES (continued)**

Group	At fair value			At amortised cost	Total
	Trading	Hedging	Available- for-sale	RM'000	
31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Cash and cash equivalents	-	-	-	7,759,574	7,759,574
Deposits and placements with banks and other financial institutions	-	-	-	1,868,584	1,868,584
Financial assets held-for-trading	466,302	-	-	-	466,302
Financial investments available-for-sale	-	-	9,602,189	-	9,602,189
Loans, advances and financing	-	-	-	42,368,410	42,368,410
Derivative financial assets	601,305	15,964	-	-	617,269
Other assets	-	-	-	244,435	244,435
Statutory deposits with Bank Negara Malaysia	-	-	-	1,400,992	1,400,992
	1,067,607	15,964	9,602,189	53,641,995	64,327,755
Non-financial assets	-	-	-	249,368	249,368
Total assets	1,067,607	15,964	9,602,189	53,891,363	64,577,123
Financial liabilities					
Deposits from customers	-	-	-	48,934,661	48,934,661
Deposits and placements of banks and other financial institutions	-	-	-	7,411,880	7,411,880
Bills and acceptances payable	-	-	-	351,990	351,990
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	65,611	65,611
Subordinated term loan/bonds	-	-	-	1,514,672	1,514,672
Derivative financial liabilities	477,325	12,312	-	-	489,637
Other liabilities	-	-	-	878,751	878,751
	477,325	12,312	-	59,157,565	59,647,202
Non-financial liabilities	-	-	-	89,498	89,498
Total liabilities	477,325	12,312	-	59,247,063	59,736,700

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**46 FINANCIAL ASSETS AND LIABILITIES (continued)**

Group	At fair value			At amortised cost	Total RM'000
	Trading RM'000	hedging RM'000	Available- for-sale RM'000	RM'000	
1 January 2011					
Financial assets					
Cash and cash equivalents	-	-	-	11,004,041	11,004,041
Deposits and placements with banks and other financial institutions	-	-	-	1,935,632	1,935,632
Financial assets held-for-trading	505,657	-	-	-	505,657
Financial investments available-for-sale	-	-	5,964,308	-	5,964,308
Loans, advances and financing	-	-	-	35,299,340	35,299,340
Derivative financial assets	485,308	14,464	-	-	499,772
Other assets	-	-	-	203,813	203,813
Statutory deposits with Bank Negara Malaysia	-	-	-	79,342	79,342
	990,965	14,464	5,964,308	48,522,168	55,491,905
Non-financial assets	-	-	-	294,350	294,350
Total assets	990,965	14,464	5,964,308	48,816,518	55,786,255
Financial liabilities					
Deposits from customers	-	-	-	43,236,933	43,236,933
Deposits and placements of banks and other financial institutions	-	-	-	5,013,388	5,013,388
Bills and acceptances payable	-	-	-	281,944	281,944
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	329,988	329,988
Subordinated term loan/bonds	-	-	-	1,504,132	1,504,132
Derivative financial liabilities	483,082	2,095	-	-	485,177
Other liabilities	-	-	-	472,329	472,329
	483,082	2,095	-	50,838,714	51,323,891
Non-financial liabilities	-	-	-	-	-
Total liabilities	483,082	2,095	-	50,838,714	51,323,891

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

46 FINANCIAL ASSETS AND LIABILITIES (continued)

Bank	At fair value			At amortised cost	
	Trading RM'000	hedging RM'000	Available- for-sale RM'000	RM'000	Total RM'000
31 December 2012					
Financial assets					
Cash and cash equivalents	-	-	-	11,961,869	11,961,869
Deposits and placements with banks and other financial institutions	-	-	-	1,953,967	1,953,967
Financial assets held-for-trading	228,230	-	-	-	228,230
Financial investments available-for-sale	-	-	7,559,727	-	7,559,727
Loans, advances and financing	-	-	-	43,183,072	43,183,072
Derivative financial assets	536,856	7,273	-	-	544,129
Other assets	-	-	-	447,306	447,306
Statutory deposits with Bank Negara Malaysia	-	-	-	1,411,092	1,411,092
Investments in subsidiaries	-	-	-	346,617	346,617
	765,086	7,273	7,559,727	59,303,923	67,636,009
Non-financial assets	-	-	-	264,193	264,193
Total assets	765,086	7,273	7,559,727	59,568,116	67,900,202
Financial liabilities					
Deposits from customers	-	-	-	51,075,434	51,075,434
Deposits and placements of banks and other financial institutions	-	-	-	8,189,016	8,189,016
Bills and acceptances payable	-	-	-	341,923	341,923
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	25,662	25,662
Subordinated term loan/bonds	-	-	-	1,705,231	1,705,231
Derivative financial liabilities	484,356	19,155	-	-	503,511
Other liabilities	-	-	-	902,838	902,838
	484,356	19,155	-	62,240,104	62,743,615
Non-financial liabilities	-	-	-	34,652	34,652
Total liabilities	484,356	19,155	-	62,274,756	62,778,267

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**46 FINANCIAL ASSETS AND LIABILITIES (continued)**

Bank	At fair value			At amortised cost	Total
	Trading	Hedging	Available- for-sale	RM'000	
31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Cash and cash equivalents	-	-	-	7,589,329	7,589,329
Deposits and placements with banks and other financial institutions	-	-	-	2,144,699	2,144,699
Financial assets held-for-trading	466,302	-	-	-	466,302
Financial investments available-for-sale	-	-	7,768,300	-	7,768,300
Loans, advances and financing	-	-	-	39,179,097	39,179,097
Derivative financial assets	600,057	15,964	-	-	616,021
Other assets	-	-	-	431,709	431,709
Statutory deposits with Bank Negara Malaysia	-	-	-	1,241,592	1,241,592
Investments in subsidiaries	-	-	-	256,611	256,611
	1,066,359	15,964	7,768,300	50,843,037	59,693,660
Non-financial assets	-	-	-	239,893	239,893
Total assets	1,066,359	15,964	7,768,300	51,082,930	59,933,553
Financial liabilities					
Deposits from customers	-	-	-	44,555,869	44,555,869
Deposits and placements of banks and other financial institutions	-	-	-	7,323,838	7,323,838
Bills and acceptances payable	-	-	-	315,440	315,440
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	65,611	65,611
Subordinated term loan/bonds	-	-	-	1,514,672	1,514,672
Derivative financial liabilities	476,097	12,312	-	-	488,409
Other liabilities	-	-	-	825,305	825,305
	476,097	12,312	-	54,600,735	55,089,144
Non-financial liabilities	-	-	-	89,478	89,478
Total liabilities	476,097	12,312	-	54,690,213	55,178,622

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

46 FINANCIAL ASSETS AND LIABILITIES (continued)

Bank	At fair value			At amortised cost	Total
	Trading	Hedging	Available- for-sale	RM'000	
1 January 2011	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Cash and cash equivalents	-	-	-	10,616,038	10,616,038
Deposits and placements with banks and other financial institutions	-	-	-	2,235,614	2,235,614
Financial assets held-for-trading	505,657	-	-	-	505,657
Financial investments available-for-sale	-	-	4,904,779	-	4,904,779
Loans, advances and financing	-	-	-	32,799,446	32,799,446
Derivative financial assets	477,668	14,464	-	-	492,132
Other assets	-	-	-	395,030	395,030
Statutory deposits with Bank Negara Malaysia	-	-	-	52,592	52,592
Investments in subsidiaries	-	-	-	256,611	256,611
	983,325	14,464	4,904,779	46,355,331	52,257,899
Non-financial assets	-	-	-	280,378	280,378
Total assets	983,325	14,464	4,904,779	46,635,709	52,538,277
Financial liabilities					
Deposits from customers	-	-	-	40,381,661	40,381,661
Deposits and placements of banks and other financial institutions	-	-	-	4,734,425	4,734,425
Bills and acceptances payable	-	-	-	270,837	270,837
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	329,988	329,988
Subordinated term loan/bonds	-	-	-	1,504,132	1,504,132
Derivative financial liabilities	475,454	2,095	-	-	477,549
Other liabilities	-	-	-	440,166	440,166
	475,454	2,095	-	47,661,209	48,138,758
Non-financial liabilities	-	-	-	-	-
Total liabilities	475,454	2,095	-	47,661,209	48,138,758

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

47 CAPITAL ADEQUACY

Capital Management

It is the Group's and 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 Group and the Bank manage capital actively to ensure that the Group's and the Bank's capital adequacy ratios are comfortably above the regulatory minima while balancing shareholder's desire for sustainable returns and high standards of prudence. Over the years, the Group and the Bank had issued non-cumulative perpetual preference shares, innovative Tier 1 capital and Tier 2 subordinated term loan/bonds. There are no significant impediments on the transfer of capital within the Group and the Bank.

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

On 15 August 2012, the Bank issued RM600 million redeemable 10 years non-cancellable 5 years subordinated bonds at a coupon rate of 4.00% per annum payable semi-annually up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. The subordinated bonds, rated AA1 on 12 December 2012 by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratios of the Bank.

On 30 November 2012, the Bank redeemed in full RM400 million redeemable 10 years non-cancellable 5 years subordinated bond at an initial coupon rate of 4.55% per annum payable semi-annually for the first 5 years and a step up of 100 basis point above the initial coupon rate with effect from (and including) the 5th anniversary date onward and up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. The subordinated bonds had qualified as Tier 2 capital for capital adequacy calculation purpose.

Capital Adequacy Ratios

The Group and the Bank are required to comply with core capital ratio of 4% and risk-weighted capital ratio of 8% prescribed by Bank Negara Malaysia ("BNM"). The Bank and its regulated banking subsidiary were in compliance with the prescribed capital ratios throughout the financial year.

The Group's and Bank's capital adequacy ratios remained strong. The table below shows the composition of the regulatory capital and capital adequacy ratios as at 31 December 2012, determined according to the requirements of BNM Guidelines - Risk Weighted Capital Adequacy Framework (Basel II), which defines the regulatory capital and deductions required, including the cost of investment in subsidiaries and other capital investments.

A description of the key terms and conditions of all subordinated debt capital included as Tier 1 and Tier 2 capital is provided in Note 19.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**47 CAPITAL ADEQUACY (continued)**

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

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000
Tier 1 capital		
Paid-up share capital	287,500	287,500
Paid-up non-cumulative, non-convertible perpetual preference shares	4,000	4,000
Share premium	858,500	858,500
Retained earnings	3,532,204	3,150,130
Other reserves	375,643	352,596
Innovative Tier 1 Capital	400,000	400,000
Capital reserves	56,619	56,619
	<u>5,514,466</u>	<u>5,109,345</u>
Deferred tax assets	(16,650)	(35,189)
Eligible Tier 1 capital	<u>5,497,816</u>	<u>5,074,156</u>
Tier 2 capital		
Collective impairment allowance under Standardised Approach *	22,294	23,294
Subordinated debt capital	1,299,467	1,060,569
Total Tier 2 capital	<u>1,321,761</u>	<u>1,083,863</u>
Excess of Expected Loss over Eligible Provisions under the IRB Approach	(56,032)	(248,071)
Eligible Tier 2 capital	<u>1,265,729</u>	<u>835,792</u>
Capital base	<u>6,763,545</u>	<u>5,909,948</u>
* Excluding the collective impairment allowance on impaired loans, advances and financing		
Before payment of dividend		
Core capital ratio	14.47%	13.62%
Risk-weighted capital ratio	<u>17.80%</u>	<u>15.86%</u>
After payment of dividend		
Core capital ratio	13.54%	12.73%
Risk-weighted capital ratio	<u>16.87%</u>	<u>14.97%</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**47 CAPITAL ADEQUACY (continued)**

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

<u>Bank</u>	31 December 2012 RM'000	31 December 2011 RM'000
Tier 1 capital		
Paid-up share capital	287,500	287,500
Paid-up non-cumulative, Non-convertible perpetual preference shares	4,000	4,000
Share premium	858,500	858,500
Retained earnings	3,512,908	3,154,398
Other reserves	322,000	322,000
Innovative Tier 1 Capital	400,000	400,000
	<u>5,384,908</u>	<u>5,026,398</u>
Deferred tax assets	(12,327)	(31,892)
Eligible Tier 1 capital	<u>5,372,581</u>	<u>4,994,506</u>
Tier 2 capital		
Collective impairment allowance under Standardised Approach *	12,343	14,476
Subordinated debt capital	1,099,467	898,708
Total Tier 2 capital	<u>1,111,810</u>	<u>913,184</u>
Investments in subsidiary companies	(346,617)	(256,617)
Excess of Expected Loss over Eligible Provisions under the IRB Approach	(40,430)	(238,803)
Eligible Tier 2 capital	<u>724,763</u>	<u>417,764</u>
Capital base	<u>6,097,344</u>	<u>5,412,270</u>
* Excluding the collective impairment allowance on impaired loans, advances and financing		
Before payment of dividend		
Core capital ratio	15.91%	14.71%
Risk-weighted capital ratio	<u>18.06%</u>	<u>15.94%</u>
After payment of dividend		
Core capital ratio	14.86%	13.73%
Risk-weighted capital ratio	<u>17.01%</u>	<u>14.96%</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**47 CAPITAL ADEQUACY (continued)**

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

<u>Group</u>	31 December 2012 RM'000	31 December 2011 RM'000
Credit risk	33,661,280	32,762,323
Market risk	721,979	1,279,477
Operational risk	3,614,636	3,211,131
	<u>37,997,895</u>	<u>37,252,931</u>
 <u>Bank</u>		
Credit risk	29,734,320	29,650,155
Market risk	723,156	1,272,885
Operational risk	3,305,337	3,033,959
	<u>33,762,813</u>	<u>33,956,999</u>

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

The Group and the Bank have adopted the Internal Ratings Based Approach for Credit Risk for the major credit portfolios whilst the other credit portfolios are on Standardised Approach. For market risk and operational risk, the Group and Bank have adopted the Standardised Approach and the Basic Indicator Approach respectively.

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

	<u>OCBC Al-Amin Bank Berhad</u>	
	31 December 2012 RM'000	31 December 2011 RM'000
Core capital ratio	10.74%	9.27%
Risk-weighted capital ratio	<u>15.24%</u>	<u>13.61%</u>

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

The comparative capital adequacy ratios and components of the capital base have been restated as disclosed in Note 48 for the effects of the change in accounting policy on collective impairment allowance for loans, advances and financing.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS**

In preparing the opening MFRS statements of financial position, the Group and the Bank have adjusted amounts reported previously in financial statements prepared in accordance with the FRS in Malaysia as modified by Bank Negara Malaysia Guidelines. An explanation of the impact of the transition from the previous FRS to the new MFRS on the Group's and the Bank's financial position and financial performance are set out in the following tables and the accompanying notes.

(i) Statements of Financial Position

Group	Note	1 January 2011			31 December 2011		
		FRS	Effect of	MFRS	FRS	Effect of	MFRS
		RM'000	transition	RM'000	RM'000	transition	RM'000
			to MFRS			to MFRS	
			RM'000			RM'000	
Assets							
Cash and cash equivalents		11,004,041	-	11,004,041	7,759,574	-	7,759,574
Deposits and placements with banks and other financial institutions		1,935,632	-	1,935,632	1,868,584	-	1,868,584
Financial assets held-for-trading		505,657	-	505,657	466,302	-	466,302
Financial investments available-for-sale		5,964,308	-	5,964,308	9,602,189	-	9,602,189
Loans, advances and financing	48 (iv) (a)	35,143,119	156,221	35,299,340	42,181,029	187,381	42,368,410
Derivative financial assets		499,772	-	499,772	617,269	-	617,269
Other assets		203,813	-	203,813	244,435	-	244,435
Statutory deposits with Bank Negara Malaysia		79,342	-	79,342	1,400,992	-	1,400,992
Property, plant and equipment		210,647	-	210,647	207,905	-	207,905
Prepaid lease payments		1,000	-	1,000	964	-	964
Investment properties		20,731	-	20,731	16,439	-	16,439
Deferred tax assets	48 (iv) (b)	137,896	(129,987)	7,909	31,292	(7,790)	23,502
Current tax assets		-	54,063	54,063	3,858	(3,300)	558
Total assets		55,705,958	80,297	55,786,255	64,400,832	176,291	64,577,123

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(i) Statements of Financial Position (continued)

Group	Note	1 January 2011			31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Deposits from customers		43,236,933	-	43,236,933	48,934,661	-	48,934,661
Deposits and placements of banks and other financial institutions		5,013,388	-	5,013,388	7,411,880	-	7,411,880
Bills and acceptances payable		281,944	-	281,944	351,990	-	351,990
Recourse obligation on loans sold to Cagamas Berhad		329,988	-	329,988	65,611	-	65,611
Subordinated term loan/bonds		1,504,132	-	1,504,132	1,514,672	-	1,514,672
Derivative financial liabilities		485,177	-	485,177	489,637	-	489,637
Other liabilities		472,329	-	472,329	878,751	-	878,751
Current tax liabilities and zakat		30,022	(30,022)	-	53,742	35,756	89,498
Total liabilities		51,353,913	(30,022)	51,323,891	59,700,944	35,756	59,736,700
Equity							
Share capital		291,500	-	291,500	291,500	-	291,500
Share premium		858,500	-	858,500	858,500	-	858,500
Statutory reserve		330,660	-	330,660	352,596	-	352,596
Capital reserve		56,619	-	56,619	56,619	-	56,619
Fair value reserve		125,915	-	125,915	131,078	-	131,078
Retained earnings	48 (iv) (c)	2,688,851	110,319	2,799,170	3,009,595	140,535	3,150,130
Total equity		4,352,045	110,319	4,462,364	4,699,888	140,535	4,840,423
Total liabilities and equity		55,705,958	80,297	55,786,255	64,400,832	176,291	64,577,123

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(i) Statements of Financial Position (continued)

Bank	Note	1 January 2011			31 December 2011		
		FRS	Effect of	MFRS	FRS	Effect of	MFRS
		RM'000	transition	RM'000	RM'000	transition	RM'000
			to MFRS			to MFRS	
			RM'000			RM'000	
Assets							
Cash and cash equivalents		10,616,038	-	10,616,038	7,589,329	-	7,589,329
Deposits and placements with banks and other financial institutions		2,235,614	-	2,235,614	2,144,699	-	2,144,699
Financial assets held-for-trading		505,657	-	505,657	466,302	-	466,302
Financial investments available-for-sale		4,904,779	-	4,904,779	7,768,300	-	7,768,300
Loans, advances and financing	48 (iv) (a)	32,656,423	143,023	32,799,446	39,008,465	170,632	39,179,097
Derivative financial assets		492,132	-	492,132	616,021	-	616,021
Other assets		395,030	-	395,030	431,709	-	431,709
Statutory deposits with Bank Negara Malaysia		52,592	-	52,592	1,241,592	-	1,241,592
Investments in subsidiary companies		256,611	-	256,611	256,611	-	256,611
Property, plant and equipment		202,825	-	202,825	201,813	-	201,813
Prepaid lease payments		1,000	-	1,000	964	-	964
Investment properties		20,731	-	20,731	16,439	-	16,439
Deferred tax assets	48 (iv) (b)	127,725	(124,606)	3,119	27,579	(6,902)	20,677
Current tax assets		-	52,703	52,703	-	-	-
Total assets		52,467,157	71,120	52,538,277	59,769,823	163,730	59,933,553

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(i) Statements of Financial Position (continued)

	Note	1 January 2011			31 December 2011		
		FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
Bank							
Liabilities							
Deposits from customers		40,381,661	-	40,381,661	44,555,869	-	44,555,869
Deposits and placements of banks and other financial institutions		4,734,425	-	4,734,425	7,323,838	-	7,323,838
Bills and acceptances payable		270,837	-	270,837	315,440	-	315,440
Recourse obligation on loans sold to Cagamas Berhad		329,988	-	329,988	65,611	-	65,611
Subordinated term loan/bonds		1,504,132	-	1,504,132	1,514,672	-	1,514,672
Derivative financial liabilities		477,549	-	477,549	488,409	-	488,409
Other liabilities		440,166	-	440,166	825,305	-	825,305
Current tax liabilities and zakat		28,124	(28,124)	-	53,722	35,756	89,478
Total liabilities		48,166,882	(28,124)	48,138,758	55,142,866	35,756	55,178,622
Equity							
Share capital		291,500	-	291,500	291,500	-	291,500
Share premium		858,500	-	858,500	858,500	-	858,500
Statutory reserve		322,000	-	322,000	322,000	-	322,000
Fair value reserve		124,058	-	124,058	128,533	-	128,533
Retained earnings	48 (iv) (c)	2,704,217	99,244	2,803,461	3,026,424	127,974	3,154,398
Total equity		4,300,275	99,244	4,399,519	4,626,957	127,974	4,754,931
Total liabilities and equity		52,467,157	71,120	52,538,277	59,769,823	163,730	59,933,553

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(ii) Statements of Profit or Loss and Other Comprehensive Income

31 December 2011	Note	Group			Bank		
		FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
Interest income		2,446,088	-	2,446,088	2,469,750	-	2,469,750
Interest expense		(1,226,473)	-	(1,226,473)	(1,232,907)	-	(1,232,907)
Net interest income		1,219,615	-	1,219,615	1,236,843	-	1,236,843
Income from Islamic banking operations		181,647	-	181,647	-	-	-
Net fee and commission income		272,034	-	272,034	272,034	-	272,034
Net trading income		147,873	-	147,873	147,873	-	147,873
Other operating income		55,255	-	55,255	106,654	-	106,654
Operating income		1,876,424	-	1,876,424	1,763,404	-	1,763,404
Personnel and operating expenses		(746,218)	-	(746,218)	(685,184)	-	(685,184)
Operating profit before allowance for impairment loss and provision		1,130,206	-	1,130,206	1,078,220	-	1,078,220
Impairment allowance on loans, advances and financing	48 (iv) (d)	(129,068)	31,160	(97,908)	(101,477)	27,609	(73,868)
Impairment allowance on investment properties		(2,205)	-	(2,205)	(2,205)	-	(2,205)
Reversal of impairment allowance on property, plant and equipment		3,836	-	3,836	3,836	-	3,836
Profit before income tax expense and zakat		1,002,769	31,160	1,033,929	978,374	27,609	1,005,983
Income tax expense	48 (iv) (e)	(253,904)	(944)	(254,848)	(250,002)	1,121	(248,881)
Zakat		(20)	-	(20)	-	-	-
Profit for the period		748,845	30,216	779,061	728,372	28,730	757,102

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(ii) Statements of Profit or Loss and Other Comprehensive Income (continued)

	Group			Bank		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other comprehensive income, net of tax						
Items that may be reclassified subsequently to profit or loss						
Fair value (available-for-sale) reserve						
- Change in fair value	27,467	-	27,467	25,717	-	25,717
- Amount transferred to profit or loss	(17,721)	-	(17,721)	(17,097)	-	(17,097)
Income tax expense relating to components of other comprehensive income	(4,583)	-	(4,583)	(4,145)	-	(4,145)
Other comprehensive income for the period, net of tax	5,163	-	5,163	4,475	-	4,475
Total comprehensive income for the period	754,008	30,216	784,224	732,847	28,730	761,577
Profit attributable to shareholder of the Bank	748,845	30,216	779,061	728,372	28,730	757,102
Total comprehensive income attributable to shareholder of the Bank	754,008	30,216	784,224	732,847	28,730	761,577
Basic earnings per ordinary share (sen)	254.2	10.5	264.7	247.1	10.0	257.1

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(iii) There are no material differences between the statements of cash flows presented under MFRS and the statements of cash flows presented under FRS.

(iv) Explanatory Notes

(a) Loans, advances and financing

Group	1 January 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross loans, advances and financing	36,068,718	-	36,068,718	43,141,815	-	43,141,815
Allowance for loans, advances and financing						
- Individual impairment	(389,872)	-	(389,872)	(318,091)	-	(318,091)
- Collective impairment	(535,727)	156,221	(379,506)	(642,695)	187,381	(455,314)
Net loans, advances and financing	35,143,119	156,221	35,299,340	42,181,029	187,381	42,368,410
Bank						
Gross loans, advances and financing	33,512,980	-	33,512,980	39,892,127	-	39,892,127
Allowance for loans, advances and financing						
- Individual impairment	(358,784)	-	(358,784)	(289,280)	-	(289,280)
- Collective impairment	(497,773)	143,023	(354,750)	(594,382)	170,632	(423,750)
Net loans, advances and financing	32,656,423	143,023	32,799,446	39,008,465	170,632	39,179,097

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)

48 TRANSITION TO MFRS (continued)

(iv) Explanatory Notes (continued)

(a) Loans, advances and financing (continued)

Movements in allowance for loans, advances and financing

Collective impairment allowance

Group

Balance at 1 January
Made during the financial year
Balance at 31 December

Bank

Balance at 1 January
Made during the financial year
Balance at 31 December

31 December 2011		
FRS	Effect of transition to MFRS	MFRS
RM'000	RM'000	RM'000
535,727	(156,221)	379,506
106,968	(31,160)	75,808
642,695	(187,381)	455,314
497,773	(143,023)	354,750
96,609	(27,609)	69,000
594,382	(170,632)	423,750

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(b) Deferred tax assets

<u>Group</u>	1 January 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance on financial investments available-for-sale	190	-	190	165	-	165
Temporary differences arising from leasing business	4,317	-	4,317	5,015	-	5,015
Excess of capital allowance over depreciation	(14,886)	(324) #	(15,210)	(13,015)	-	(13,015)
Collective impairment allowance on loans, advances and financing	133,773	(133,769) #	4	26,753	(7,790)	18,963
Changes in fair value of financial instruments	(7,103)	-	(7,103)	(11,686)	-	(11,686)
Other temporary differences	21,605	4,106 #	25,711	24,060	-	24,060
	<u>137,896</u>	<u>(129,987)</u>	<u>7,909</u>	<u>31,292</u>	<u>(7,790)</u>	<u>23,502</u>

Underprovision of deferred tax in respect of prior year being accounted retrospectively in 2011 in preparing the Group's and the Bank's opening MFRS statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(b) Deferred tax assets (continued)

Bank	1 January 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance on financial investments available-for-sale	190	-	190	165	-	165
Temporary differences arising from leasing business	4,322	-	4,322	4,967	-	4,967
Excess of capital allowance over depreciation	(13,878)	(322) #	(14,200)	(12,145)	-	(12,145)
Collective impairment allowance on loans, advances and financing	124,284	(124,284) #	-	24,152	(6,902)	17,250
Changes in fair value of financial instruments	(7,070)	-	(7,070)	(11,215)	-	(11,215)
Other temporary differences	19,877	-	19,877	21,655	-	21,655
	127,725	(124,606)	3,119	27,579	(6,902)	20,677

Underprovision of deferred tax in respect of prior year being accounted retrospectively in 2011 in preparing the Group's and the Bank's opening MFRS statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(c) Effect of transition to MFRS on retained earnings

	Group		Bank	
	1 January 2011 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2011 RM'000
Collective impairment allowance on loans, advances and financing	156,221	187,381	143,023	170,632
Tax effect of collective impairment allowance on loans, advances and financing	(39,056)	(46,846)	(35,756)	(42,658)
Adjustment for underprovision of deferred tax in prior year #	(129,987)	-	(124,606)	-
Adjustment for overprovision of current tax in prior year #	123,141	-	116,583	-
	110,319	140,535	99,244	127,974

Underprovision of deferred tax and overprovision of current tax in respect of prior year being accounted retrospectively in 2011 in preparing the Group's and the Bank's opening MFRS statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(d) Impairment allowance on loans, advances and financing

	Note	Group			Bank		
		FRS RM'000	Effect of transition to MFRS RM'000	MFRS 'RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS 'RM'000
Allowance on loans, advances and financing:							
i) Individual impairment							
- Made during the year		180,375	-	180,375	142,795	-	142,795
- Written back		(118,136)	-	(118,136)	(104,335)	-	(104,335)
ii) Collective impairment							
- Made during the year	48(iv)(a)	106,968	(31,160)	75,808	96,609	(27,609)	69,000
Impaired loans, advances and financing							
- Recovered during the year		(40,203)	-	(40,203)	(33,641)	-	(33,641)
Others		64	-	64	49	-	49
		<u>129,068</u>	<u>(31,160)</u>	<u>97,908</u>	<u>101,477</u>	<u>(27,609)</u>	<u>73,868</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(e) Income tax expense

	Group			Bank		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	151,676	123,141	274,817	154,001	116,583	270,584
- Current year	274,817	-	274,817	270,584	-	270,584
- Overprovision in prior years	(123,141)	123,141 #	-	(116,583)	116,583 #	-
Deferred tax	102,228	(122,197)	(19,969)	96,001	(117,704)	(21,703)
- Origination and reversal of temporary differences	(27,759)	7,790	(19,969)	(28,605)	6,902	(21,703)
- Underprovision in prior years	129,987	(129,987) #	-	124,606	(124,606) #	-
	253,904	944	254,848	250,002	(1,121)	248,881

Underprovision of deferred tax in respect of prior year being accounted retrospectively in 2011 in preparing the Group's and the Bank's opening MFRS statements of financial position.

The effect of transition to MFRS does not change the average effective tax rate of the Group and of the Bank which remain at 25.3% and 25.6% respectively.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012 (continued)**48 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(f) Capital Adequacy

	Group		Bank	
	31 December 2011		31 December 2011	
	As previously reported	As restated	As previously reported	As restated
	RM'000	RM'000	RM'000	RM'000
<u>Tier 1 capital</u>				
Retained earnings	3,009,595	3,150,130	3,026,424	3,154,398
Deferred tax assets	(42,979)	(35,189)	(38,794)	(31,892)
<u>Tier 2 capital</u>				
Collective impairment allowance under Standardised Approach	32,898	23,294	20,314	14,476
Subordinated debt capital	1,053,844	1,060,569	-	-
Excess of Expected Loss over Eligible Provisions under the IRB approach	(70,456)	(248,071)	(74,091)	(238,803)
<u>Before deducting proposed dividends</u>				
Core capital ratio	13.22%	13.62%	14.31%	14.71%
Risk-weighted capital ratio	15.95%	15.86%	16.04%	15.94%
<u>After deducting proposed dividends</u>				
Core capital ratio	12.33%	12.73%	13.33%	13.73%
Risk-weighted capital ratio	15.06%	14.97%	15.06%	14.96%

49 SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year are as follows:

- (a) Subscription of 30 million ordinary shares of RM1 each at RM3 per ordinary share issued by its subsidiary as disclosed in Note 11.
- (b) Issuance of RM600 million redeemable subordinated bonds as disclosed in Note 19 (e).
- (c) Redemption of RM400 million redeemable subordinated bonds as disclosed in Note 19 (b).

50 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current year's presentation.

Statements of Profit or Loss and Other Comprehensive Income

	Group		Bank	
	31 December 2011		31 December 2011	
	As previously reported	As restated	As previously reported	As restated
	RM'000	RM'000	RM'000	RM'000
Interest expense	(1,232,882)	(1,226,473)	-	-
Income from Islamic banking operations	188,056	181,647	-	-
Net trading income	146,858	147,873	146,858	147,873
Other operating income	56,270	55,255	107,669	106,654