

Company No. 295400-W

**OCBC BANK (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS – 31 DECEMBER 2011

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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 2011.

### 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
	2011	2011
	RM'000	RM'000
Profit for the year	<u>748,845</u>	<u>728,372</u>

### DIVIDENDS

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

- i) A net cash dividend of 4.51% (on the issue price) amounting to RM8.95 million paid to preference shareholders on 20 March 2011;
- ii) A net cash dividend of 4.51% (on the issue price) amounting to RM9.09 million paid to preference shareholders on 20 September 2011;
- iii) A final gross dividend of 150.0 sen per ordinary share less tax at 25% amounting to RM323.44 million was paid to the ordinary shareholders on 21 April 2011 in respect of the financial year ended 31 December 2010; and
- iv) An interim gross dividend of 30.0 sen per ordinary share less tax at 25% amounting to RM64.69 million was paid to the ordinary shareholders on 7 October 2011 in respect of the financial year ended 31 December 2011.

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 2012. A final gross dividend of 150.0 sen per ordinary share less tax at 25% in respect of the current financial year amounting to RM323.44 million on the fully issued and paid-up ordinary shares of the Bank which is subject to approval of members at the forthcoming Annual General Meeting of the Bank.

### SHARE CAPITAL

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

### RESERVES AND PROVISIONS

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

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (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 2011 (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 for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and 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 RM749 million for the financial year ended 31 December 2011, registering an increase of RM43 million or 6% compared to 2010. Pre-tax profit rose 5% from the previous year to slightly over RM1 billion for 2011. The higher net profit was derived from the strong growth in operating profit over last year, rising RM49 million or 5% to RM1.13 billion, coupled with a slight reduction in provisions of RM2 million or 1% to RM127 million.

Total operating income for the Group rose by RM140 million or 8% to RM1.9 billion as a result of an RM83 million or 7% increase in net interest income to RM1.2 billion whilst income from Islamic banking operations improved by RM30 million or 19% to RM188 million and non-interest income grew by RM27 million or 6% to RM475 million. Overhead expenses expanded by RM91 million or 14% to RM746 million as the Bank continued to build its capabilities and systems and opened new branches.

Net individually assessed impairment allowances for loans, advances and financing made during the year reduced by RM55 million to RM62 million compared to RM117 million last year while collectively assessed impairment allowances made during the year increased by RM61 million to RM107 million in order to cater for new loans growth.

The Group's gross loans, advances and financing as at 31 December 2011 grew by RM7 billion or 20% to RM43 billion for the full year. The growth came mainly from additional consumer and business loans of RM3 billion and RM4 billion respectively. Total assets grew by RM9 billion to RM64 billion.

Group shareholders' funds strengthened to RM4.7 billion while the Bank's risk weighted capital ratio (RWCR) as at 31 December 2011 stood at 15.06%.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)**

### **ACTIVITIES & ACHIEVEMENTS**

OCBC Bank (Malaysia) Berhad and its banking subsidiary, OCBC Al-Amin Bank Berhad (OCBC Al-Amin) (collectively, OCBC Malaysia) are today among the largest foreign banks in Malaysia and has been operating in the country for about eight decades. With a staff strength of over 3,500 employees and a network of 30 conventional and 5 Islamic banking branches, OCBC Malaysia offer a range of specialist financial services that include consumer, corporate, investment, premier and transaction banking, and global treasury services.

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

OCBC Malaysia garnered several awards in 2011 including being voted Rising Star Cash Management Bank in Malaysia and also, the Best Trade Finance Bank (Foreign Bank Category) in Malaysia, both by The Asset Magazine.

OCBC Malaysia launched its maiden batch of structured warrants in July to meet the growing demand for sophisticated equity derivative products from foreign banks; making OCBC Malaysia the only foreign bank to offer structured warrants in a market previously dominated by a handful of local banks. OCBC Malaysia also became the first bank without a stockbroking arm to offer the instrument.

OCBC Malaysia also sealed an agreement with Credit Guarantee Corporation Malaysia Berhad (CGC) to offer up to RM500 million in loans to SMEs on a portfolio guarantee basis, the largest the country has ever seen. In addition, OCBC Malaysia introduced the country's only non-government-linked study loan for the public, enabling more affordable courses in tertiary education, OCBC Secured Study Loan.

Following OCBC Malaysia's participation in the MEPS (Malaysian Electronic Payment System) network, OCBC Malaysia began waiving ATM withdrawal fees for several categories of customers, including those making cross-border OCBC ATM withdrawals in Singapore and Indonesia as well.

With the growing demand for overseas property financing, OCBC Malaysia became the first bank in Malaysia to offer customers a mortgage loan facility to finance the purchase of residential properties in prime sections of London, Sydney and Melbourne.

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

OCBC Malaysia collaborated with Great Eastern Life Assurance Berhad to extend its bancassurance partnership with its first-of-its-kind Universal Life Insurance estate planning for high net worth individuals. The Premier Heritage, underwritten by Great Eastern, is a globally-celebrated estate planning insurance scheme targeted at high net worth individuals seeking a more sophisticated approach to wealth planning and distribution.

During the year, OCBC Bank opened its 30th branch, expanding its network to the outskirts of Selangor and catering to the needs of individuals and businesses in both the immediate and surrounding areas of Ijok through the provision of both conventional and Shariah-compliant products and services.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)**

### **ACTIVITIES & ACHIEVEMENTS (continued)**

OCBC Malaysia's Islamic banking subsidiary, OCBC Al-Amin, continued to provide Shariah-compliant cash management solutions for SMEs, and unit trust and home financing products for individuals. OCBC Al-Amin also embarked in foreign currency financing in view of the growing opportunities in Malaysia and around the region. OCBC Al-Amin also introduced workshops and seminars to educate customers and staff on the principles of Islamic banking, including a collaboration with the International Centre for Education in Islamic Finance (INCEIF) to comprehensively cultivate research and development, training and education and the development of human capital.

Following the successes of OCBC Cycle Singapore over the past three years, OCBC Malaysia had embarked on a similar effort in Malaysia in October, OCBC Cycle Malaysia. The event, which drew over 3,500 participants in six categories ranging from tricycle rides for toddlers to professional criteriums for national cyclists, became the country's largest mass participation cycling event on closed roads.

### **MAJOR BUSINESS PLANS & ACTIVITIES FOR YEAR 2012**

Moving into 2012, OCBC Malaysia's business banking efforts will continue to revolve around the large corporate, commercial banking and emerging business segments. For large corporates, the focus will be on industry and customer groups driven under the government's Economic Transformation Plan (ETP). The Bank will also intensify privatisation and syndication deals as well as focus on Islamic financing via the Bank's Islamic banking subsidiary, OCBC Al-Amin. On the commercial banking front, OCBC Malaysia will refocus on manufacturing by leveraging the Bank's asset based finance and structured trade capability and also, focus on contract and equipment financing. In retail banking, OCBC Malaysia aims to increase the volume from outsource channels with a wider range of products, including retail merchant acquisition programmes to grow both the Bank's assets and deposits portfolios. OCBC Malaysia will continue to expand on cash management, trade, treasury and investment banking products to serve the Bank's business customers in all segments.

For the consumer segment, OCBC Malaysia will continue with the Bank's strategic thrust in the premier banking segment, focusing particularly on gaining market share through wealth management. There will be two new premier banking centres opened in the Klang Valley while OCBC Malaysia refreshes the Bank's key branches with new designs. OCBC Malaysia will also grow the Bank's share in the mass affluent segment with a comprehensive product suite of offerings to the Bank's customers.

The mass affluent strategy will be on building new propositions around the younger professionals using OCBC Al-Amin and workplace banking as strategic platforms. There will be a refreshed OCBC Al-Amin proposition of simplicity in banking with a focus on unsecured lending. Five new branches will be opened.

On Mortgages, OCBC Malaysia will maintain the Bank's market position of 6-7% in view of the softer market conditions and leverage the distribution strength of the teams in cross selling cards and other products.

In Treasury, OCBC Malaysia aims for Malaysia to be a centre of excellence within the Oversea-Chinese Banking Corporation Limited ("OCBCL") Group. Toward this end, OCBC Malaysia will regionalise the Bank's products, technology, management and customer services, improve efficiency, increase cross selling efforts, and leverage on synergies from co-operative efforts with other companies within the OCBCL Group. Key thrusts will include continuing to promote more derivative trading, enabling limit readiness for the Bank's customers to meet their hedging needs, continuing institutional sales, and increasing trading capabilities. There will also be continued focus on rates, foreign currency and expansion to equity derivatives for USD/MYR products.

OCBC Malaysia will continually focus on expanding the Bank's branch touch points with requests for new licenses for conventional and Islamic banking branches. There will be branch transformation initiatives for about 10 branches to provide a fresh experience and improve convenience for the Bank's customers.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (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 on 24 August 2011. The affirmation reflects OCBC Bank's stable outlook attributable to the Bank's stringent loan-monitoring and collection processes as well as healthy and comfortable funding and liquidity profiles.

### **CORPORATE GOVERNANCE**

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

The Board comprises seven Directors, of whom six are non-executive Directors. The non-executive Directors are Tan Sri Dato' Nasruddin Bin Bahari (Chairman of the Bank), Mr David Conner, Mr Ching Wei Hong, Ms Tan Siok Choo, Dr Raja Lope Bin Raja Shahrome and Mr Lai Teck Poh.

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

There is clear separation of roles between the Chairman and the CEO, which is consistent with the 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 three Directors deemed independent, namely, Tan Sri Dato' Nasruddin Bin Bahari, Ms Tan Siok Choo and Dr Raja Lope Bin Raja Shahrome.

The members of the Board, as a group, provide core competencies to ensure the effectiveness of the Board. The competencies include banking, accounting, finance, legal, strategic ability, business acumen, management experience and depth, understanding of industry and 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 of 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 provides for the retirement of Directors by rotation and under Bank Negara Malaysia's guidelines, all appointment and re-appointment of Directors have to be approved by Bank Negara

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



## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (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 2011, 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 accurate information to enable members to fulfil their responsibilities.

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 2011 (continued)**

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

#### **Board Audit Committee**

The Board Audit Committee comprises Tan Sri Dato' Nasruddin Bin Bahari (Chairman of the Board Audit Committee) and Ms Tan Siok Choo, both of whom are independent Directors, and Mr Lai Teck Poh, a non-independent non-executive Director.

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 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 requires 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 2011 (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 monitoring 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 could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

#### **Management Information**

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

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

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 2011 (continued)****CORPORATE GOVERNANCE (continued)****Directors' Attendance at Board and Board Committee Meetings in 2011**

Name of Director	Number of Meetings attended in 2011							
	Board		Board Audit Committee		Nominating Committee		Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Sri Dato' Nasruddin Bin Bahari	6	6	6	6	2	2	6	6
David Conner	6	6	-	-	2	2	6	6
Ching Wei Hong	6	6	-	-	-	-	6	6
Tan Siok Choo	6	6	6	6	2	2	6	6
Dr Raja Lope Bin Raja Shahrome	6	6	-	-	-	-	6	6
Chew Sun Teong, Jeffrey	6	6	-	-	-	-	-	-
Lai Teck Poh (appointed on 7 January 2011)	6	6	6	6	2	2	6	6
David Wong Cheong Fook (resigned on 30 March 2011)	2	2	2	2	1	1	2	2
Soon Tit Koon (resigned on 5 December 2011)	6	6	-	-	2	2	6	6

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

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

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

**Mr David Conner**

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)**

**CORPORATE GOVERNANCE (continued)**

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

**Mr Ching Wei Hong**

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

**Ms Tan Siok Choo**

Ms Tan was appointed to the Board on 27 July 2000. Ms Tan holds a Bachelor of Law from the University of Bristol, passed her Bar Finals at College of Law, London and was admitted as a Barrister-at-law in Lincoln's Inn, London and the Malaysian Bar. Currently a visiting fellow at the Institute of Strategic and International Studies (ISIS), she also serves as Chairperson of United Malacca Bhd and as a Director of OCBC Al-Amin 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.

**Dr Raja Lope Bin Raja Shahrome**

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

**Mr Chew Sun Teong, Jeffrey**

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

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)**

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

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

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

Mr Lai was appointed to the Board on 7 January 2011. He joined Oversea-Chinese Banking Corporation Limited ("OCBCL") as an Executive Vice President and Head of Corporate Banking Division 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, WBL Corporation Limited and AVJennings Limited, and a Commissioner of PT Bank OCBC NISP Tbk. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore.

## **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)  
David Conner  
Ching Wei Hong  
Tan Siok Choo  
Dr Raja Lope Bin Raja Shahrome  
Chew Sun Teong, Jeffrey  
Lai Teck Poh (appointed on 7 January 2011)  
David Wong Cheong Fook (resigned on 30 March 2011)  
Soon Tit Koon (resigned on 5 December 2011)

In accordance with Articles 106 and 107 of the Bank's Articles of Association, Mr Ching Wei Hong and Mr Chew Sun Teong, Jeffrey shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)****DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS (continued)**Oversea-Chinese Banking Corporation Limited ("OCBCL")

<u>Ordinary Shares</u>	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
	As at 1 January 2011	Acquired	Disposed	As at 31 December 2011
Tan Sri Dato' Nasruddin Bin Bahari	19,566 *	719	-	20,285
David Conner	1,580,281	300,030	-	1,880,311
Ching Wei Hong	51,480	29,777	-	81,257
Tan Siok Choo	48,000	-	-	48,000
Lai Teck Poh	392,511 †	24,192	-	416,703
Chew Sun Teong, Jeffrey	755	23,159	5,000	18,914
<u>Class G Preference Shares</u>				
David Conner	50,000	-	-	50,000
Tan Siok Choo	9,600	-	-	9,600
<u>Class B Preference Shares</u>				
Ching Wei Hong	2,500	-	-	2,500
Lai Teck Poh	2,500 †	-	-	2,500
<u>Ordinary Shares</u>	Shareholdings in which Directors have deemed interest			
	As at 1 January 2011	Acquired/ Awarded/ Granted	Disposed/ Exercised	As at 31 December 2011
Tan Siok Choo	3,427,761	125,692	-	3,553,453
<u>Class G Preference Shares</u>				
Tan Siok Choo	656,152	-	-	656,152
<u>OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan</u>				
David Conner	1,530,811	457,027	233,614	1,754,224
Ching Wei Hong	118,713 #	55,188	28,359	145,542
Lai Teck Poh	44,244 †	1,277	9,451	36,070
Chew Sun Teong, Jeffrey	81,758	33,712	22,407	93,063

† As at 7 January 2011 (date of appointment).

\* The brought forward balance should be read as 19,566 instead of 19,200 as previously declared.

# The brought forward balance should be read as 118,713 instead of 125,266 as previously declared.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)**

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

Oversea-Chinese Banking Corporation Limited ("OCBCL")

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

<u>Share options</u>	<u>Shareholdings in which Directors have deemed interest</u>				
	<u>As at 1 January 2011</u>	<u>Offered</u>	<u>Exercised /Lapsed</u>	<u>As at 31 December 2011</u>	<u>Date option expire</u>
David Conner	2,333,000	-	-	2,333,000	13/3/2015 – 13/3/2018
Ching Wei Hong	411,280	122,363	-	533,643	13/3/2015 – 14/3/2021
Chew Sun Teong, Jeffrey	167,000	80,964	-	247,964	13/3/2017 – 13/3/2021
Lai Teck Poh	481,000 †	-	-	481,000	8/4/2012 – 15/3/2019

† As at 7 January 2011 (date of appointment).

PacificMas Berhad

<u>Ordinary Shares</u>	<u>Shareholdings registered in the name of Directors or in which Directors have a direct interest</u>			
	<u>As at 1 January 2011</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at 31 December 2011</u>
Dr Raja Lope Bin Raja Shahrome	10,000	-	-	10,000
Tan Siok Choo	15,800	-	-	15,800

  

<u>Ordinary Shares</u>	<u>Shareholdings in which Directors have deemed interest</u>			
	<u>As at 1 January 2011</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at 31 December 2011</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 2011 (continued)**

### **DIRECTORS' BENEFITS**

During and at the end of the financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 27 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 OCBCL 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.

### **AUDITORS**

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

In accordance with a resolution of the Board of Directors dated 19 March 2012.

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 21 to 143 are drawn up in accordance with the provisions of the Companies Act, 1965, and Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2011 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 19 March 2012.

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 21 to 143 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 19 March 2012                                    )                    TEOH YIN MENG

Before me,

TAN BOON CHUA  
COMMISSIONER FOR OATHS

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

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

Company No. 295400-W  
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of OCBC Bank (Malaysia) Berhad, which comprise the statements of financial positions as at 31 December 2011 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 143.

*Directors' Responsibility for the Financial Statements*

The Directors of the Bank are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines, and for such internal control as 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.

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

Company No. 295400-W

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

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

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

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

### **Other Matters**

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

### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

### **Foong Mun Kong**

Approval Number: 2613/12/12(J)  
Chartered Accountant

Petaling Jaya, Selangor.

Date:

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**

	Note	Group		Bank	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Assets</b>					
Cash and cash equivalents	2	7,759,574	11,004,041	7,589,329	10,616,038
Deposits and placements with banks and other financial institutions	3	1,868,584	1,935,632	2,144,699	2,235,614
Securities held-for-trading	4	466,302	505,657	466,302	505,657
Securities available-for-sale	5	9,602,189	5,964,308	7,768,300	4,904,779
Loans, advances and financing	6	42,181,029	35,143,119	39,008,465	32,656,423
Derivative assets	8	617,269	499,772	616,021	492,132
Other assets	9	244,435	203,813	431,709	395,030
Current tax assets		3,858	-	-	-
Statutory deposits with Bank Negara Malaysia	10	1,400,992	79,342	1,241,592	52,592
Investments in subsidiary companies	11	-	-	256,611	256,611
Property, plant and equipment	12	207,905	210,647	201,813	202,825
Prepaid lease payments	13	964	1,000	964	1,000
Investment properties	14	16,439	20,731	16,439	20,731
Deferred tax assets	15	31,292	137,896	27,579	127,725
<b>Total assets</b>		<b>64,400,832</b>	<b>55,705,958</b>	<b>59,769,823</b>	<b>52,467,157</b>
<b>Liabilities</b>					
Deposits from customers	16	48,934,661	43,236,933	44,555,869	40,381,661
Deposits and placements of banks and other financial institutions	17	7,411,880	5,013,388	7,323,838	4,734,425
Bills and acceptances payable		351,990	281,944	315,440	270,837
Recourse obligation on loans sold to Cagamas Berhad		65,611	329,988	65,611	329,988
Subordinated term loan/bonds	18	1,514,672	1,504,132	1,514,672	1,504,132
Derivative liabilities	8	489,637	485,177	488,409	477,549
Other liabilities	19	878,751	472,329	825,305	440,166
Current tax liabilities and zakat		53,742	30,022	53,722	28,124
<b>Total Liabilities</b>		<b>59,700,944</b>	<b>51,353,913</b>	<b>55,142,866</b>	<b>48,166,882</b>
<b>Equity</b>					
Share capital	20	291,500	291,500	291,500	291,500
Reserves	21	4,408,388	4,060,545	4,335,457	4,008,775
<b>Total equity</b>		<b>4,699,888</b>	<b>4,352,045</b>	<b>4,626,957</b>	<b>4,300,275</b>
<b>Total liabilities and equity</b>		<b>64,400,832</b>	<b>55,705,958</b>	<b>59,769,823</b>	<b>52,467,157</b>
<b>Commitments and contingencies</b>	33	<b>77,924,155</b>	<b>64,496,086</b>	<b>76,075,749</b>	<b>63,390,651</b>

The notes on pages 28 to 143 form an integral part of these financial statements.

**INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Note	Group		Bank	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest income	22	2,446,088	2,090,729	2,469,750	2,117,101
Interest expense	22	(1,232,882)	(959,980)	(1,232,907)	(959,973)
Net interest income	22	1,213,206	1,130,749	1,236,843	1,157,128
Income from Islamic banking operations		188,056	157,899	-	-
Net fee and commission income	23	272,034	243,393	272,034	243,393
Net trading income	24	146,858	176,453	146,858	176,453
Other operating income	25	56,270	27,893	107,669	74,487
<b>Operating income</b>		<b>1,876,424</b>	<b>1,736,387</b>	<b>1,763,404</b>	<b>1,651,461</b>
Personnel and operating expenses	26	(746,218)	(655,631)	(685,184)	(612,366)
<b>Operating profit before allowance for impairment loss and provision</b>		<b>1,130,206</b>	<b>1,080,756</b>	<b>1,078,220</b>	<b>1,039,095</b>
Impairment allowance on loans, advances and financing	28	(129,068)	(120,901)	(101,477)	(110,856)
Impairment allowance on investment properties	14	(2,205)	(361)	(2,205)	(361)
Reversal of impairment allowance on property, plant and equipment	12	3,836	-	3,836	-
Provision for commitment and contingencies	19(b)	-	(7,604)	-	(7,604)
<b>Profit before income tax expense and zakat</b>		<b>1,002,769</b>	<b>951,890</b>	<b>978,374</b>	<b>920,274</b>
Income tax expense	30	(253,904)	(245,427)	(250,002)	(237,348)
Zakat		(20)	(15)	-	-
<b>Profit for the year</b>		<b>748,845</b>	<b>706,448</b>	<b>728,372</b>	<b>682,926</b>
<b>Basic earnings per ordinary share (sen)</b>	31	<b>254.2</b>	<b>239.4</b>	<b>247.1</b>	<b>231.3</b>

The notes on pages 28 to 143 form an integral part of these financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Profit for the year</b>	748,845	706,448	728,372	682,926
Fair value of securities available-for-sale				
- change in fair value	27,467	12,721	25,717	11,084
- amount transferred to profit or loss on disposal	(17,721)	(15,591)	(17,097)	(14,535)
Income tax expense relating to components of other comprehensive income/(expense)	(4,583)	(151)	(4,145)	(28)
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>5,163</b>	<b>(3,021)</b>	<b>4,475</b>	<b>(3,479)</b>
<b>Total comprehensive income for the year</b>	<b>754,008</b>	<b>703,427</b>	<b>732,847</b>	<b>679,447</b>
<b>Profit attributable to:</b>				
Owner of the Bank	748,845	706,448	728,372	682,926
<b>Total comprehensive income attributable to:</b>				
Owner of the Bank	754,008	703,427	732,847	679,447

The notes on pages 28 to 143 form an integral part of these financial statements.

**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<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	
<b>Group</b>							
Balance at 1 January 2011	291,500	858,500	330,660	56,619	125,915	2,688,851	4,352,045
Fair value of securities available-for-sale							
- change in fair value	-	-	-	-	27,467	-	27,467
- amount transferred to profit or loss on disposal	-	-	-	-	(17,721)	-	(17,721)
Income tax expense relating to components of other comprehensive income/(expense)	-	-	-	-	(4,583)	-	(4,583)
Total other comprehensive income for the year	-	-	-	-	5,163	-	5,163
Profit for the year	-	-	-	-	-	748,845	748,845
Total comprehensive income for the year	-	-	-	-	5,163	748,845	754,008
Transfer to statutory reserve	-	-	21,936	-	-	(21,936)	-
Dividends paid on ordinary shares (Note 32) in respect of:							
- final 2010	-	-	-	-	-	(323,437)	(323,437)
- interim 2011	-	-	-	-	-	(64,688)	(64,688)
Dividends to preference shareholders (Note 32)	-	-	-	-	-	(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>3,009,595</u>	<u>4,699,888</u>
Balance at 1 January 2010							
- As previously stated	291,500	858,500	330,660	56,619	128,936	2,023,141	3,689,356
- Effect of adopting FRS 139	-	-	-	-	-	20,427	20,427
As restated	<u>291,500</u>	<u>858,500</u>	<u>330,660</u>	<u>56,619</u>	<u>128,936</u>	<u>2,043,568</u>	<u>3,709,783</u>
Fair value of securities available-for-sale							
- change in fair value	-	-	-	-	12,721	-	12,721
- amount transferred to profit or loss on disposal	-	-	-	-	(15,591)	-	(15,591)
Income tax expense relating to components of other comprehensive income/(expense)	-	-	-	-	(151)	-	(151)
Total other comprehensive expense for the year	-	-	-	-	(3,021)	-	(3,021)
Profit for the year	-	-	-	-	-	706,448	706,448
Total comprehensive income for the year	-	-	-	-	(3,021)	706,448	703,427
Dividends paid on ordinary shares (Note 32) in respect of:							
- final 2009	-	-	-	-	-	(43,125)	(43,125)
Dividends to preference shareholders (Note 32)	-	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2010	<u>291,500</u>	<u>858,500</u>	<u>330,660</u>	<u>56,619</u>	<u>125,915</u>	<u>2,688,851</u>	<u>4,352,045</u>

The notes on pages 28 to 143 form an integral part of these financial statements.



**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)**

	<i>Non-distributable</i>			<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<b>Bank</b>						
Balance at 1 January 2011	291,500	858,500	322,000	124,058	2,704,217	4,300,275
Fair value of securities available-for-sale						
- change in fair value	-	-	-	25,717	-	25,717
- amount transferred to profit or loss on disposal	-	-	-	(17,097)	-	(17,097)
Income tax expense relating to components of other comprehensive income/(expense)	-	-	-	(4,145)	-	(4,145)
Total other comprehensive income for the year	-	-	-	4,475	-	4,475
Profit for the year	-	-	-	-	728,372	728,372
Total comprehensive income for the year	-	-	-	4,475	728,372	732,847
Transfer to statutory reserve	-	-	-	-	-	-
Dividends paid on ordinary shares (Note 32) in respect of:						
- final 2010	-	-	-	-	(323,437)	(323,437)
- interim 2011	-	-	-	-	(64,688)	(64,688)
Dividends to preference shareholders (Note 32)	-	-	-	-	(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>3,026,424</u>	<u>4,626,957</u>
Balance at 1 January 2010						
- As previously stated	291,500	858,500	322,000	127,537	2,062,029	3,661,566
- Effect of adopting FRS 139	-	-	-	-	20,427	20,427
As restated	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>127,537</u>	<u>2,082,456</u>	<u>3,681,993</u>
Fair value of securities available-for-sale						
- change in fair value	-	-	-	11,084	-	11,084
- amount transferred to profit or loss on disposal	-	-	-	(14,535)	-	(14,535)
Income tax expense relating to components of other comprehensive income/(expense)	-	-	-	(28)	-	(28)
Total other comprehensive expense for the year	-	-	-	(3,479)	-	(3,479)
Profit for the year	-	-	-	-	682,926	682,926
Total comprehensive income for the year	-	-	-	(3,479)	682,926	679,447
Dividends paid on ordinary shares (Note 32) in respect of:						
- final 2009	-	-	-	-	(43,125)	(43,125)
Dividends to preference shareholders (Note 32)	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2010	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>124,058</u>	<u>2,704,217</u>	<u>4,300,275</u>

The notes on pages 28 to 143 form an integral part of these financial statements.

**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Note	Group		Bank	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Cash flows from operating activities</b>					
Profit before income tax expense and zakat		1,002,769	951,890	978,374	920,274
Adjustments for:					
Net gains from disposal of :					
- securities available-for-sale	25	(22,137)	(14,535)	(19,034)	(14,535)
- property, plant and equipment	25	(3,689)	(166)	(3,689)	(166)
Dividends on securities available-for-sale	25	(787)	(1,308)	(787)	(1,308)
Depreciation of property, plant and equipment	26	36,595	41,996	34,051	39,561
Depreciation of investment properties	26	719	1,062	719	1,062
Amortisation of prepaid lease payments	26	36	36	36	36
Impairment allowance on investment properties		2,205	361	2,205	361
Reversal of impairment allowance on property, plant and equipment		(3,836)	-	(3,836)	-
Impairment allowance on loans, advances and financing	28	129,068	120,901	101,477	110,856
Profit equalisation reserve from Islamic banking income		-	(8,073)	-	-
Provision for commitment and contingencies		-	7,604	-	7,604
Equity compensation benefits	26	8,116	8,426	7,909	8,233
Unrealised losses/(gains) on revaluation of :					
- securities held-for-trading	24	8,874	(13,394)	8,874	(13,394)
- trading derivatives	24	(103,552)	67,588	(103,552)	67,588
- hedging derivatives	24	1,015	164	1,015	164
Operating profit before changes in working capital		1,055,396	1,162,552	1,003,762	1,126,336
<i>(Increase)/Decrease in operating assets and   Increase/(Decrease) in operating liabilities:</i>					
Deposits and placements with banks and other financial institutions		67,048	84,152	90,915	264,170
Securities held-for-trading		30,481	(125,115)	30,481	(125,115)
Loans, advances and financing		(7,166,978)	(3,522,705)	(6,453,519)	(3,138,086)
Other assets		(40,622)	(3,606)	(36,679)	(9,769)
Statutory deposits with Bank Negara Malaysia		(1,321,650)	(36,250)	(1,189,000)	(33,000)
Derivatives assets and liabilities		(18,202)	29,677	(18,194)	30,027
Deposits from customers		5,697,728	1,644,423	4,174,208	2,298,317
Deposits and placements of banks and other financial institutions		2,398,492	191,993	2,589,413	(46,680)
Bills and acceptances payable		70,046	36,961	44,603	45,528
Recourse obligation on loans sold to Cagamas Berhad		(264,377)	(31,575)	(264,377)	(31,575)
Other liabilities		398,367	(16,546)	377,291	(154,626)
<b>Cash generated from/(used in) operations</b>		905,729	(586,039)	348,904	225,527
Income tax and zakat paid		(131,834)	(287,368)	(128,403)	(282,256)
<b>Net cash generated from/(used in) operating   activities</b>		773,895	(873,407)	220,501	(56,729)

**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (continued)**

	<b>Group</b>		<b>Bank</b>	
	2011	2010	2011	2010
<b>Note</b>	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from investing activities</b>				
Proceeds from disposal of securities available-for-sale (net)	9,759,867	8,760,280	6,753,686	6,682,129
Acquisition of securities available-for-sale	(13,347,891)	(8,218,988)	(9,571,372)	(6,023,569)
Increase in investments in subsidiary companies	-	-	-	(60,000)
Acquisition of property, plant and equipment	(30,767)	(25,122)	(29,946)	(21,641)
Proceeds from disposal of investment properties	96	-	96	-
Proceeds from disposal of property, plant and equipment	5,711	566	5,704	797
Dividends received from securities available-for-sale	787	1,308	787	1,308
<b>Net cash (used in)/generated from investing activities</b>	<b>(3,612,197)</b>	<b>518,044</b>	<b>(2,841,045)</b>	<b>579,024</b>
<b>Cash flows from financing activities</b>				
Dividends paid to preference shareholders	(18,040)	(18,040)	(18,040)	(18,040)
Dividends paid to owners of the Bank	(388,125)	(43,125)	(388,125)	(43,125)
Proceeds from subordinated term loan/bonds	-	209,034	-	209,034
<b>Net cash (used in)/generated from financing activities</b>	<b>(406,165)</b>	<b>147,869</b>	<b>(406,165)</b>	<b>147,869</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,244,467)</b>	<b>(207,494)</b>	<b>(3,026,709)</b>	<b>670,164</b>
<b>Cash and cash equivalents at 1 January</b>	<b>11,004,041</b>	<b>11,211,535</b>	<b>10,616,038</b>	<b>9,945,874</b>
<b>Cash and cash equivalents at 31 December</b>	<b>2 7,759,574</b>	<b>11,004,041</b>	<b>7,589,329</b>	<b>10,616,038</b>

The notes on pages 28 to 143 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011

### 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, lease financing 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 2011 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 2011 do not include other entities.

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

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

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

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Basis of preparation of the financial statements

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

The financial statements are presented in Ringgit Malaysia (RM), which is the Bank’s functional currency. All financial information presented in RM 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.

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

	Effective for annual periods	Date of adoption by the Group and Bank
IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	On or after 1 July 2011	1 January 2012
Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement	On or after 1 July 2011	1 January 2012
FRS 124, Related Party Disclosures (revised)	On or after 1 January 2012	1 January 2012
Amendments to FRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	On or after 1 January 2012	1 January 2012
Amendments to FRS 7, Disclosures - Transfers of Financial Assets	On or after 1 January 2012	1 January 2012

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

	Effective for annual periods	Date of adoption by the Group and Bank
Amendments to FRS 112, Deferred Tax - Recovery of Underlying Assets	On or after 1 January 2012	1 January 2012
Amendments to FRS 101, Presentation of Items of Other Comprehensive Income	On or after 1 July 2012	1 January 2013
FRS 10, Consolidated Financial Instruments	On or after 1 January 2013	Not applicable
FRS 11, Joint Arrangements	On or after 1 January 2013	Not applicable
FRS 12, Disclosure of Interests in Other Entities	On or after 1 January 2013	Not applicable
FRS 13, Fair Value Measurement	On or after 1 January 2013	1 January 2013
FRS 119, Employee Benefits (2011)	On or after 1 January 2013	1 January 2013
FRS 127, Separate Financial Statements (2011)	On or after 1 January 2013	1 January 2013
Amendments to FRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	On or after 1 January 2013	1 January 2013
Amendments to FRS 7, Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures	On or after 1 January 2013	1 January 2013
FRS 128, Investment in Associates and Joint Ventures (2011)	On or after 1 January 2013	Not applicable
Amendments to FRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	On or after 1 January 2014	1 January 2014
FRS 9, Financial Instruments (2009)	On or after 1 January 2015	1 January 2015
FRS 9, Financial Instruments (2010)	On or after 1 January 2015	1 January 2015

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

MASB has on 19 November 2011 issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The issuance is made to converge with International Financial Reporting Standards (IFRS) in 2012. The MFRS Framework comprises Standards issued by the International Accounting Standards Board (IASB) that are effective on or after 1 January 2012.

## (i) Impairment of loans, advances and financing

Collective assessment of impairment loss

With effect from 1 January 2012, the Group and the Bank will cease to adopt the transitional provision as allowed by BNM pursuant to the guidelines on Classification and Impairment Provisions for Loans/Financing issued by BNM for the collectively assessed impairment allowance of at least 1.5% of total outstanding loans, advances and financing, net of individually assessed impairment allowance as at the reporting date.

With effect from 1 January 2012, the Group and the Bank will adopt MFRS 139, *Financial Instruments: Recognition and Measurement* on collectively assessed impairment loss. Financial assets that have not been individually assessed are grouped together and collectively assessed for impairment allowance. These financing/loans are grouped according to their credit risk characteristics for purposes of calculating an estimated collective loss.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(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.

During the year, the Group has changed its accounting policy with respect to accounting for business combinations and the change of accounting policy has no impact to the financial statements of the Group.

From 1 January 2011 the Group has applied FRS 3, *Business Combinations (revised)* in accounting for business combinations.

***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.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in income statement.

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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in income statement.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

***Acquisitions on or after 1 January 2011 (continued)***

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

***Acquisitions between 1 January 2006 and 1 January 2011***

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in income statement.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as a part of the cost of the acquisition.

***Acquisitions prior to 1 January 2006***

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities.

(iii) Accounting for 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

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. 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 income statement. 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.

In the previous years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group categorises financial instruments into the following measurement categories:

**Financial assets**

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

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

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

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

As at 31 December 2011, financial assets at fair value through profit or loss of the Group are securities held-for-trading and trading derivatives. There are no financial assets that are specifically designated into this category upon initial recognition. Securities held-for-trading are securities acquired and held with the intention of resale in the short term.



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Financial instruments (continued)

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

**Financial assets (continued)**

(b) *Held-to-maturity investments*

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

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

As at 31 December 2011, 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 income statements using the effective interest method.

(d) *Available-for-sale financial assets*

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Financial instruments (continued)

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

**Financial liabilities**

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

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 require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

(iv) Regular way purchase or sale of financial assets

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Financial instruments (continued)

(v) Hedge accounting

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

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

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

**Fair value hedge**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (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 income statements.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statements in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the 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 income statements.

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

(vi) Derivatives

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (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 all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) any cumulative gain or loss that had been recognised in equity is recognised in the income statements.

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

(viii) Offsetting

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

D. Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The principal annual rates are:-

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

Depreciation methods, useful lives and residual values are 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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

E. Leased assets (continued)

(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 statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

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

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

F. Investment 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 policy Note E of the Group's accounting policies.

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

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

G. Receivables

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

H. Non-current Assets Held for Sale

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

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

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

I. Cash and Cash Equivalents

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

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

J. Impairment of financial assets

(i) Held-to-maturity investments

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

(ii) Available-for-sale securities

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in income statements and is measured as the difference between the asset's carrying amount and the 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.



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

J. Impairment of financial assets (continued)

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

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

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

(iii) Loans, advances and financing

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

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

Individual assessment of impairment loss

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

Collective assessment of impairment loss

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

Impaired loans, advances and financing written off

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Impairment of other assets**

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

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

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

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

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

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

**L. Equity instruments**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 the income statements in the year to which they relate. Once contributions have been paid, the Group has no further payment obligations.

(ii) Employee leave entitlements

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

(iii) Share-based payment transactions

(a) 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

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) 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 the income statements 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 balance sheet 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 the income statement, 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 19(a).

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

N. Provisions

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

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

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

(i) Contingent liabilities

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

O. Revenue and expenses

(i) Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset, interest-bearing securities available-for-sale or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments 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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

O. Revenue and expenses (continued)

(iii) Fees and commission income

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

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

(iv) Dividend income

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

(v) Rental income

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

P. Recourse obligation on loans sold to Cagamas Berhad

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

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

Q. Foreign currency transactions

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

R. Income tax

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

(i) Current tax

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

(ii) Deferred tax

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

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

S. Zakat Contribution

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

T. Earnings per ordinary share

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

U. Significant accounting judgments and estimation

In the preparation of the financial statements in conformity with FRSs, 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.

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

- (i) Fair value estimation for securities held-for-trading (Note 4), securities available-for-sale (Note 5) and derivative assets and liabilities (Note 8). Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives), the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads. Where observable market data are not available, judgement is required in the determination of model inputs, which normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgment is also required in assessing the impairment of securities available-for-sale as the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.
- (ii) For impaired loans, advances and financing which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in determining recoverable amount. In estimating these cash flows, judgements are made about the 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 securities available-for-sale (Note 5) is made when the investment is impaired. Management judgement is required to evaluate the duration and extent of fair value loss for securities available-for-sale in order to determine if 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 2011 (continued)****2 CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	205,948	1,279,485	178,209	1,265,235
Money at call and deposit placements with financial institutions maturing within one month	<u>7,553,626</u>	<u>9,724,556</u>	<u>7,411,120</u>	<u>9,350,803</u>
	<u>7,759,574</u>	<u>11,004,041</u>	<u>7,589,329</u>	<u>10,616,038</u>
i) By geographical distribution				
Malaysia	7,238,927	10,202,861	7,075,238	9,818,875
Singapore	235,014	720,220	234,461	720,097
Other ASEAN	3,925	179	3,776	-
Rest of the world	<u>281,708</u>	<u>80,781</u>	<u>275,854</u>	<u>77,066</u>
	<u>7,759,574</u>	<u>11,004,041</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**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	<u>1,868,584</u>	<u>1,935,632</u>	<u>2,144,699</u>	<u>2,235,614</u>
i) By geographical distribution				
Malaysia	1,044,959	1,112,890	1,321,074	1,412,872
Singapore	357,789	822,742	357,789	822,742
Other ASEAN	52,719	-	52,719	-
Rest of the world	<u>413,117</u>	<u>-</u>	<u>413,117</u>	<u>-</u>
	<u>1,868,584</u>	<u>1,935,632</u>	<u>2,144,699</u>	<u>2,235,614</u>

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



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ii) By residual contractual maturity				
Maturity within one year	1,868,584	1,935,632	1,975,222	2,031,008
One year to five years	-	-	169,477	138,645
Over five years	-	-	-	65,961
	<u>1,868,584</u>	<u>1,935,632</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 2011, the RPSIA placements amounted to RM276 million (2010: RM205 million) for a tenure of more than 1 year at profit rates ranging from 2.08% to 5.03% per annum (2010: 1.87% to 4.31%).

**4 SECURITIES HELD-FOR-TRADING**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>At fair value</u>				
Malaysia Government treasury bills	9,969	-	9,969	-
Malaysia Government securities	133,346	5,008	133,346	5,008
Government Investment Certificate	15,687	31,156	15,687	31,156
Bank Negara Malaysia bills	-	68,912	-	68,912
Private debt securities	296,266	283,051	296,266	283,051
Quoted shares in Malaysia	11,034	117,530	11,034	117,530
	<u>466,302</u>	<u>505,657</u>	<u>466,302</u>	<u>505,657</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****5 SECURITIES AVAILABLE-FOR-SALE**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>At fair value</u>				
Malaysia Government securities	3,054,048	2,262,198	3,054,048	2,262,198
Government Investment Certificate	1,760,443	610,317	743,759	313,188
Bank Negara Malaysia Monetary Notes	646,125	799,976	546,249	544,449
Bank Negara Malaysia Islamic bonds	-	33,255	-	-
Private debt securities	2,377,853	1,555,571	1,944,761	1,232,024
Negotiable instruments of deposit	1,643,050	502,094	1,358,813	352,023
Bankers' acceptances	-	84,330	-	84,330
Quoted shares in Malaysia	11,946	-	11,946	-
Unquoted shares in Malaysia	108,546	106,478	108,546	106,478
Unquoted shares outside Malaysia	-	10,020	-	10,020
Debentures	190	190	190	190
	<u>9,602,201</u>	<u>5,964,429</u>	<u>7,768,312</u>	<u>4,904,900</u>
Impairment allowance:				
- Unquoted shares in Malaysia	-	(109)	-	(109)
- Debentures	(12)	(12)	(12)	(12)
	<u>(12)</u>	<u>(121)</u>	<u>(12)</u>	<u>(121)</u>
	<u>9,602,189</u>	<u>5,964,308</u>	<u>7,768,300</u>	<u>4,904,779</u>

Included in Malaysian Government Securities 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 2010: RM233,000,000).

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Balance at 1 January	121	121	121	121
Reversal of impairment allowance	(109)	-	(109)	-
Balance at 31 December	<u>12</u>	<u>121</u>	<u>12</u>	<u>121</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****6 LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>At amortised cost</u>				
i) By type				
Overdrafts	3,840,440	3,357,978	2,973,679	2,916,414
Term loans/financing:				
- Housing loans/financing	12,472,884	10,166,900	12,310,453	10,020,070
- Syndicated term loans/financing	2,893,114	3,967,231	2,691,712	3,720,418
- Hire purchase receivables	624,920	558,520	72	75
- Lease receivables	294	2,264	294	2,227
- Other term loans	17,197,367	12,607,066	16,276,746	11,981,310
Credit/charge card receivables	413,884	421,253	413,884	421,253
Bills receivable	1,446,312	76,387	1,415,809	64,443
Trust receipts	44,481	54,515	44,481	54,515
Claims on customers under acceptance credits	1,891,209	1,997,296	1,687,484	1,793,827
Block discounting	-	330	-	330
Loans to banks and other financial institutions	179,854	230,767	179,854	230,767
Revolving credit	1,965,861	2,135,768	1,371,973	1,596,582
Staff loans	106,836	113,248	106,836	113,248
Other loans	448,566	642,722	418,956	597,662
	<u>43,526,022</u>	<u>36,332,245</u>	<u>39,892,233</u>	<u>33,513,141</u>
Less: Unearned interest and income	<u>(384,207)</u>	<u>(263,527)</u>	<u>(106)</u>	<u>(161)</u>
Gross loans, advances and financing	<u>43,141,815</u>	<u>36,068,718</u>	<u>39,892,127</u>	<u>33,512,980</u>
Impairment allowance:				
- Individually assessed	(318,091)	(389,872)	(289,280)	(358,784)
- Collectively assessed	(642,695)	(535,727)	(594,382)	(497,773)
Net loans, advances and financing	<u>42,181,029</u>	<u>35,143,119</u>	<u>39,008,465</u>	<u>32,656,423</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****6 LOANS, ADVANCES AND FINANCING (continued)**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ii) By type of customer				
Domestic non-bank financial institutions:				
- Stockbroking companies	2,007	1,801	2,007	1,801
- Others	519,376	945,519	519,376	945,519
Domestic business enterprises:				
- Small medium enterprises	7,098,872	5,651,910	6,519,800	5,260,077
- Others	17,245,616	15,722,735	15,392,580	14,079,971
Individuals	16,769,545	13,570,766	15,968,785	13,114,114
Other domestic entities	646	1,223	646	1,218
Foreign entities	1,505,753	174,764	1,488,933	110,280
	<b>43,141,815</b>	<b>36,068,718</b>	<b>39,892,127</b>	<b>33,512,980</b>
iii) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	37,647	46,866	-	-
- Hire purchase receivables	567,861	506,200	72	75
- Other fixed rate loans/financing	3,546,313	1,885,344	2,253,690	977,974
Variable rate				
- BLR plus	27,022,320	23,113,163	26,849,006	23,040,259
- Cost-plus	4,084,102	4,244,415	2,905,787	3,221,942
- Other variable rates	7,883,572	6,272,730	7,883,572	6,272,730
	<b>43,141,815</b>	<b>36,068,718</b>	<b>39,892,127</b>	<b>33,512,980</b>
iv) By sector				
Agriculture, hunting and related activities	2,228,595	2,253,919	1,864,465	1,792,066
Mining and quarrying	741,082	570,977	446,485	301,288
Manufacturing	5,420,134	4,838,887	4,575,040	4,207,498
Electricity, gas and water	669,365	816,120	569,048	716,004
Construction	1,301,651	1,062,486	1,202,375	985,527
Real estate	5,956,177	4,350,295	5,705,044	4,269,985
Wholesale & retail trade and restaurants & hotels	4,793,238	4,846,634	4,587,946	4,645,864
Transport, storage and communication	1,660,805	1,216,769	1,479,358	1,064,505
Finance, insurance and business services	1,244,583	1,429,305	1,185,844	1,397,171
Community, social and personal services	643,832	668,459	597,491	639,111
Household, of which:				
- Purchase of residential properties	12,216,455	10,092,467	12,073,571	9,975,853
- Purchase of non-residential properties	1,534,992	1,220,609	1,529,666	1,217,855
- Others	3,116,799	2,359,480	2,461,720	2,020,317
Others	1,614,107	342,311	1,614,074	279,936
	<b>43,141,815</b>	<b>36,068,718</b>	<b>39,892,127</b>	<b>33,512,980</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****6 LOANS, ADVANCES AND FINANCING (continued)**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
v) By geographical distribution				
Malaysia	43,016,216	35,896,212	39,780,819	33,402,226
Singapore	65,943	129,471	65,943	67,719
Other ASEAN	17,920	2,899	3,629	2,899
Rest of the world	41,736	40,136	41,736	40,136
	<u>43,141,815</u>	<u>36,068,718</u>	<u>39,892,127</u>	<u>33,512,980</u>

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

## vi) By residual contractual maturity

Maturity within one year	18,181,143	14,278,181	16,590,319	12,932,098
One year to five years	9,741,422	8,440,264	8,628,264	7,585,082
Over five years	15,219,250	13,350,273	14,673,544	12,995,800
	<u>43,141,815</u>	<u>36,068,718</u>	<u>39,892,127</u>	<u>33,512,980</u>

**7 IMPAIRED LOANS, ADVANCES AND FINANCING**

## a) Movements in impaired loans, advances and financing are as follows:

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Balance at 1 January	1,006,464	1,234,780	961,020	1,181,182
Classified as impaired during the year	678,046	451,038	628,061	404,984
Reclassified as unimpaired	(156,162)	(173,010)	(147,809)	(161,072)
Amount recovered	(294,973)	(359,577)	(281,391)	(340,818)
Amount written off	(128,636)	(143,257)	(102,626)	(119,746)
Effect of foreign exchange difference	396	(3,510)	396	(3,510)
Balance at 31 December	1,105,135	1,006,464	1,057,651	961,020
Less: Individually assessed impairment allowance	<u>(318,091)</u>	<u>(389,872)</u>	<u>(289,280)</u>	<u>(358,784)</u>
Net impaired loans, advances and financing	<u>787,044</u>	<u>616,592</u>	<u>768,371</u>	<u>602,236</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Agriculture, hunting and related activities	9,677	13,224	9,551	12,704
Mining and quarrying	3	-	3	-
Manufacturing	293,113	348,289	271,727	324,273
Electricity, gas and water	-	48	-	48
Construction	264,435	70,443	259,967	66,316
Real estate	38,133	49,954	38,133	49,947
Wholesale & retail trade and restaurants & hotels	142,616	144,883	137,661	141,425
Transport, storage and communication	25,004	23,697	24,651	23,189
Finance, insurance and business services	24,984	21,685	23,343	20,698
Community, social and personal services	5,843	3,391	4,810	3,242
Household, of which:				
- Purchase of residential properties	218,112	229,864	216,025	226,552
- Purchase of non-residential properties	18,778	18,488	18,778	18,488
- Others	60,978	76,209	49,543	67,849
Others	3,459	6,289	3,459	6,289
	<b>1,105,135</b>	<b>1,006,464</b>	<b>1,057,651</b>	<b>961,020</b>

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Malaysia	<b>1,105,135</b>	<b>1,006,464</b>	<b>1,057,651</b>	<b>961,020</b>

iii) Included in impaired loans, advances and financing of the Group and the Bank are impaired loans, advances and financing of RM55,409,000 (31 December 2010: RM62,262,000) and RM53,986,000 (31 December 2010: RM62,839,000) respectively, without impairment allowances as the individual loan, advance and financing's recoverable amount exceeded the carrying amount.

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Over 270 days	587,506	722,473	567,166	695,471
Over 180 days to 270 days	44,703	74,000	42,357	71,891
Over 90 days to 180 days	84,609	82,256	73,209	73,783
Less than 90 days	388,317	127,735	374,919	119,875
	<b>1,105,135</b>	<b>1,006,464</b>	<b>1,057,651</b>	<b>961,020</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property	658,575	755,256	656,017	752,013
Fixed deposits	1,806	484	1,394	484
Stock and shares	216,784	5,522	216,784	5,522
Motor Vehicles	-	-	-	-
Secured - others	121,739	113,973	94,175	86,277
Unsecured - corporate and other guarantee	41,751	73,213	39,094	70,113
Unsecured - clean	64,480	58,016	50,187	46,611
	<b>1,105,135</b>	<b>1,006,464</b>	<b>1,057,651</b>	<b>961,020</b>

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>Individually assessed impairment allowance</u>				
Balance at 1 January	389,872	457,392	358,784	418,140
Effect of adopting FRS 139	-	(27,236)	-	(27,236)
Balance at 1 January, restated	389,872	430,156	358,784	390,904
Allowance made during the year	180,375	253,728	142,795	214,814
Amount written back	(118,136)	(136,342)	(104,335)	(112,991)
Amount written off	(128,636)	(143,257)	(102,626)	(119,746)
Interest recognised	(6,013)	(12,611)	(5,967)	(12,395)
Effect of foreign exchange difference	629	(1,802)	629	(1,802)
Balance at 31 December	<b>318,091</b>	<b>389,872</b>	<b>289,280</b>	<b>358,784</b>
<u>Collectively assessed impairment allowance</u>				
Balance at 1 January	535,727	489,927	497,773	451,197
Allowance made during the year	106,968	45,800	96,609	46,576
Balance at 31 December	<b>642,695</b>	<b>535,727</b>	<b>594,382</b>	<b>497,773</b>
As % of gross loans, advances and financing less individually assessed for impairment loss	<b>1.50%</b>	<b>1.50%</b>	<b>1.50%</b>	<b>1.50%</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	Cumulative impairment allowance		Impairment allowance charged to income statements		Impairment allowance written off	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Group</b>						
Agriculture, hunting and related activities	604	1,040	418	282	758	36
Manufacturing	93,598	139,451	27,467	54,637	47,247	37,856
Electricity, gas and water	-	48	-	-	48	-
Construction	30,517	48,912	12,182	40,011	3,390	6,360
Real estate	4,498	7,760	457	1,874	2,935	4,107
Wholesale & retail trade and restaurants & hotels	52,663	55,721	20,705	28,401	13,137	27,677
Transport, storage and communication	8,706	9,034	788	8,129	741	700
Finance, insurance and business services	2,486	3,650	1,357	1,557	1,251	774
Community, social and personal services	2,335	944	1,054	539	116	361
Household, of which:						
- Purchase of residential properties	75,269	76,710	39,482	36,183	14,101	11,325
- Purchase of non-residential properties	5,326	5,383	1,589	2,856	1,111	612
- Others	39,443	31,885	74,811	72,973	43,568	48,990
Others	2,646	9,334	65	6,286	233	4,459
	<b>318,091</b>	<b>389,872</b>	<b>180,375</b>	<b>253,728</b>	<b>128,636</b>	<b>143,257</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

i) Individually assessed impairment allowance by sector is as follows (continued):

	Cumulative impairment allowance		Impairment allowance charged to income statements		Impairment allowance written off	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Bank</b>						
Agriculture, hunting and related activities	478	839	366	208	707	36
Manufacturing	80,640	121,024	23,076	47,292	39,847	34,653
Electricity, gas and water	-	48	-	-	48	-
Construction	29,153	47,437	10,938	39,144	2,442	3,769
Real estate	4,498	7,752	456	1,873	2,935	4,022
Wholesale & retail trade and restaurant & hotels	51,832	55,071	20,353	27,838	13,089	25,571
Transport, storage and communication	8,593	8,527	723	8,128	437	700
Finance, insurance and business services	2,017	3,332	1,200	1,240	1,251	774
Community, social and personal services	1,695	876	196	485	116	184
Household, of which:						
- Purchase of residential properties	74,564	75,782	38,866	35,877	13,628	11,164
- Purchase of non-residential properties	5,326	5,383	1,589	2,833	1,111	585
- Others	27,838	23,526	44,967	48,402	26,781	33,836
Others	2,646	9,187	65	1,494	234	4,452
	<b>289,280</b>	<b>358,784</b>	<b>142,795</b>	<b>214,814</b>	<b>102,626</b>	<b>119,746</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Agriculture, hunting and related activities	33,667	34,040	28,207	27,116
Mining and quarrying	11,116	-	6,697	-
Manufacturing	79,898	70,492	67,416	61,297
Electricity, gas and water	10,041	12,241	8,536	10,739
Construction	19,067	15,204	17,598	14,071
Real estate	89,275	65,138	85,508	63,933
Wholesale & retail trade and restaurants & hotels	71,109	71,864	68,042	68,862
Transport, storage and communication	24,780	18,116	22,061	15,840
Finance, insurance and business services	18,631	21,385	17,757	20,908
Community, social and personal services	9,632	10,013	8,938	9,574
Household, of which:				
- Purchase of residential properties	182,098	150,236	179,965	148,501
- Purchase of non-residential properties	22,956	18,228	22,877	18,187
- Others	46,312	34,914	36,653	29,952
Others	24,113	13,856	24,127	8,793
	<b>642,695</b>	<b>535,727</b>	<b>594,382</b>	<b>497,773</b>

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>Inividually assessed</u>				
Malaysia	318,091	389,872	289,280	358,784
<u>Collectively assessed</u>				
Malaysia	640,834	533,140	592,735	496,112
Singapore	989	1,942	989	1,016
Other ASEAN	269	43	55	43
Rest of the world	603	602	603	602
	<b>642,695</b>	<b>535,727</b>	<b>594,382</b>	<b>497,773</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****8 DERIVATIVE ASSETS AND LIABILITIES**

	2011			2010		
	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
<b>Group</b>						
<b>Trading:</b>						
Foreign exchange derivatives						
- forward	4,843,690	52,688	13,519	3,642,172	19,973	36,409
- swaps	19,851,860	239,522	179,658	17,708,541	258,152	258,696
- options	1,935,305	22,126	5,957	1,315,447	13,115	13,813
- others	39,469	6,725	6,725	17,262	2,648	2,648
Interest rate derivatives						
- swaps	30,257,100	185,580	167,195	25,727,144	184,855	137,629
- options	2,181,473	1,438	17,873	1,490,742	2,380	10,765
- swaptions	450,000	4,560	2,562	200,000	-	1,009
- others	304,781	4,496	5,313	27,770	2,710	-
Equity and other derivatives						
- swaps	71,340	512	512	71,780	779	779
- exchange traded futures	11,009	1	100	21,170	1	62
- options	1,195,090	67,934	67,004	555,421	688	21,272
- commodity futures	45,621	2,502	2,502	1,887	7	-
- warrants	42,542	2,487	2,913	-	-	-
- credit linked notes	455,000	10,734	5,492	-	-	-
	<u>61,684,280</u>	<u>601,305</u>	<u>477,325</u>	<u>50,779,336</u>	<u>485,308</u>	<u>483,082</u>
<b>Hedging:</b>						
Interest rate derivatives						
- swaps	1,325,928	15,964	12,312	1,370,653	14,464	2,095
	<u>63,010,208</u>	<u>617,269</u>	<u>489,637</u>	<u>52,149,989</u>	<u>499,772</u>	<u>485,177</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****8 DERIVATIVE ASSETS AND LIABILITIES (continued)**

	2011			2010		
	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
<b>Bank</b>						
<b>Trading:</b>						
Foreign exchange derivatives						
- forward	4,334,877	40,670	13,518	3,484,689	19,702	30,637
- swaps	19,851,801	251,522	179,658	17,595,139	252,639	258,696
- options	1,846,942	20,896	4,730	1,228,189	11,259	11,957
- others	39,469	6,725	6,725	17,262	2,648	2,648
Interest rate derivatives						
- swaps	30,257,100	185,580	167,195	25,727,144	184,855	137,629
- options	2,181,473	1,438	17,873	1,490,742	2,380	10,765
- swaptions	450,000	4,560	2,562	200,000	-	1,009
- others	304,781	4,496	5,313	27,770	2,710	-
Equity and other derivatives						
- swaps	71,340	512	512	71,780	779	779
- exchange traded futures	11,009	1	100	21,170	1	62
- options	1,195,090	67,934	67,004	555,421	688	21,272
- commodity futures	45,621	2,502	2,502	1,887	7	-
- warrants	42,542	2,487	2,913	-	-	-
- credit linked notes	455,000	10,734	5,492	-	-	-
	<u>61,087,045</u>	<u>600,057</u>	<u>476,097</u>	<u>50,421,193</u>	<u>477,668</u>	<u>475,454</u>
<b>Hedging:</b>						
Interest rate derivatives						
- swaps	1,325,928	15,964	12,312	1,370,653	14,464	2,095
	<u>62,412,973</u>	<u>616,021</u>	<u>488,409</u>	<u>51,791,846</u>	<u>492,132</u>	<u>477,549</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****9 OTHER ASSETS**

	<b>Group</b>		<b>Bank</b>	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Interest receivable	114,827	83,944	102,770	76,869
Unquoted Islamic Subordinated Bonds of subsidiary	-	-	200,000	200,000
Other receivables, deposits and prepayments	129,608	119,869	128,939	118,161
	<u>244,435</u>	<u>203,813</u>	<u>431,709</u>	<u>395,030</u>

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

In 2010, 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 "Statutory Reserve Requirement" and BNM's subsequent letter dated 10 July 2009 in regards to "Regulatory Treatment related to the Statutory Reserve Requirement (SRR) Incentive for Principal Dealers and Islamic Principal Dealers". The nominal value of securities utilised as at 31 December 2010 was RM233,000,000. The incentive granted to the Bank ceased on 31 December 2011.

**11 INVESTMENTS IN SUBSIDIARY COMPANIES**

	<b>Bank</b>	
	2011	2010
	RM'000	RM'000
Unquoted shares at cost in Malaysia	256,617	256,617
Less : Impairment loss	(6)	(6)
	<u>256,611</u>	<u>256,611</u>

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

Name	Principal activities	Percentage of equity held	
		2011	2010
		%	%
OCBC Al-Amin Bank Berhad	Islamic banking	100	100
OCBC Credit Berhad	Licensed credit company	100	100
Malaysia Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
Malaysia Nominees (Asing) Sdn Bhd	Nominee services	100	100

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT**

2011	Balance at 1 January	Additions	Disposal/ Written off	Reclassification	Reclassified from investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
<u>Cost</u>						
Freehold land and buildings	185,949	-	-	(56,293)	6	129,662
Leasehold land:						
- 50 years or more	3,745	-	-	-	-	3,745
Buildings on leasehold land:						
- less than 50 years	3,607	-	-	-	-	3,607
- 50 years or more	7,076	-	-	(58)	-	7,018
Office equipment and furniture	77,814	1,223	(20,058)	45,676	15	104,670
Computer equipment	192,617	11,893	(21,155)	2,293	-	185,648
Motor vehicles	2,310	-	(1,019)	89	-	1,380
Renovation	32,993	5,947	(19)	9,349	3,528	51,798
Work in progress	2,828	11,569	(866)	-	-	13,531
<i>Assets under lease:</i>						
Computer/office equipment and furniture	2,318	135	-	(627)	-	1,826
	<u>511,257</u>	<u>30,767</u>	<u>(43,117)</u>	<u>429</u>	<u>3,549</u>	<u>502,885</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

2011	Balance at 1 January	Additions	Disposal/ Written off	Reclassification	Reclassified from investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
<u>Accumulated depreciation</u>						
Freehold land and buildings	51,480	2,408	-	(27,814)	-	26,074
Leasehold land:						
- 50 years or more	313	16	-	8	-	337
Buildings on leasehold land:						
- less than 50 years	1,132	94	-	(14)	-	1,212
- 50 years or more	1,885	152	-	(65)	-	1,972
Office equipment and furniture	55,376	8,122	(18,965)	22,403	3	66,939
Computer equipment	151,463	18,045	(21,143)	2,207	-	150,572
Motor vehicles	1,983	156	(901)	89	-	1,327
Renovation	25,779	7,563	(10)	4,218	2,274	39,824
Work in progress	-	-	-	-	-	-
<u>Assets under lease:</u>						
Computer/office equipment and furniture	1,900	39	-	(603)	-	1,336
	<u>291,311</u>	<u>36,595</u>	<u>(41,019)</u>	<u>429</u>	<u>2,277</u>	<u>289,593</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

2011	Balance at 1 January RM'000	Additions/ (Reversal) RM'000	Disposal/ Written off RM'000	Reclassification RM'000	Reclassified from investment property RM'000	Balance at 31 December RM'000
<b>Group</b>						
<u>Impairment allowance</u>						
Freehold land and buildings	4,172	(2,205)	-	-	-	1,967
Leasehold land:						
- 50 years or more	1,607	(1,557)	-	-	-	50
Buildings on leasehold land:						
- less than 50 years	1,085	-	-	-	-	1,085
- 50 years or more	728	1,557	-	-	-	2,285
Office equipment and furniture	1,707	(1,631)	(76)	-	-	-
	<b>9,299</b>	<b>(3,836)</b>	<b>(76)</b>	<b>-</b>	<b>-</b>	<b>5,387</b>
						Balance at 31 December
<u>Carrying amount</u>						
Freehold land and buildings						101,621
Leasehold land:						
- 50 years or more						3,358
Buildings on leasehold land:						
- less than 50 years						1,310
- 50 years or more						2,761
Office equipment and furniture						37,731
Computer equipment						35,076
Motor vehicles						53
Renovation						11,974
Work in progress						13,531
<i>Assets under lease:</i>						
Computer/office equipment and furniture						490
						<b>207,905</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

\* Effect of adoption of the amendments to FRS 117

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

\* Effect of adoption of the amendments to FRS 117

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

2010	As previously stated	FRS 117*	Balance at 1 January as restated	Additions	Disposal/ Written off	Reclassified from investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>							
<u>Impairment allowance</u>							
Freehold land and buildings	4,172	-	4,172	-	-	-	4,172
Leasehold land:							
- 50 years or more	-	1,607	1,607	-	-	-	1,607
Buildings on leasehold land:							
- less than 50 years	1,085	-	1,085	-	-	-	1,085
- 50 years or more	728	-	728	-	-	-	728
Office equipment and furniture	1,707	-	1,707	-	-	-	1,707
	<u>7,692</u>	<u>1,607</u>	<u>9,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,299</u>

Carrying amount

Freehold land and buildings	130,297
Leasehold land:	
- 50 years or more	1,825
Buildings on leasehold land:	
- less than 50 years	1,390
- 50 years or more	4,463
Office equipment and furniture	20,731
Computer equipment	41,154
Motor vehicles	327
Renovation	7,214
Work in progress	2,828
<i>Assets under lease:</i>	
Computer/office equipment and furniture	418
	<u>210,647</u>

\* Effect of adoption of the amendments to FRS 117

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

2011	Balance at 1 January	Additions	Disposal/ Written off	Reclassification	Reclassified from investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>						
<u>Cost</u>						
Freehold land and buildings	185,817	-	-	(56,293)	6	129,530
Leasehold land:						
- 50 years or more	3,745	-	-	-	-	3,745
Buildings on leasehold land:						
- less than 50 years	3,607	-	-	-	-	3,607
- 50 years or more	7,076	-	-	(58)	-	7,018
Office equipment and furniture	74,333	1,184	(20,058)	45,496	15	100,970
Computer equipment	188,309	11,549	(21,144)	2,155	-	180,869
Motor vehicles	2,221	-	(1,019)	89	-	1,291
Renovation	28,623	5,509	(19)	9,151	3,528	46,792
Work in progress	2,828	11,569	(866)	-	-	13,531
<i>Assets under lease:</i>						
Computer/office equipment and furniture	2,318	135	-	(627)	-	1,826
	<u>498,877</u>	<u>29,946</u>	<u>(43,106)</u>	<u>(87)</u>	<u>3,549</u>	<u>489,179</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

2011	Balance at 1 January	Additions	Disposal/ Written off	Reclassification	Reclassified from investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>						
<u>Accumulated depreciation</u>						
Freehold land and buildings	51,443	2,408	-	(27,814)	-	26,037
Leasehold land:						
- 50 years or more	313	16	-	8	-	337
Buildings on leasehold land:						
- less than 50 years	1,132	94	-	(14)	-	1,212
- 50 years or more	1,885	152	-	(65)	-	1,972
Office equipment and furniture	54,762	7,773	(18,965)	22,223	3	65,796
Computer equipment	149,921	17,070	(21,139)	2,069	-	147,921
Motor vehicles	1,894	156	(901)	89	-	1,238
Renovation	23,503	6,343	(10)	4,020	2,274	36,130
Work in progress	-	-	-	-	-	-
<i>Assets under lease:</i>						
Computer/office equipment and furniture	1,900	39	-	(603)	-	1,336
	<u>286,753</u>	<u>34,051</u>	<u>(41,015)</u>	<u>(87)</u>	<u>2,277</u>	<u>281,979</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

2011	Balance at 1 January	Additions/ (Reversal)	Disposal/ Written off	Reclassification	Reclassified from investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>						
<u>Impairment allowance</u>						
Freehold land and buildings	4,172	(2,205)	-	-	-	1,967
Leasehold land:						
- 50 years or more	1,607	(1,557)	-	-	-	50
Buildings on leasehold land:						
- less than 50 years	1,085	-	-	-	-	1,085
- 50 years or more	728	1,557	-	-	-	2,285
Office equipment and furniture	1,707	(1,631)	(76)	-	-	-
	<u>9,299</u>	<u>(3,836)</u>	<u>(76)</u>	<u>-</u>	<u>-</u>	<u>5,387</u>
						<u>Balance at 31 December</u>
<u>Carrying amount</u>						
Freehold land and buildings						101,526
Leasehold land:						
- 50 years or more						3,358
Buildings on leasehold land:						
- less than 50 years						1,310
- 50 years or more						2,761
Office equipment and furniture						35,174
Computer equipment						32,948
Motor vehicles						53
Renovation						10,662
Work in progress						13,531
<i>Assets under lease:</i>						
Computer/office equipment and furniture						<u>490</u>
						<u>201,813</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

\* Effect of adoption of the amendments to FRS 117

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

2010	As previously stated	FRS 117*	Balance at 1 January as restated	Additions	Disposal/ Written off	Reclassified from investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>							
<u>Accumulated depreciation</u>							
Freehold land and buildings	45,208	-	45,208	8,820	(22)	(2,563)	51,443
Leasehold land:							
- 50 years or more	-	297	297	16	-	-	313
Buildings on leasehold land:							
- less than 50 years	1,038	-	1,038	94	-	-	1,132
- 50 years or more	1,733	-	1,733	152	-	-	1,885
Office equipment and furniture	53,329	-	53,329	3,260	(1,827)	-	54,762
Computer equipment	134,837	-	134,837	19,783	(4,699)	-	149,921
Motor vehicles	1,800	-	1,800	183	(89)	-	1,894
Renovation	16,351	-	16,351	7,196	(44)	-	23,503
Work in progress	-	-	-	-	-	-	-
<u>Assets under lease:</u>							
Computer/office equipment and furniture	1,843	-	1,843	57	-	-	1,900
	<u>256,139</u>	<u>297</u>	<u>256,436</u>	<u>39,561</u>	<u>(6,681)</u>	<u>(2,563)</u>	<u>286,753</u>

\* Effect of adoption of the amendments to FRS 117



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

2010	As previously stated	FRS 117*	Balance at 1 January as restated	Additions	Disposal/ Written off	Reclassified from investment property	Balance at 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>							
<u>Impairment allowance</u>							
Freehold land and buildings	4,172	-	4,172	-	-	-	4,172
Leasehold land:							
- 50 years or more	-	1,607	1,607	-	-	-	1,607
Buildings on leasehold land:							
- less than 50 years	1,085	-	1,085	-	-	-	1,085
- 50 years or more	728	-	728	-	-	-	728
Office equipment and furniture	1,707	-	1,707	-	-	-	1,707
	<u>7,692</u>	<u>1,607</u>	<u>9,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,299</u>
							<u>Balance at 31 December</u>
<u>Carrying amount</u>							
Freehold land and buildings							130,202
Leasehold land:							
- 50 years or more							1,825
Buildings on leasehold land:							
- less than 50 years							1,390
- 50 years or more							4,463
Office equipment and furniture							17,864
Computer equipment							38,388
Motor vehicles							327
Renovation							5,120
Work in progress							2,828
<i>Assets under lease:</i>							
Computer/office equipment and furniture							418
							<u>202,825</u>

\* Effect of adoption of the amendments to FRS 117

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****13 PREPAID LEASE PAYMENTS**

	<b>Group and Bank</b>		
	<u>Leasehold land</u>		Total RM'000
	Unexpired period less than 50 years RM'000	Unexpired period 50 years or more RM'000	
<b>2011</b>			
<u>Cost</u>			
Balance at 1 January/31 December	3,047	-	3,047
<u>Accumulated amortisation</u>			
Balance at 1 January	493	-	493
Amortisation for the year	36	-	36
Balance at 31 December	529	-	529
<u>Impairment allowance</u>			
Balance at 1 January/31 December	1,554	-	1,554
<u>Carrying amounts</u>			
Balance at 31 December	964	-	964
<b>2010</b>			
<u>Cost</u>			
Balance at 1 January	3,047	3,745	6,792
Effect of adopting the amendments made to FRS 117	-	(3,745)	(3,745)
Balance at 1 January restated/31 December	3,047	-	3,047
<u>Accumulated amortisation</u>			
Balance at 1 January	457	297	754
Effect of adopting the amendments made to FRS 117	-	(297)	(297)
Balance at 1 January restated	457	-	457
Amortisation for the year	36	-	36
Balance at 31 December	493	-	493
<u>Impairment allowance</u>			
Balance at 1 January	1,554	1,607	3,161
Effect of adopting the amendments made to FRS 117	-	(1,607)	(1,607)
Balance at 1 January restated/ 31 December	1,554	-	1,554
<u>Carrying amounts</u>			
Balance at 31 December	1,000	-	1,000

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****14 INVESTMENT PROPERTIES**

	<b>Group and Bank</b>	
	2011	2010
	RM'000	RM'000
<u>Cost</u>		
Balance at 1 January	29,634	16,167
Additions	-	-
Transferred (to)/from property, plant and equipment	(3,549)	13,467
Disposal	(109)	-
Balance at 31 December	<u>25,976</u>	<u>29,634</u>
<u>Accumulated depreciation</u>		
Balance at 1 January	6,859	3,234
Additions	719	2,563
Transferred (to)/from property, plant and equipment	(2,277)	1,062
Disposal	(13)	-
Balance at 31 December	<u>5,288</u>	<u>6,859</u>
<u>Impairment allowance</u>		
Balance at 1 January	2,044	1,683
Allowance made during the year	2,205	361
Balance at 31 December	<u>4,249</u>	<u>2,044</u>
<u>Carrying amounts*</u>		
Balance at 31 December	<u>16,439</u>	<u>20,731</u>

\* Included in carrying amounts are freehold land and buildings.

Fair value

At 31 December

<u>95,819</u>	<u>73,925</u>
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The following are recognised in the income statement in respect of investment properties:

	<b>Group and Bank</b>	
	2011	2010
	RM'000	RM'000
Rental income	1,726	1,809
Direct operating expenses:		
- income generating investment properties	(170)	(238)
- non-income generating investment properties	-	(3)
	<u>1,556</u>	<u>1,568</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****15 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	
	2011	2010	2011	2010	2011	2010
<b>Group</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance on securities available-for-sale	165	190	-	-	165	190
Temporary differences arising from leasing business	5,015	4,317	-	-	5,015	4,317
Excess of capital allowance over depreciation	-	-	(13,015)	(14,886)	(13,015)	(14,886)
Collectively assessed impairment allowance on loans, advances and financing	26,753	133,773	-	-	26,753	133,773
Changes in fair value of financial instruments	-	-	(11,686)	(7,103)	(11,686)	(7,103)
Other temporary differences	24,060	21,605	-	-	24,060	21,605
	<u>55,993</u>	<u>159,885</u>	<u>(24,701)</u>	<u>(21,989)</u>	<u>31,292</u>	<u>137,896</u>
	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
<b>Bank</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impairment allowance on securities available-for-sale	165	190	-	-	165	190
Temporary differences arising from leasing business	4,967	4,322	-	-	4,967	4,322
Excess of capital allowance over depreciation	-	-	(12,145)	(13,878)	(12,145)	(13,878)
Collectively assessed impairment allowance on loans, advances and financing	24,152	124,284	-	-	24,152	124,284
Changes in fair value of financial instruments	-	-	(11,215)	(7,070)	(11,215)	(7,070)
Other temporary differences	21,655	19,877	-	-	21,655	19,877
Net tax assets/(liabilities)	<u>50,939</u>	<u>148,673</u>	<u>(23,360)</u>	<u>(20,948)</u>	<u>27,579</u>	<u>127,725</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****15 DEFERRED TAX ASSETS (continued)**

	At 1 January	Recognised in income statements (Note 30)	Recognised in other com- prehensive income	Reversal upon disposal of securities available- for-sale	At 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
<b>2011</b>					
Impairment allowance on securities available-for-sale	190	(25)	-	-	165
Temporary differences arising from leasing business	4,317	698	-	-	5,015
Excess of capital allowance over depreciation	(14,886)	1,871	-	-	(13,015)
Collectively assessed impairment allowance on loans, advances and financing	133,773	(107,020)	-	-	26,753
Changes in fair value of financial instruments	(7,103)	(207)	(4,583)	207	(11,686)
Other temporary differences	21,605	2,455	-	-	24,060
	<u>137,896</u>	<u>(102,228)</u>	<u>(4,583)</u>	<u>207</u>	<u>31,292</u>
<b>2010</b>					
Impairment allowance on securities available-for-sale	190	-	-	-	190
Temporary differences arising from leasing business	3,534	783	-	-	4,317
Excess of capital allowance over depreciation	(14,234)	(652)	-	-	(14,886)
Collectively assessed impairment allowance on loans, advances and financing	122,323	11,450	-	-	133,773
Changes in fair value of financial instruments	(6,952)	29	(151)	(29)	(7,103)
Other temporary differences	10,402	11,203	-	-	21,605
	<u>115,263</u>	<u>22,813</u>	<u>(151)</u>	<u>(29)</u>	<u>137,896</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****15 DEFERRED TAX ASSETS (continued)**

	At 1 January	Recognised in income statements (Note 30)	Recognised in other com- prehensive income	At 31 December
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
<b>2011</b>				
Impairment allowance on securities available-for-sale	190	(25)	-	165
Temporary differences arising from leasing business	4,322	645	-	4,967
Excess of capital allowance over depreciation	(13,878)	1,733	-	(12,145)
Collectively assessed impairment allowance on loans, advances and financing	124,284	(100,132)	-	24,152
Changes in fair value of financial instruments	(7,070)	-	(4,145)	(11,215)
Other temporary differences	19,877	1,778	-	21,655
	<u>127,725</u>	<u>(96,001)</u>	<u>(4,145)</u>	<u>27,579</u>
<b>2010</b>				
Impairment allowance on securities available-for-sale	190	-	-	190
Temporary differences arising from leasing business	3,560	762	-	4,322
Excess of capital allowance over depreciation	(13,457)	(421)	-	(13,878)
Collectively assessed impairment allowance on loans, advances and financing	112,640	11,644	-	124,284
Changes in fair value of financial instruments	(7,042)	-	(28)	(7,070)
Other temporary differences	8,098	11,779	-	19,877
	<u>103,989</u>	<u>23,764</u>	<u>(28)</u>	<u>127,725</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****16 DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
i) By type of deposits				
Demand deposits	7,145,686	6,550,242	5,806,142	5,497,122
Savings deposits	3,146,779	2,866,111	2,818,034	2,534,891
Fixed deposits	32,694,716	25,796,190	30,329,200	24,820,206
Negotiable instruments of deposits	51,875	106,860	38,282	38,839
Short-term money market deposits	4,542,632	6,635,552	4,258,466	6,256,487
Structured investments	1,345,744	1,271,963	1,298,516	1,224,101
Others	7,229	10,015	7,229	10,015
	<u>48,934,661</u>	<u>43,236,933</u>	<u>44,555,869</u>	<u>40,381,661</u>
ii) By type of customers				
Government and statutory bodies	791,048	416,667	6,716	4,663
Business enterprises	22,629,361	22,321,686	19,920,293	20,753,410
Individuals	20,518,986	17,856,169	19,965,945	17,406,410
Foreign entities	1,194,313	10,465	1,182,729	-
Others	3,800,953	2,631,946	3,480,186	2,217,178
	<u>48,934,661</u>	<u>43,236,933</u>	<u>44,555,869</u>	<u>40,381,661</u>
iii) By maturity structure				
Maturity within six months	39,683,557	37,718,345	36,043,782	34,955,112
Six months to one year	7,880,910	4,052,463	7,184,118	4,010,557
One year to three years	823,399	808,786	781,340	800,798
Three years to five years	546,795	657,339	546,629	615,194
	<u>48,934,661</u>	<u>43,236,933</u>	<u>44,555,869</u>	<u>40,381,661</u>

**17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	6,967,557	4,510,560	6,879,515	4,231,597
Other financial institutions	444,323	502,828	444,323	502,828
	<u>7,411,880</u>	<u>5,013,388</u>	<u>7,323,838</u>	<u>4,734,425</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****18 SUBORDINATED TERM LOAN / BONDS**

	<b>Group and Bank</b>	
	2011	2010
	RM'000	RM'000
RM200 million redeemable Islamic subordinated bonds 2006/2021	200,000	200,000
RM400 million redeemable subordinated bonds 2007/2017	405,003	406,027
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM500 million redeemable subordinated bonds 2010/2020	509,669	498,105
	<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, now rated AA1 (upgraded from AA2) by Rating Agency Malaysia Berhad, which previously qualified as Tier 2 capital, have been offset against the Restricted Subordinated Bonds held by the Bank.

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

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



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****18 SUBORDINATED TERM LOAN / BONDS (continued)**

- 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 (upgraded from AA3) 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 by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

**19 OTHER LIABILITIES**

	<b>Group</b>		<b>Bank</b>	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Accruals for personnel costs *	65,724	57,297	65,685	57,265
Equity compensation benefits (a)	13,413	14,524	13,413	14,524
Obligations under finance lease	-	-	384	363
Provision for commitments and contingencies (b)	7,704	7,704	7,704	7,704
Interest payable	259,230	185,048	242,023	177,667
Other accruals and charges	532,680	207,756	496,096	182,643
	<b>878,751</b>	<b>472,329</b>	<b>825,305</b>	<b>440,166</b>

\* Includes accrual for salary, bonus, employee benefits and EPF

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**19 OTHER LIABILITIES**

a) Equity compensation benefits

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

Included in equity compensation benefits are:

(i) OCBC Deferred Share Plan

The 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.

There are 2 different types of deferred share awards:

- (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.

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 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****19 OTHER LIABILITIES (continued)**a) Equity compensation benefits (continued)

## (ii) OCBC Share Option Scheme 2001 (continued)

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

	2011		2010	
	Number of share options	Weighted average acquisition price (\$)	Number of share options	Weighted average acquisition price (\$)
At 1 January	4,011,989	5.765	6,339,449	5.596
Granted	141,982	9.350	196,700	8.762
Exercised	(518,591)	5.607	(2,428,661)	5.563
Forfeited/Lapsed	(7,002)	7.386	(95,499)	5.880
At 31 December	3,628,378	5.925	4,011,989	5.765
Exercisable options at 31 December	3,285,647	5.711	3,555,102	5.618
Weighted average share price for options exercised (\$)		9.311		9.111

Details of the options outstanding as at 31 December 2011 and 31 December 2010 are as follows:

Grant year	Grant date	Exercise period	Acquisition price (\$)	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	16/03/2011 to 14/03/2020	9.350	141,982	-
				3,628,378	3,285,647

  

Grant year	Grant date	Exercise period	Acquisition price (\$)	2010	
				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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****19 OTHER LIABILITIES (continued)****a) Equity compensation benefits (continued)****(ii) OCBC Share Option Scheme 2001 (continued)**

The fair value of share options granted during the financial year ended 31 December 2011 determined using the binomial valuation model was S\$229,883 (2010:S\$433,812). Significant inputs to the valuation model are set out below:

	2011	2010
Acquisition price (S\$)	9.35	8.76
Average share price from grant date to acceptance date (S\$)	9.40	8.85
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	18.26	28.10
Risk-free rate based on SGD bond yield at acceptance date (%)	1.11 and 2.45	0.92 and 2.79
Expected dividend yield (%)	3.09	3.16
Exercise multiple (times)	1.57	1.57
Option life (years)	5 and 10	5 and 10

**(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:

	2011		2010	
	Number of acquisition rights	Weighted average acquisition price S\$	Number of acquisition rights	Weighted average acquisition price S\$
At 1 January	1,222,195	7.762	1,154,426	7.217
Acquisition	813,506	9.210	687,337	8.750
Forfeited/Lapsed	(147,821)	7.778	(171,920)	7.773
Exercised	(581,289)	6.442	(447,648)	7.871
At 31 December	1,306,591	9.249	1,222,195	7.767
Weighted average share price for rights exercised (S\$)		9.523		8.963

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****19 OTHER LIABILITIES (continued)**a) Equity compensation benefits (continued)

## (iii) OCBC Employee Share Purchase Plan (continued)

The fair value of rights, determined using the binomial valuation model was S\$605,248 (2010:S\$603,207). Significant inputs to the valuation model are set out below:

	2011	2010
Acquisition price (S\$)	9.21	8.75
Average share price (S\$)	9.03	8.32
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	16.70	22.31
Risk-free rate based on 2-year swap rate (%)	0.68	1.16
Expected dividend yield (%)	2.57	2.69

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

	<b>Group and Bank</b>	
	2011	2010
	RM'000	RM'000
Balance at 1 January	7,704	100
Amount provided for during the year	-	7,604
Balance at 31 December	<u>7,704</u>	<u>7,704</u>

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

**20 SHARE CAPITAL**

	<b>Group and Bank</b>	
	2011	2010
	RM'000	RM'000
<u>Authorised</u>		
Ordinary shares of RM1 each	1,000,000	1,000,000
Non-cumulative, Non-convertible perpetual preference shares of RM1 each	5,000	5,000
	<u>1,005,000</u>	<u>1,005,000</u>
<u>Issued and fully paid</u>		
287,500,000 Ordinary shares of RM1 each	287,500	287,500
4,000,000 Non-cumulative, Non-convertible perpetual preference shares of RM1 each	4,000	4,000
	<u>291,500</u>	<u>291,500</u>

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)

### 20 SHARE CAPITAL (continued)

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

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

### 21 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 under the Revised BNM/GP8 and its corresponding effect on deferred tax. The reserve is non-distributable and cumulative fair value adjustments will be reversed to the income statements upon disposal of the assets.

The Bank has tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of dividends, amounting to RM1,214,969,000, of its retained earnings as at 31 December 2011. 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 2011 (continued)****22 NET INTEREST INCOME**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Interest income</b>				
Loans, advances and financing				
- Other than recoveries from impaired loans, advances and financing	1,876,839	1,582,094	1,876,839	1,582,062
- Recoveries from impaired loans, advances and financing	12,031	43,440	12,031	43,440
- Interest earned from impaired loans, advances and financing	5,967	12,395	5,967	12,395
Money at call and deposit placements with banks and other financial institutions	298,714	246,156	298,714	246,156
Securities held-for-trading	16,153	10,923	16,153	10,923
Securities available-for-sale	216,546	161,705	216,546	161,705
Unquoted Islamic Subordinated Bonds of subsidiary	-	-	12,771	13,202
Others	19,838	34,016	30,729	47,218
	<b>2,446,088</b>	<b>2,090,729</b>	<b>2,469,750</b>	<b>2,117,101</b>
<b>Interest expense</b>				
Deposits from other customers	1,051,084	781,252	1,051,084	781,252
Deposits and placements of banks and other financial institutions	84,872	67,849	84,872	67,849
Loans sold to Cagamas Berhad	12,058	14,025	12,058	14,025
Subordinated term loan/bonds	68,551	71,621	68,551	71,621
Others	16,317	25,233	16,342	25,226
	<b>1,232,882</b>	<b>959,980</b>	<b>1,232,907</b>	<b>959,973</b>
<b>Net interest income</b>	<b>1,213,206</b>	<b>1,130,749</b>	<b>1,236,843</b>	<b>1,157,128</b>
	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Analysed by categories of financial instruments</b>				
Interest income:				
- financial assets at fair value through profit or loss	16,153	10,923	16,153	10,923
- loans and receivables	2,213,389	1,918,101	2,237,051	1,944,473
- financial assets available-for-sale	216,546	161,705	216,546	161,705
	<b>2,446,088</b>	<b>2,090,729</b>	<b>2,469,750</b>	<b>2,117,101</b>
Interest expense:				
- liabilities at amortised cost	<b>1,232,882</b>	<b>959,980</b>	<b>1,232,907</b>	<b>959,973</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****23 NET FEE AND COMMISSION INCOME**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Commission	94,176	82,468	94,176	82,468
Service charges and fees	143,562	128,626	143,562	128,626
Guarantee fees	23,625	17,967	23,625	17,967
Other fee income	10,671	14,332	10,671	14,332
	<b>272,034</b>	<b>243,393</b>	<b>272,034</b>	<b>243,393</b>

**24 NET TRADING INCOME**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gains on foreign exchange	109,953	152,409	109,953	152,409
Losses on hedging derivatives (Note 42)	(1,015)	(164)	(1,015)	(164)
Realised gains on securities held-for-trading	19,323	712	19,323	712
Realised (losses)/gains on trading derivatives	(76,081)	77,690	(76,081)	77,690
Unrealised (losses)/gains on securities held-for-trading	(8,874)	13,394	(8,874)	13,394
Unrealised gains/(losses) on trading derivatives	103,552	(67,588)	103,552	(67,588)
	<b>146,858</b>	<b>176,453</b>	<b>146,858</b>	<b>176,453</b>

**25 OTHER OPERATING INCOME**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gross dividends from securities available-for-sale				
- Malaysia	719	1,245	719	1,245
- Outside Malaysia	68	63	68	63
Gross dividends from securities held-for-trading				
- Malaysia	22,253	1,444	22,253	1,444
Rental of premises	6,708	6,872	6,830	7,005
Rental of safe deposit box	3,526	3,416	3,526	3,416
Realised gains on securities available-for-sale	19,034	14,535	19,034	14,535
Gains from disposal of property, plant and equipment	3,689	209	3,689	209
Shared services income received from subsidiary	-	-	51,277	46,461
Others	273	109	273	109
	<b>56,270</b>	<b>27,893</b>	<b>107,669</b>	<b>74,487</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****26 PERSONNEL AND OPERATING EXPENSES**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Personnel expenses (i)	381,228	313,951	344,348	290,111
Establishment expenses (ii)	94,775	86,555	89,131	81,733
Marketing expenses (iii)	33,282	28,772	31,337	27,924
Administration and general expenses (iv)	236,933	226,353	220,368	212,598
	<u>746,218</u>	<u>655,631</u>	<u>685,184</u>	<u>612,366</u>

The above expenditure includes the following statutory disclosures:

Amortisation of prepaid lease payments	36	36	36	36
Auditors' remuneration				
- statutory audit	361	320	277	250
- other services	237	180	207	155
Depreciation of property, plant and equipment	36,595	41,996	34,051	39,561
Depreciation of investment properties	719	1,062	719	1,062
Directors' remuneration* (Note 27)	5,388	4,435	4,212	3,347
Loss on disposal of property, plant and equipment	-	43	-	43
Rental of premises	12,084	11,680	10,486	10,093
	<u>12,084</u>	<u>11,680</u>	<u>10,486</u>	<u>10,093</u>

\* excluding Benefits-in-kind

**(i) Personnel expenses**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Wages, salaries and bonus	297,125	244,402	267,986	225,378
Defined contribution plan (EPF)	46,311	39,026	41,912	36,083
Equity compensation benefits	8,116	8,426	7,909	8,233
Other personnel costs	29,676	22,097	26,541	20,417
	<u>381,228</u>	<u>313,951</u>	<u>344,348</u>	<u>290,111</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****26 PERSONNEL AND OPERATING EXPENSES (continued)****(ii) Establishment expenses**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Rental of premises	12,084	11,680	10,486	10,093
Rental of equipment	1,936	1,934	1,936	1,934
Depreciation of property, plant and equipment	36,595	41,996	34,051	39,561
Depreciation of investment properties	719	1,062	719	1,062
Amortisation of prepaid lease payments	36	36	36	36
Repair and maintenance	4,999	5,647	4,718	5,498
Others	38,406	24,200	37,185	23,549
	<u>94,775</u>	<u>86,555</u>	<u>89,131</u>	<u>81,733</u>

**(iii) Marketing expenses**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Transport and travelling	6,177	5,673	5,687	5,288
Advertisement and business promotion	25,540	21,698	24,176	21,287
Others	1,565	1,401	1,474	1,349
	<u>33,282</u>	<u>28,772</u>	<u>31,337</u>	<u>27,924</u>

**(iv) Administration and general expenses**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Printing and stationery	7,842	7,282	7,227	6,657
Postage and courier	6,904	5,415	6,453	5,086
Telephone, telex and fax	9,151	8,731	8,976	8,285
Legal and consultancy fees	8,299	6,203	7,785	5,855
Transaction processing fees*	163,440	148,663	148,725	137,141
Other administrative and general expenses	41,297	50,059	41,202	49,574
	<u>236,933</u>	<u>226,353</u>	<u>220,368</u>	<u>212,598</u>

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****27 DIRECTORS' REMUNERATION**

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

<b>Group</b>	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
<b>2011</b>						
<i>Executive Director of the Bank (CEO):</i>						
Chew Sun Teong, Jeffrey	2,356	-	2	377	790	3,525
<i>Executive Director of subsidiary companies:</i>						
Syed Abdull Aziz Jailani Bin Syed Kechik	792	-	5	127	77	1,001
<i>Non Executive Directors:</i>						
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
	<b>3,148</b>	<b>869</b>	<b>38</b>	<b>504</b>	<b>867</b>	<b>5,426</b>
<b>2010</b>						
<i>Executive Director of the Bank (CEO):</i>						
Chew Sun Teong, Jeffrey	1,979	-	4	317	571	2,871
<i>Executive Director of subsidiary companies:</i>						
Syed Abdull Aziz Jailani Bin Syed Kechik	802	-	4	128	42	976
<i>Non Executive Directors:</i>						
Tan Sri Dato' Nasruddin Bin Bahari	-	294	31	-	-	325
Tan Siok Choo	-	106	-	-	-	106
David Wong Cheong Fook	-	113	-	-	-	113
Dr Raja Lope Bin Raja Shahrome	-	69	-	-	-	69
Dato' Lim Eng Soon	-	14	-	-	-	14
	<b>2,781</b>	<b>596</b>	<b>39</b>	<b>445</b>	<b>613</b>	<b>4,474</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****27 DIRECTORS' REMUNERATION (continued)**

<b>Bank</b>	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
2011						
<i>Executive Director (CEO):</i>						
Chew Sun Teong, Jeffrey	2,356	-	2	377	790	3,525
<i>Non-Executive Directors:</i>						
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
	<b>2,356</b>	<b>689</b>	<b>33</b>	<b>377</b>	<b>790</b>	<b>4,245</b>
2010						
<i>Executive Director (CEO):</i>						
Chew Sun Teong, Jeffrey	1,979	-	4	317	571	2,871
<i>Non-Executive Directors:</i>						
Tan Sri Dato' Nasruddin Bin Bahari	-	252	31	-	-	283
Tan Siok Choo	-	82	-	-	-	82
David Wong Cheong Fook	-	89	-	-	-	89
Dr Raja Lope Bin Raja Shahrome	-	57	-	-	-	57
	<b>1,979</b>	<b>480</b>	<b>35</b>	<b>317</b>	<b>571</b>	<b>3,382</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****28 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Impairment allowance on impaired loans, advances and financing:				
i) Individually assessed impairment allowances				
- Made during the year	180,375	253,728	142,795	214,814
- Written back	(118,136)	(136,342)	(104,335)	(112,991)
ii) Collectively assessed impairment allowances				
- Made during the year	106,968	45,800	96,609	46,576
Impaired loans, advances and financing				
- Recovered during the year	(40,203)	(42,675)	(33,641)	(37,791)
Others	64	390	49	248
	<u>129,068</u>	<u>120,901</u>	<u>101,477</u>	<u>110,856</u>

**29 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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****29 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:

<b>Group</b>	<b>Holding Company</b>	<b>Other Related Companies</b>	<b>Key Management</b>
2011	RM'000	RM'000	RM'000
<b>Income:</b>			
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	-
	<b>3,438</b>	<b>34,388</b>	<b>44</b>
<b>Expenditure:</b>			
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	-
	<b>63,080</b>	<b>170,889</b>	<b>1,037</b>
<b>Amount due from:</b>			
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	-
	<b>376,892</b>	<b>106,089</b>	<b>1,083</b>
<b>Amount due to:</b>			
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
	<b>5,489,940</b>	<b>197,434</b>	<b>27,478</b>
<b>Commitments:</b>			
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	-
	<b>7,705,964</b>	<b>445,138</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

<u>Group</u>	<u>Holding Company</u>	<u>Other Related Companies</u>	<u>Key Management</u>
	RM'000	RM'000	RM'000
<b>2010</b>			
<b>Income:</b>			
Interest on deposits and placements with banks and other financial institutions	9,007	-	-
Interest on loans, advances and financing	2	13,686	33
Commission income	-	20,465	-
Other fee income	-	2,423	-
Rental income	-	4,693	-
	<u>9,009</u>	<u>41,267</u>	<u>33</u>
<b>Expenditure:</b>			
Interest on deposits from customers	-	609	944
Interest on deposits and placements of banks and other financial institutions	45,891	1,787	-
Interest on subordinated term loans	12,284	-	-
Rental expenses	-	837	-
Transaction processing fees	-	148,663	-
	<u>58,175</u>	<u>151,896</u>	<u>944</u>
<b>Amount due from:</b>			
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
	<u>613,264</u>	<u>89,610</u>	<u>315</u>
<b>Amount due to:</b>			
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
	<u>2,324,740</u>	<u>109,986</u>	<u>48,068</u>
<b>Commitments:</b>			
Foreign exchange derivatives	324,494	139,517	-
Interest rate derivatives	3,988,606	260,000	-
Transaction related contingent items	158,659	56,513	-
	<u>4,471,759</u>	<u>456,030</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

	Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management RM'000
<b>Bank</b>				
2011				
<b>Income:</b>				
Interest on deposits and placements with banks and other financial institutions	3,438	7,961	-	-
Interest on securities 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	-
	<u>3,438</u>	<u>75,008</u>	<u>31,850</u>	<u>5</u>
<b>Expenditure:</b>				
Interest on deposits from customers	-	1	215	807
Interest on deposits and placements of banks and other financial institutions	62,912	-	-	136
Interest on subordinated term loans	-	-	-	-
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>
<b>Amount due from:</b>				
Cash and cash equivalents	38,560	242,494	4,559	-
Deposits and placements with banks and other financial institutions	337,221	236,115	-	-
Securities available-for-sale	-	54,952	-	-
Interest/profit receivable	431	1,258	-	-
Islamic Subordinated Bonds (Note 9)	-	200,000	-	-
Loans, advances and financing	-	40,000	99,652	231
Others	-	4,921	1,847	-
	<u>376,212</u>	<u>779,740</u>	<u>106,058</u>	<u>231</u>
<b>Amount due to:</b>				
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>
<b>Commitments:</b>				
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 2011 (continued)****29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

	Holding Company	Subsidiary Companies	Other Related Companies	Key Management
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
2010				
<b>Income:</b>				
Interest on deposits and placements with banks and other financial institutions	9,007	12,438	-	-
Interest on securities available-for-sale	-	766	-	-
Commission income	-	-	20,465	-
Interest on loans, advances and financing	-	2,302	13,686	1
Interest on Islamic subordinated bonds	-	10,900	-	-
Other fee income	-	46,461	182	-
Rental income	-	133	4,693	-
	<u>9,007</u>	<u>73,000</u>	<u>39,026</u>	<u>1</u>
<b>Expenditure:</b>				
Interest on deposits from customers	-	1	231	885
Interest on deposits and placements of banks and other financial institutions	45,853	-	1,787	-
Interest on subordinated term loans	12,284	-	-	-
Shared services fee paid/payable	-	1,297	-	-
Rental expenses	-	-	837	-
Other expenses	63	7	2,023	-
Transaction processing fees	-	-	137,141	-
	<u>58,200</u>	<u>1,305</u>	<u>142,019</u>	<u>885</u>
<b>Amount due from:</b>				
Cash and cash equivalents	128,694	66,277	7	-
Deposits and placements with banks and other financial institutions	483,240	414,606	-	-
Securities available-for-sale	-	52,789	-	-
Interest/profit receivable	1,048	2,005	-	-
Islamic Subordinated Bonds (Note 9)	-	200,000	-	-
Loans, advances and financing	-	40,000	89,582	91
Others	-	3,981	-	-
	<u>612,982</u>	<u>779,658</u>	<u>89,589</u>	<u>91</u>
<b>Amount due to:</b>				
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	-	-	-
	<u>2,300,564</u>	<u>44,670</u>	<u>100,508</u>	<u>44,867</u>
<b>Commitments:</b>				
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	-
	<u>4,471,759</u>	<u>135,809</u>	<u>453,038</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

## 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”:

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Aggregate value of outstanding credit exposure with connected parties <sup>^</sup> :				
Credit facility and leasing (except guarantee)	308,143	347,814	307,532	347,071
Commitments and contingencies exposures*	<u>1,258,927</u>	<u>1,218,297</u>	<u>1,786,858</u>	<u>1,701,950</u>
Total exposures	<u>1,567,070</u>	<u>1,566,111</u>	<u>2,094,390</u>	<u>2,049,021</u>
Percentage of outstanding credit exposures to connected parties				
- as a proportion of total credit exposures	2.87%	3.71%	4.13%	5.17%
- which is non-performing or in default	0.00%	0.00%	0.00%	0.00%

<sup>^</sup> Comprises total outstanding balance and unutilised limit.

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

## iii) Key management personnel compensation

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short-term employee benefits	15,956	13,642	12,740	11,049
Other long-term benefits	3	-	3	-
Share-based benefits	<u>2,149</u>	<u>2,190</u>	<u>2,004</u>	<u>2,078</u>
	<u>18,108</u>	<u>15,832</u>	<u>14,747</u>	<u>13,127</u>

Key management personnel comprises persons having authority and responsibility for planning, directing and controlling the activities of the Bank, either directly or indirectly, including Directors of the Bank. Included in the above is Directors' remuneration which is disclosed in Note 27.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****30 INCOME TAX EXPENSE**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Malaysian income tax:				
- current period	274,817	254,567	270,584	248,009
- (over)/under provision in prior years	(123,141)	13,673	(116,583)	13,103
	151,676	268,240	154,001	261,112
Deferred tax:				
- relating to origination and reversal of temporary differences	(27,759)	(11,385)	(28,605)	(13,215)
- under/(over) provision in prior years	129,987	(11,428)	124,606	(10,549)
	102,228	(22,813)	96,001	(23,764)
	<u>253,904</u>	<u>245,427</u>	<u>250,002</u>	<u>237,348</u>

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

	<b>Group</b>		<b>Bank</b>	
	2011 %	2010 %	2011 %	2010 %
Malaysian tax rate of 25%	25.0	25.0	25.0	25.0
Tax effects of:				
Expenses not deductible for tax purposes	0.4	0.8	0.4	0.6
Income not subject to tax	(0.8)	-	(0.6)	-
Under/(Over) provision in prior years:				
- income tax	(12.3)	0.3	(11.9)	1.4
- deferred tax	13.0	(0.2)	12.7	(1.1)
Average effective tax rate	<u>25.3</u>	<u>25.9</u>	<u>25.6</u>	<u>25.9</u>

The computation of deferred tax assets and deferred tax liabilities is based on a tax rate of 25%.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****31 BASIC EARNINGS PER ORDINARY SHARE**

The 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 RM730,805,000 and RM710,332,000 respectively (2010: RM688,408,000 and RM664,886,000) and on 287,500,000 (2010: 287,500,000) ordinary shares of RM1.00 each in issue during the financial year.

**32 DIVIDENDS**

	<b>Sen per share (net of tax)</b>	<b>Total amount RM'000</b>	<b>Date of payment</b>
<b>2011</b>			
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	64,688	7 October 2011
Total amount		<u>406,165</u>	
<b>2010</b>			
Final 2009 ordinary	15.0	43,125	28 April 2010
Final 2010 preference	451.0	18,040	16 March 2010 and 20 September 2010
Total amount		<u>61,165</u>	

A final gross dividend of 150.0 sen per ordinary share less tax at 25% amounting to RM323.44 million on the fully issued and paid up ordinary shares of the Bank in respect of the financial year ended 31 December 2011 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect these proposed dividends. Such dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2012 when approved by the shareholders.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****33 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 19), no material losses are anticipated as a result of these transactions.

	2011				2010			
	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<b>Group</b>								
Direct credit substitutes	805,801		805,801	766,688	225,280		225,280	192,329
Transaction-related contingent items	1,633,406		816,703	793,910	2,035,213		1,017,607	1,089,435
Short-term self-liquidating trade-related contingencies	442,553		88,511	60,075	451,331		90,267	58,317
Commitments with certain drawdowns	45,000		45,000	41,831	-		-	-
Obligations under underwriting agreement	5,000		2,500	2,500	8,000		4,000	4,000
Foreign exchange related contracts								
- less than one year	22,077,986	206,684	442,706	135,860	17,204,174	184,115	459,224	119,782
- one year to less than five years	2,873,262	44,192	313,613	174,182	1,991,282	41,861	215,289	114,290
- five years and above	1,437,339	63,171	323,649	271,847	783,419	53,330	194,938	181,992
Interest rate contracts								
- less than one year	12,543,838	55,868	75,568	29,862	7,295,035	21,320	32,254	5,583
- one year to less than five years	18,074,636	171,110	505,009	245,661	18,790,778	184,020	544,515	215,007
- five years and above	1,862,870	32,986	151,572	115,492	999,923	20,181	88,621	37,568
Equity and commodity related contracts	458,949	184,700	199,608	153,690	242,352	-	14,958	1,289
Formal standby facilities and credit lines:								
- maturity not exceeding one year	22,885		22,885	8,413	7,950		1,590	1,192
- maturity exceeding one year	2,922,095		2,920,671	482,119	1,481,016		1,069,626	1,183,964
Other unconditionally cancellable commitments	12,718,535		1,800,676	375,119	12,980,333		467,906	134,373
<b>Total</b>	<b>77,924,155</b>	<b>758,711</b>	<b>8,514,472</b>	<b>3,657,249</b>	<b>64,496,086</b>	<b>504,827</b>	<b>4,426,075</b>	<b>3,339,121</b>

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****33 COMMITMENTS AND CONTINGENCIES (continued)**

	2011				2010			
	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<b>Bank</b>								
Direct credit substitutes	805,801		805,801	766,688	220,927		220,927	187,989
Transaction-related contingent items	1,533,234		766,617	755,250	1,953,925		976,963	1,058,865
Short-term self-liquidating trade-related contingencies	413,308		82,662	56,812	422,113		84,423	52,088
Commitments with certain drawdowns	15,000		15,000	13,944	-		-	-
Obligations under underwriting agreement	5,000		2,500	2,500	8,000		4,000	4,000
Foreign exchange related contracts								
- less than one year	21,071,907	194,465	419,171	127,568	16,942,929	178,340	449,414	111,171
- one year to less than five years	2,869,456	41,613	310,692	171,260	1,900,151	36,133	203,105	109,276
- five years and above	1,437,339	63,171	323,649	271,847	783,419	53,330	194,938	181,992
Interest rate contracts								
- less than one year	12,543,838	55,868	75,568	29,862	7,295,035	21,320	32,254	5,583
- one year to less than five years	18,074,636	171,110	505,009	245,661	18,790,778	184,020	544,515	215,007
- five years and above	1,862,870	32,986	151,572	115,492	999,923	20,181	88,621	37,568
Equity, credit derivatives and commodity related contracts	458,949	184,700	199,608	153,690	242,352	-	14,958	1,289
Formal standby facilities and credit lines:								
- maturity not exceeding one year	20,991		20,991	7,429	5,740		1,148	861
- maturity exceeding one year	2,894,996		2,893,573	474,759	1,472,644		1,062,657	1,181,587
Other unconditionally cancellable commitments	12,068,424		1,786,982	368,250	12,352,715		467,906	134,373
<b>Total</b>	<b>76,075,749</b>	<b>743,913</b>	<b>8,359,395</b>	<b>3,561,012</b>	<b>63,390,651</b>	<b>493,324</b>	<b>4,345,829</b>	<b>3,281,649</b>

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****34 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:

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Less than one year	12,106	7,656	10,700	6,772
One to five years	12,343	7,804	10,652	7,582
	<u>24,449</u>	<u>15,460</u>	<u>21,352</u>	<u>14,354</u>

**35 CAPITAL COMMITMENTS**

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Capital expenditure in respect of property, plant and equipment				
- authorised and contracted for	24,106	15,470	23,015	14,254
- authorised but not contracted for	164,799	105,440	153,559	87,200
	<u>188,905</u>	<u>120,910</u>	<u>176,574</u>	<u>101,454</u>

**36 MINIMUM LEASE RENTAL RECEIVABLE**

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Less than one year	12,106	7,656	10,700	6,772
One to five years	12,343	7,804	10,652	7,582
	<u>24,449</u>	<u>15,460</u>	<u>21,352</u>	<u>14,354</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**Credit Risk Management**

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet their contractual obligations. Such risk arises from lending, underwriting, trading, investment and other activities undertaken by the 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.

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, advance 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 analyses.



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk Management (continued)**

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

**Asset Liability Management**

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

*Structural Interest Rate Risk*

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

*Liquidity Risk*

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations as well as to undertake new transactions. The Group’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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Operational Risk Management (continued)**

**Operational Risk Management Oversight and Organisation**

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

The Operational Risk Management (“ORM”) department of 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.

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

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

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

To mitigate the impact of unforeseen operational risk events, the Group has business continuity management and crisis management programmes to ensure the uninterrupted availability of all business resources to support essential business activities. On an annual basis, senior management provides an attestation to the Board of Directors 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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Operational Risk Management Approach (continued)**

*Reputation Risk Management*

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

*Fiduciary Risk Management*

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

*Regulatory and Legal Risks*

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

**Shariah Governance**

The Group has drawn up the Shariah Governance Framework ("SGF") which is designed to meet the following purpose:

- sets out Shariah governance structures, policies and processes to ensure that all its operations and business activities are in accordance with Shariah;
- 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
- 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.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)

## 38 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.

Group	Non Trading Book					Non- interest/profit sensitive	Trading Book	Effective interest/profit rate %	
	Up to 3 months	>3-12 months	>1-3 years	>3-5 years	Over 5 years				Total RM'000
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets</b>									
Cash and cash equivalents	7,636,374	-	-	-	-	123,200	-	7,759,574	2.95
Deposits and placements with banks and other financial institutions	1,078,586	789,998	-	-	-	-	-	1,868,584	2.95
Securities held-for-trading	-	-	-	-	-	-	466,302	466,302	5.61
Securities available-for-sale	1,657,053	958,529	2,403,088	2,744,234	1,714,435	124,850	-	9,602,189	3.75
Loans, advances and financing									
- unimpaired	37,883,298	449,340	809,826	635,344	574,037	1,042,140	-	41,393,985	5.20
- impaired	-	-	-	-	-	787,044	-	787,044	-
Derivative assets	-	5,013	-	10,951	-	-	601,305	617,269	-
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	-	-	-	-	-	31,292	-	31,292	-
Current tax assets	-	-	-	-	-	3,858	-	3,858	-
<b>Total assets</b>	<b>48,255,311</b>	<b>2,202,880</b>	<b>3,212,914</b>	<b>3,390,529</b>	<b>2,288,472</b>	<b>3,983,119</b>	<b>1,067,607</b>	<b>64,400,832</b>	
<b>Liabilities</b>									
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	7,151,974	1,799	129,082	65,961	-	63,064	-	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 loan/ bonds	-	405,002	-	200,000	909,670	-	-	1,514,672	4.62
Derivative liabilities	-	-	-	5,763	6,549	-	477,325	489,637	-
Other liabilities	-	-	-	-	-	878,751	-	878,751	-
Current tax liabilities and zakat	-	-	-	-	-	53,742	-	53,742	-
<b>Total liabilities</b>	<b>35,841,372</b>	<b>12,887,258</b>	<b>978,181</b>	<b>818,519</b>	<b>916,219</b>	<b>7,782,070</b>	<b>477,325</b>	<b>59,700,944</b>	
On-statements of financial position interest/profit sensitivity gap	12,413,939	(10,684,378)	2,234,733	2,572,010	1,372,253	(3,798,951)	590,282	4,699,888	
Off-statements of financial position interest/profit sensitivity gap	(50,000)	(1,275,928)	400,000	766,045	159,883	-	-	-	
<b>Total interest/profit sensitivity gap</b>	<b>12,363,939</b>	<b>(11,960,306)</b>	<b>2,634,733</b>	<b>3,338,055</b>	<b>1,532,136</b>	<b>(3,798,951)</b>	<b>590,282</b>	<b>4,699,888</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)

## 38 INTEREST/PROFIT RATE RISK (continued)

Group	Non Trading Book						Trading Book	Effective interest/profit	
	Up to 3 months	>3-12 months	>1-3 years	>3-5 years	Over 5 years	Non-interest/profit sensitive		Total	rate
2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>									
Cash and cash equivalents	10,904,040	-	-	-	-	100,001	-	11,004,041	2.70
Deposits and placements with banks and other financial institutions	1,672,590	263,042	-	-	-	-	-	1,935,632	2.70
Securities held-for-trading	-	-	-	-	-	-	505,657	505,657	3.13
Securities available-for-sale	892,059	555,594	579,646	3,518,392	298,052	120,565	-	5,964,308	4.02
Loans, advances and financing									
- unimpaired	30,861,958	315,227	653,583	669,380	768,378	1,258,001	-	34,526,527	5.42
- impaired	-	-	-	-	-	616,592	-	616,592	-
Derivative assets	-	-	7,968	1,905	4,591	-	485,308	499,772	-
Other assets	-	-	-	-	-	203,813	-	203,813	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	79,342	-	79,342	-
Property, plant and equipment	-	-	-	-	-	210,647	-	210,647	-
Prepaid lease payments	-	-	-	-	-	1,000	-	1,000	-
Investment properties	-	-	-	-	-	20,731	-	20,731	-
Deferred tax assets	-	-	-	-	-	137,896	-	137,896	-
Current tax assets	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>44,330,647</b>	<b>1,133,863</b>	<b>1,241,197</b>	<b>4,189,677</b>	<b>1,071,021</b>	<b>2,748,588</b>	<b>990,965</b>	<b>55,705,958</b>	
<b>Liabilities</b>									
Deposits from customers	29,090,896	7,040,503	808,785	656,572	767	5,639,410	-	43,236,933	2.28
Deposits and placements of banks and other financial institutions	4,671,753	250,348	559	-	-	90,728	-	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 loan/bonds	-	-	81,215	162,431	1,260,486	-	-	1,504,132	5.19
Derivative liabilities	-	-	-	1,861	234	-	483,082	485,177	-
Other liabilities	-	-	-	-	-	472,329	-	472,329	-
Current tax liabilities and zakat	-	-	-	-	-	30,022	-	30,022	-
<b>Total liabilities</b>	<b>33,769,572</b>	<b>7,547,751</b>	<b>956,724</b>	<b>820,864</b>	<b>1,261,487</b>	<b>6,514,433</b>	<b>483,082</b>	<b>51,353,913</b>	
On-statements of financial position interest/profit sensitivity gap	10,561,075	(6,413,888)	284,473	3,368,813	(190,466)	(3,765,845)	507,883	4,352,045	
Off-statements of financial position interest/profit sensitivity gap	(680,000)	(690,653)	-	1,212,871	157,782	-	-	-	
<b>Total interest/profit sensitivity gap</b>	<b>9,881,075</b>	<b>(7,104,541)</b>	<b>284,473</b>	<b>4,581,684</b>	<b>(32,684)</b>	<b>(3,765,845)</b>	<b>507,883</b>	<b>4,352,045</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)

## 38 INTEREST/PROFIT RATE RISK (continued)

Bank	Non Trading Book						Trading Book	Effective interest/profit rate	
	Up to 3 months	>3-12 months	>1-3 years	>3-5 years	Over 5 years	Non-interest/profit sensitive			
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Total RM'000	%
<b>Assets</b>									
Cash and cash equivalents	7,493,868	-	-	-	-	95,461	-	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
Securities held-for-trading	-	-	-	-	-	-	466,302	466,302	5.61
Securities available-for-sale	1,209,130	832,631	1,767,288	2,237,419	1,601,162	120,670	-	7,768,300	3.86
Loans, advances and financing									
- unimpaired	36,333,732	355,517	311,761	15,207	133,424	1,090,453	-	38,240,094	5.10
- impaired	-	-	-	-	-	768,371	-	768,371	-
Derivative assets	-	5,013	-	10,951	-	-	600,057	616,021	-
Other assets	-	-	-	-	-	431,709	-	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	-	-	-	-	-	27,579	-	27,579	-
Current tax assets	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>46,174,317</b>	<b>2,030,796</b>	<b>2,185,010</b>	<b>2,327,093</b>	<b>1,734,586</b>	<b>4,251,662</b>	<b>1,066,359</b>	<b>59,769,823</b>	
<b>Liabilities</b>									
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	7,127,544	1,760	194,534	-	-	-	-	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 loan/bonds	-	405,002	-	200,000	909,670	-	-	1,514,672	4.62
Derivative liabilities	-	-	-	5,763	6,549	-	476,097	488,409	-
Other liabilities	-	-	-	-	-	825,305	-	825,305	-
Current tax liabilities and zakat	-	-	-	-	-	53,722	-	53,722	-
<b>Total liabilities</b>	<b>33,507,007</b>	<b>11,488,968</b>	<b>1,001,574</b>	<b>752,392</b>	<b>916,219</b>	<b>7,000,609</b>	<b>476,097</b>	<b>55,142,866</b>	
On-statements of financial position interest/profit sensitivity gap	12,667,310	(9,458,172)	1,183,436	1,574,701	818,367	(2,748,947)	590,262	4,626,957	
Off-statements of financial position interest/profit sensitivity gap	(50,000)	(1,275,928)	400,000	766,045	159,883	-	-	-	
<b>Total interest/profit sensitivity gap</b>	<b>12,617,310</b>	<b>(10,734,100)</b>	<b>1,583,436</b>	<b>2,340,746</b>	<b>978,250</b>	<b>(2,748,947)</b>	<b>590,262</b>	<b>4,626,957</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)

## 38 INTEREST/PROFIT RATE RISK (continued)

Bank	Non Trading Book						Trading Book	Effective interest/profit rate	
	Up to 3 months	>3-12 months	>1-3 years	>3-5 years	Over 5 years	Non-interest/profit sensitive			
2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Total RM'000	%
<b>Assets</b>									
Cash and cash equivalents	10,530,287	-	-	-	-	85,751	-	10,616,038	2.70
Deposits and placements with banks and other financial institutions	1,772,590	258,418	40,000	98,645	65,961	-	-	2,235,614	2.70
Securities held-for-trading	-	-	-	-	-	-	505,657	505,657	3.13
Securities available-for-sale	401,183	540,384	308,782	3,187,786	350,076	116,568	-	4,904,779	4.02
Loans, advances and financing									
- unimpaired	30,136,436	172,952	267,135	64,468	117,241	1,295,955	-	32,054,187	5.36
- impaired	-	-	-	-	-	602,236	-	602,236	-
Derivative assets	-	-	7,968	1,905	4,591	-	477,668	492,132	-
Other assets	-	-	-	-	-	395,030	-	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	-	-	-	-	-	127,725	-	127,725	-
Current tax assets	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>42,840,496</b>	<b>971,754</b>	<b>623,885</b>	<b>3,352,804</b>	<b>537,869</b>	<b>3,157,024</b>	<b>983,325</b>	<b>52,467,157</b>	
<b>Liabilities</b>									
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	4,484,114	250,311	-	-	-	-	-	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 loan/bonds	-	-	81,215	162,431	1,260,486	-	-	1,504,132	5.19
Derivative liabilities	-	-	-	1,861	234	-	475,454	477,549	-
Other liabilities	-	-	-	-	-	440,166	-	440,166	-
Current tax liabilities and zakat	-	-	-	-	-	28,124	-	28,124	-
<b>Total liabilities</b>	<b>31,212,416</b>	<b>7,254,380</b>	<b>948,178</b>	<b>779,485</b>	<b>1,260,720</b>	<b>6,236,249</b>	<b>475,454</b>	<b>48,166,882</b>	
On-statements of financial position interest/profit sensitivity gap	11,628,080	(6,282,626)	(324,293)	2,573,319	(722,851)	(3,079,225)	507,871	4,300,275	
Off-statements of financial position interest/profit sensitivity gap	(680,000)	(690,653)	-	1,212,871	157,782	-	-	-	
<b>Total interest/profit sensitivity gap</b>	<b>10,948,080</b>	<b>(6,973,279)</b>	<b>(324,293)</b>	<b>3,786,190</b>	<b>(565,069)</b>	<b>(3,079,225)</b>	<b>507,871</b>	<b>4,300,275</b>	

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****38 INTEREST/PROFIT RATE RISK (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
+ 50 bps	1,314,313	1,194,052	1,119,481	1,145,387
- 50 bps	1,170,317	1,110,174	973,430	1,037,535

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 2011 (continued)****39 LIQUIDITY RISK**

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

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

<b>Group</b> 2011	<b>Up to 3 months RM'000</b>	<b>&gt; 3 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 3 years RM'000</b>	<b>&gt; 3 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>							
Cash and cash equivalents	7,759,574	-	-	-	-	-	7,759,574
Deposits and placements with banks and other financial institutions	1,078,587	650,379	139,618	-	-	-	1,868,584
Securities held-for-trading	21,045	-	10,019	107,765	147,118	180,355	466,302
Securities available-for-sale	1,668,998	682,061	276,468	2,403,279	2,748,414	1,822,969	9,602,189
Loans, advances and financing	13,184,255	2,186,946	2,513,587	6,563,153	3,155,895	14,577,193	42,181,029
Derivative assets	167,285	34,845	37,272	193,538	91,008	93,321	617,269
Other assets	139,071	7,204	5,674	33,930	29,493	29,063	244,435
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,400,992	1,400,992
<b>Total assets</b>	<b>24,018,815</b>	<b>3,561,435</b>	<b>2,982,638</b>	<b>9,301,665</b>	<b>6,171,928</b>	<b>18,103,893</b>	<b>64,140,374</b>
<b>Financial liabilities</b>							
Deposits from customers	35,085,485	4,598,052	7,880,930	823,399	546,795	-	48,934,661
Deposits and placements of banks and other financial institutions	7,215,040	728	1,069	195,043	-	-	7,411,880
Bills and acceptances payable	351,990	-	-	-	-	-	351,990
Recourse obligation on loans sold to Cagamas Berhad	38,437	486	988	25,700	-	-	65,611
Subordinated term loan/bonds	-	-	-	162,001	263,935	1,088,736	1,514,672
Derivative liabilities	82,125	26,791	47,886	194,703	75,082	63,050	489,637
Other liabilities	430,328	74,214	43,318	329,181	1,710	-	878,751
<b>Total liabilities</b>	<b>43,203,405</b>	<b>4,700,271</b>	<b>7,974,191</b>	<b>1,730,027</b>	<b>887,522</b>	<b>1,151,786</b>	<b>59,647,202</b>
<b>Net liquidity gap</b>	<b>(19,184,590)</b>	<b>(1,138,836)</b>	<b>(4,991,553)</b>	<b>7,571,638</b>	<b>5,284,406</b>	<b>16,952,107</b>	<b>4,493,172</b>
<b>Financial guarantees</b>							
Guarantees and standby letters of credit	454,011	247,248	617,153	620,945	599,710	12,716	2,551,783
Acceptances	95,420	-	-	-	-	-	95,420
	<b>549,431</b>	<b>247,248</b>	<b>617,153</b>	<b>620,945</b>	<b>599,710</b>	<b>12,716</b>	<b>2,647,203</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****39 LIQUIDITY RISK (continued)**

<b>Group</b> 2010	<b>Up to 3</b> <b>months</b> <b>RM'000</b>	<b>&gt; 3 - 6</b> <b>months</b> <b>RM'000</b>	<b>&gt; 6 - 12</b> <b>months</b> <b>RM'000</b>	<b>&gt; 1 - 3</b> <b>years</b> <b>RM'000</b>	<b>&gt; 3 - 5</b> <b>years</b> <b>RM'000</b>	<b>Over 5</b> <b>years</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Financial assets</b>							
Cash and cash equivalents	11,004,041	-	-	-	-	-	11,004,041
Deposits and placements with banks and other financial institutions	1,677,214	258,418	-	-	-	-	1,935,632
Securities held-for-trading	-	-	68,912	203,770	227,760	5,215	505,657
Securities available-for-sale	1,432,443	47,085	276,907	1,801,788	1,987,658	418,427	5,964,308
Loans, advances and financing	9,735,168	1,392,100	2,781,189	6,253,436	2,166,027	12,815,199	35,143,119
Derivative assets	147,517	2,820	68,567	231,524	28,457	20,887	499,772
Other assets	145,000	1,773	6,052	47,218	3,770	-	203,813
Statutory deposits with Bank Negara Malaysia	-	-	-	52,592	-	26,750	79,342
<b>Total financial assets</b>	<b>24,141,383</b>	<b>1,702,196</b>	<b>3,201,627</b>	<b>8,590,328</b>	<b>4,413,672</b>	<b>13,286,478</b>	<b>55,335,684</b>
<b>Financial liabilities</b>							
Deposits from customers	34,730,305	2,988,040	4,052,463	808,786	656,572	767	43,236,933
Deposits and placements of banks and other financial institutions	4,762,480	3,340	247,009	559	-	-	5,013,388
Bills and acceptances payable	281,944	-	-	-	-	-	281,944
Recourse obligation on loans sold to Cagamas Berhad	6,923	-	256,900	66,165	-	-	329,988
Subordinated term loan/bonds	-	-	-	406,076	498,056	600,000	1,504,132
Derivative liabilities	90,767	120	137,450	218,901	30,183	7,756	485,177
Other liabilities	362,583	49,138	30,039	28,390	2,179	-	472,329
<b>Total financial liabilities</b>	<b>40,235,002</b>	<b>3,040,638</b>	<b>4,723,861</b>	<b>1,528,877</b>	<b>1,186,990</b>	<b>608,523</b>	<b>51,323,891</b>
<b>Net liquidity gap</b>	<b>(16,093,619)</b>	<b>(1,338,442)</b>	<b>(1,522,234)</b>	<b>7,061,451</b>	<b>3,226,682</b>	<b>12,677,955</b>	<b>4,011,793</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****39 LIQUIDITY RISK (continued)**

<b>Bank</b> 2011	<b>Up to 3</b> <b>months</b> <b>RM'000</b>	<b>&gt; 3 - 6</b> <b>months</b> <b>RM'000</b>	<b>&gt; 6 - 12</b> <b>months</b> <b>RM'000</b>	<b>&gt; 1 - 3</b> <b>years</b> <b>RM'000</b>	<b>&gt; 3 - 5</b> <b>years</b> <b>RM'000</b>	<b>Over 5</b> <b>years</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Financial assets</b>							
Cash and cash equivalents	7,589,329	-	-	-	-	-	7,589,329
Deposits and placements with banks and other financial institutions	1,137,587	698,017	139,618	105,961	63,516	-	2,144,699
Securities held-for-trading	21,045	-	10,019	107,765	147,119	180,354	466,302
Securities available-for-sale	1,221,075	656,708	175,923	1,767,479	2,237,419	1,709,696	7,768,300
Loans, advances and financing	12,223,078	1,900,776	2,177,185	6,012,686	2,614,940	14,079,800	39,008,465
Derivative assets	166,180	34,841	37,133	193,538	91,008	93,321	616,021
Other assets	139,946	7,091	3,989	27,847	25,528	227,308	431,709
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,241,592	1,241,592
Investments in subsidiaries	-	-	-	-	-	256,611	256,611
<b>Total assets</b>	<b>22,498,240</b>	<b>3,297,433</b>	<b>2,543,867</b>	<b>8,215,276</b>	<b>5,179,530</b>	<b>17,788,682</b>	<b>59,523,028</b>
<b>Financial liabilities</b>							
Deposits from customers	32,147,169	3,896,613	7,184,118	781,340	546,629	-	44,555,869
Deposits and placements of banks and other financial institutions	7,127,546	716	1,043	194,533	-	-	7,323,838
Bills and acceptances payable	315,440	-	-	-	-	-	315,440
Recourse obligation on loans sold to Cagamas Berhad	38,437	486	988	25,700	-	-	65,611
Subordinated term loan/bonds	-	-	-	162,001	263,935	1,088,736	1,514,672
Derivative liabilities	81,036	26,790	47,748	194,703	75,082	63,050	488,409
Other liabilities	413,719	67,450	37,479	304,947	1,710	-	825,305
<b>Total liabilities</b>	<b>40,123,347</b>	<b>3,992,055</b>	<b>7,271,376</b>	<b>1,663,224</b>	<b>887,356</b>	<b>1,151,786</b>	<b>55,089,144</b>
<b>Net liquidity gap</b>	<b>(17,625,107)</b>	<b>(694,622)</b>	<b>(4,727,509)</b>	<b>6,552,052</b>	<b>4,292,174</b>	<b>16,636,896</b>	<b>4,433,884</b>
<b>Financial guarantees</b>							
Guarantees and standby letters of credit	439,269	228,821	578,329	594,847	594,076	12,716	2,448,058
Acceptances	59,564	-	-	-	-	-	59,564
	<b>498,833</b>	<b>228,821</b>	<b>578,329</b>	<b>594,847</b>	<b>594,076</b>	<b>12,716</b>	<b>2,507,622</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****39 LIQUIDITY RISK (continued)**

<b>Bank</b> 2010	<b>Up to 3</b> <b>months</b> <b>RM'000</b>	<b>&gt; 3 - 6</b> <b>months</b> <b>RM'000</b>	<b>&gt; 6 - 12</b> <b>months</b> <b>RM'000</b>	<b>&gt; 1 - 3</b> <b>years</b> <b>RM'000</b>	<b>&gt; 3 - 5</b> <b>years</b> <b>RM'000</b>	<b>Over 5</b> <b>years</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Financial assets</b>							
Cash and cash equivalents	10,616,038	-	-	-	-	-	10,616,038
Deposits and placements with banks and other financial institutions	1,772,590	258,418	-	40,000	98,645	65,961	2,235,614
Securities held-for-trading	-	-	68,912	203,770	227,760	5,215	505,657
Securities available-for-sale	941,567	31,875	276,907	1,530,924	1,657,053	466,453	4,904,779
Loans, advances and financing	8,855,091	1,165,235	2,552,988	5,847,800	1,736,644	12,498,665	32,656,423
Derivative assets	141,935	2,694	68,490	229,669	28,457	20,887	492,132
Other assets	146,666	1,685	6,052	40,627	-	200,000	395,030
Statutory deposits with Bank Negara Malaysia	-	-	-	52,592	-	-	52,592
Investments in subsidiaries	-	-	-	-	-	256,611	256,611
<b>Total assets</b>	<b>22,473,887</b>	<b>1,459,907</b>	<b>2,973,349</b>	<b>7,945,382</b>	<b>3,748,559</b>	<b>13,513,792</b>	<b>52,114,876</b>
<b>Financial liabilities</b>							
Deposits from customers	32,218,500	2,736,612	4,010,557	800,798	615,194	-	40,381,661
Deposits and placements of banks and other financial institutions	4,484,114	3,328	246,983	-	-	-	4,734,425
Bills and acceptances payable	270,837	-	-	-	-	-	270,837
Recourse obligation on loans sold to Cagamas Berhad	6,923	-	256,900	66,165	-	-	329,988
Subordinated term loan/ bonds	-	-	-	406,076	498,056	600,000	1,504,132
Derivative liabilities	85,192	-	137,373	217,045	30,183	7,756	477,549
Other liabilities	359,680	45,201	26,276	9,009	-	-	440,166
<b>Total liabilities</b>	<b>37,425,246</b>	<b>2,785,141</b>	<b>4,678,089</b>	<b>1,499,093</b>	<b>1,143,433</b>	<b>607,756</b>	<b>48,138,758</b>
<b>Net liquidity gap</b>	<b>(14,951,359)</b>	<b>(1,325,234)</b>	<b>(1,704,740)</b>	<b>6,446,289</b>	<b>2,605,126</b>	<b>12,906,036</b>	<b>3,976,118</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****39 LIQUIDITY RISK (continued)****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 33. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

<b>Group</b>	<b>Up to 3</b>	<b>&gt; 3 - 6</b>	<b>&gt; 6 - 12</b>	<b>&gt; 1 - 3</b>	<b>&gt; 3 - 5</b>	<b>Over 5</b>	<b>Total</b>
2011	months	months	months	years	years	years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-derivative financial liabilities</b>							
Deposits from customers	35,252,416	4,743,734	8,037,461	862,970	561,435	25	49,458,041
Deposits and placements with banks and other financial institutions	7,225,052	728	1,069	195,043	-	-	7,421,892
Bills and acceptances payable	351,990	-	-	-	-	-	351,990
Recourse obligation on loans sold to Cagamas Berhad	38,866	767	1,533	26,310	-	-	67,476
Subordinated term loan/bonds	-	38,505	38,505	319,583	403,757	1,254,615	2,054,965
Other liabilities	319,143	8,247	5,870	327,030	216	-	660,506
<b>Derivative financial liabilities</b>							
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)
	<b>43,268,960</b>	<b>4,838,222</b>	<b>8,158,608</b>	<b>1,920,145</b>	<b>951,052</b>	<b>1,258,953</b>	<b>60,395,940</b>

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)

## 39 LIQUIDITY RISK (continued)

## Contractual maturity of financial liabilities (continued)

<b>Group</b>	<b>Up to 3</b>	<b>&gt; 3 - 6</b>	<b>&gt; 6 - 12</b>	<b>&gt; 1 - 3</b>	<b>&gt; 3 - 5</b>	<b>Over 5</b>	<b>Total</b>
2010	months	months	months	years	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-derivative financial liabilities</b>							
Deposits from customers	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	4,763,588	3,340	247,008	560	-	-	5,014,496
Bills and acceptances payable	281,944	-	-	-	-	-	281,944
Recourse obligation on loans sold to Cagamas Berhad	10,249	132,834	132,834	68,062	-	-	343,979
Subordinated term loan/bonds	-	43,950	43,965	581,876	673,856	1,100,321	2,443,968
Other liabilities	149,623	14,266	4,308	28,075	-	-	196,272
<b>Derivative financial liabilities</b>							
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)
	<b>40,038,543</b>	<b>2,219,836</b>	<b>5,803,627</b>	<b>1,611,203</b>	<b>1,407,605</b>	<b>1,097,022</b>	<b>52,177,836</b>

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)

## 39 LIQUIDITY RISK (continued)

## Contractual maturity of financial liabilities (continued)

<b>Bank</b>	<b>Up to 3</b>	<b>&gt; 3 - 6</b>	<b>&gt; 6 - 12</b>	<b>&gt; 1 - 3</b>	<b>&gt; 3 - 5</b>	<b>Over 5</b>	<b>Total</b>
<b>2011</b>	<b>months</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>years</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative financial liabilities</b>							
Deposits from customers	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	7,137,556	716	1,043	194,534	-	-	7,333,849
Bills and acceptances payable	315,440	-	-	-	-	-	315,440
Recourse obligation on loans sold to Cagamas Berhad	38,866	767	1,533	26,310	-	-	67,476
Subordinated term loan/bonds	-	38,500	38,500	319,561	403,735	1,254,576	2,054,872
Other liabilities	291,921	17,996	34	302,800	217	-	612,968
<b>Derivative financial liabilities</b>							
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)
	<b>40,188,893</b>	<b>4,146,501</b>	<b>7,455,768</b>	<b>1,853,321</b>	<b>950,864</b>	<b>1,258,889</b>	<b>55,854,236</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****39 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

<b>Bank</b> 2010	<b>Up to 3 months RM'000</b>	<b>&gt; 3 - 6 months RM'000</b>	<b>&gt; 6 - 12 months RM'000</b>	<b>&gt; 1 - 3 years RM'000</b>	<b>&gt; 3 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Non-derivative financial liabilities</b>							
Deposits from customers	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	4,484,114	3,328	246,983	-	-	-	4,734,425
Bills and acceptances payable	270,837	-	-	-	-	-	270,837
Recourse obligation on loans sold to Cagamas Berhad	10,249	132,834	132,834	68,062	-	-	343,979
Subordinated term loan/ bonds	-	38,500	38,500	560,076	652,056	889,630	2,178,762
Other liabilities	154,540	12,316	832	8,983	-	-	176,671
<b>Derivative financial liabilities</b>							
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)
	<b>37,233,636</b>	<b>1,957,478</b>	<b>5,751,509</b>	<b>1,559,554</b>	<b>1,342,214</b>	<b>885,169</b>	<b>48,729,560</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****40 CURRENCY RISK**

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
<b>Group</b>					
2011					
<b>Financial assets</b>					
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
Securities held-for-trading	466,261	-	-	41	466,302
Securities available-for-sale	8,443,065	538,869	299,224	321,031	9,602,189
Loans, advances and financing	39,258,801	2,702,638	7,085	212,505	42,181,029
Derivative 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
	<b>57,895,757</b>	<b>3,930,881</b>	<b>395,175</b>	<b>1,918,561</b>	<b>64,140,374</b>
<b>Financial liabilities</b>					
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
	1,514,672	-	-	-	1,514,672
Derivative liabilities	484,239	3,898	73	1,427	489,637
Other liabilities	853,209	5,423	16,881	3,238	878,751
	<b>52,027,977</b>	<b>5,959,289</b>	<b>361,562</b>	<b>1,298,374</b>	<b>59,647,202</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>5,867,780</b>	<b>(2,028,408)</b>	<b>33,613</b>	<b>620,187</b>	<b>4,493,172</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****40 CURRENCY RISK (continued)**

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
<b>Group</b>					
2010					
<b>Financial assets</b>					
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
Securities held-for-trading	505,657	-	-	-	505,657
Securities available-for-sale	5,110,374	224,832	284,401	344,701	5,964,308
Loans, advances and financing	34,304,174	705,480	4,058	129,407	35,143,119
Derivative assets	488,862	8,767	57	2,086	499,772
Other assets	174,463	18,112	5,076	6,162	203,813
Statutory deposits with Bank Negara Malaysia	79,342	-	-	-	79,342
	<b>50,290,469</b>	<b>3,189,943</b>	<b>409,895</b>	<b>1,445,377</b>	<b>55,335,684</b>
<b>Financial liabilities</b>					
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 liabilities	473,456	9,383	-	2,338	485,177
Other liabilities	495,072	(1,481)	(17,503)	(3,759)	472,329
	<b>45,971,535</b>	<b>3,534,048</b>	<b>359,383</b>	<b>1,458,925</b>	<b>51,323,891</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>4,318,934</b>	<b>(344,105)</b>	<b>50,512</b>	<b>(13,548)</b>	<b>4,011,793</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****40 CURRENCY RISK (continued)**

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
<b>Bank</b>					
2011					
<b>Financial assets</b>					
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
Securities held-for-trading	466,261	-	-	41	466,302
Securities available-for-sale	6,761,745	410,687	274,837	321,031	7,768,300
Loans, advances and financing	36,311,627	2,477,248	7,085	212,505	39,008,465
Derivative 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
	<b>53,311,078</b>	<b>3,924,510</b>	<b>370,718</b>	<b>1,916,722</b>	<b>59,523,028</b>
<b>Financial liabilities</b>					
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 liabilities	483,011	3,898	73	1,427	488,409
Other liabilities	799,779	5,423	16,865	3,238	825,305
	<b>47,494,558</b>	<b>5,959,261</b>	<b>337,012</b>	<b>1,298,313</b>	<b>55,089,144</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>5,816,520</b>	<b>(2,034,751)</b>	<b>33,706</b>	<b>618,409</b>	<b>4,433,884</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****40 CURRENCY RISK (continued)**

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
<b>Bank</b>					
2010					
<b>Financial assets</b>					
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
Securities held-for-trading	505,657	-	-	-	505,657
Securities available-for-sale	4,158,975	140,078	261,025	344,701	4,904,779
Loans, advances and financing	32,062,805	460,153	4,058	129,407	32,656,423
Derivative assets	481,222	8,767	57	2,086	492,132
Other assets	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
	<b>47,366,854</b>	<b>2,917,681</b>	<b>386,151</b>	<b>1,444,190</b>	<b>52,114,876</b>
<b>Financial liabilities</b>					
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 to Cagamas Berhad	329,988	-	-	-	329,988
Subordinated term loan/bonds	1,504,132	-	-	-	1,504,132
Derivative liabilities	465,828	9,383	-	2,338	477,549
Other liabilities	463,101	(1,661)	(17,515)	(3,759)	440,166
	<b>43,073,077</b>	<b>3,271,549</b>	<b>335,207</b>	<b>1,458,925</b>	<b>48,138,758</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>4,293,777</b>	<b>(353,868)</b>	<b>50,944</b>	<b>(14,735)</b>	<b>3,976,118</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****41 CREDIT RISKS**

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and cash equivalents	7,759,574	11,004,041	7,589,329	10,616,038
Deposits and placements with banks and other financial institutions	1,868,584	1,935,632	2,144,699	2,235,614
Securities held-for-trading	466,302	505,657	466,302	505,657
Securities available-for-sale	9,602,189	5,964,308	7,768,300	4,904,779
Loans, advances and financing	42,181,029	35,143,119	39,008,465	32,656,423
Derivative assets	617,269	499,772	616,021	492,132
Other assets	244,435	203,813	431,709	395,030
Contingent liabilities and commitments	38,465,583	31,294,526	38,277,174	31,169,085
	<b>101,204,965</b>	<b>86,550,868</b>	<b>96,301,999</b>	<b>82,974,758</b>

**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 2011, 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.

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fair value of collateral held against the covered portion of financing and advances	1,791,254	1,004,258	1,750,671	978,467
Covered portion of loans, advances and financing	999,977	881,686	969,443	850,745
Uncovered portion of loans, advances and financing	105,158	124,778	88,208	110,275
	<b>1,105,135</b>	<b>1,006,464</b>	<b>1,057,651</b>	<b>961,020</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****41 CREDIT RISKS (continued)*****Credit quality****a) Credit quality of loans, advances and financing*

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Neither past due nor impaired	41,765,921	34,358,071	38,582,876	32,014,254
Past due loans:				
- not impaired	270,759	704,183	251,600	537,706
- impaired	785,851	890,471	745,296	849,836
	1,056,610	1,594,654	996,896	1,387,542
Impaired but not past due	319,284	115,993	312,355	111,184
Gross loans, advances and financing	<b>43,141,815</b>	<b>36,068,718</b>	<b>39,892,127</b>	<b>33,512,980</b>

Loans, advances and financing neither past due nor impaired

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

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Passed	40,581,600	32,853,296	37,439,132	30,607,339
Special mention	1,184,321	1,504,775	1,143,744	1,406,915
	<b>41,765,921</b>	<b>34,358,071</b>	<b>38,582,876</b>	<b>32,014,254</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****41 CREDIT RISKS (continued)***a) Credit quality of loans, advances and financing (continued)*Loans, advances and financing past due but not impaired

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
i) By period overdue				
Over 60 days to 90 days	234,412	32,635	219,625	29,692
Over 30 days to 60 days	36,347	671,548	31,975	508,014
	<b>270,759</b>	<b>704,183</b>	<b>251,600</b>	<b>537,706</b>
ii) By geographical distribution				
Malaysia	<b>270,759</b>	<b>704,183</b>	<b>251,600</b>	<b>537,706</b>
iii) By sector				
Agriculture, hunting and related activities	124	141,956	92	3,955
Mining and quarrying	-	169	-	-
Manufacturing	13,425	23,012	11,535	8,890
Electricity, gas and water	-	264	-	264
Construction	2,316	5,661	1,595	5,235
Real estate	1,642	55,308	-	55,308
Wholesale & retail trade and restaurants & hotels	17,037	44,611	15,874	43,476
Transport, storage and communication	2,071	204,141	2,071	203,647
Finance, insurance and business services	3,364	2,404	3,008	2,325
Community, social and personal services	2,226	2,014	2,226	1,410
Household, of which:				
- Purchase of residential properties	174,839	173,294	171,543	169,979
- Purchase of non-residential properties	2,427	5,101	2,427	5,048
- Others	51,288	45,885	41,229	37,806
Others	-	363	-	363
	<b>270,759</b>	<b>704,183</b>	<b>251,600</b>	<b>537,706</b>

Impaired loans, advances and financing

Refer to Note 7 for detailed analysis

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****41 CREDIT RISKS (continued)***b) Credit quality of securities held-for-trading*

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

	<b>Group and Bank</b>	
	2011	2010
	RM'000	RM'000
i) By geography		
Malaysia	466,302	505,657
ii) By credit rating		
Malaysian Government issued notes	159,002	105,075
Investment grade (AAA to BBB)	296,266	283,050
Non-rated	11,034	117,532
	<u>466,302</u>	<u>505,657</u>
iii) By industry		
Agriculture hunting and related activities	160	450
Manufacturing	-	48,731
Construction	-	95,417
Wholesale & retail trade and restaurants & hotels	22,221	-
Transport, storage and communication	1,029	4,952
Financial, insurance, real estate and business services	298,445	281,576
Others	144,447	74,531
	<u>466,302</u>	<u>505,657</u>
iv) By issuer		
Government	159,002	105,075
Public sector	5,015	-
Banks	61,846	3,387
Other financial institutions	35,139	-
Corporates	205,300	397,195
	<u>466,302</u>	<u>505,657</u>
v) By residual contractual maturity		
Maturity within one year	31,064	68,912
One year to five years	254,883	431,530
Over five years	180,355	5,215
	<u>466,302</u>	<u>505,657</u>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****41 CREDIT RISKS (continued)***c) Credit quality of securities available-for-sale*

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>i) By geography</b>				
Malaysia	9,081,716	5,491,190	7,275,731	4,471,589
Other ASEAN countries	60,043	39,928	38,656	-
Rest of the world	460,430	433,190	453,913	433,190
	<b>9,602,189</b>	<b>5,964,308</b>	<b>7,768,300</b>	<b>4,904,779</b>
<b>ii) By credit rating</b>				
Malaysian Government issued notes	5,460,616	3,672,492	4,344,056	3,119,835
Other government securities	90,277	39,928	-	-
Investment grade (AAA to BBB)	1,843,639	1,511,741	1,581,513	1,106,592
Non-rated	2,207,657	740,147	1,842,731	678,352
	<b>9,602,189</b>	<b>5,964,308</b>	<b>7,768,300</b>	<b>4,904,779</b>
<b>iii) By industry</b>				
Agriculture hunting and related activities	4,997	-	4,997	-
Manufacturing	310,687	70,511	240,071	-
Construction	161,925	45,379	132,393	-
Wholesale & retail trade and restaurants & hotels	136,199	50,695	70,271	50,695
Transport, storage and communication	62,924	15,063	47,847	-
Financial, insurance, real estate and business services	7,138,643	4,586,235	6,747,364	4,401,968
Others	1,786,814	1,196,425	525,357	452,116
	<b>9,602,189</b>	<b>5,964,308</b>	<b>7,768,300</b>	<b>4,904,779</b>
<b>iv) By issuer</b>				
Government	4,344,056	3,119,835	4,344,056	3,119,835
Public sector	1,295,877	664,114	89,040	19,137
Banks	2,265,440	1,102,820	1,966,165	937,690
Other financial institutions	318,935	325,127	318,935	325,127
Corporates	1,377,703	752,234	1,049,926	502,812
Others	178	178	178	178
	<b>9,602,189</b>	<b>5,964,308</b>	<b>7,768,300</b>	<b>4,904,779</b>
<b>v) By residual contractual maturity</b>				
Maturity within one year	2,627,527	1,756,436	2,053,706	1,250,350
One year to five years	5,151,693	3,789,255	4,004,898	3,187,786
Over five years	1,822,969	418,617	1,709,696	466,643
	<b>9,602,189</b>	<b>5,964,308</b>	<b>7,768,300</b>	<b>4,904,779</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****41 CREDIT RISKS (continued)***d) Credit quality of derivative assets*

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
i) Analysed by geography				
Malaysia	587,152	464,042	599,137	458,260
Singapore	16,186	23,896	16,185	23,893
Other ASEAN countries	12,023	5	21	5
Rest of the world	1,908	11,829	678	9,974
	<b>617,269</b>	<b>499,772</b>	<b>616,021</b>	<b>492,132</b>
ii) By industry				
Agriculture hunting and related activities	4,704	4,994	4,657	4,994
Manufacturing	50,497	19,138	50,494	19,067
Construction	73,616	6,875	73,616	6,871
Wholesale & retail trade and restaurants & hotels	10,030	4,410	10,030	4,410
Transport, storage and communication	2,056	54,046	2,056	54,046
Financial, insurance, real estate and business services	397,060	392,430	395,862	384,865
Others	79,306	17,879	79,306	17,879
	<b>617,269</b>	<b>499,772</b>	<b>616,021</b>	<b>492,132</b>
iii) Analysed by counterparty				
Banks	393,007	384,038	391,841	376,476
Other financial institutions	3,727	12,988	3,726	12,985
Corporates	215,930	98,463	215,849	98,388
Individuals	2,840	3,595	2,840	3,595
Others	1,765	688	1,765	688
	<b>617,269</b>	<b>499,772</b>	<b>616,021</b>	<b>492,132</b>
iv) By residual contractual maturity				
Maturity within one year	239,402	218,904	238,154	213,119
One year to five years	284,546	259,981	284,546	258,126
Over five years	93,321	20,887	93,321	20,887
	<b>617,269</b>	<b>499,772</b>	<b>616,021</b>	<b>492,132</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****41 CREDIT RISKS (continued)***e) Credit quality of contingent liabilities and commitments*

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
i) Analysed by geography				
Malaysia	29,066,172	26,958,393	28,877,763	26,832,952
Singapore	5,791,848	4,014,672	5,791,848	4,014,672
Other ASEAN countries	6,748	52,815	6,748	52,815
Rest of the world	3,600,815	268,646	3,600,815	268,646
	<b>38,465,583</b>	<b>31,294,526</b>	<b>38,277,174</b>	<b>31,169,085</b>
ii) By industry				
Agriculture hunting and related activities	652,708	656,575	650,647	655,466
Mining and quarrying	309,670	228,205	309,207	227,005
Manufacturing	695,886	789,435	669,311	762,775
Construction	748,792	850,305	669,718	774,887
Wholesale & retail trade and restaurants & hotels	349,225	383,072	338,981	380,075
Transport, storage and communication	56,953	346,221	52,232	337,631
Financial, insurance, real estate and business services	32,233,845	27,572,134	32,231,760	27,569,814
Others	3,418,504	468,579	3,355,318	461,432
	<b>38,465,583</b>	<b>31,294,526</b>	<b>38,277,174</b>	<b>31,169,085</b>
iii) Analysed by counterparty				
Banks	30,455,195	25,511,493	30,455,195	25,511,493
Other financial institutions	451,450	284,612	451,203	283,321
Corporates	3,566,968	4,065,370	3,388,637	3,946,367
Small medium enterprise	848,929	917,019	848,929	917,019
Individuals	2,935,258	502,540	2,925,463	497,432
Others	207,783	13,492	207,747	13,453
	<b>38,465,583</b>	<b>31,294,526</b>	<b>38,277,174</b>	<b>31,169,085</b>
iv) By residual contractual maturity				
Maturity within one year	14,274,181	9,236,895	14,172,323	9,164,166
One year to five years	19,376,196	20,332,127	19,341,915	20,287,338
Over five years	4,815,206	1,725,504	4,762,936	1,717,581
	<b>38,465,583</b>	<b>31,294,526</b>	<b>38,277,174</b>	<b>31,169,085</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****42 HEDGING ACTIVITIES****Fair value hedge**

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

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

	<b>Group and Bank</b>	
	2011	2010
	RM'000	RM'000
Losses on hedging instruments	(8,717)	(10,990)
Gains on the hedged items attributable to the hedged risk	7,702	10,826
	<u>(1,015)</u>	<u>(164)</u>

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

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

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.

Accordingly, various methodologies have been used 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 FRS 132 which requires 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 2011 (continued)**

**43 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**A) Fair value measurement**

**i) Financial assets**

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 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) Securities held-for-trading and Securities available-for-sale

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

d) Loans, advances and financing

Loans, advances and financing are carried at amortised cost on the statement of financial position, net of individually and collectively assessed 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.

**ii) Financial liabilities**

a) Deposits from customers

For 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.

b) 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.

c) 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 2011 (continued)****43 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****A) Fair value measurement (continued)****ii) Financial liabilities (continued)**

## d) Subordinated term loan / bonds

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.

**iii) Off-balance sheet financial instruments**

The fair value of off-balance sheet financial instruments is recognised in the statement of financial position as at each reporting date. The contra or underlying principal and fair value 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.

The following table summarises the Group and the Bank's financial assets and liabilities recorded at fair value by level of the fair value hierarchies:

	<b>Group</b>				<b>Bank</b>			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011								
<b>Financial assets measured at fair value</b>								
Securities held-for-trading	170,036	296,266	-	466,302	170,036	296,266	-	466,302
Securities available-for-sale	5,493,949	3,999,694	108,546	9,602,189	4,356,002	3,303,752	108,546	7,768,300
Derivative assets	4,453	529,203	83,613	617,269	4,517	527,891	83,613	616,021
<b>Total</b>	<b>5,668,438</b>	<b>4,825,163</b>	<b>192,159</b>	<b>10,685,760</b>	<b>4,530,555</b>	<b>4,127,909</b>	<b>192,159</b>	<b>8,850,623</b>
<b>Financial liabilities measured at fair value</b>								
Derivative liabilities	3,657	394,418	91,562	489,637	3,793	393,054	91,562	488,409
<b>Total</b>	<b>3,657</b>	<b>394,418</b>	<b>91,562</b>	<b>489,637</b>	<b>3,793</b>	<b>393,054</b>	<b>91,562</b>	<b>488,409</b>

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)

## 43 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:

	Group			Bank		
	Financial assets/liabilities at fair value			Financial assets/liabilities at fair value		
	Trading assets/liabilities	Available-for-sale	Total	Trading assets/liabilities	Available-for-sale	Total
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>						
At 1 January	2,578	106,148	108,726	2,578	106,148	108,726
Purchases	52,401	-	52,401	52,401	-	52,401
Gains/(losses) recognised in						
- profit or loss	28,634	-	28,634	28,634	-	28,634
- other comprehensive income	-	2,398	2,398	-	2,398	2,398
At 31 December	83,613	108,546	192,159	83,613	108,546	192,159
<u>Financial liabilities</u>						
At 1 January	32,556	-	32,556	32,556	-	32,556
Issues	55,221	-	55,221	55,221	-	55,221
Settlements/disposals	(16,247)	-	(16,247)	(16,247)	-	(16,247)
Gains/(losses) recognised in profit or loss	20,032	-	20,032	20,032	-	20,032
At 31 December	91,562	-	91,562	91,562	-	91,562

Total gains included in profit or loss for financial assets/liabilities held at the end of the year:

- Financial assets	28,634	-	28,634	28,634	-	28,634
- Financial liabilities	20,032	-	20,032	20,032	-	20,032

Gains/(losses) on financial assets included in profit or loss are presented in the income statement as follows:

	Group and Bank	
	Net Trading income	Total
	RM'000	RM'000
2011		
Total gains included in profit or loss for the year ended:		
- Financial assets	28,634	28,634
- Financial liabilities	20,032	20,032
Total 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	25,370	25,370

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****44 FINANCIAL ASSETS AND LIABILITIES**

<b>Group</b>	<b>Assets at fair value</b>			<b>At amortised cost</b>	
	<b>Trading</b>	<b>Derivative held for hedging</b>	<b>Available-for-sale</b>	<b>Total</b>	
<b>2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
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
Securities held-for-trading	466,302	-	-	-	466,302
Securities available-for-sale	-	-	9,602,189	-	9,602,189
Loans, advances and financing	-	-	-	42,181,029	42,181,029
Derivative 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
	<b>1,067,607</b>	<b>15,964</b>	<b>9,602,189</b>	<b>53,454,614</b>	<b>64,140,374</b>
Non-financial assets	-	-	-	260,458	260,458
<b>Total assets</b>	<b>1,067,607</b>	<b>15,964</b>	<b>9,602,189</b>	<b>53,715,072</b>	<b>64,400,832</b>
<b>Financial liabilities</b>					
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
Surbordinated term loan/ bonds	-	-	-	1,514,672	1,514,672
Derivative liabilities	477,325	12,312	-	-	489,637
Other liabilities	-	-	-	878,751	878,751
	<b>477,325</b>	<b>12,312</b>	<b>-</b>	<b>59,157,565</b>	<b>59,647,202</b>
Non-financial liabilities	-	-	-	53,742	53,742
<b>Total liabilities</b>	<b>477,325</b>	<b>12,312</b>	<b>-</b>	<b>59,211,307</b>	<b>59,700,944</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****44 FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Group</b>	<b>Assets at fair value</b>			<b>At amortised cost</b>	
	<b>Trading</b>	<b>Derivative held for hedging</b>	<b>Available-for-sale</b>	<b>Total</b>	
<b>2010</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	11,004,041	11,004,041
Deposits and placements with banks and other financial institutions	-	-	-	1,935,632	1,935,632
Securities held-for-trading	505,657	-	-	-	505,657
Securities available-for-sale	-	-	5,964,308	-	5,964,308
Loans, advances and financing	-	-	-	35,143,119	35,143,119
Derivative assets	485,308	14,464	-	-	499,772
Other assets	-	-	-	203,813	203,813
Statutory deposits with Bank Negara Malaysia	-	-	-	79,342	79,342
	<b>990,965</b>	<b>14,464</b>	<b>5,964,308</b>	<b>48,365,947</b>	<b>55,335,684</b>
Non-financial assets	-	-	-	370,274	370,274
<b>Total assets</b>	<b>990,965</b>	<b>14,464</b>	<b>5,964,308</b>	<b>48,736,221</b>	<b>55,705,958</b>
<b>Financial liabilities</b>					
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
Surbordinated term loan/ bonds	-	-	-	1,504,132	1,504,132
Derivative liabilities	483,082	2,095	-	-	485,177
Other liabilities	-	-	-	472,329	472,329
	<b>483,082</b>	<b>2,095</b>	<b>-</b>	<b>50,838,714</b>	<b>51,323,891</b>
Non-financial liabilities	-	-	-	30,022	30,022
<b>Total liabilities</b>	<b>483,082</b>	<b>2,095</b>	<b>-</b>	<b>50,868,736</b>	<b>51,353,913</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****44 FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Bank</b>	<b>Assets at fair value</b>			<b>At amortised cost</b>	<b>Total</b>
	<b>Trading</b>	<b>Derivative held for hedging</b>	<b>Available-for-sale</b>	<b>cost</b>	
<b>2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
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
Securities held-for-trading	466,302	-	-	-	466,302
Securities available-for-sale	-	-	7,768,300	-	7,768,300
Loans, advances and financing	-	-	-	39,008,465	39,008,465
Derivative 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
	<b>1,066,359</b>	<b>15,964</b>	<b>7,768,300</b>	<b>50,672,405</b>	<b>59,523,028</b>
Non-financial assets	-	-	-	246,795	246,795
<b>Total assets</b>	<b>1,066,359</b>	<b>15,964</b>	<b>7,768,300</b>	<b>50,919,200</b>	<b>59,769,823</b>
<b>Financial liabilities</b>					
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 liabilities	476,097	12,312	-	-	488,409
Other liabilities	-	-	-	825,305	825,305
	<b>476,097</b>	<b>12,312</b>	<b>-</b>	<b>54,600,735</b>	<b>55,089,144</b>
Non-financial liabilities	-	-	-	53,722	53,722
<b>Total liabilities</b>	<b>476,097</b>	<b>12,312</b>	<b>-</b>	<b>54,654,457</b>	<b>55,142,866</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****44 FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Bank</b>	Assets at fair value			At amortised cost	Total RM'000
	Trading RM'000	Derivative held for hedging RM'000	Available- for-sale RM'000	RM'000	
<b>2010</b>					
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	10,616,038	10,616,038
Deposits and placements with banks and other financial institutions	-	-	-	2,235,614	2,235,614
Securities held-for-trading	505,657	-	-	-	505,657
Securities available-for-sale	-	-	4,904,779	-	4,904,779
Loans, advances and financing	-	-	-	32,656,423	32,656,423
Derivative 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	46,212,308	52,114,876
Non-financial assets	-	-	-	352,281	352,281
<b>Total assets</b>	<b>983,325</b>	<b>14,464</b>	<b>4,904,779</b>	<b>46,564,589</b>	<b>52,467,157</b>
<b>Financial liabilities</b>					
Deposits from customers	-	-	-	40,381,661	40,381,661
Deposits and placements of banks and other financial institutions	-	-	-	4,734,425	4,734,425
Bills and acceptances payable	-	-	-	270,837	270,837
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	329,988	329,988
Subordinated term loan/ bonds	-	-	-	1,504,132	1,504,132
Derivative liabilities	475,454	2,095	-	-	477,549
Other liabilities	-	-	-	440,166	440,166
	475,454	2,095	-	47,661,209	48,138,758
Non-financial liabilities	-	-	-	28,124	28,124
<b>Total liabilities</b>	<b>475,454</b>	<b>2,095</b>	<b>-</b>	<b>47,689,333</b>	<b>48,166,882</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)**

**45 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 its capital actively to ensure that its capital adequacy ratios are comfortably above the regulatory minima through accessing and holding different forms of capital. Over the years, the Group 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 sets 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**

No capital initiatives were undertaken during the financial year ended 31 December 2011.

**Capital Adequacy Ratios**

The Group and the Bank is required to comply with core capital ratio of 4% and risk-weighted capital ratio of 8% prescribed by BNM . The Bank and its regulated banking entities 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 of 31 December 2011, determined according to the requirements of BNM Guidelines - Risk Weighted Capital Adequacy Framework (Basel II), which defines the regulatory capital and deductions required, including the cost of investment in subsidiaries and other capital investments.

A description of the key terms and conditions of all capital instruments included as Tier 1 and Tier 2 capital can be found in Note 18 of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****45 CAPITAL ADEQUACY (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>Tier-1 capital</u>				
Paid-up share capital	287,500	287,500	287,500	287,500
Paid-up non-cumulative, Non-convertible perpetual preference shares	4,000	4,000	4,000	4,000
Share premium	858,500	858,500	858,500	858,500
Retained earnings	3,009,595	2,688,851	3,026,424	2,704,217
Other reserves	352,596	330,660	322,000	322,000
Innovative Tier 1 Capital	400,000	400,000	400,000	400,000
Capital reserves	56,619	56,619	-	-
	<u>4,968,810</u>	<u>4,626,130</u>	<u>4,898,424</u>	<u>4,576,217</u>
Less: Deferred tax assets	(42,979)	(144,999)	(38,794)	(134,795)
Eligible Tier-1 capital	<u>4,925,831</u>	<u>4,481,131</u>	<u>4,859,630</u>	<u>4,441,422</u>
<u>Tier-2 capital</u>				
Collectively assessed impairment allowance on unimpaired loans, advances and financing computed under standardised approach	32,898	105,078	20,314	97,102
Subordinated debt capital	1,053,844	1,096,117	898,708	896,117
Surplus of total Eligible Provisions ("EP"), subject to limit	-	73,544	-	67,628
Total Tier-2 capital	<u>1,086,742</u>	<u>1,274,739</u>	<u>919,022</u>	<u>1,060,847</u>
Less:				
Investments in subsidiary companies	-	-	(256,617)	(256,617)
Excess of total Expected Loss ("EL") over total EP under the IRB approach	(70,456)	-	(74,091)	-
Eligible Tier-2 capital	<u>1,016,286</u>	<u>1,274,739</u>	<u>588,314</u>	<u>804,230</u>
Capital base	<u>5,942,117</u>	<u>5,755,870</u>	<u>5,447,944</u>	<u>5,245,652</u>
<u>Before payment of dividend</u>				
Core capital ratio	13.22%	13.23%	14.31%	14.31%
Risk-weighted capital ratio	<u>15.95%</u>	<u>17.00%</u>	<u>16.04%</u>	<u>16.90%</u>
<u>After payment of dividend</u>				
Core capital ratio	12.33%	12.25%	13.33%	13.24%
Risk-weighted capital ratio	<u>15.06%</u>	<u>16.01%</u>	<u>15.06%</u>	<u>15.83%</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****45 CAPITAL ADEQUACY (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>Basel II</b>	<b>Basel II</b>	<b>Basel II</b>	<b>Basel II</b>
	Risk-weighted 2011 RM'000	Risk-weighted 2010 RM'000	Risk-weighted 2011 RM'000	Risk-weighted 2010 RM'000
Credit risk RWA	32,762,323	29,783,175	29,650,155	27,068,410
Market risk RWA	1,279,477	1,016,271	1,272,885	1,007,869
Operational risk RWA	3,211,131	3,037,280	3,033,959	2,929,398
Large Exposure for Equity Holdings RWA	-	28,849	-	28,849
<b>Total RWA</b>	<b>37,252,931</b>	<b>33,865,575</b>	<b>33,956,999</b>	<b>31,034,526</b>

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

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

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

	<b>OCBC Al-Amin Bank Berhad</b>	
	2011 RM'000	2010 RM'000
Core capital ratio	8.88%	10.00%
Risk-weighted capital ratio	13.51%	15.55%

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (continued)****45 CAPITAL ADEQUACY (continued)**

The Group and Bank has restated its comparative figure for Additional RWA due to Capital Floor and the consequent changes to other comparatives are shown below.

	<b>Group</b>		<b>Bank</b>	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
Additional RWA due to Capital Floor	1,191,876	-	1,563,163	-
<u>Before payment of dividend</u>				
Core capital ratio	12.78%	13.23%	13.62%	14.31%
Risk-weighted capital ratio	16.42%	17.00%	16.09%	16.90%
<u>After payment of dividend</u>				
Core capital ratio	11.83%	12.25%	12.61%	13.24%
Risk-weighted capital ratio	15.47%	16.01%	15.07%	15.83%

**46 SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**Amendments to FRS 7, Improving Disclosures about Financial Instruments

These amendments are intended to enhance disclosures on fair value and liquidity. The amendments require the disclosure of a three-level fair value hierarchy, by class for all financial instruments recognised at fair value and specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. In addition, certain disclosures on liquidity are also modified. These changes are only presentational in nature and does not have any impact on the financial results of the Group and the Bank.

**47 COMPARATIVE FIGURES**

	<b>Group</b>		<b>Bank</b>	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
<b>Income statements</b>				
Interest income	2,067,996	2,090,729	2,094,368	2,117,101
Interest expense	(937,247)	(959,980)	(937,240)	(959,973)
Net fee and commission income	246,806	243,393	293,267	243,393
Other operating income	24,473	27,893	24,606	74,487
Personnel and operating expenses	(655,624)	(655,631)	(612,359)	(612,366)