

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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OCBC BANK (MALAYSIA) BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

PRINCIPAL ACTIVITIES

The Bank is principally engaged in banking and related financial services, whilst the subsidiaries are principally engaged in the businesses of Islamic Banking 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 2014 RM'000	Bank 2014 RM'000
Profit for the year	<u>834,379</u>	<u>763,307</u>

SHARE CAPITAL AND DEBENTURES

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

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- i) A final preference dividend of 4.51% (on the issue price) totalling RM8.9 million in respect of the previous financial year on 20 March 2014;
- ii) A final dividend of 152.2 sen per ordinary share totalling RM437.7 million in respect of the previous financial year on 15 April 2014;
- iii) An interim preference dividend of 4.51% (on the issue price) totalling RM9.1 million in respect of the current financial year on 20 September 2014;
- iv) An interim dividend of 22.5 sen per ordinary share totalling RM64.7 million in respect of the current financial year on 29 September 2014.

The Directors now recommend a net cash dividend of 4.51% (on the issue price) amounting to RM8.9 million to the preference shareholders payable in March 2015 and a final dividend of 152.2 sen per ordinary share in respect of the current financial year amounting to RM437.7 million on the fully issued and paid-up ordinary shares of the Bank, subject to member's approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2015 when approved by the shareholder.

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

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

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

OTHER STATUTORY INFORMATION

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

- i) all known bad debts and financing have been written off and adequate impairment allowance made for doubtful debts and financing, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render the amount written off for bad debts and financing or the amount of the impairment allowance for doubtful debts and financing in the Group and in the Bank inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Bank misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Bank misleading.

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

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

No contingent liability or other liability of the 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.

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

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FINANCIAL PERFORMANCE

Compared to the corresponding year in 2013, total income of the Group rose by RM125 million or 6% to RM2.3 billion contributed by higher net interest income (rose by RM100 million or 8%), increased income from Islamic banking operations (rose by RM98 million or 27%) partly offset by lower non-interest income (fell by RM73 million or 13%). The strong growth in net interest income and income from Islamic banking operations was largely attributable to our above industry average net loans growth of 12%.

The lower non-interest income (fell by RM73 million) was mainly attributed to loss from financial investments available-for-sale of RM9.7 million (income drop of RM38 million against last year), and lower trading income (fell by RM35 million). Operating expenses increased by 7% or RM65 million as we continued to invest in people and infrastructure to support business expansion.

Despite the 6% increase in total income, the Group recorded profit after tax of RM834 million for the financial year ended 31 December 2014; a decrease of RM112 million or 12% compared to last year. The decrease in profit for the year was mainly due to higher collective impairment allowances (rose by RM125 million) arising from a combination of loan growth and a refinement in the collective impairment provision methodology; coupled by higher individual impairment allowance (rose by RM78 million) mainly from the manufacturing sector.

Total assets grew by RM9.8 billion or 12% against last year, mainly from expansion of gross loans, advances and financing by RM7 billion or 13%. The Group continued to extend housing loans which grew by 22% or RM4.3 billion and to lend its strong support to the business community especially to the small and medium enterprises ("SMEs") for which our lending grew by RM1.9 billion or 15%. Our deposits base also grew by RM8.6 billion or 14% primarily from fixed/investment deposits (rose by RM7.5 billion or 19%) and demand and savings deposits (rose by RM1.6 billion or 10%).

The Group and Bank remained well capitalised after taking into consideration the proposed dividends, with Common Equity Tier 1 (CET 1) capital ratios of 12.003% and 12.933%, Tier 1 capital ratios of 13.554% and 14.750% and total capital ratios of 16.463% and 16.407% respectively.

ACTIVITIES AND ACHIEVEMENTS

OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad (together referred as "OCBC Malaysia") continued to be ranked among the largest foreign banks in Malaysia by total assets, deposits from customers, loans, advances and financing and branch network. During the year, we quadrupled the size of our Penang Premier Banking Centre and doubled the one in Ampang in line with efforts to bring lifestyle events and enhanced services to our customers. We are also one of the few banks in Malaysia to offer Overseas Property Financing.

During the year, our Global Investment Banking team played an active role in loan syndication, debt capital markets and project finance activities. In Islamic banking, we collaborated with Credit Guarantee Corporation Malaysia ("CGC") on the country's first SME wholesale guarantee scheme.

We also introduced a Commodity Murahabah Foreign Currency Time Deposit account to complement the existing suite of investment solutions. The Bank teamed up with Great Eastern Takaful Sdn Bhd to introduce i-Great Raudah, a takaful product which covers life and disability and also includes special features for additional coverage while performing the Haj.

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

ACTIVITIES AND ACHIEVEMENTS (continued)

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

MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2015

Moving into 2015, OCBC Malaysia strives to entrench its position as a banker of choice to the retail, SME, corporate and commercial segments by expanding its presence in new markets and deepening penetration into existing ones. These efforts will hinge on providing a wider pool of innovative products and convenient services. There are plans to expand customers reach through the opening of new branches, the latest of which will be in Kulai Jaya, Johor.

On the business banking front, OCBC Malaysia will continue to implement strategies to meet the diverse needs of our key business banking segments. For corporate and commercial banking customers, we will centre efforts on supporting local and regional cross-border activities with increased trade components that focus on targeted industries via contract and value chain financing. For SMEs, we will continue to drive the growth of the business community by working closely with the Government and our strategic partners to provide even more convenient access to financing. One of the core initiatives will be the introduction of new customised customer programmes and on-going investments into process improvements for convenience and speedy delivery of products and services to our customers.

In consumer banking, OCBC Malaysia will continue to build its premier and mass affluent proposition by strengthening our ability to offer a comprehensive suite of investment and protection products, coupled with a robust advisory model. For the mass affluent segment, we will provide tailor-made product propositions to fit their specific needs.

We will continue to invest in improving customer experience efforts at each of our touch points by upgrading our systems, call centre and service training. Fresh initiatives have also been launched to simplify forms and processes. As consumers move into performing even more banking transactions online, we will continue to invest in upgrading our internet platform and capabilities.

On the treasury front, we will continue to focus on providing customised risk hedging solutions to meet corporate and institutional clients' business needs. For the retail market, we will roll out innovative investment products that are linked to equities, bonds, foreign currency and commodities asset classes.

In Islamic banking, we will develop and launch additional Shariah-compliant treasury products to make our offerings even more comprehensive and far-reaching, in line with Malaysia's status as a global Islamic financial hub. With the set up of Labuan Islamic banking window in 2014 serving both Malaysia and Singapore, we expect the demand for sizeable Islamic foreign currency financing solutions to increase throughout the OCBC Group network in 2015.

RATINGS BY EXTERNAL AGENCY

RAM Rating Services Berhad ("RAM") has reaffirmed OCBC Bank (Malaysia) Berhad's respective long term and short term financial institution ratings at AAA and P1, with stable outlook, on 30 June 2014. The ratings reflect the Bank's healthy credit fundamentals and established franchise among mid-sized corporates as well as small and medium-sized enterprises.

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

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises eight Directors, all of them are non-executive Directors. The independent non-executive Directors are Dato' Ooi Sang Kuang (Chairman of the Bank with effect from 30 March 2014), Dr Raja Lope Bin Raja Shahrome, Mr Lai Teck Poh, Mr Ng Hon Soon (appointed as non-independent non-executive Director with effect from 16 July 2014 and was subsequently re-designated as independent non-executive Director with effect from 1 November 2014) and Mr Tong Hon Keong (appointed as independent non-executive Director with effect from 21 July 2014) while the non-independent non-executive Directors are Mr Samuel N. Tsien, Mr Ching Wei Hong and Mr Tan Siew Peng, Darren.

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

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

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

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

Board Conduct and Responsibilities

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

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

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

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

CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities (continued)

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

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

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

Board and Individual Director Performance

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

Board Audit Committee

The BAC comprises Mr Lai Teck Poh (appointed as the Chairman of the BAC with effect from 1 April 2014), Mr Ng Hon Soon (appointed as a member of BAC with effect from 16 July 2014) and Mr Tong Hon Keong (appointed as a member of BAC with effect from 28 July 2014); all of whom are independent Directors. Tan Sri Dato' Nasruddin Bin Bahari ceased to be the Chairman of the BAC with effect from 29 March 2014 and Ms Tan Siok Choo ceased to be a member of the BAC on 27 July 2014. Dato' Ooi Sang Kuang was appointed as a member of BAC with effect from 20 May 2014 and later stepped down on 28 July 2014.

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

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

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

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

CORPORATE GOVERNANCE (continued)

Internal Audit Function

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

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

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

The BAC is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in Internal Audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Internal Audit reports functionally to the BAC and administratively to the CEO, and has unfettered access to the BAC, Board and senior management, as well as the right to seek information and explanations. The division is organised into departments that are aligned with the structure of the Bank. The BAC approves the appointment and removal of the Head of Internal Audit.

Internal Controls

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

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

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

CORPORATE GOVERNANCE (continued)

Management Information

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

- i) Minutes of meetings of all Board Committees;
- ii) Monthly Performance Report of the Bank;
- iii) At least quarterly Credit Risk Management Report;
- iv) At least quarterly Asset Liability & Market Risk Report; and
- v) 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' Attendance At Board And Board Committee Meetings in 2014

Name of Director	Schedule of Meetings							
	Board		Board Audit Committee		Nominating Committee		Risk Management Committee	
	Held#	Attended	Held#	Attended	Held#	Attended	Held#	Attended
Dato' Ooi Sang Kuang (Appointed as Chairman on 30 March 2014)	7	7	2	2	4	4	6	6
Samuel N. Tsien	7	6	-	-	4	3	6	5
Ching Wei Hong	7	[^] 6	-	-	4	4	6	6
Dr Raja Lope Bin Raja Shahrome	7	7	-	-	-	-	6	6
Lai Teck Poh	7	7	6	6	4	4	6	6
Tan Siew Peng, Darren	7	[^] 5	-	-	-	-	6	5
Ng Hon Soon (Appointed on 16 July 2014)	3	3	3	3	1	1	3	3
Tong Hon Keong (Appointed on 21 July 2014)	3	3	2	2	-	-	3	3
Tan Sri Dato' Nasruddin Bin Bahari (Retired as Chairman on 29 March 2014)	3	3	2	2	1	1	2	2
Chew Sun Teong, Jeffrey (Resigned on 1 July 2014)	4	[^] 3	-	-	-	-	-	-
Tan Siok Choo (Retired on 27 July 2014)	5	4	4	4	3	3	4	4

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

[^] Mr Chew Sun Teong, Jeffrey, Mr Ching Wei Hong and Mr Tan Siew Peng, Darren abstained themselves from attending the Special Board Meeting on 20 February 2014 by virtue that they are deemed interested in the subject matter being discussed.

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

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

CORPORATE GOVERNANCE (continued)

Profile of the Board of Directors

Dato' Ooi Sang Kuang, Chairman

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

Mr Samuel N. Tsien

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

Mr Ching Wei Hong

Mr Ching Wei Hong was appointed to the Board on 20 June 2006. He was appointed as the Group Chief Operating Officer of OCBC Bank on 15 April 2012. In addition to Global Consumer Financial Services, which he has oversight of since May 2010, he is responsible for the Group Operations & Technology, Group Corporate Communications, Group Quality & Service Excellence and OCBC Property Services functions of OCBC Bank. Mr Ching is also the Chairman of Bank of Singapore Ltd, OCBC Securities Pte Ltd, Lion Global Investors Limited and OCBC Investment Research Pte Ltd. As Head of Global Consumer Financial Services, he is responsible for building the OCBC Group's consumer banking business in key markets and expanding its wealth management franchise. In his tenure with OCBC Bank, he has held senior management responsibilities across various roles including Chief Financial Officer, Head of Group Operations and Technology and Head of Transaction Banking. Before joining OCBC Bank, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore.

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, a Master of Arts from the University of Pennsylvania and a PhD from the London School of Economics. His working experience was mainly in central and commercial banking except for a few years when he worked in a rating agency. He sits on the Board of Directors of OCBC Al-Amin Bank Berhad, First Nationwide Holdings Sdn Bhd, Pac Lease Berhad, and several other private companies.

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CORPORATE GOVERNANCE (continued)

Profile of the Board of Directors (continued)

Mr Lai Teck Poh

Mr Lai Teck Poh was appointed to the Board on 7 January 2011. He joined OCBC Bank as an Executive Vice President and Head of Corporate Banking in January 1988. During his tenure with OCBC Bank, he had senior management responsibilities for a wide range of functions, including Corporate Banking, Investment Management, Information Technology and Central Operations, Group Risk Management and Group Audit. He was the Head of Group Audit before his retirement on 14 April 2010. He has over 45 years of banking experience, including about 20 years in Citibank, N.A. Singapore with overseas assignments in Jakarta, New York and London. He is also a Director of OCBC Bank, OCBC Al-Amin Bank Berhad and AVJennings Limited, and a Commissioner of PT Bank OCBC NISP Tbk. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore.

Mr Tan Siew Peng, Darren

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

Mr Ng Hon Soon

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

Mr Tong Hon Keong

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

CORPORATE GOVERNANCE (continued)

DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS

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

Dato' Ooi Sang Kuang - Chairman (Appointed as Chairman on 30 March 2014)
Samuel N. Tsien
Ching Wei Hong
Dr Raja Lope Bin Raja Shahrome
Lai Teck Poh
Tan Siew Peng, Darren
Ng Hon Soon (Appointed on 16 July 2014)
Tong Hon Keong (Appointed on 21 July 2014)
Tan Sri Dato' Nasruddin Bin Bahari (Retired as Chairman on 29 March 2014)
Tan Siok Choo (Retired on 27 July 2014)
Chew Sun Teong, Jeffrey (Resigned on 1 July 2014)

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

In accordance with Article 110 of the Bank's Articles of Association, Mr Ng Hon Soon and Mr Tong Hon Keong shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Dr Raja Lope Bin Raja Shahrome, who has attained 70 years of age, offers himself for re-appointment at the forthcoming Annual General Meeting.

According to the register of Directors' shareholdings maintained by the Bank in accordance with Section 134 of the Companies Act, 1965, the Directors' beneficial interests at the end of the financial year in the shares of the Bank and its related corporations (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) were as follows:

Oversea-Chinese Banking Corporation Limited

Shareholdings registered in the name of Directors
or in which Directors have a direct interest

	At		At
	1 January 2014	Acquired	31 December 2014
<u>Ordinary Shares</u>			
Dato' Ooi Sang Kuang	5,163	7,870	13,033
Samuel N. Tsien	183,029	132,431	315,460
Ching Wei Hong	125,584	89,458	215,042
Dr Raja Lope Bin Raja Shahrome	2,000	79	2,079
Lai Teck Poh	599,266	191,428	790,694
Tan Siew Peng, Darren	192,716	133,700	326,416

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS (continued)

Oversea-Chinese Banking Corporation Limited

	OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan				
	At 1 January 2014	Acquired/ Granted	Rights Issue	Exercised/ Forfeited/ Lapsed	At 31 December 2014
Samuel N. Tsien	344,227	261,779	14,394	(87,258)	533,142
Ching Wei Hong	171,703	71,925	5,130	(58,690)	190,068
Tan Siew Peng, Darren	214,460	81,516	5,859	(84,775)	217,060

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

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

DIRECTORS' BENEFITS

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

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate except for the share options granted to executives of OCBC Bank pursuant to the OCBC Share Option Scheme 2001, shares granted under the OCBC Deferred Share Plan which will vest three years from the grant date and will lapse when the Director ceases employment during the vesting period and acquisition rights under the OCBC Employee Share Purchase Plan.

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

AUDITORS

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

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

DATO' OOI SANG KUANG
Chairman

DR RAJA LOPE BIN RAJA SHAHROME
Director

Kuala Lumpur, Malaysia
Date: 27 March 2015

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 19 to 128 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

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

DATO' OOI SANG KUANG
Chairman

DR RAJA LOPE BIN RAJA SHAHROME
Director

Kuala Lumpur, Malaysia
Date: 27 March 2015

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 19 to 128 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur in Malaysia on 27 March 2015.

TEOH YIN MENG

Before me,

Commissioner for Oaths

Independent Auditors' Report to the members of OCBC Bank (Malaysia) Berhad

(Company No. 295400-W)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of OCBC Bank (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 128.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Company No. 295400-W

Report on Other Legal and Regulatory Requirements

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

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

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

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

Petaling Jaya, Malaysia
Date: 27 March 2015

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Cash and cash equivalents	3	8,273,458	8,926,484	7,780,124	9,102,977
Deposits and placements with banks and other financial institutions	4	2,852,549	1,849,809	3,872,892	2,716,940
Financial assets held-for-trading	5	1,046,895	354,973	1,046,895	354,973
Financial investments available-for-sale	6	12,866,011	11,659,590	10,085,357	9,679,761
Loans, advances and financing	7	62,638,140	55,698,871	53,470,126	48,935,917
Derivative financial assets	9	1,240,338	818,196	1,240,367	818,186
Other assets	10	229,267	326,848	418,169	523,579
Statutory deposits with Bank Negara Malaysia	11	2,185,892	1,867,892	1,806,092	1,597,092
Investments in subsidiaries	12	-	-	496,617	376,617
Property and equipment	13	223,120	252,529	217,638	244,480
Prepaid lease payments	14	856	892	856	892
Investment properties	15	7,921	12,082	7,921	12,082
Non-current assets held for sale	16	-	3,191	-	3,191
Deferred tax assets	17	21,369	29,050	19,245	26,041
Current tax assets		16,691	1,682	6,872	-
Total assets		91,602,507	81,802,089	80,469,171	74,392,728
LIABILITIES					
Deposits from customers	18	71,588,131	63,011,206	61,649,806	56,429,044
Deposits and placements of banks and other financial institutions	19	10,291,077	9,623,764	9,476,126	9,075,490
Bills and acceptances payable		183,899	243,459	163,255	229,780
Subordinated bonds	20	1,692,556	1,693,720	1,692,556	1,693,720
Derivative financial liabilities	9	1,006,835	728,533	1,006,830	728,531
Other liabilities	21	824,226	783,476	770,387	748,865
Current tax liabilities and zakat		35	55,584	-	55,532
Total liabilities		85,586,759	76,139,742	74,758,960	68,960,962
EQUITY					
Share capital	22	291,500	291,500	291,500	291,500
Reserves	23	5,724,248	5,370,847	5,418,711	5,140,266
Total equity		6,015,748	5,662,347	5,710,211	5,431,766
Total liabilities and equity		91,602,507	81,802,089	80,469,171	74,392,728
Commitments and contingencies	35	90,972,700	83,123,255	89,260,337	81,601,403

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	24	3,278,293	2,866,159	3,341,525	2,918,427
Interest expense	24	(1,905,892)	(1,593,559)	(1,929,332)	(1,604,653)
Net interest income	24	1,372,401	1,272,600	1,412,193	1,313,774
Income from Islamic banking operations	25	467,154	369,121	-	-
Net fee and commission income	26	289,014	298,001	289,014	298,001
Net trading income	27	131,325	165,975	131,325	165,975
Other operating income	28	52,266	81,528	158,828	152,795
Operating income		2,312,160	2,187,225	1,991,360	1,930,545
Operating expenses	29	(942,334)	(877,224)	(870,947)	(813,212)
Operating profit before impairment allowance and provision		1,369,826	1,310,001	1,120,413	1,117,333
Impairment allowance on loans, advances and financing	31	(294,551)	(61,988)	(133,222)	(5,934)
(Impairment)/write back of allowance on investment properties	15	(311)	1,182	(311)	1,182
Write back of impairment allowance on property and equipment	13	-	729	-	729
Provision for commitments and contingencies		(1,717)	-	(1,717)	-
Profit before income tax and zakat		1,073,247	1,249,924	985,163	1,113,310
Income tax expense	32	(238,833)	(303,896)	(221,856)	(275,033)
Zakat		(35)	(30)	-	-
Profit for the year		834,379	945,998	763,307	838,277
Other comprehensive income/(loss), net of income tax items that are or may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		45,138	(114,352)	38,141	(103,955)
- Amount transferred to profit or loss		8,023	(34,349)	9,708	(28,249)
Income tax expense relating to components of other comprehensive income	17	(13,712)	35,609	(12,284)	31,485
Other comprehensive income/(loss) for the year, net of tax		39,449	(113,092)	35,565	(100,719)
Total comprehensive income for the year		873,828	832,906	798,872	737,558
Profit attributable to owner of the Bank		834,379	945,998	763,307	838,277
Total comprehensive income attributable to owner of the Bank		873,828	832,906	798,872	737,558
Basic earnings per ordinary share (sen)	33	283.9	322.8	259.2	285.3

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

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

<u>Group</u>	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000
At 1 January 2014	291,500	858,500	429,390	-	56,619	29,610	3,996,728	5,662,347
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	45,138	-	45,138
- Amount transferred to profit or loss	-	-	-	-	-	8,023	-	8,023
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	(13,712)	-	(13,712)
Total other comprehensive income for the year	-	-	-	-	-	39,449	-	39,449
Profit for the year	-	-	-	-	-	-	834,379	834,379
Total comprehensive income for the year	-	-	-	-	-	39,449	834,379	873,828
Transfer to regulatory reserve	-	-	-	130,000	-	-	(130,000)	-
Transfer to statutory reserve	-	-	35,264	-	-	-	(35,264)	-
<i>Contributions by and distributions to owner of the Bank</i>								
Dividends paid								
- Final 2013 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
- Interim 2014 ordinary	-	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	-	(18,040)	(18,040)
At 31 December 2014	291,500	858,500	464,654	130,000	56,619	69,059	4,145,416	6,015,748

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

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

<u>Group</u>	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000
At 1 January 2013	291,500	858,500	375,643	-	56,619	142,702	3,532,204	5,257,168
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	(114,352)	-	(114,352)
- Amount transferred to profit or loss	-	-	-	-	-	(34,349)	-	(34,349)
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	35,609	-	35,609
Total other comprehensive loss for the year	-	-	-	-	-	(113,092)	-	(113,092)
Profit for the year	-	-	-	-	-	-	945,998	945,998
Total comprehensive (loss)/income for the year	-	-	-	-	-	(113,092)	945,998	832,906
Transfer to statutory reserve	-	-	53,747	-	-	-	(53,747)	-
<i>Contributions by and distributions to owner of the Bank</i>								
Dividends paid								
- Final 2012 ordinary	-	-	-	-	-	-	(345,000)	(345,000)
- Interim 2013 ordinary	-	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	-	(18,040)	(18,040)
At 31 December 2013	291,500	858,500	429,390	-	56,619	29,610	3,996,728	5,662,347

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

<u>Bank</u>	<i>Non-distributable</i>				<i>Distributable</i>	Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000		
At 1 January 2014	291,500	858,500	322,000	-	36,308	3,923,458	5,431,766
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	38,141	-	38,141
- Amount transferred to profit or loss	-	-	-	-	9,708	-	9,708
Income tax expense relating to components of other comprehensive income	-	-	-	-	(12,284)	-	(12,284)
Total other comprehensive income for the year	-	-	-	-	35,565	-	35,565
Profit for the year	-	-	-	-	-	763,307	763,307
Total comprehensive income for the year	-	-	-	-	35,565	763,307	798,872
Transfer to regulatory reserve	-	-	-	130,000	-	(130,000)	-
<i>Contributions by and distributions to owner of the Bank</i>							
Dividends paid							
- Final 2013 ordinary	-	-	-	-	-	(437,700)	(437,700)
- Interim 2014 ordinary	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	(18,040)	(18,040)
At 31 December 2014	291,500	858,500	322,000	130,000	71,873	4,036,338	5,710,211

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

<u>Bank</u>	<i>Non-distributable</i>				<i>Distributable</i>	Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000
At 1 January 2013	291,500	858,500	322,000	-	137,027	3,512,908	5,121,935
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	(103,955)	-	(103,955)
- Amount transferred to profit or loss	-	-	-	-	(28,249)	-	(28,249)
Income tax expense relating to components of other comprehensive income	-	-	-	-	31,485	-	31,485
Total other comprehensive loss for the year	-	-	-	-	(100,719)	-	(100,719)
Profit for the year	-	-	-	-	-	838,277	838,277
Total comprehensive (loss)/income for the year	-	-	-	-	(100,719)	838,277	737,558
<i>Contributions by and distributions to owner of the Bank</i>							
Dividends paid							
- Final 2012 ordinary	-	-	-	-	-	(345,000)	(345,000)
- Interim 2013 ordinary	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	(18,040)	(18,040)
At 31 December 2013	291,500	858,500	322,000	-	36,308	3,923,458	5,431,766

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities					
Profit before income tax and zakat		1,073,247	1,249,924	985,163	1,113,310
<i>Adjustments for:</i>					
Amortisation of prepaid lease payments	29	36	36	36	36
Depreciation of investment properties	29	180	168	180	168
Depreciation of property and equipment	29	47,111	51,035	44,356	47,588
Dividends received from financial assets held-for-trading	28	(830)	(200)	(830)	(200)
Dividends received from financial investments available-for-sale	28	(775)	(767)	(775)	(767)
Impairment/(Write back of) allowance on:					
- Loans, advances and financing	31	294,551	61,988	133,222	5,934
- Investment properties	15	311	(1,182)	311	(1,182)
- Property and equipment	13	-	(729)	-	(729)
Net loss/(gain) on disposal of:					
- Financial investments available-for-sale	28	8,023	(34,349)	9,708	(28,249)
- Investment properties	28	(44,998)	(36,985)	(44,998)	(36,985)
- Property and equipment	28	145	301	145	301
Share-based expenses	29	4,924	5,900	4,704	5,735
Unrealised loss/(gain) on:					
- Financial assets held-for-trading	27	2,094	2,191	2,094	2,191
- Hedging derivatives	28	145	188	145	188
- Trading derivatives	27	(27,156)	(122,391)	(27,156)	(122,391)
Operating profit before changes in working capital		1,357,008	1,175,128	1,106,305	984,948
<i>Changes in operating assets and operating liabilities:</i>					
Deposits and placements with banks and other financial institutions		(1,002,740)	(563,941)	(1,155,952)	(762,973)
Financial assets held-for-trading		(694,016)	(128,934)	(694,016)	(128,934)
Dividends received from financial assets held-for-trading		830	200	830	200
Loans, advances and financing		(7,233,820)	(8,282,065)	(4,667,431)	(5,758,779)
Other assets		97,581	(28,859)	105,410	(38,053)
Statutory deposits with Bank Negara Malaysia		(318,000)	(242,300)	(209,000)	(186,000)
Derivative financial assets and liabilities		(119,416)	72,550	(119,458)	72,509
Deposits from customers		8,576,925	7,530,951	5,220,762	5,357,727
Deposits and placements of banks and other financial institutions		667,313	1,144,271	400,636	997,318
Bills and acceptances payable		(59,560)	(113,259)	(66,525)	(112,143)
Recourse obligation on loans sold to Cagamas Berhad		-	(25,662)	-	(25,662)
Other liabilities		35,964	(150,196)	16,956	(173,298)
Cash generated from operations		1,308,069	387,884	(61,483)	226,860
Income tax and zakat paid		(315,457)	(275,133)	(289,748)	(248,709)
Net cash generated from/(used in) operating activities		992,612	112,751	(351,231)	(21,849)

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (continued)

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from investing activities					
Acquisition of financial investments available-for-sale		(16,863,489)	(12,928,625)	(13,356,469)	(10,315,570)
Acquisition of property and equipment		(17,867)	(52,535)	(17,659)	(50,472)
Dividends received from financial investments available-for-sale		775	767	775	767
Increase in investment in subsidiary		-	-	(120,000)	(30,000)
Proceeds from disposal of financial investments available-for-sale		15,703,491	10,956,897	12,990,299	8,080,690
Proceeds from disposal of investment properties		51,859	14,505	51,859	14,505
Proceeds from disposal of property and equipment		20	243	-	1,651
Net cash used in investing activities		(1,125,211)	(2,008,748)	(451,195)	(2,298,429)
Cash flows from financing activities					
Dividends paid to owner of the Bank		(502,387)	(409,687)	(502,387)	(409,687)
Dividends paid to preference shareholders		(18,040)	(18,040)	(18,040)	(18,040)
Net cash used in financing activities		(520,427)	(427,727)	(520,427)	(427,727)
Net decrease in cash and cash equivalents		(653,026)	(2,323,724)	(1,322,853)	(2,748,005)
Cash and cash equivalents at 1 January		8,926,484	11,250,208	9,102,977	11,850,982
Cash and cash equivalents at 31 December	3	8,273,458	8,926,484	7,780,124	9,102,977

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

GENERAL INFORMATION

The consolidated financial statements of the Bank as at and for the financial year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Bank is principally engaged in banking and related financial services, whilst the subsidiaries are principally engaged in the businesses of Islamic Banking and the provision of nominee services. There has been no significant change in the nature of these activities during the financial year.

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

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

1 BASIS OF PREPARATION

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

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

(a) Statement of compliance

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

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

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

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (*Annual Improvements 2012-2014 Cycle*)
- Amendments to MFRS 7, *Financial Instruments: Disclosures* (*Annual Improvements 2012-2014 Cycle*)
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosures of Interest in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*

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

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2016 (continued)

- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

Effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

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

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

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

MFRS 15, *Revenue from Contracts with Customers*

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

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

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

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets, financial liabilities and on hedge accounting. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's and the Bank's investments in unquoted shares will be measured at fair value through other comprehensive income.

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

(b) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

- (i) Fair value estimation for financial assets held-for-trading (Note 5), financial investments available-for-sale (Note 6) and derivative financial assets and liabilities (Note 9). 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 includes the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads. Where observable market data is not available, judgement is required in the determination of model input, which normally incorporates assumptions that other market participants would use in their valuations, including assumptions about interest/profit rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgement is also required in assessing the impairment of financial investments available-for-sale as the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.
- (ii) For impaired loans, advances and financing which are individually and collectively assessed, management judgement is required in the estimation of the amount and timing of future cash flows in determining recoverable amount. In estimating these cash flows, judgements are made 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) Assessment of impairment of financial investments available-for-sale (Note 6) is made when the investment is impaired. Management judgement is required to evaluate the duration and extent of fair value loss for available-for-sale financial assets in order to determine if impaired.
- (iv) The measurement of the fair value for investment properties (Note 15) 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 2014 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES

A Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(b) 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.

For new acquisitions, the Group measures the cost of 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 difference above is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Transaction costs, 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.

(c) Acquisitions of non-controlling interests

The Group accounts for 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.

(d) Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amount recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

A Basis of consolidation (continued)

(e) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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 investee or as a financial investment available-for-sale depending on the level of influence retained.

(f) 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.

B 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 the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Foreign Currency Translation Reserve ("FCTR") in equity.

C Financial instruments

(a) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:

Financial assets

(i) Financial assets at fair value through profit or loss

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

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

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

At the end of the reporting period, financial assets at fair value through profit or loss of the Group and the Bank are financial assets held-for-trading and trading derivatives. Financial assets held-for-trading are financial assets acquired and held with the intention of resale in the short term.

(ii) Held-to-maturity investments

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

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

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

(iii) Financial investments available-for-sale

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

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

Financial assets (continued)

(iv) Loans/Financing and receivables

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

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(l)).

Financial liabilities

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(c) Financial guarantee contracts

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

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

(d) Regular way purchase or sale of financial assets

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

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

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

(e) Hedge accounting

(i) Fair value hedge

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(e) Hedge accounting (continued)

(ii) 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 a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In cash flow hedge, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

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

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

(f) Derivatives

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

Financial derivatives include forward contracts for the purchase and sale of foreign currencies, interest/profit 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/profit rate risks.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(g) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the financial asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(h) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and 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 and equipment

(a) Recognition and measurement

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

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

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

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

(b) Subsequent costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

D Property and equipment (continued)

(c) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

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

- Buildings on freehold land 50 years
- Computer equipment 3-8 years
- Leasehold land and building on leasehold land 50 years or remaining life of the lease whichever is shorter
- Motor vehicles 5 years
- Office equipment and furniture 10 years
- Renovation 3-5 years

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

E Leased assets

(a) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(b) 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 are not recognised on the statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

F Investment property

Investment property carried at cost

Investment properties are properties 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, use in the 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 and the Bank have adopted the cost method in measuring investment properties. Investment properties are measured at cost less any accumulated depreciation and any impairment allowance, consistent with the accounting policy for property and equipment as stated in Note 2(D).

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

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

G 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 costs of disposal.

Any impairment allowance 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, employee benefit assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment allowance on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment allowance.

Property and equipment once classified as held for sale or distribution are not amortised or depreciated.

H Cash and Cash Equivalents

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

Cash and cash equivalents are categorised and measured as loans/financing and receivables in accordance with Note 2(C).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

I Impairment

(a) Financial assets

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

(i) Held-to-maturity investments

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

(ii) Financial investments available-for-sale

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

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

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

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

(iii) Loans/Financing and receivables

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

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/profit or principal payments, that it is possible that they will enter bankruptcy or other financial reorganisation and that there are observable data indicating a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with potential default.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

I Impairment (continued)

(a) Financial assets (continued)

(iii) Loans/Financing and receivables (continued)

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

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

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

(b) Other assets

The carrying amounts of other assets (except for deferred tax assets, assets arising from employees benefits, investment property measured at cost and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

J Equity Instruments

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

Ordinary shares are classified as equity.

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

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

K Employee benefits

(a) Short-term employee benefits

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

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

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

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

(b) Share-based payment transactions

(i) OCBC Deferred Share Plan

Under the OCBC Deferred Share Plan ("the Plan"), shares of the ultimate holding company of the Bank are awarded to executives of the rank of Assistant Manager and above. A trust is set up to administer the shares purchased under the Plan. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period.

(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 which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

K Employee benefits (continued)

(b) Share-based payment transactions (continued)

(iii) OCBC Employee Share Purchase Plan

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

Equity instruments granted are recognised as expense in profit or loss based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, with corresponding entries to the equity. At each reporting date, the Group and the Bank revise the estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with recognition of a corresponding liability payable to the ultimate holding company of the Bank. The Group and the Bank accrue for interest/profit on the monthly contributions made by employees to the savings-based ESP Plan. Further details of the equity compensation benefits are disclosed in Note 21(b) to the financial statements.

L Provisions

A provision is recognised if, as a result of past event, the Group or the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(a) Contingent liabilities

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

(b) Contingent assets

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

M Income and expenses

(a) Interest/finance income and interest/finance expense

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

The effective interest/profit rate method is a method of calculating the amortised cost of a financial asset, interest/profit-bearing financial investment available-for-sale or a financial liability and of allocating the interest/finance income or interest/finance expense over the relevant period. The effective interest/profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Bank estimate cash flows considering all contractual terms of the financial instruments but do 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/profit rate, transaction costs and all other premiums or discounts.

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

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

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

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

(b) Fee and commission income

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

(c) Net trading income

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

(d) Dividend income

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

(e) Rental income

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

N Income tax

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

O 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 shareholder.

P Earnings per ordinary share

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

Q Operating segments

An operating segment is a component of the Group or the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

R Profit Equalisation Reserve ("PER")

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

S Fair value measurements

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**3 CASH AND CASH EQUIVALENTS**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and balances with banks and other financial institutions	697,580	346,278	668,029	290,698
Money at call and deposit placements with financial institutions maturing within one month	7,393,035	8,580,206	6,929,252	8,812,279
Reverse Repurchase Agreement	182,843	-	182,843	-
	8,273,458	8,926,484	7,780,124	9,102,977
a) By geographical distribution				
Malaysia	7,621,579	8,529,606	7,136,035	8,740,957
Singapore	481,497	303,322	477,959	298,584
Other ASEAN	4,793	4,043	3,883	3,087
Rest of the world	165,589	89,513	162,247	60,349
	8,273,458	8,926,484	7,780,124	9,102,977

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

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Licensed banks	2,852,549	1,149,809	3,872,892	2,016,940
Bank Negara Malaysia	-	700,000	-	700,000
	2,852,549	1,849,809	3,872,892	2,716,940
a) By geographical distribution				
Malaysia	2,270,211	1,127,965	3,290,554	1,995,096
Singapore	349,353	328,111	349,353	328,111
Rest of the world	232,985	393,733	232,985	393,733
	2,852,549	1,849,809	3,872,892	2,716,940

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

b) By residual contractual maturity

Maturity within one year	2,852,549	1,849,809	3,441,301	2,716,940
One year to five years	-	-	431,591	-
	2,852,549	1,849,809	3,872,892	2,716,940

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 with the Bank as mudarib based on a pre-agreed ratio, and losses borne by depositors.

As at 31 December 2014, the RPSIA placements amounted to RM1.32 billion (2013: RM649 million) at profit rates ranging from 1.56% to 5.67% per annum (2013: 1.51% to 4.68% per annum).

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

5 FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	2014	2013
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	274,981	68,827
Malaysian Government Securities	308,502	236,637
Malaysian Treasury Bills	-	19,462
Private Debt Securities	452,027	17,832
Quoted shares in Malaysia	11,385	12,215
	<u>1,046,895</u>	<u>354,973</u>

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Bank Negara Malaysia Monetary Notes	2,339,009	361,255	1,566,568	361,255
Foreign Government Debt Securities	227,824	397,504	102,817	347,866
Malaysian Government Investment Issues	2,028,635	1,836,604	927,663	586,366
Malaysian Government Securities	3,794,818	3,607,741	3,794,818	3,607,741
Malaysian Treasury Bills	189,137	42,118	189,137	42,118
Malaysian Government Debt Securities	297,143	212,856	115,130	97,037
Negotiable Instruments of Deposit	899,464	1,768,104	663,163	1,676,053
Private Debt Securities	2,981,257	3,324,684	2,617,337	2,852,601
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
Debentures	190	190	190	190
	<u>12,866,023</u>	<u>11,659,602</u>	<u>10,085,369</u>	<u>9,679,773</u>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<u>12,866,011</u>	<u>11,659,590</u>	<u>10,085,357</u>	<u>9,679,761</u>

* Stated at cost due to the lack of quoted prices in an active market and/or the fair value of the investments cannot be reliably measured.

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

7 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At amortised cost				
Overdrafts	2,944,663	3,045,594	2,944,663	3,045,594
Term loans/financing:				
- Housing loans/financing	24,174,058	19,869,731	22,797,626	19,210,090
- Syndicated term loans/financing	1,646,412	2,139,506	1,480,703	1,989,469
- Hire purchase receivables	903,585	763,753	54	73
- Other term loans/financing	25,563,510	22,556,357	20,538,578	19,159,267
Credit/charge card	585,185	522,861	585,185	522,861
Bills receivable	369,136	797,385	356,129	755,053
Trust receipts	43,021	35,911	42,774	25,354
Claims on customers under acceptance credits	1,884,678	1,913,405	1,656,531	1,722,195
Revolving credit	4,484,271	4,199,311	2,833,649	2,569,642
Staff loans/financing	83,511	94,085	83,511	94,085
Other loans/financing	962,869	548,621	941,274	524,886
Gross loans, advances and financing	<u>63,644,899</u>	<u>56,486,520</u>	<u>54,260,677</u>	<u>49,618,569</u>
Allowance for loans, advances and financing				
- Individual impairment	(323,671)	(254,480)	(261,273)	(209,634)
- Collective impairment	(683,088)	(533,169)	(529,278)	(473,018)
Net loans, advances and financing	<u>62,638,140</u>	<u>55,698,871</u>	<u>53,470,126</u>	<u>48,935,917</u>
a) By type of customer				
Domestic banking institutions	-	30,589	-	-
Domestic non-bank financial institutions				
- Stockbroking companies	-	1,046	-	1,046
- Others	243,896	391,232	201,646	261,024
Domestic business enterprises				
- Small and medium enterprises	14,269,616	12,351,356	11,348,854	10,089,620
- Others	17,122,094	16,465,434	14,175,788	14,337,629
Individuals	29,333,087	24,807,729	27,007,838	23,455,451
Foreign entities	2,676,206	2,439,134	1,526,551	1,473,799
	<u>63,644,899</u>	<u>56,486,520</u>	<u>54,260,677</u>	<u>49,618,569</u>
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	249,508	299,301	224,688	264,658
- Hire purchase receivables	690,438	632,476	54	73
- Other fixed rate loans/financing	6,436,443	5,982,050	3,471,866	3,702,697
Variable rate				
- BLR/BFR plus	41,703,429	35,952,582	39,839,536	35,050,732
- Cost plus	13,894,671	12,882,306	10,054,123	9,862,604
- Other variable rates	670,410	737,805	670,410	737,805
	<u>63,644,899</u>	<u>56,486,520</u>	<u>54,260,677</u>	<u>49,618,569</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**7 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
c) By sector				
Agriculture, hunting, forestry and fishing	2,998,396	3,072,686	2,747,656	2,855,765
Mining and quarrying	321,684	849,687	228,840	670,815
Manufacturing	7,866,699	6,833,798	6,067,579	5,524,200
Electricity, gas and water	513,091	384,030	272,455	312,490
Construction	1,229,607	957,138	906,369	742,074
Real estate	6,527,298	6,276,489	5,915,318	5,618,142
Wholesale & retail trade and restaurants & hotels	7,600,787	6,613,232	6,085,394	5,562,355
Transport, storage and communication	1,959,932	1,729,924	1,606,014	1,494,994
Finance, insurance and business services	1,484,017	1,863,703	1,105,471	1,464,464
Community, social and personal services	1,296,069	1,316,031	954,891	1,053,661
Household				
- Purchase of residential properties	25,394,117	21,075,756	23,985,093	20,423,903
- Purchase of non-residential properties	1,444,630	1,419,972	1,400,551	1,394,843
- Others	3,385,072	2,856,423	2,447,684	2,140,926
Others	1,623,500	1,237,651	537,362	359,937
	<u>63,644,899</u>	<u>56,486,520</u>	<u>54,260,677</u>	<u>49,618,569</u>

d) By geographical distribution

Malaysia	61,287,836	54,189,884	52,737,004	48,144,415
Singapore	362,839	185,746	350,964	180,409
Other ASEAN	337,696	81,184	337,696	81,184
Rest of the world	1,656,528	2,029,706	835,013	1,212,561
	<u>63,644,899</u>	<u>56,486,520</u>	<u>54,260,677</u>	<u>49,618,569</u>

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

e) By residual contractual maturity

Within one year	13,102,759	12,777,072	10,966,450	10,699,686
One year to five years	8,714,780	9,104,383	5,444,961	6,447,431
Over five years	41,827,360	34,605,065	37,849,266	32,471,452
	<u>63,644,899</u>	<u>56,486,520</u>	<u>54,260,677</u>	<u>49,618,569</u>

8 IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	1,307,531	952,805	1,200,172	897,867
Impaired during the year	1,071,652	1,158,157	769,186	987,346
Reclassified as unimpaired	(378,921)	(204,424)	(352,889)	(186,102)
Amount recovered	(615,724)	(487,309)	(488,624)	(420,638)
Amount written off	(110,632)	(114,171)	(50,621)	(80,774)
Effect of foreign exchange difference	3,120	2,473	3,120	2,473
At 31 December	1,277,026	1,307,531	1,080,344	1,200,172
Individual impairment allowance	(323,671)	(254,480)	(261,273)	(209,634)
Collective impairment allowance	(10,244)	(10,034)	(8,028)	(9,483)
Net impaired loans, advances and financing	<u>943,111</u>	<u>1,043,017</u>	<u>811,043</u>	<u>981,055</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

(i) Movements in impaired loans, advances and financing (continued)

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
a) By sector				
Agriculture, hunting, forestry and fishing	15,656	20,880	15,001	20,356
Mining and quarrying	87	-	-	-
Manufacturing	453,074	597,083	399,841	542,151
Construction	20,830	57,612	19,463	55,663
Real estate	160,228	68,491	88,958	67,151
Wholesale & retail trade and restaurants & hotels	139,255	144,806	121,250	130,332
Transport, storage and communication	83,254	74,352	76,378	72,083
Finance, insurance and business services	17,986	14,144	11,731	11,330
Community, social and personal services	9,963	10,085	7,845	8,735
Household				
- Purchase of residential properties	270,399	221,893	261,927	219,604
- Purchase of non-residential properties	23,968	22,320	23,776	22,246
- Others	78,483	68,815	50,994	44,121
Others	3,843	7,050	3,180	6,400
	<u>1,277,026</u>	<u>1,307,531</u>	<u>1,080,344</u>	<u>1,200,172</u>
b) By geographical distribution				
Malaysia	1,272,863	1,303,989	1,076,181	1,196,630
Singapore	655	416	655	416
Rest of the world	3,508	3,126	3,508	3,126
	<u>1,277,026</u>	<u>1,307,531</u>	<u>1,080,344</u>	<u>1,200,172</u>
The analysis by geography is determined based on where the credit risk resides.				
c) By period overdue				
Less than 3 months	454,472	656,140	317,494	592,895
3 months to less than 6 months	147,399	179,958	114,271	159,257
6 months to less than 9 months	56,493	145,968	48,918	142,671
Over 9 months	618,662	325,465	599,661	305,349
	<u>1,277,026</u>	<u>1,307,531</u>	<u>1,080,344</u>	<u>1,200,172</u>
d) By collateral type				
Property	814,029	655,802	723,043	646,580
Fixed deposits	371	915	371	772
Stock and shares	238	35	238	35
Machinery	6,932	6,441	-	-
Secured - others	98,788	115,658	90,163	107,847
Unsecured - corporate and other guarantees	46,371	47,420	36,539	44,445
Unsecured - clean	310,297	481,260	229,990	400,493
	<u>1,277,026</u>	<u>1,307,531</u>	<u>1,080,344</u>	<u>1,200,172</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

(ii) Movements in allowance for loans, advances and financing

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
At 1 January	254,480	264,575	209,634	232,242
Made during the year	300,097	205,850	185,090	131,178
Amount written back	(117,281)	(100,676)	(79,950)	(72,026)
Amount written off	(110,631)	(113,724)	(50,620)	(80,353)
Discount unwind	(2,994)	(2,044)	(2,881)	(1,906)
Effect of foreign exchange difference	-	499	-	499
At 31 December	323,671	254,480	261,273	209,634
Collective impairment allowance				
At 1 January	533,169	508,247	473,018	467,056
Made during the year	149,919	24,922	56,260	5,962
At 31 December	683,088	533,169	529,278	473,018

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

(ii) Movements in allowance for loans, advances and financing (continued)

a) By sector

Group	Individual impairment allowance		Individual impairment allowance charged to profit or loss		Individual impairment allowance written off		Collective impairment allowance	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	379	334	398	260	305	198	31,063	29,249
Mining and quarrying	87	-	87	-	-	-	3,774	7,999
Manufacturing	116,518	56,314	83,195	29,694	9,654	19,286	87,935	63,897
Electricity, gas and water	-	-	-	-	-	-	6,641	3,623
Construction	7,891	9,511	3,992	3,680	2,815	4,776	14,135	8,910
Real estate	1,390	1,561	256	1,521	-	85	68,061	66,775
Wholesale & retail trade and restaurants & hotels	45,328	45,729	43,347	34,129	24,963	28,378	84,128	62,084
Transport, storage and communication	15,198	8,059	10,261	3,230	2,151	2,674	21,409	16,308
Finance, insurance and business services	6,454	3,156	7,717	3,065	2,242	1,141	16,992	17,510
Community, social and personal services	3,621	3,875	3,552	3,526	1,567	245	14,942	12,364
Household								
- Purchase of residential properties	61,640	64,226	35,695	30,315	8,887	8,362	257,728	200,895
- Purchase of non-residential properties	4,348	3,633	2,077	1,510	510	1,266	14,412	13,596
- Others	57,790	53,885	108,939	94,000	56,891	46,359	38,708	26,017
Others	3,027	4,197	581	920	646	954	23,160	3,942
	323,671	254,480	300,097	205,850	110,631	113,724	683,088	533,169

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

(ii) Movements in allowance for loans, advances and financing (continued)

a) By sector (continued)

	Individual impairment allowance		Individual impairment allowance charged to profit or loss		Individual impairment allowance written off		Collective impairment allowance	
	2014	2013	2014	2013	2014	2013	2014	2013
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	143	154	213	253	202	193	26,930	27,338
Mining and quarrying	-	-	-	-	-	-	2,243	6,422
Manufacturing	104,526	49,156	73,263	27,449	5,198	18,279	58,447	52,415
Electricity, gas and water	-	-	-	-	-	-	2,670	2,992
Construction	7,193	8,738	2,892	2,771	1,709	4,533	8,813	7,021
Real estate	1,102	1,167	256	1,110	-	85	57,968	53,774
Wholesale & retail trade and restaurants & hotels	33,778	37,644	25,424	27,235	13,249	25,831	59,315	52,891
Transport, storage and communication	11,717	6,755	6,473	2,235	1,081	2,665	15,627	14,248
Finance, insurance and business services	2,564	1,975	2,701	1,628	553	641	10,810	14,001
Community, social and personal services	1,959	3,186	943	2,854	290	148	9,340	10,057
Household								
- Purchase of residential properties	60,510	63,583	34,667	30,081	8,804	8,201	234,498	194,920
- Purchase of non-residential properties	4,348	3,633	2,077	1,510	510	1,266	13,685	13,319
- Others	30,474	29,496	35,655	33,202	18,378	17,802	23,692	20,214
Others	2,959	4,147	526	850	646	709	5,240	3,406
	261,273	209,634	185,090	131,178	50,620	80,353	529,278	473,018

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

(ii) Movements in allowance for loans, advances and financing (continued)

b) By geographical distribution

	Group				Bank			
	Individual impairment allowance		Collective impairment allowance		Individual impairment allowance		Collective impairment allowance	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	323,287	254,480	654,406	511,805	260,889	209,634	514,347	458,905
Singapore	297	-	3,633	1,774	297	-	3,437	1,727
Other ASEAN	-	-	3,310	777	-	-	3,310	777
Rest of the world	87	-	21,739	18,813	87	-	8,184	11,609
	323,671	254,480	683,088	533,169	261,273	209,634	529,278	473,018

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**9 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

Group	2014			2013		
	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
Trading						
Foreign exchange derivatives						
- Forwards	3,709,288	126,862	46,049	4,589,792	52,912	25,732
- Swaps	18,058,253	766,695	618,677	21,354,263	444,615	385,818
- Options	1,518,249	51,070	8,919	1,873,332	20,477	12,385
- Others	488,793	3,466	3,466	1,061,451	28,023	27,998
Interest rate derivatives						
- Swaps	40,235,444	185,526	204,158	30,220,841	224,902	224,107
- Options	974,953	-	3,940	1,763,793	-	5,141
- Futures	40,000	-	42	84,457	1,692	-
- Swaptions	200,000	-	677	300,000	-	1,755
- Others	16,520	441	-	42,885	727	-
Equity and other derivatives						
- Swaps	1,288,980	91,314	91,314	725,780	7,058	7,058
- Exchange traded futures	1,133	5	-	922	-	11
- Options	-	-	-	1,000	12	-
- Commodity futures	27,214	2,861	2,803	73,260	1,561	1,642
- Bond forwards	75,000	1,186	-	1,090,000	10,303	-
- Credit linked notes	2,022,200	10,828	10,828	2,598,100	23,190	21,434
	68,656,027	1,240,254	990,873	65,779,876	815,472	713,081
Hedging						
Interest rate derivatives						
- Swaps	1,589,612	84	15,962	1,493,141	2,724	15,452
	70,245,639	1,240,338	1,006,835	67,273,017	818,196	728,533

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**9 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)**

Bank	2014			2013		
	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
Trading						
Foreign exchange derivatives						
- Forwards	3,749,960	126,893	46,043	4,587,987	52,902	25,702
- Swaps	17,950,349	766,693	618,678	21,355,077	444,615	385,846
- Options	1,518,249	51,070	8,919	1,873,332	20,477	12,385
- Others	488,793	3,466	3,466	1,061,451	28,023	27,998
Interest rate derivatives						
- Swaps	40,235,444	185,526	204,158	30,220,841	224,902	224,107
- Options	974,953	-	3,940	1,763,793	-	5,141
- Futures	40,000	-	42	84,457	1,692	-
- Swaptions	200,000	-	677	300,000	-	1,755
- Others	16,520	441	-	42,885	727	-
Equity and other derivatives						
- Swaps	1,288,980	91,314	91,314	725,780	7,058	7,058
- Exchange traded futures	1,133	5	-	922	-	11
- Options	-	-	-	1,000	12	-
- Commodity futures	27,214	2,861	2,803	73,260	1,561	1,642
- Bond forwards	75,000	1,186	-	1,090,000	10,303	-
- Credit linked notes	2,022,200	10,828	10,828	2,598,100	23,190	21,434
	68,588,795	1,240,283	990,868	65,778,885	815,462	713,079
Hedging						
Interest rate derivatives						
- Swaps	1,589,612	84	15,962	1,493,141	2,724	15,452
	70,178,407	1,240,367	1,006,830	67,272,026	818,186	728,531

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**10 OTHER ASSETS**

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest/Profit receivable		123,215	110,905	113,694	103,387
Amount due from subsidiary	(a)	-	-	-	5,409
Unquoted Islamic subordinated bond of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments	(c)	106,052	215,943	104,475	214,783
		<u>229,267</u>	<u>326,848</u>	<u>418,169</u>	<u>523,579</u>

(a) The amount due from subsidiary is unsecured, interest/profit free and repayable on demand.

(b) The Bank subscribed for RM200 million non-tradeable non-transferable redeemable Islamic subordinated bond on 1 December 2008, due in 2021 and non-callable until 2016 under the principle of Mudharabah at a projected constant rate of 5.45% per annum for the period from the issue date up to 23 November 2016 and a step up of 100 basis points commencing from 24 November 2016.

(c) Included in other receivables, deposits and prepayments as at 31 December 2013 are receivables arising from disposal of investment properties of RM28.7 million.

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

12 INVESTMENTS IN SUBSIDIARIES

	Bank	
	2014 RM'000	2013 RM'000
Unquoted shares at cost in Malaysia	496,617	376,617

On 13 June 2014, the Bank subscribed to 40 million ordinary shares of RM1 each at RM3 per ordinary share amounting to RM120 million issued by its subsidiary, OCBC Al-Amin Bank Berhad.

Details of the subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:

Name	Principal activities	Effective ownership interest and voting interest	
		2014	2013
OCBC Al-Amin Bank Berhad	Islamic banking	100	100
OCBC Credit Berhad	In members' voluntary winding-up	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 2014 (continued)

13 PROPERTY AND EQUIPMENT

Group	Freehold	Leasehold	Buildings on		Office	Computer	Motor	Renovation	Work in	Total
	land and	land	leasehold land		equipment	equipment	vehicles		progress	
	buildings	50 years	Less than	50 years	and furniture					
	RM'000	or more	50 years	or more	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014										
Cost										
At 1 January	121,195	3,745	3,607	7,018	123,590	253,014	1,035	74,460	48	587,712
Additions	-	-	-	-	5,266	12,042	774	6,397	-	24,479
Disposals/Written off	-	-	-	-	(2,066)	(1,921)	(363)	(41)	-	(4,391)
Reclassification	-	-	-	-	1,113	-	-	(1,113)	-	-
At 31 December	121,195	3,745	3,607	7,018	127,903	263,135	1,446	79,703	48	607,800
Accumulated depreciation										
At 1 January	(28,037)	(407)	(1,318)	(2,126)	(77,446)	(168,190)	(1,035)	(51,966)	-	(330,525)
Depreciation for the year	(2,000)	(35)	(53)	(77)	(11,301)	(32,344)	(58)	(7,855)	-	(53,723)
Disposals/Written off	-	-	-	-	1,938	1,912	363	13	-	4,226
At 31 December	(30,037)	(442)	(1,371)	(2,203)	(86,809)	(198,622)	(730)	(59,808)	-	(380,022)
Impairment allowance										
At 1 January and 31 December	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Carrying amount										
At 1 January	91,535	3,288	1,204	2,992	46,144	84,824	-	22,494	48	252,529
At 31 December	89,535	3,253	1,151	2,915	41,094	64,513	716	19,895	48	223,120

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

13 PROPERTY AND EQUIPMENT (continued)

Group	Freehold	Leasehold	Building on		Office	Computer	Motor	Renovation	Work in	Total
	land and buildings	land 50 years or more	Less than 50 years	50 years or more	equipment and furniture	equipment	vehicles	RM'000	progress	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013										
Cost										
At 1 January	127,762	3,745	3,607	7,018	115,593	246,801	1,035	66,273	1,097	572,931
Additions	-	-	-	-	8,953	23,504	-	14,888	5,919	53,264
Disposals/Written off	-	-	-	-	(6,429)	(24,265)	-	(1,222)	-	(31,916)
Reclassification	-	-	-	-	5,473	6,974	-	(5,479)	(6,968)	-
Reclassified to investment properties	(6,567)	-	-	-	-	-	-	-	-	(6,567)
At 31 December	121,195	3,745	3,607	7,018	123,590	253,014	1,035	74,460	48	587,712
Accumulated depreciation										
At 1 January	(27,918)	(372)	(1,265)	(2,049)	(72,518)	(162,776)	(1,035)	(44,183)	-	(312,116)
Depreciation for the year	(2,102)	(35)	(53)	(77)	(10,861)	(29,642) *	-	(8,994)	-	(51,764)
Disposals/Written off	-	-	-	-	5,933	24,228	-	1,211	-	31,372
Reclassified to investment properties	1,983	-	-	-	-	-	-	-	-	1,983
At 31 December	(28,037)	(407)	(1,318)	(2,126)	(77,446)	(168,190)	(1,035)	(51,966)	-	(330,525)
Impairment allowance										
At 1 January	(1,967)	(50)	(1,085)	(2,285)	-	-	-	-	-	(5,387)
Written back	344	-	-	385	-	-	-	-	-	729
At 31 December	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Carrying amount										
At 1 January	97,877	3,323	1,257	2,684	43,075	84,025	-	22,090	1,097	255,428
At 31 December	91,535	3,288	1,204	2,992	46,144	84,824	-	22,494	48	252,529

* Included accumulated depreciation of computer equipment transferred from a related company of RM729,000 (cost: RM3,106,000).

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

13 PROPERTY AND EQUIPMENT (continued)

Bank	Freehold land and buildings	Leasehold land 50 years or more	Building on leasehold land		Office equipment and furniture	Computer equipment	Motor vehicles	Renovation	Work in progress	Total
	RM'000	RM'000	Less than 50 years	50 years or more	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014										
Cost										
At 1 January	121,063	3,745	3,607	7,018	119,020	239,158	946	68,118	48	562,723
Additions/Transfer from subsidiary	-	-	-	-	5,204	11,979	774	6,398	-	24,355
Disposals/Written off/Transfer to subsidiary	-	-	-	-	(2,067)	(1,909)	(363)	(21)	-	(4,360)
Reclassification	-	-	-	-	1,073	-	-	(1,073)	-	-
At 31 December	121,063	3,745	3,607	7,018	123,230	249,228	1,357	73,422	48	582,718
Accumulated depreciation										
At 1 January	(28,000)	(407)	(1,318)	(2,126)	(75,665)	(157,709)	(946)	(47,414)	-	(313,585)
Depreciation for the year	(2,000)	(35)	(53)	(77)	(10,852)	(30,764)	(58)	(7,129)	-	(50,968)
Transfer from subsidiary	-	-	-	-	(62)	(18)	-	(4)	-	(84)
Disposals/Written off/Transfer to subsidiary	-	-	-	-	1,938	1,901	363	13	-	4,215
At 31 December	(30,000)	(442)	(1,371)	(2,203)	(84,641)	(186,590)	(641)	(54,534)	-	(360,422)
Impairment allowance										
At 1 January and 31 December	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Carrying amount										
At 1 January	91,440	3,288	1,204	2,992	43,355	81,449	-	20,704	48	244,480
At 31 December	89,440	3,253	1,151	2,915	38,589	62,638	716	18,888	48	217,638

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

13 PROPERTY AND EQUIPMENT (continued)

	Freehold land and buildings	Leasehold land 50 years or more	Building on leasehold land		Office equipment and furniture	Computer equipment	Motor vehicles	Renovation	Work in progress	Total
			Less than 50 years	50 years or more						
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013										
Cost										
At 1 January	127,630	3,745	3,607	7,018	111,193	240,047	946	60,024	1,097	555,307
Additions/Transfer from subsidiary	-	-	-	-	8,938	22,071	-	14,509	5,919	51,437
Disposals/Written off/ Transfer to subsidiary	-	-	-	-	(6,307)	(29,934)	-	(1,213)	-	(37,454)
Reclassification	-	-	-	-	5,196	6,974	-	(5,202)	(6,968)	-
Reclassified to investment properties	(6,567)	-	-	-	-	-	-	-	-	(6,567)
At 31 December	121,063	3,745	3,607	7,018	119,020	239,158	946	68,118	48	562,723
Accumulated depreciation										
At 1 January	(27,881)	(372)	(1,265)	(2,049)	(70,990)	(158,946)	(946)	(40,068)	-	(302,517)
Depreciation for the year	(2,102)	(35)	(53)	(77)	(10,419)	(27,121)	-	(8,510)	-	(48,317)
Transfer from subsidiary	-	-	-	-	(102)	(87)	-	(47)	-	(236)
Disposals/Written off/ Transfer to subsidiary	-	-	-	-	5,846	28,445	-	1,211	-	35,502
Reclassified to investment properties	1,983	-	-	-	-	-	-	-	-	1,983
At 31 December	(28,000)	(407)	(1,318)	(2,126)	(75,665)	(157,709)	(946)	(47,414)	-	(313,585)
Impairment allowance										
At 1 January	(1,967)	(50)	(1,085)	(2,285)	-	-	-	-	-	(5,387)
Written back	344	-	-	385	-	-	-	-	-	729
At 31 December	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Carrying amount										
At 1 January	97,782	3,323	1,257	2,684	40,203	81,101	-	19,956	1,097	247,403
At 31 December	91,440	3,288	1,204	2,992	43,355	81,449	-	20,704	48	244,480

* Included accumulated depreciation of computer equipment transferred from a related company of RM729,000 (cost: RM3,106,000).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**14 PREPAID LEASE PAYMENTS**

	Group and Bank	
	Leasehold land Unexpired period less than 50 years	
	2014	2013
	RM'000	RM'000
Cost		
At 1 January and 31 December	3,047	3,047
Accumulated amortisation		
At 1 January	(601)	(565)
Amortisation for the year	(36)	(36)
At 31 December	(637)	(601)
Impairment allowance		
At 1 January and 31 December	(1,554)	(1,554)
Carrying amount		
At 1 January	892	928
At 31 December	856	892

15 INVESTMENT PROPERTIES

	Group and Bank	
	2014	2013
	RM'000	RM'000
Cost		
At 1 January	15,916	18,257
Reclassified from property and equipment	-	6,567
Transfer from/(to) non-current assets held for sale	225	(4,695)
Disposals	(4,348)	(4,213)
At 31 December	11,793	15,916
Accumulated depreciation		
At 1 January	(3,333)	(3,534)
Depreciation for the year	(180)	(168)
Reclassified from property and equipment	-	(1,983)
Transfer to non-current assets held for sale	-	1,504
Disposals	453	848
At 31 December	(3,060)	(3,333)
Impairment allowance		
At 1 January	(501)	(1,683)
Impaired during the year	(812)	-
Written back during the year	501	1,182
At 31 December	(812)	(501)
Carrying amount		
At 1 January	12,082	13,040
At 31 December	7,921	12,082
Fair value		
At 1 January	40,685	105,625
At 31 December	34,625	40,685

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**15 INVESTMENT PROPERTIES (continued)**

Investment properties comprise freehold land and buildings.

The fair value of investment properties is categorised under Level 2 fair value which has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

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

	Group and Bank	
	2014	2013
	RM'000	RM'000
Rental income	1,211	1,564
Direct operating expenses from income-generating investment properties	(351)	(385)
	<u>860</u>	<u>1,179</u>

16 NON-CURRENT ASSETS HELD FOR SALE

	Group and Bank	
	2014	2013
	RM'000	RM'000
Investment properties		
At 1 January	3,191	2,822
Transfer (to)/from investment properties		
- Cost	(225)	4,695
- Accumulated depreciation	-	(1,504)
Disposals	(2,966)	(2,822)
At 31 December	<u>-</u>	<u>3,191</u>

17 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Change in fair value of financial instruments	6,005	19,716	-	-	6,005	19,716
Excess of capital allowance over depreciation	-	-	(25,070)	(31,608)	(25,070)	(31,608)
Impairment allowance on financial investments available-for-sale	3	3	-	-	3	3
Temporary differences on lease receivables	4,298	3,532	-	-	4,298	3,532
Other temporary differences	36,133	37,407	-	-	36,133	37,407
Tax assets/(liabilities)	46,439	60,658	(25,070)	(31,608)	21,369	29,050
Set off of tax	(25,070)	(31,608)	25,070	31,608	-	-
Net tax assets	<u>21,369</u>	<u>29,050</u>	<u>-</u>	<u>-</u>	<u>21,369</u>	<u>29,050</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**17 DEFERRED TAX ASSETS (continued)**

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Change in fair value of financial instruments	5,065	17,349	-	-	5,065	17,349
Excess of capital allowance over depreciation	-	-	(24,314)	(30,458)	(24,314)	(30,458)
Impairment allowance on financial investments available-for-sale	3	3	-	-	3	3
Temporary differences on lease receivables	4,298	3,532	-	-	4,298	3,532
Other temporary differences	34,193	35,615	-	-	34,193	35,615
Tax assets/(liabilities)	43,559	56,499	(24,314)	(30,458)	19,245	26,041
Set off of tax	(24,314)	(30,458)	24,314	30,458	-	-
Net tax assets	19,245	26,041	-	-	19,245	26,041

(i) Movement in deferred tax during the financial year

Group	At	Recognised	Recognised	Reversal upon	At
	1 January	in profit or loss	in other comprehensive income	disposal of investments available-for-sale	31 December
	RM'000	RM'000	RM'000	RM'000	RM'000
2014					
Change in fair value of financial instruments	19,716	(134)	(13,712)	135	6,005
Excess of capital allowance over depreciation	(31,608)	6,538	-	-	(25,070)
Impairment allowance on financial investments available-for-sale	3	-	-	-	3
Temporary differences on lease receivables	3,532	766	-	-	4,298
Other temporary differences	37,407	(1,274)	-	-	36,133
	29,050	5,896	(13,712)	135	21,369
2013					
Change in fair value of financial instruments	(15,893)	-	35,609	-	19,716
Collective impairment allowance on loans, advances and financing	13,236	(13,236)	-	-	-
Excess of capital allowance over depreciation	(28,378)	(3,230)	-	-	(31,608)
Impairment allowance on financial investments available-for-sale	4	(1)	-	-	3
Temporary differences on lease receivables	3,570	(38)	-	-	3,532
Other temporary differences	28,218	9,189	-	-	37,407
	757	(7,316)	35,609	-	29,050

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

17 DEFERRED TAX ASSETS (continued)

Bank	At 1 January	Recognised in profit or loss	Recognised in other comprehen- sive income	Reversal upon disposal of investments available- for-sale	At 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000
2014					
Change in fair value of financial instruments	17,349	-	(12,284)	-	5,065
Excess of capital allowance over depreciation	(30,458)	6,144	-	-	(24,314)
Impairment allowance on financial investments available-for-sale	3	-	-	-	3
Temporary differences on lease receivables	3,532	766	-	-	4,298
Other temporary differences	35,615	(1,422)	-	-	34,193
	<u>26,041</u>	<u>5,488</u>	<u>(12,284)</u>	<u>-</u>	<u>19,245</u>
2013					
Change in fair value of financial instruments	(14,136)	-	31,485	-	17,349
Collective impairment allowance on loans, advances and financing	10,826	(10,826)	-	-	-
Excess of capital allowance over depreciation	(27,361)	(3,097)	-	-	(30,458)
Impairment allowance on financial investments available-for-sale	4	(1)	-	-	3
Temporary differences on lease receivables	3,575	(43)	-	-	3,532
Other temporary differences	25,283	10,332	-	-	35,615
	<u>(1,809)</u>	<u>(3,635)</u>	<u>31,485</u>	<u>-</u>	<u>26,041</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**18 DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
a) By type of deposit				
Demand deposits	13,116,661	10,878,995	10,348,592	8,650,041
Fixed/Investment deposits	45,833,799	38,366,908	40,151,206	35,041,048
Saving deposits	5,053,745	5,676,866	4,748,366	5,362,734
Negotiable instruments of deposit	7,564	8,724	2,215	12,484
Short-term money market deposits	3,579,455	3,687,903	2,402,520	2,970,927
Structured investments	3,996,907	4,391,810	3,996,907	4,391,810
	71,588,131	63,011,206	61,649,806	56,429,044
b) By type of customer				
Government and statutory bodies	256,455	11,635	6,979	1,993
Business enterprises	27,478,229	23,889,485	22,481,216	20,498,641
Individuals	29,838,777	27,502,927	27,519,571	26,420,986
Foreign entities	2,788,528	2,066,521	2,686,317	2,032,529
Others	11,226,142	9,540,638	8,955,723	7,474,895
	71,588,131	63,011,206	61,649,806	56,429,044
c) By maturity structure				
Within six months	59,005,107	51,832,695	50,282,959	46,076,438
Six months to one year	9,416,456	8,083,393	8,203,191	7,259,368
One year to three years	1,281,244	871,375	1,278,432	869,499
Three years to five years	1,145,324	1,373,743	1,145,224	1,373,739
Over five years	740,000	850,000	740,000	850,000
	71,588,131	63,011,206	61,649,806	56,429,044

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Licensed banks	10,155,028	9,470,945	9,340,077	8,922,671
Other financial institutions	136,049	152,819	136,049	152,819
	10,291,077	9,623,764	9,476,126	9,075,490

20 SUBORDINATED BONDS

	Note	Group and Bank	
		2014	2013
		RM'000	RM'000
RM200 million Redeemable Islamic Subordinated Bond 2006/2021	(a)	200,000	200,000
RM400 million Innovative Tier 1 Capital Securities	(b)	400,000	400,000
RM500 million Redeemable Subordinated Bonds 2010/2020	(c)	499,768	502,377
RM600 million Redeemable Subordinated Bonds 2012/2022	(d)	592,788	591,343
		1,692,556	1,693,720

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

20 SUBORDINATED BONDS (continued)

- (a) On 24 November 2006, the Bank issued RM200 million redeemable Islamic subordinated bonds due 24 November 2021 under the principle of Mudharabah (profit sharing contract) at a projected constant rate of 5.40% per annum, callable with a step up of 100 basis point commencing 2016. Unless the call option is exercised by the Bank, the subordinated bonds shall be redeemed in full by five equal and consecutive annual payments. The call option is subject to prior approval from Bank Negara Malaysia ("BNM") and Monetary Authority of Singapore ("MAS"), and is redeemable in whole, but not in part, on 24 November 2016 and on every Profit Payment Date thereafter.

The subordinated bonds, rated AA1 on 30 June 2014 by Rating Agency Malaysia Berhad ("RAM") have been offset against the Restricted Subordinated Bonds held by the Bank.

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

- (b) 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 prior approval of BNM and MAS) issue sufficient number of non-cumulative, non-convertible preference shares; the proceeds of which shall be utilised to redeem the IT1 Capital Securities. The IT1 Capital Securities bear an initial coupon rate of 6.75% per annum, payable semi-annually for the first 10 years and, thereafter, at a rate per annum equal to the 6-month KLIBOR plus 3.32% with effect from (and including) the 10th anniversary date onward.

The IT1 Capital Securities, rated AA2 on 30 June 2014 by RAM, qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

- (c) On 4 November 2010, the Bank issued RM500 million redeemable 10 years non-callable 5 years subordinated bonds 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 shall be redeemed in full in five equal and consecutive annual payments. The call option is subject to prior approval from BNM and MAS and is redeemable in whole, but not in part, on 3 November 2015 and on every coupon payment date thereafter. The Bank had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying amount of the subordinated bonds.

The subordinated bonds, rated AA1 on 30 June 2014 by RAM, qualify as Tier 2 capital subject to a gradual phase out as required under the BNM Capital Adequacy Framework (Capital Components).

- (d) On 15 August 2012, the Bank issued RM600 million redeemable 10 years non-callable 5 years subordinated bonds at a coupon rate of 4.00% per annum payable semi-annually up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. The Bank may, at its option and subject to the prior approval of BNM and MAS, exercise its call option and 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. The Bank had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying amount of the subordinated bonds.

The subordinated bonds, rated AA1 on 30 June 2014 by RAM, qualify as Tier 2 capital subject to a gradual phase out as required under the BNM Capital Adequacy Framework (Capital Components).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**21 OTHER LIABILITIES**

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount due to subsidiary	(a)	-	-	55,921	35,139
Equity compensation benefits	(b)	9,103	9,569	9,103	9,569
Interest/Profit payable		442,055	378,718	381,755	352,670
Other payables and accruals		366,542	390,380	317,082	346,678
Provision for commitments and contingencies	(c)	6,526	4,809	6,526	4,809
		<u>824,226</u>	<u>783,476</u>	<u>770,387</u>	<u>748,865</u>

(a) The amount due to subsidiary is unsecured, interest/profit free and repayable on demand.

(b) Equity compensation benefits

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

Included in equity compensation benefits are:

(i) OCBC Deferred Share Plan

Under the OCBC Deferred Share Plan ("the Plan"), shares of the ultimate holding company of the Bank are awarded to executives of the rank of Assistant Manager and above. A trust is set up to administer the shares purchased under the Plan. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period.

The deferred share awards are as follows:

(a) Share awards granted annually to eligible executives who are paid variable performance bonus of Singapore Dollar S\$70,000 and above. The share awards form 20% to 40% of their total variable performance bonus for the year. 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. Options granted are exercisable for a period commencing after the 1st anniversary of the respective dates of grant. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**21 OTHER LIABILITIES (continued)**

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 (continued)

During the financial year, the Group and the Bank granted 271,742 options (2013: 502,354) and 256,718 options (2013: 479,389) to acquire ordinary shares in the ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") pursuant to OCBC Share Option Scheme 2001. The fair value of options granted to the employee of the Group and the Bank, determined using the binomial valuation model, were S\$281,374 (2013: S\$506,070) and S\$265,817 (2013: S\$482,935) respectively. Significant inputs to the valuation model are set out below:

	2014	2013
Acquisition price (S\$)	9.43	10.30
Average share price from grant date to acceptance date (S\$)	9.51	10.51
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	13.93	13.77
Risk-free rate based on SGD bond yield at acceptance date (%)	2.42	1.37
Expected dividend yield (%)	3.57	3.14
Exercise multiple (times)	1.57	1.57
Option life (years)	10	10

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

Group	2014		2013	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
At 1 January	1,624,691	8.215	2,228,302	6.478
Granted	271,742	9.428	502,354	10.302
Rights Issue *	32,640	-	-	-
Exercised	(430,834)	6.847	(995,697)	5.817
Forfeited/Lapsed	(349,808)	9.199	(110,268)	4.273
At 31 December	<u>1,148,431</u>	<u>8.483</u>	<u>1,624,691</u>	<u>8.215</u>
Exercisable at 31 December	<u>700,156</u>	<u>7.794</u>	<u>927,848</u>	<u>6.934</u>
Weighted average share price** underlying the options exercised (S\$)		<u>9.792</u>		<u>10.363</u>

* On 18 August 2014, OCBC Bank announced a renounceable underwritten rights issue ("Rights Issue") of new ordinary shares in the capital of OCBC Bank at an issue price of S\$7.65 for each rights share, on the basis of one rights share for every eight ordinary shares held. On 26 September 2014, OCBC Bank allotted and issued 436,775,254 rights shares for valid acceptances received.

** Average share price was computed without adjusting for the effect of the Rights Issue.

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

21 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 (continued)

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (\$)	2014	
				Outstanding	Exercisable
2005	3/14/2005	15/03/2006 to 13/03/2015	5.608	59,259	59,259
2006	3/14/2006	15/03/2007 to 13/03/2016	6.632	83,414	83,414
2007	3/14/2007	15/03/2008 to 13/03/2017	8.354	135,208	135,208
2008	3/14/2008	15/03/2009 to 13/03/2018	7.313	151,735	151,735
2009	3/16/2009	17/03/2010 to 15/03/2019	4.024	34,950	34,950
2010	3/15/2010	16/03/2011 to 14/03/2020	8.521	48,734	48,734
2011	3/14/2011	15/03/2012 to 13/03/2021	9.093	35,589	35,589
2012	3/14/2012	15/03/2013 to 13/03/2022	8.556	84,705	42,894
2013	3/14/2013	15/03/2014 to 13/03/2023	10.018	344,245	108,373
2014	3/14/2014	15/03/2015 to 13/03/2024	9.169	170,592	-
				<u>1,148,431</u>	<u>700,156</u>

The acquisition prices have been adjusted for the effect of the Rights Issue. The adjusted factor in relation to the exercise price in each option is 1.0283.

Grant year	Grant date	Exercise period	Acquisition price (\$)	2013	
				Outstanding	Exercisable
2004	3/15/2004	16/03/2005 to 14/03/2014	5.142	187,756	187,756
2005	3/14/2005	15/03/2006 to 13/03/2015	5.767	119,122	119,122
2006	3/14/2006	15/03/2007 to 13/03/2016	6.820	98,469	98,469
2007	3/14/2007	15/03/2008 to 13/03/2017	8.590	138,500	138,500
2008	3/14/2008	15/03/2009 to 13/03/2018	7.520	172,970	172,970
2009	3/16/2009	17/03/2010 to 15/03/2019	4.138	59,471	59,471
2010	3/15/2010	16/03/2011 to 14/03/2020	8.762	64,776	64,776
2011	3/14/2011	15/03/2012 to 13/03/2021	9.350	126,420	75,816
2012	3/14/2012	15/03/2013 to 13/03/2022	8.798	154,853	10,968
2013	3/14/2013	15/03/2014 to 13/03/2023	10.302	502,354	-
				<u>1,624,691</u>	<u>927,848</u>

OCBC BANK (MALAYSIA) BERHAD
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21 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 (continued)

<u>Bank</u>	2014		2013	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
At 1 January	1,593,154	8.181	2,202,153	6.450
Granted	256,718	9.428	479,389	10.302
Rights Issue *	31,325	-	-	-
Exercised	(417,491)	6.553	(978,120)	5.761
Forfeited/Lapsed	(349,808)	9.199	(110,268)	4.273
At 31 December	<u>1,113,898</u>	<u>8.452</u>	<u>1,593,154</u>	<u>8.181</u>
Exercisable at 31 December	<u>700,156</u>	<u>7.794</u>	<u>927,848</u>	<u>6.934</u>
Weighted average share price** underlying the options exercised (S\$)		<u>9.792</u>		<u>10.363</u>

* On 18 August 2014, OCBC Bank announced a renounceable underwritten rights issue ("Rights Issue") of new ordinary shares in the capital of OCBC Bank at an issue price of S\$7.65 for each rights share, on the basis of one rights share for every eight ordinary shares held. On 26 September 2014, OCBC Bank allotted and issued 436,775,254 rights shares for valid acceptances received.

** Average share price was computed without adjusting for the effect of the Rights Issue.

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S\$)	2014	
				Outstanding	Exercisable
2005	3/14/2005	15/03/2006 to 13/03/2015	5.608	59,259	59,259
2006	3/14/2006	15/03/2007 to 13/03/2016	6.632	83,414	83,414
2007	3/14/2007	15/03/2008 to 13/03/2017	8.354	135,208	135,208
2008	3/14/2008	15/03/2009 to 13/03/2018	7.313	151,735	151,735
2009	3/16/2009	17/03/2010 to 15/03/2019	4.024	34,950	34,950
2010	3/15/2010	16/03/2011 to 14/03/2020	8.521	48,734	48,734
2011	3/14/2011	15/03/2012 to 13/03/2021	9.093	35,589	35,589
2012	3/14/2012	15/03/2013 to 13/03/2022	8.556	81,443	42,894
2013	3/14/2013	15/03/2014 to 13/03/2023	10.018	328,423	108,373
2014	3/14/2014	15/03/2015 to 13/03/2024	9.169	155,143	-
				<u>1,113,898</u>	<u>700,156</u>

The acquisition prices have been adjusted for the effect of the Rights Issue. The adjusted factor in relation to the exercise price in each option is 1.0283.

OCBC BANK (MALAYSIA) BERHAD
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21 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 (continued)

Grant year	Grant date	Exercise period	Acquisition price (S\$)	2013	
				Outstanding	Exercisable
2004	3/15/2004	16/03/2005 to 14/03/2014	5.142	187,756	187,756
2005	3/14/2005	15/03/2006 to 13/03/2015	5.767	119,122	119,122
2006	3/14/2006	15/03/2007 to 13/03/2016	6.820	98,469	98,469
2007	3/14/2007	15/03/2008 to 13/03/2017	8.590	138,500	138,500
2008	3/14/2008	15/03/2009 to 13/03/2018	7.520	172,970	172,970
2009	3/16/2009	17/03/2010 to 15/03/2019	4.138	59,471	59,471
2010	3/15/2010	16/03/2011 to 14/03/2020	8.762	64,776	64,776
2011	3/14/2011	15/03/2012 to 13/03/2021	9.350	124,100	75,816
2012	3/14/2012	15/03/2013 to 13/03/2022	8.798	148,601	10,968
2013	3/14/2013	15/03/2014 to 13/03/2023	10.302	479,389	-
				<u>1,593,154</u>	<u>927,848</u>

(iii) OCBC Employee Share Purchase Plan

The OCBC Employee Share Purchase Plan ("ESP Plan") is a saving-based share ownership plan to help employees of the Group own ordinary shares in the ultimate holding company 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.

In June 2014, OCBC Bank launched its ninth offering of ESP Plan for OCBC Bank's employees, which commenced on 1 July 2014 and expires on 30 June 2016. Under the offering, the Group and the Bank granted 918,575 (2013: 823,957) and 912,731 (2013: 819,265) rights to acquire ordinary shares in OCBC Bank. The fair value of rights for the Group and the Bank, determined using the binomial valuation model were S\$544,899 (2013: S\$676,798) and S\$542,432 (2013: S\$672,944) respectively. Significant inputs to the valuation model are set out below:

	2014	2013
Acquisition price (S\$)	9.58	9.92
Closing share price at valuation date (S\$)	9.60	10.13
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	11.70	13.79
Risk-free rate based on 2-year swap rate (%)	0.42	0.26
Expected dividend yield (%)	2.83	2.61

OCBC BANK (MALAYSIA) BERHAD
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21 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(iii) OCBC Employee Share Purchase Plan (continued)

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

<u>Group</u>	<u>2014</u>		<u>2013</u>	
	<u>Number of share options</u>	<u>Weighted average acquisition price (S\$)</u>	<u>Number of share options</u>	<u>Weighted average acquisition price (S\$)</u>
At 1 January	1,435,323	9.341	1,377,057	8.896
Acquired	918,575	9.580	823,957	9.920
Rights Issue*	43,459	-	-	-
Forfeited/Lapsed	(242,049)	9.474	(189,056)	9.197
Exercised and converted upon expiry	<u>(642,532)</u>	8.748	<u>(576,635)</u>	9.153
At 31 December	<u>1,512,776</u>	9.452	<u>1,435,323</u>	9.341
Average share price** underlying acquisition rights exercised/converted (S\$)		<u>9.629</u>		<u>10.308</u>
<u>Bank</u>				
At 1 January	1,425,203	9.343	1,364,738	8.897
Acquired	912,731	9.580	819,265	9.920
Rights Issue*	43,231	-	-	-
Forfeited/Lapsed	(237,735)	9.479	(184,619)	9.198
Exercised and converted upon expiry	<u>(637,729)</u>	8.749	<u>(574,181)</u>	9.153
At 31 December	<u>1,505,701</u>	9.452	<u>1,425,203</u>	9.343
Average share price** underlying acquisition rights exercised/converted (S\$)		<u>9.629</u>		<u>10.308</u>

* On 18 August 2014, OCBC Bank announced a renounceable underwritten rights issue ("Rights Issue") of new ordinary shares in the capital of OCBC Bank at an issue price of S\$7.65 for each rights share, on the basis of one rights share for every eight ordinary shares held. On 26 September 2014, OCBC Bank allotted and issued 436,775,254 rights shares for valid acceptances received.

** Average share price was computed without adjusting for the effect of Rights Issue.

(c) Provision for commitments and contingencies

	<u>Group and Bank</u>	
	<u>2014</u>	<u>2013</u>
	<u>RM'000</u>	<u>RM'000</u>
At 1 January	4,809	4,809
Made during the year	1,717	-
At 31 December	<u>6,526</u>	<u>4,809</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**22 SHARE CAPITAL**

	Group and Bank			
	Number of shares 2014 '000	Amount 2014 RM'000	Number of shares 2013 '000	Amount 2013 RM'000
Authorised				
Ordinary shares of RM1 each	1,000,000	1,000,000	1,000,000	1,000,000
Non-cumulative, non-convertible perpetual preference shares of RM1 each	5,000	5,000	5,000	5,000
	<u>1,005,000</u>	<u>1,005,000</u>	<u>1,005,000</u>	<u>1,005,000</u>
Issued and fully paid				
Ordinary shares of RM1 each	287,500	287,500	287,500	287,500
Non-cumulative, non-convertible perpetual preference shares of RM1 each	4,000	4,000	4,000	4,000
	<u>291,500</u>	<u>291,500</u>	<u>291,500</u>	<u>291,500</u>

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

- They carry a net cash dividend of 4.51% per annum for first 10 years; thereafter at 190 basis points plus 6 months KLIBOR, payable semi-annually on 20 March and 20 September each year when, as and if declared by the Board of Directors of the Bank;
- They do 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, they 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
- They are perpetual securities with no fixed final date of redemption. They may be redeemed at the option of the Bank on 12 August 2015 and on each dividend date thereafter.

23 RESERVES

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

Statutory reserve is maintained in compliance with Section 12 and Section 47(2)(f) of the Financial Services Act, 2013, and Section 12 and Section 57(2)(f) of the Islamic Financial Services Act, 2013.

Regulatory reserve is maintained in compliance with BNM's requirement to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.2% of gross loans, advances and financing, net of individual impairment allowance by 31 December 2015.

Capital reserve is the portion of profits capitalised prior to the local incorporation (pre-acquisition profits) arising from consolidation.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**24 NET INTEREST INCOME**

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	2,510,044	2,225,767	2,510,044	2,225,767
- Recoveries from impaired loans, advances and financing	64,798	69,902	64,798	69,902
- Discount unwind from impaired loans, advances and financing	2,881	1,906	2,881	1,906
Money at call and deposit placements with banks and other financial institutions	278,266	241,121	327,805	279,534
Financial assets held-for-trading	30,620	25,772	30,620	25,772
Financial investments available-for-sale	358,268	287,271	361,061	290,226
Unquoted Islamic subordinated bond of subsidiary	-	-	10,900	10,900
Others	33,416	14,420	33,416	14,420
	<u>3,278,293</u>	<u>2,866,159</u>	<u>3,341,525</u>	<u>2,918,427</u>
Interest expense				
Deposits from customers	(1,664,990)	(1,409,261)	(1,664,990)	(1,409,261)
Deposits and placements of banks and other financial institutions	(119,389)	(73,295)	(142,829)	(84,389)
Recourse obligation on loans sold to Cagamas Berhad	-	(609)	-	(609)
Subordinated bonds	(81,228)	(78,944)	(81,228)	(78,944)
Others	(40,285)	(31,450)	(40,285)	(31,450)
	<u>(1,905,892)</u>	<u>(1,593,559)</u>	<u>(1,929,332)</u>	<u>(1,604,653)</u>
Net interest income	<u>1,372,401</u>	<u>1,272,600</u>	<u>1,412,193</u>	<u>1,313,774</u>
a) By category of financial instruments				
Interest income				
- Financial assets at fair value through profit or loss	30,620	25,772	30,620	25,772
- Loans/Financing and receivables	2,889,405	2,553,116	2,949,844	2,602,429
- Financial investments available-for-sale	358,268	287,271	361,061	290,226
	<u>3,278,293</u>	<u>2,866,159</u>	<u>3,341,525</u>	<u>2,918,427</u>
Interest expense				
- Liabilities at amortised cost	<u>(1,905,892)</u>	<u>(1,593,559)</u>	<u>(1,929,332)</u>	<u>(1,604,653)</u>
	<u>1,372,401</u>	<u>1,272,600</u>	<u>1,412,193</u>	<u>1,313,774</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**25 INCOME FROM ISLAMIC BANKING OPERATIONS**

	Group	
	2014	2013
	RM'000	RM'000
Income derived from investment of depositors' funds and others	638,511	449,068
Income derived from investment of shareholder's funds	84,951	72,166
Income attributable to depositors	<u>(256,308)</u>	<u>(152,113)</u>
	<u>467,154</u>	<u>369,121</u>

26 NET FEE AND COMMISSION INCOME

	Group and Bank	
	2014	2013
	RM'000	RM'000
Commission	122,565	99,529
Service charges and fees	120,955	152,902
Guarantee fees	31,719	33,701
Other fee income	13,775	11,869
	<u>289,014</u>	<u>298,001</u>

27 NET TRADING INCOME

	Group and Bank	
	2014	2013
	RM'000	RM'000
Foreign exchange gain/(loss)	18,257	(67,844)
Realised gain on financial assets held-for-trading	30,110	11,611
Realised gain on trading derivatives	57,896	102,008
Unrealised loss on financial assets held-for-trading	(2,094)	(2,191)
Unrealised gain on trading derivatives	27,156	122,391
	<u>131,325</u>	<u>165,975</u>

28 OTHER OPERATING INCOME

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(Loss)/Gain on disposal:				
- Financial investments available-for-sale	(9,708)	28,249	(9,708)	28,249
- Investment properties	44,998	36,985	44,998	36,985
- Property and equipment	(145)	(301)	(145)	(301)
Gross dividends from financial investments available-for-sale				
- Malaysia	775	694	775	694
- Outside Malaysia	-	73	-	73
Gross dividends from financial assets held-for-trading				
- Malaysia	830	200	830	200
Rental of premises	6,269	7,020	6,334	7,063
Rental of safe deposit boxes	5,763	4,677	5,763	4,677
Shared services income received from subsidiary	-	-	106,428	71,224
Unrealised loss on hedging derivatives	(145)	(188)	(145)	(188)
Others	3,629	4,119	3,698	4,119
	<u>52,266</u>	<u>81,528</u>	<u>158,828</u>	<u>152,795</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**29 OPERATING EXPENSES**

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Personnel expenses	(a)	456,044	434,692	421,519	403,693
Establishment expenses	(b)	94,849	97,802	87,150	89,266
Marketing expenses	(c)	39,610	34,718	35,687	32,351
General administrative expenses	(d)	351,831	310,012	326,591	287,902
		<u>942,334</u>	<u>877,224</u>	<u>870,947</u>	<u>813,212</u>

The above expenditure includes the following statutory disclosures:

Auditors' remuneration					
- Audit fees		448	412	372	335
- Other services		485	274	442	231
Chief Executive Officer ("CEO") and Directors' remuneration* (Note 30)		<u>5,922</u>	<u>6,319</u>	<u>4,507</u>	<u>4,990</u>

* excluding Benefits-in-kind

(a) Personnel expenses

Employees Provident Fund contributions	56,540	53,576	52,167	49,787
Share-based expenses	4,924	5,900	4,704	5,735
Wages, salaries and bonus	360,886	345,670	333,367	320,878
Others	33,694	29,546	31,281	27,293
	<u>456,044</u>	<u>434,692</u>	<u>421,519</u>	<u>403,693</u>

(b) Establishment expenses

Amortisation of prepaid lease payments	36	36	36	36
Depreciation of investment properties	180	168	180	168
Depreciation of property and equipment	47,111	51,035	44,356	47,588
Hire of equipment	1,355	1,497	1,355	1,497
Information technology costs	4,265	2,359	4,171	2,350
Rental of premises	16,492	16,118	14,229	13,386
Repair and maintenance	7,019	7,411	6,597	6,980
Others	18,391	19,178	16,226	17,261
	<u>94,849</u>	<u>97,802</u>	<u>87,150</u>	<u>89,266</u>

(c) Marketing expenses

Advertisement and business promotion	29,746	27,085	28,847	25,508
Transport and travelling	7,632	5,740	4,786	5,061
Others	2,232	1,893	2,054	1,782
	<u>39,610</u>	<u>34,718</u>	<u>35,687</u>	<u>32,351</u>

(d) General administrative expenses

Intercompany expenses	270,290	232,285	247,592	212,541
Others	81,541	77,727	78,999	75,361
	<u>351,831</u>	<u>310,012</u>	<u>326,591</u>	<u>287,902</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**30 CEO AND DIRECTORS' REMUNERATION**

The remuneration of the CEO and Directors charged to profit or loss for the financial year are as follows:

Group	Salaries and bonuses	Fees	Other accrued employee benefits	Employees provident fund	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014						
CEO of the Bank						
Ong Eng Bin	326	-	129	52	8	515
Executive Director and CEO of the Bank						
Chew Sun Teong, Jeffrey (Resigned)	2,213	-	594	354	8	3,169
Executive Director and CEO of subsidiary company						
Syed Abdull Aziz Jailani Bin Syed Kechik	910	-	158	145	5	1,218
Non Executive Directors						
Dato' Ooi Sang Kuang	-	314	-	-	14	328
Dr Raja Lope Bin Raja Shahrome	-	148	-	-	-	148
Lai Teck Poh	-	207	-	-	-	207
Ng Hon Soon	-	100	-	-	-	100
Tong Hon Keong	-	87	-	-	-	87
Tan Sri Dato' Nasruddin Bin Bahari (Retired)	-	98	-	-	5	103
Tan Siok Choo (Retired)	-	87	-	-	-	87
	3,449	1,041	881	551	40	5,962
2013						
Executive Director and CEO of the Bank						
Chew Sun Teong, Jeffrey	2,606	-	1,193	417	2	4,218
Executive Director and CEO of subsidiary company						
Syed Abdull Aziz Jailani Bin Syed Kechik	852	-	139	136	5	1,132
Non Executive Directors						
Dato' Ooi Sang Kuang	-	120	-	-	-	120
Dr Raja Lope Bin Raja Shahrome	-	122	-	-	-	122
Lai Teck Poh	-	174	-	-	-	174
Dato' Lim Eng Soon	-	14	-	-	-	14
Tan Sri Dato' Nasruddin Bin Bahari	-	370	-	-	21	391
Tan Siok Choo	-	176	-	-	-	176
	3,458	976	1,332	553	28	6,347

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

30 CEO AND DIRECTORS' REMUNERATION (continued)

<u>Bank</u>	<u>Salaries and bonuses</u> RM'000	<u>Fees</u> RM'000	<u>Other accrued employee benefits</u> RM'000	<u>Employees provident fund</u> RM'000	<u>Benefits-in-kind</u> RM'000	<u>Total</u> RM'000
2014						
CEO of the Bank						
Ong Eng Bin	326	-	129	52	8	515
Executive Director and CEO of the Bank						
Chew Sun Teong, Jeffrey (Resigned)	2,213	-	594	354	8	3,169
Non Executive Directors						
Dato' Ooi Sang Kuang	-	272	-	-	14	286
Dr Raja Lope Bin Raja Shahrome	-	119	-	-	-	119
Lai Teck Poh	-	157	-	-	-	157
Ng Hon Soon	-	76	-	-	-	76
Tong Hon Keong	-	68	-	-	-	68
Tan Sri Dato' Nasruddin Bin Bahari (Retired)	-	82	-	-	5	87
Tan Siok Choo (Retired)	-	65	-	-	-	65
	<u>2,539</u>	<u>839</u>	<u>723</u>	<u>406</u>	<u>35</u>	<u>4,542</u>
2013						
Executive Director and CEO of the Bank						
Chew Sun Teong, Jeffrey	2,606	-	1,193	417	2	4,218
Non Executive Directors						
Dato' Ooi Sang Kuang	-	96	-	-	-	96
Dr Raja Lope Bin Raja Shahrome	-	102	-	-	-	102
Lai Teck Poh	-	132	-	-	-	132
Tan Sri Dato' Nasruddin Bin Bahari	-	310	-	-	21	331
Tan Siok Choo	-	134	-	-	-	134
	<u>2,606</u>	<u>774</u>	<u>1,193</u>	<u>417</u>	<u>23</u>	<u>5,013</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**31 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
- Made during the year	300,097	205,850	185,090	131,178
- Written back	(117,281)	(100,676)	(79,950)	(72,026)
Collective impairment allowance				
- Made during the year	149,919	24,922	56,260	5,962
Impaired loans, advances and financing				
- Recovered during the year	(38,280)	(68,225)	(28,274)	(59,297)
Others	96	117	96	117
	294,551	61,988	133,222	5,934

32 INCOME TAX EXPENSE

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current year	262,035	308,807	244,501	280,214
- Prior years	(17,306)	(12,227)	(17,157)	(8,816)
	244,729	296,580	227,344	271,398
Deferred tax				
- Origination and reversal of temporary differences	(7,479)	(10,944)	(7,058)	(12,121)
- Prior years	1,583	18,260	1,570	15,756
	(5,896)	7,316	(5,488)	3,635
	238,833	303,896	221,856	275,033

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

	Group		Bank	
	2014	2013	2014	2013
	%	%	%	%
Malaysian tax rate of 25%	25.00	25.00	25.00	25.00
Tax effect of:				
Expenses not deductible for tax purposes	0.30	0.50	0.29	0.40
Income not subject to tax	(1.58)	(1.67)	(1.19)	(1.31)
(Over)/Under provision in prior years:				
- Income tax	(1.61)	(0.98)	(1.74)	(0.79)
- Deferred tax	0.15	1.46	0.16	1.40
Average effective tax rate	22.25	24.31	22.52	24.70

33 BASIC EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Group and the Bank were calculated based on the profit for the year less preference shares dividends of RM816,339,000 and RM745,267,000 respectively (2013: RM927,958,000 and RM820,237,000) and on 287,500,000 ordinary shares of RM1.00 each in issue during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**34 DIVIDENDS**

	Sen per share	Total amount RM'000	Date of payment
2014			
Final 2013 ordinary	152.24	437,700	4/15/2014
Interim 2014 ordinary	22.50	64,687	9/29/2014
Preference	451.00	18,040	20/03/2014 and 20/09/2014
		<u>520,427</u>	
2013			
Final 2012 ordinary	120.00	345,000	4/26/2013
Interim 2013 ordinary	22.50	64,687	9/26/2013
Preference	451.00	18,040	20/03/2013 and 20/09/2013
		<u>427,727</u>	

The Directors now recommend a net cash dividend of 4.51% (on the issue price) amounting to RM8.9 million to the preference shareholders payable in March 2015 and a final dividend of 152.2 sen per ordinary share in respect of the current financial year amounting to RM437.7 million on the fully issued and paid-up ordinary shares of the Bank, subject to member's approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2015 when approved by the shareholder.

35 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the financial statements (Note 21), no material losses are anticipated as a result of these transactions. The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in BNM's Capital Adequacy Framework (Basel II) - Internal Ratings Approach.

<u>Group</u>	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2014				
Direct credit substitutes	654,668		654,668	448,046
Transaction-related contingent items	2,410,328		1,245,354	819,989
Short-term self-liquidating trade-related contingencies	464,668		101,032	40,879
Forward asset purchases, forward deposits, partly paid shares and securities	29,487		29,487	-
Foreign exchange related contracts				
- Less than one year	14,356,946	400,550	633,867	111,209
- One year to less than five years	6,440,155	408,519	1,000,574	339,532
- Five years and above	1,912,872	116,613	486,109	300,991
Interest rate contracts				
- Less than one year	11,154,817	4,699	23,991	3,338
- One year to less than five years	25,731,603	58,098	632,117	176,274
- Five years and above	2,447,907	13,205	177,866	68,551
Equity and commodity related contracts	656,390	10,305	74,796	9,028
Credit derivative contracts	1,011,100	5,863	79,308	16,289
Formal standby facilities and credit lines				
- Maturity not exceeding one year	4,382		3,390	1,934
- Maturity exceeding one year	6,294,111		5,665,080	867,170
Other unconditionally cancellable commitments	17,403,266		1,985,103	437,913
Total	<u>90,972,700</u>	<u>1,017,852</u>	<u>12,792,742</u>	<u>3,641,143</u>

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

35 COMMITMENTS AND CONTINGENCIES (continued)

Group	Principal amount	Positive fair value of derivative contracts	Credit equivalent amount	Risk weighted amount
2013	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	982,350		982,350	761,856
Transaction-related contingent items	1,882,814		941,407	670,805
Short-term self-liquidating trade-related contingencies	582,864		116,573	59,588
Foreign exchange related contracts				
- Less than one year	19,668,042	180,548	463,469	126,183
- One year to less than five years	5,996,485	292,303	867,425	387,360
- Five years and above	1,546,402	73,651	361,752	248,990
Interest rate contracts				
- Less than one year	7,587,913	3,997	15,273	3,411
- One year to less than five years	19,062,504	69,818	530,479	246,260
- Five years and above	2,431,310	36,633	206,115	154,141
Equity and commodity related contracts	398,551	2,827	41,254	6,455
Credit derivative contracts	1,044,050	15,855	98,292	67,499
Formal standby facilities and credit lines				
- Maturity not exceeding one year	19,499		19,499	6,161
- Maturity exceeding one year	5,230,602		4,870,726	812,658
Other unconditionally cancellable commitments	16,689,869		1,974,074	473,255
Total	83,123,255	675,632	11,488,688	4,024,622
Bank				
2014				
Direct credit substitutes	633,835		633,835	434,447
Transaction-related contingent items	2,198,681		1,134,909	737,782
Short-term self-liquidating trade-related contingencies	429,875		91,547	37,418
Forward asset purchases, forward deposits, partly paid shares and securities	29,487		29,487	-
Foreign exchange related contracts				
- Less than one year	14,243,725	400,573	632,248	110,296
- One year to less than five years	6,440,155	408,519	1,000,574	339,532
- Five years and above	1,912,872	116,613	486,109	300,991
Interest rate contracts				
- Less than one year	11,154,817	4,699	23,991	3,338
- One year to less than five years	25,731,603	58,098	632,117	176,274
- Five years and above	2,447,907	13,205	177,866	68,551
Equity and commodity related contracts	656,390	10,305	74,796	9,028
Credit derivative contracts	1,011,100	5,863	79,308	16,289
Formal standby facilities and credit lines				
- Maturity not exceeding one year	3,098		2,345	1,264
- Maturity exceeding one year	5,753,851		5,208,228	757,219
Other unconditionally cancellable commitments	16,612,941		1,981,668	436,762
Total	89,260,337	1,017,875	12,189,028	3,429,191

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**35 COMMITMENTS AND CONTINGENCIES (continued)**

<u>Bank</u>	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2013				
Direct credit substitutes	937,864		937,864	714,073
Transaction-related contingent items	1,692,148		846,074	593,809
Short-term self-liquidating trade-related contingencies	529,412		105,882	53,466
Foreign exchange related contracts				
- Less than one year	19,661,953	180,510	463,413	126,173
- One year to less than five years	5,996,485	292,303	867,425	387,360
- Five years and above	1,546,402	73,651	361,752	248,990
Interest rate contracts				
- Less than one year	7,587,913	3,997	15,273	3,411
- One year to less than five years	19,062,504	69,818	530,479	246,260
- Five years and above	2,431,310	36,633	206,115	154,141
Equity and commodity related contracts	398,552	2,827	41,255	6,454
Credit derivative contracts	1,044,050	15,855	98,292	67,499
Formal standby facilities and credit lines				
- Maturity not exceeding one year	17,579		17,579	5,125
- Maturity exceeding one year	4,847,169		4,544,116	724,281
Other unconditionally cancellable commitments	15,848,062		1,971,165	471,630
Total	81,601,403	675,594	11,006,684	3,802,672

36 CAPITAL COMMITMENTS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital expenditure commitments in respect of property and equipment				
- Authorised but not contracted for	43,185	48,087	39,767	39,097
- Contracted but not provided for	7,064	20,486	7,064	19,778
	50,249	68,573	46,831	58,875

37 LEASE COMMITMENTS

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Less than one year	16,050	12,185	13,697	10,541
Between one to five years	21,281	9,399	18,183	8,520
	37,331	21,584	31,880	19,061

38 MINIMUM LEASE RENTAL RECEIVABLE

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Less than one year	194	765	249	804
Between one to five years	166	393	277	393
	360	1,158	526	1,197

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**39 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 or jointly 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. Related parties may be individuals or other entities.

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

The Group has related party relationship with the following:

- Holding company, Oversea-Chinese Banking Corporation Limited;
- Subsidiaries of the Bank as disclosed in Note 12 to the financial statements;
- Other related companies within the Oversea-Chinese Banking Corporation Limited Group; and
- Key management personnel, including close family members of key management and personnel.

(a) Significant related party transactions

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

Group	Holding Company	Other Related Companies	Key Management Personnel
	RM'000	RM'000	RM'000
2014			
Income			
Interest on deposits and placements with banks and other financial institutions	2,325	-	-
Interest on loans, advances and financing	-	4,881	128
Fee and commission income	3,352	13,095	-
Other income	20	3,192	-
Rental income	-	4,857	-
	5,697	26,025	128
Expenditure			
Interest on deposits from customers	-	8,164	1,973
Interest on deposits and placements of banks and other financial institutions	136,617	-	-
Rental expenses	-	912	-
Other expenses	230	146,246	-
Transaction processing fees	-	129,588	-
	136,847	284,910	1,973
Amount due from			
Cash and cash equivalents	78,329	10,961	-
Deposits and placements with banks and other financial institutions	239,292	12,839	-
Interest receivable	18	63	-
Loans, advances and financing	-	81,500	6,324
	317,639	105,363	6,324

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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant related party transactions (continued)

<u>Group</u>	<u>Holding Company</u> RM'000	<u>Other Related Companies</u> RM'000	<u>Key Management Personnel</u> RM'000
2014			
Amount due to			
Deposits from customers	-	480,100	89,695
Deposits and placements of banks and other financial institutions	9,791,318	-	-
Other liabilities	2,477	292	-
Interest payable	6,692	787	4
	<u>9,800,487</u>	<u>481,179</u>	<u>89,699</u>
Commitments			
Foreign exchange derivatives	948,201	211,895	-
Interest rate derivatives	2,903,794	1,080,000	-
Transaction related contingent items	156,025	75,721	-
	<u>4,008,020</u>	<u>1,367,616</u>	<u>-</u>
2013			
Income			
Interest on deposits and placements with banks and other financial institutions	3,040	-	-
Interest on loans, advances and financing	-	7,898	143
Fee and commission income	3,867	15,345	-
Other income	-	2,282	-
Rental income	-	4,842	-
	<u>6,907</u>	<u>30,367</u>	<u>143</u>
Expenditure			
Interest on deposits from customers	-	5,798	1,762
Interest on deposits and placements of banks and other financial institutions	70,201	-	-
Rental expenses	-	841	-
Other deposits	-	97	8
Other expenses	73	2,544	-
Transaction processing fees	-	232,285	-
	<u>70,274</u>	<u>241,565</u>	<u>1,770</u>
Amount due from			
Cash and cash equivalents	36,449	27,760	-
Deposits and placements with banks and other financial institutions	27,137	5,023	-
Interest receivable	-	424	-
Loans, advances and financing	-	189,100	3,324
	<u>63,586</u>	<u>222,307</u>	<u>3,324</u>
Amount due to			
Deposits from customers	-	397,999	20,222
Deposits and placements of banks and other financial institutions	8,771,479	-	-
Other liabilities	3,018	-	-
Interest payable	12,387	184	3
	<u>8,786,884</u>	<u>398,183</u>	<u>20,225</u>

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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant related party transactions (continued)

<u>Group</u>	<u>Holding Company</u>	<u>Other Related Companies</u>	<u>Key Management Personnel</u>	
	RM'000	RM'000	RM'000	
2013				
Commitments				
Foreign exchange derivatives	750,312	211,599	-	
Interest rate derivatives	1,701,071	1,110,000	-	
Transaction related contingent items	229,230	74,514	-	
	<u>2,680,613</u>	<u>1,396,113</u>	<u>-</u>	
	<u>Holding Company</u>	<u>Subsidiary Companies</u>	<u>Other Related Companies</u>	<u>Key Management Personnel</u>
	RM'000	RM'000	RM'000	RM'000
Bank				
2014				
Income				
Interest on deposits and placements with banks and other financial institutions	2,325	49,540	-	-
Interest on financial investments available-for-sale	-	2,793	-	-
Fee and commission income	3,352	83	13,095	-
Interest on loans, advances and financing	-	-	4,653	90
Interest/Profit on unquoted Islamic subordinated bond	-	10,900	-	-
Shared services income	-	106,428	-	-
Other income	20	-	303	-
Rental income	-	65	4,857	-
	<u>5,697</u>	<u>169,809</u>	<u>22,908</u>	<u>90</u>
Expenditure				
Interest on deposits from customers	-	1	3,946	1,964
Interest on deposits and placements of banks and other financial institutions	135,071	-	-	-
Shared services fee expense	-	4,001	-	-
Rental expenses	-	-	912	-
Other expenses	230	-	4,053	-
Transaction processing fees	-	-	247,592	-
	<u>135,301</u>	<u>4,002</u>	<u>256,503</u>	<u>1,964</u>
Amount due from				
Cash and cash equivalents	78,329	386,524	10,961	-
Deposits and placements with banks and other financial institutions	235,023	1,320,036	12,660	-
Financial investments available-for-sale	-	62,526	-	-
Interest receivable	18	8,969	63	-
Islamic subordinated bond	-	200,000	-	-
Loans, advances and financing	-	-	81,500	5,486
	<u>313,370</u>	<u>1,978,055</u>	<u>105,184</u>	<u>5,486</u>

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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant related party transactions (continued)

Bank	Holding Company	Subsidiary Companies	Other Related Companies	Key Management Personnel
	RM'000	RM'000	RM'000	RM'000
2014				
Amount due to				
Deposits from customers	-	13,758	242,706	89,407
Deposits and placements of banks and other financial institutions	9,028,890	-	-	-
Other liabilities	2,397	55,921	86	-
Interest payable	6,460	-	695	-
	9,037,747	69,679	243,487	89,407
Commitments				
Foreign exchange derivatives	948,201	153,963	478	-
Interest rate derivatives	2,605,014	-	-	-
Transaction related contingent items	-	-	156,025	-
	3,553,215	153,963	156,503	-
2013				
Income				
Interest on deposits and placements with banks and other financial institutions	3,040	38,413	-	-
Interest on financial investments available-for-sale	-	2,955	-	-
Fee and Commission income	3,867	-	15,345	-
Interest on loans, advances and financing	-	-	7,541	104
Interest/Profit on unquoted Islamic subordinated bond	-	10,900	-	-
Shared services income	-	71,224	-	-
Other income	-	-	279	-
Rental income	-	43	4,842	-
	6,907	123,535	28,007	104
Expenditure				
Interest on deposits from customers	-	-	2,633	1,762
Interest on deposits and placements of banks and other financial institutions	69,422	-	-	-
Shared services fee paid/payable	-	2,344	-	-
Rental expenses	-	-	841	-
Other expenses	73	-	3,950	-
Transaction processing fees	-	-	212,541	-
	69,495	2,344	219,965	1,762
Amount due from				
Cash and cash equivalents	36,449	1,357,692	14,122	-
Deposits and placements with banks and other financial institutions	21,628	649,162	4,839	-
Financial investments available-for-sale	-	79,681	-	-
Interest/profit receivable	-	10,899	424	-
Islamic subordinated bond	-	200,000	-	-
Loans, advances and financing	-	-	189,100	2,437
Shared service fee receivable	-	5,409	-	-
	58,077	2,302,843	208,485	2,437

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

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant related party transactions (continued)

Bank	Holding Company	Subsidiary Companies	Other Related Companies	Key Management Personnel
	RM'000	RM'000	RM'000	RM'000
2013				
Amount due to				
Deposits from customers	-	139	262,890	19,951
Deposits and placements of banks and other financial institutions	8,297,984	-	-	-
Other liabilities	2,945	34,767	-	-
Shared service fee payable	-	372	-	-
Interest payable	12,311	-	130	-
	<u>8,313,240</u>	<u>35,278</u>	<u>263,020</u>	<u>19,951</u>
Commitments				
Foreign exchange derivatives	750,312	5,091	209,599	-
Interest rate derivatives	1,701,071	-	1,110,000	-
Transaction related contingent items	229,230	-	74,514	-
	<u>2,680,613</u>	<u>5,091</u>	<u>1,394,113</u>	<u>-</u>

(b) Credit exposure arising from credit transactions with connected parties

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

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Aggregate value of outstanding credit exposure with connected parties[^]:				
Credit facility and leasing (except guarantee)	366,303	511,282	364,237	506,843
Commitments and contingencies *	1,596,976	4,427,642	2,068,511	4,854,522
	<u>1,963,279</u>	<u>4,938,924</u>	<u>2,432,748</u>	<u>5,361,365</u>

[^] Comprises total outstanding balance and unutilised limit.

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

	Group		Bank	
	2014	2013	2014	2013
	%	%	%	%
Percentage of outstanding credit exposures to connected parties:				
- As a proportion of total credit exposures	2.42	6.89	3.49	8.41
- As a proportion of impaired or in default	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(c) Key management personnel compensation**

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	17,899	18,394	13,747	14,251
Share-based benefits	2,474	2,993	2,254	2,812
	20,373	21,387	16,001	17,063

40 FINANCIAL INSTRUMENTS

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

- (a) Fair value through profit or loss - held-for-trading ("FVTPL-HFT");
 (b) Loans/Financing and receivables ("L&R");
 (c) Financial investments available-for-sale ("AFS"); and
 (d) Financial liabilities measured at amortised cost ("FL").

Group	FVTPL-HFT	L&R/FL	AFS	Derivatives	Carrying
	RM'000	RM'000	RM'000	used for	amount
				hedging	RM'000
				RM'000	
2014					
Financial assets					
Cash and cash equivalents	-	8,273,458	-	-	8,273,458
Deposits and placements with banks and other financial institutions	-	2,852,549	-	-	2,852,549
Financial assets held-for-trading	1,046,895	-	-	-	1,046,895
Financial investments available-for-sale	-	-	12,866,011	-	12,866,011
Loans, advances and financing	-	62,638,140	-	-	62,638,140
Derivative financial assets	1,240,254	-	-	84	1,240,338
Other assets	-	229,267	-	-	229,267
Statutory deposits with Bank Negara Malaysia	-	2,185,892	-	-	2,185,892
	2,287,149	76,179,306	12,866,011	84	91,332,550
Non-financial assets	-	269,957	-	-	269,957
Total assets	2,287,149	76,449,263	12,866,011	84	91,602,507
Financial liabilities					
Deposits from customers	-	71,588,131	-	-	71,588,131
Deposits and placements of banks and other financial institutions	-	10,291,077	-	-	10,291,077
Bills and acceptances payable	-	183,899	-	-	183,899
Surbordinated bonds	-	1,692,556	-	-	1,692,556
Derivative financial liabilities	990,873	-	-	15,962	1,006,835
Other liabilities	-	824,226	-	-	824,226
	990,873	84,579,889	-	15,962	85,586,724
Non-financial liabilities	-	35	-	-	35
Total liabilities	990,873	84,579,924	-	15,962	85,586,759

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

40 FINANCIAL INSTRUMENTS (continued)

<u>Group</u>	<u>FVTPL-HFT</u> <u>RM'000</u>	<u>L&R/FL</u> <u>RM'000</u>	<u>AFS</u> <u>RM'000</u>	<u>Derivatives</u> <u>used for</u> <u>hedging</u> <u>RM'000</u>	<u>Carrying</u> <u>amount</u> <u>RM'000</u>
2013					
Financial assets					
Cash and cash equivalents	-	8,926,484	-	-	8,926,484
Deposits and placements with banks and other financial institutions	-	1,849,809	-	-	1,849,809
Financial assets held-for-trading	354,973	-	-	-	354,973
Financial investments available-for-sale	-	-	11,659,590	-	11,659,590
Loans, advances and financing	-	55,698,871	-	-	55,698,871
Derivative financial assets	815,472	-	-	2,724	818,196
Other assets	-	326,848	-	-	326,848
Statutory deposits with Bank Negara Malaysia	-	1,867,892	-	-	1,867,892
	<u>1,170,445</u>	<u>68,669,904</u>	<u>11,659,590</u>	<u>2,724</u>	<u>81,502,663</u>
Non-financial assets	-	299,426	-	-	299,426
Total assets	<u>1,170,445</u>	<u>68,969,330</u>	<u>11,659,590</u>	<u>2,724</u>	<u>81,802,089</u>
Financial liabilities					
Deposits from customers	-	63,011,206	-	-	63,011,206
Deposits and placements of banks and other financial institutions	-	9,623,764	-	-	9,623,764
Bills and acceptances payable	-	243,459	-	-	243,459
Surbordinated bonds	-	1,693,720	-	-	1,693,720
Derivative financial liabilities	713,081	-	-	15,452	728,533
Other liabilities	-	783,476	-	-	783,476
	<u>713,081</u>	<u>75,355,625</u>	<u>-</u>	<u>15,452</u>	<u>76,084,158</u>
Non-financial liabilities	-	55,584	-	-	55,584
Total liabilities	<u>713,081</u>	<u>75,411,209</u>	<u>-</u>	<u>15,452</u>	<u>76,139,742</u>
Bank					
2014					
Financial assets					
Cash and cash equivalents	-	7,780,124	-	-	7,780,124
Deposits and placements with banks and other financial institutions	-	3,872,892	-	-	3,872,892
Financial assets held-for-trading	1,046,895	-	-	-	1,046,895
Financial investments available-for-sale	-	-	10,085,357	-	10,085,357
Loans, advances and financing	-	53,470,126	-	-	53,470,126
Derivative financial assets	1,240,283	-	-	84	1,240,367
Other assets	-	418,169	-	-	418,169
Statutory deposits with Bank Negara Malaysia	-	1,806,092	-	-	1,806,092
Investment in subsidiary companies	-	496,617	-	-	496,617
	<u>2,287,178</u>	<u>67,844,020</u>	<u>10,085,357</u>	<u>84</u>	<u>80,216,639</u>
Non-financial assets	-	252,532	-	-	252,532
Total assets	<u>2,287,178</u>	<u>68,096,552</u>	<u>10,085,357</u>	<u>84</u>	<u>80,469,171</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**40 FINANCIAL INSTRUMENTS (continued)**

Bank	FVTPL-HFT RM'000	L&R/FL RM'000	AFS RM'000	Derivatives used for hedging RM'000	Carrying amount RM'000
2014					
Financial liabilities					
Deposits from customers	-	61,649,806	-	-	61,649,806
Deposits and placements of banks and other financial institutions	-	9,476,126	-	-	9,476,126
Bills and acceptances payable	-	163,255	-	-	163,255
Surbordinated bonds	-	1,692,556	-	-	1,692,556
Derivative financial liabilities	990,868	-	-	15,962	1,006,830
Other liabilities	-	770,387	-	-	770,387
	<u>990,868</u>	<u>73,752,130</u>	<u>-</u>	<u>15,962</u>	<u>74,758,960</u>
Non-financial liabilities	-	-	-	-	-
Total liabilities	<u>990,868</u>	<u>73,752,130</u>	<u>-</u>	<u>15,962</u>	<u>74,758,960</u>
2013					
Financial assets					
Cash and cash equivalents	-	9,102,977	-	-	9,102,977
Deposits and placements with banks and other financial institutions	-	2,716,940	-	-	2,716,940
Financial assets held-for-trading	354,973	-	-	-	354,973
Financial investments available-for-sale	-	-	9,679,761	-	9,679,761
Loans, advances and financing	-	48,935,917	-	-	48,935,917
Derivative financial assets	815,462	-	-	2,724	818,186
Other assets	-	523,579	-	-	523,579
Statutory deposits with Bank Negara Malaysia	-	1,597,092	-	-	1,597,092
Investment in subsidiary companies	-	376,617	-	-	376,617
	<u>1,170,435</u>	<u>63,253,122</u>	<u>9,679,761</u>	<u>2,724</u>	<u>74,106,042</u>
Non-financial assets	-	286,686	-	-	286,686
Total assets	<u>1,170,435</u>	<u>63,539,808</u>	<u>9,679,761</u>	<u>2,724</u>	<u>74,392,728</u>
Financial liabilities					
Deposits from customers	-	56,429,044	-	-	56,429,044
Deposits and placements of banks and other financial institutions	-	9,075,490	-	-	9,075,490
Bills and acceptances payable	-	229,780	-	-	229,780
Surbordinated bonds	-	1,693,720	-	-	1,693,720
Derivative financial liabilities	713,079	-	-	15,452	728,531
Other liabilities	-	748,865	-	-	748,865
	<u>713,079</u>	<u>68,176,899</u>	<u>-</u>	<u>15,452</u>	<u>68,905,430</u>
Non-financial liabilities	-	55,532	-	-	55,532
Total liabilities	<u>713,079</u>	<u>68,232,431</u>	<u>-</u>	<u>15,452</u>	<u>68,960,962</u>

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

41 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

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

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

The Group and the Bank use various methodologies to estimate the fair values of such instruments. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimated future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financings 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

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

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.

(A) Fair value measurement

(i) Financial assets and financial liabilities

(a) Short term financial instruments

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

(b) Deposits and placements with/of banks and other financial institutions with maturity of 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/profit rates for deposits and placements with similar remaining period to maturity.

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

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(A) Fair value measurement (continued)

(i) Financial assets and financial liabilities (continued)

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

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

(d) Loans, advances and financing

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

(e) Deposits from customers

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

(f) Bills and acceptances payable

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

(g) Subordinated bonds

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

(ii) Off-statement of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Group or the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statements of financial position financial instrument are disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial assets and liabilities**

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.

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2014				
Financial assets at fair value				
Held-for-trading	786,938	259,957	-	1,046,895
Available-for-sale	10,941,447	1,816,018	108,546	12,866,011
Derivative assets	1,036	1,223,004	16,298	1,240,338
	<u>11,729,421</u>	<u>3,298,979</u>	<u>124,844</u>	<u>15,153,244</u>
Financial liabilities at fair value				
Derivative liabilities	<u>1,134</u>	<u>984,787</u>	<u>20,914</u>	<u>1,006,835</u>
2013				
Financial assets at fair value				
Held-for-trading	337,218	17,755	-	354,973
Available-for-sale	7,683,970	3,867,074	108,546	11,659,590
Derivative assets	2,831	774,133	41,232	818,196
	<u>8,024,019</u>	<u>4,658,962</u>	<u>149,778</u>	<u>12,832,759</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,632</u>	<u>679,542</u>	<u>46,359</u>	<u>728,533</u>
Bank				
2014				
Financial assets at fair value				
Held-for-trading	786,938	259,957	-	1,046,895
Available-for-sale	8,675,752	1,301,059	108,546	10,085,357
Derivative assets	1,089	1,222,980	16,298	1,240,367
	<u>9,463,779</u>	<u>2,783,996</u>	<u>124,844</u>	<u>12,372,619</u>
Financial liabilities at fair value				
Derivative liabilities	<u>1,145</u>	<u>984,771</u>	<u>20,914</u>	<u>1,006,830</u>
2013				
Financial assets at fair value				
Held-for-trading	337,218	17,755	-	354,973
Available-for-sale	6,137,360	3,433,855	108,546	9,679,761
Derivative assets	2,833	774,121	41,232	818,186
	<u>6,477,411</u>	<u>4,225,731</u>	<u>149,778</u>	<u>10,852,920</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,632</u>	<u>679,540</u>	<u>46,359</u>	<u>728,531</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial assets and liabilities (continued)**

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

	Group and Bank		
	Trading	Available for-sale	Total
	RM'000	RM'000	RM'000
2014			
Financial assets at fair value			
At 1 January	41,232	108,546	149,778
Settled/disposed	(12)	-	(12)
Recognised in profit or loss			
- Realised loss	(17,381)	-	(17,381)
- Unrealised loss	(7,541)	-	(7,541)
At 31 December	<u>16,298</u>	<u>108,546</u>	<u>124,844</u>
Financial liabilities at fair value			
At 1 January	46,359	-	46,359
Issued	4,217	-	4,217
Reclassified to other liabilities	(5,440)	-	(5,440)
Recognised in profit or loss			
- Realised gain	(15,704)	-	(15,704)
- Unrealised gain	(8,518)	-	(8,518)
At 31 December	<u>20,914</u>	<u>-</u>	<u>20,914</u>
2013			
Financial assets at fair value			
At 1 January	103,177	108,546	211,723
Purchased	12	-	12
Settled/disposed	(51,515)	-	(51,515)
Recognised in profit or loss			
- Realised loss	(14,295)	-	(14,295)
- Unrealised gain	3,853	-	3,853
At 31 December	<u>41,232</u>	<u>108,546</u>	<u>149,778</u>
Financial liabilities at fair value			
At 1 January	86,182	-	86,182
Issued	1,675	-	1,675
Reclassified to other liabilities	(55,115)	-	(55,115)
Recognised in profit or loss			
- Realised loss	12,106	-	12,106
- Unrealised loss	1,511	-	1,511
At 31 December	<u>46,359</u>	<u>-</u>	<u>46,359</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial assets and liabilities (continued)****Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Transfer between Level 1 and 2 fair values

During the financial year, financial assets held-for-trading and financial investments available-for-sale with a carrying amount of RM1,388,544 (2013: NIL) and RM478,899,933 (2013: RM44,368,000) respectively were transferred from Level 2 to Level 1 because active market price is available.

Valuation techniques and unobservable parameters for Level 3 financial assets and liabilities

Group and Bank	2014 Fair value RM'000	2013 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Derivative assets	16,298	41,232	Hedge for trading	Option pricing model	Standard deviation
Liabilities					
Derivative liabilities	20,914	46,359	Hedge for trading	Option pricing model	Standard deviation

Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

Valuation control framework

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial assets and liabilities (continued)****Valuation control framework (continued)**

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

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

(C) Fair value of financial assets and liabilities not carried at fair value

The table below is a comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not measured at fair value. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

In terms of fair value hierarchy, the financial instruments not carried at fair value are classified under Level 3.

	Group		Bank	
	Carrying amount RM'000	Fair value (Level 3) RM'000	Carrying amount RM'000	Fair value (Level 3) RM'000
2014				
Financial assets				
Loans, advances and financing	62,638,140	62,858,708	53,470,126	53,493,399
2013				
Financial assets				
Loans, advances and financing	55,698,871	55,783,734	48,935,917	48,936,533

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (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 Bank's 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:

	Bank	
	2014	2013
	RM'000	RM'000
Losses on hedging instruments	(2,732)	(845)
Gains on the hedged items attributable to the hedged risk	2,587	657
	<u>(145)</u>	<u>(188)</u>

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to credit risk, liquidity risk and market risk from the use of financial instruments, and exposure to operational risk. The Group's overall risk management framework, including the risk governance and risk management process are set out as follows:

Credit Risk Management

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

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

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

Corporate and large impaired financing and advances are centrally managed by the Special Asset Management Department, with the Small and Medium Enterprises and Commercial Property impaired financing and advances managed by Emerging Business Loan Recovery Unit, whilst retail and consumer impaired financing and advances are overseen by the Collections Department.

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management

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

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

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

Asset Liability Management

Asset liability management is the strategic management of the statement of financial position structure and liquidity needs, covering structural interest/profit rate management and, funding and liquidity risk management. The ALCO is the senior management committee that oversees the Group's and the Bank's liquidity and statement of financial position risks. The ALCO is chaired by the Bank's CEO and includes senior management from business, risk and support units. The ALCO is supported by the MRM Department within Group Risk Management Division.

Banking Book Interest/Profit Rate Risk

The primary goal of interest/profit rate risk management is to ensure that interest/profit rate risk exposures are maintained within defined risk tolerances. Interest/profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates. Limits and policies to manage interest/profit rate exposures are established in line with the Group's and the Bank's strategy and risk appetite. Thresholds and policies are appropriately approved and reviewed regularly to ensure they remain relevant to the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

Liquidity Risk

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations as well as to undertake new transactions. The 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. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. Operational risk management also covers fiduciary, legal risk, reputational risk and Shariah compliance risk.

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

Operational Risk Management Oversight and Organisation

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

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

Operational Risk Management Approach

The Group and the Bank manage 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.

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

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

The Group and the Bank protect and ensure the confidentiality, integrity, and availability of information assets through implementing appropriate security controls to protect against the misuse or compromise of information assets. New and appropriate security technologies are regularly identified and implemented as part of the Group's and the Bank's holistic approach to managing technology risk.

Physical and People Security

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

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Business Continuity Management

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

Fraud Risk Management

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

Reputational Risk Management

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

Fiduciary Risk Management

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

Regulatory and Legal Risks

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

Shariah Governance

The subsidiary of the Bank, OCBC Al-Amin Bank Berhad is governed by the Shariah Governance Framework ("SGF" or "the framework") which is designed to meet the following purposes:

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Shariah Governance (continued)**

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 OCBC Al-Amin Bank Berhad, a Shariah review is conducted to assess the level of compliance of the activities and operations to Shariah requirements post product launch. Any non-Shariah compliant findings resulting from the review will be rectified, monitored and tracked until closure. Internal Audit will also conduct Shariah audit to provide an independent assessment and objective assurance designed to add value and improve OCBC Al-Amin Bank Berhad's Shariah compliance with the main objective of ensuring a sound and effective internal controls system for Shariah compliance.

Shariah Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**44 CREDIT RISKS**

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

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and cash equivalents		8,273,458	8,926,484	7,780,124	9,102,977
Deposits and placements with banks and other financial institutions		2,852,549	1,849,809	3,872,892	2,716,940
Financial assets held-for-trading	(a)	1,046,895	354,973	1,046,895	354,973
Financial investments available-for-sale	(b)	12,866,023	11,659,602	10,085,369	9,679,773
Loans, advances and financing	(c)	63,644,899	56,486,520	54,260,677	49,618,569
Derivative financial assets	(d)	1,240,338	818,196	1,240,367	818,186
Other assets		229,267	326,848	418,169	523,579
Contingent liabilities and commitments	(e)	50,173,584	38,823,906	49,364,767	38,149,949
		140,327,013	119,246,338	128,069,260	110,964,946

(a) Credit quality of financial assets held-for-trading

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

	Group and Bank	
	2014 RM'000	2013 RM'000
(i) By issuer		
Government and Central Bank	583,483	324,926
Banks	51,179	9,863
Other financial institutions	45,356	27
Corporates	366,877	20,157
	1,046,895	354,973
(ii) By geography		
Malaysia	1,046,814	354,650
Singapore	-	261
Rest of the world	81	62
	1,046,895	354,973
(iii) By credit rating		
Government and Central Bank (unrated)	264,580	88,289
Government (AAA to BBB)	318,903	236,637
Investment grade (AAA to BBB)	452,009	17,832
Unrated	11,403	12,215
	1,046,895	354,973

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**44 CREDIT RISKS (continued)****(a) Credit quality of financial assets held-for-trading (continued)**

	Group and Bank	
	2014	2013
	RM'000	RM'000
(iv) By sector		
Agriculture, hunting, forestry and fishing	4,724	117
Manufacturing	1,701	4,942
Electricity, gas and water	4,694	6,935
Real estate	98	7
Wholesale & retail trade and restaurants & hotels	19,982	6,453
Transport, storage and communication	4	1,441
Finance, insurance and business services	96,535	78,964
Education, health and others	75,000	15
Others	844,157	256,099
	1,046,895	354,973
(v) By residual contractual maturity		
Within one year	96,294	100,504
One to five years	495,486	179,600
Over five years	455,115	74,869
	1,046,895	354,973

(b) Credit quality of financial investments available-for-sale

In view of the following sound credit rating of counterparties, the Group and the Bank do not expect any counterparty to fail to meet its obligation except for the impairment allowance recognised in respect of financial investments available-for-sale as disclosed in Note 6.

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(i) By issuer				
Government and Central Bank	8,648,742	6,060,574	6,593,316	4,694,517
Foreign government	227,824	397,504	102,817	347,866
Public sector	49,928	-	49,928	-
Banks	1,669,779	2,490,722	1,433,478	2,398,671
Other financial institutions	399,097	126,655	399,097	126,655
Corporates	1,870,464	2,583,957	1,506,544	2,111,874
Others	189	190	189	190
	12,866,023	11,659,602	10,085,369	9,679,773
(ii) By geography				
Malaysia	11,785,730	10,662,009	9,130,083	8,731,818
Singapore	40,328	3,579	40,328	3,579
Other ASEAN	968,331	80,654	907,923	31,016
Rest of the world	71,634	913,360	7,035	913,360
	12,866,023	11,659,602	10,085,369	9,679,773

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**44 CREDIT RISKS (continued)****(b) Credit quality of financial investments available-for-sale (continued)**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(iii) By credit rating				
Government and Central Bank (unrated)	2,795,881	452,078	1,946,018	432,093
Government (A to AAA)	5,852,861	5,608,496	4,647,298	4,262,424
Foreign government (unrated)	29,549	350,095	7,035	300,457
Foreign government (AAA to BBB)	198,275	47,409	95,782	47,409
Investment grade (AAA to BBB)	2,484,124	2,349,828	2,232,902	2,046,185
Unrated	1,505,333	2,851,696	1,156,334	2,591,205
	12,866,023	11,659,602	10,085,369	9,679,773
(iv) By sector				
Agriculture, hunting, forestry and fishing	60,504	115,393	24,248	96,271
Mining and quarrying	177,843	97,467	177,843	97,467
Manufacturing	-	580,172	-	510,000
Electricity, gas and water	55,977	36,979	55,977	36,979
Construction	30,061	-	10,033	-
Real estate	7,035	-	7,035	-
Wholesale & retail trade and restaurants & hotels	43,941	102,163	43,941	102,163
Transport, storage and communication	302,399	160,779	302,399	150,770
Finance, insurance and business services	4,675,162	3,801,235	4,359,240	3,584,404
Education, health and others	117,680	337,305	117,680	337,305
Others	7,395,421	6,428,109	4,986,973	4,764,414
	12,866,023	11,659,602	10,085,369	9,679,773
(v) By residual contractual maturity				
Within one year	5,393,510	3,802,823	3,864,914	3,096,497
One to five years	5,231,500	5,306,714	4,194,171	4,101,470
Over five years	2,241,013	2,550,065	2,026,284	2,481,806
	12,866,023	11,659,602	10,085,369	9,679,773

(c) Credit quality of loans, advances and financing

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor impaired	61,356,394	53,998,989	52,288,880	47,294,553
Past due loans	1,921,780	2,039,379	1,733,287	1,932,509
- Unimpaired	1,011,479	1,180,000	891,453	1,123,844
- Impaired	910,301	859,379	841,834	808,665
Impaired but not past due	366,725	448,152	238,510	391,507
Gross loans, advances and financing	63,644,899	56,486,520	54,260,677	49,618,569

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**44 CREDIT RISKS (continued)****(c) Credit quality of loans, advances and financing (continued)**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor impaired				
(i) By internal grading				
Pass	60,184,655	53,125,799	51,379,198	46,659,687
Special Mention	1,171,739	873,190	909,682	634,866
	<u>61,356,394</u>	<u>53,998,989</u>	<u>52,288,880</u>	<u>47,294,553</u>
Past due but not impaired				
(i) By period overdue				
Less than 2 months	939,771	1,151,054	845,775	1,094,898
2 months to less than 3 months	71,708	28,946	45,678	28,946
	<u>1,011,479</u>	<u>1,180,000</u>	<u>891,453</u>	<u>1,123,844</u>
(ii) By geographical distribution				
Malaysia	878,775	1,160,072	758,749	1,103,916
Singapore	7,577	13,075	7,577	13,075
Other ASEAN	4,838	6,853	4,838	6,853
Rest of the world	120,289	-	120,289	-
	<u>1,011,479</u>	<u>1,180,000</u>	<u>891,453</u>	<u>1,123,844</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	37,184	904	35,756	904
Mining and quarrying	118,075	225	116,326	225
Manufacturing	209,637	38,992	190,578	24,258
Electricity, gas and water	222	-	-	-
Construction	35,474	4,548	31,946	4,040
Real estate	100,092	69,499	100,092	69,499
Wholesale & retail trade and restaurants & hotels	80,941	68,569	59,541	59,483
Transport, storage and communication	11,826	10,235	7,282	7,753
Finance, insurance and business services	9,199	10,904	4,981	9,003
Community, social and personal services	9,849	11,212	3,355	9,574
Household				
- Purchase of residential properties	319,774	860,997	300,378	857,061
- Purchase of non-residential properties	17,834	40,137	17,834	40,137
- Others	61,169	61,660	23,181	39,789
Others	203	2,118	203	2,118
	<u>1,011,479</u>	<u>1,180,000</u>	<u>891,453</u>	<u>1,123,844</u>

The analysis of impaired loans, advances and financing are detailed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**44 CREDIT RISKS (continued)****(c) Credit quality of loans, advances and financing (continued)*****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 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 2014, 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 and that best represents the maximum exposure to credit risk for impaired loans, advances and financing.

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fair value of collateral held against the covered portion of loans, financing and advances	1,411,875	1,199,119	1,285,323	1,169,414
Covered portion of loans, advances and financing	920,358	778,851	813,815	755,234
Uncovered portion of loans, advances and financing	356,668	528,680	266,529	444,938
	1,277,026	1,307,531	1,080,344	1,200,172

Credit quality

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

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

Past due but unimpaired are loans, advances and financing where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are due one or more days after the contractual due date but less than three (3) months.

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

44 CREDIT RISKS (continued)

(d) Credit quality of derivative assets

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(i) By counterparty				
Banks	777,260	464,027	777,311	464,033
Other financial institutions	142,426	121,591	142,426	121,591
Corporates	191,728	121,963	191,706	121,947
Individuals	128,918	65,189	128,918	65,189
Others	6	45,426	6	45,426
	<u>1,240,338</u>	<u>818,196</u>	<u>1,240,367</u>	<u>818,186</u>
(ii) By geographical distribution				
Malaysia	1,209,582	806,364	1,213,681	806,354
Singapore	20,432	9,358	20,432	9,358
Other ASEAN	957	382	957	382
Rest of the world	9,367	2,092	5,297	2,092
	<u>1,240,338</u>	<u>818,196</u>	<u>1,240,367</u>	<u>818,186</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	73,655	37,961	73,655	37,961
Manufacturing	97,584	46,942	97,571	46,930
Construction	3,092	4,494	3,092	4,494
Wholesale & retail trade and restaurants & hotels	11,761	9,601	11,761	9,601
Transport, storage and communication	1,089	15,868	1,085	15,864
Finance, insurance and business services	999,494	601,681	999,540	601,687
Others	53,663	101,649	53,663	101,649
	<u>1,240,338</u>	<u>818,196</u>	<u>1,240,367</u>	<u>818,186</u>
(iv) By residual contractual maturity				
Within one year	523,665	222,881	523,694	222,871
One to five years	521,122	394,301	521,122	394,301
Over five years	195,551	201,014	195,551	201,014
	<u>1,240,338</u>	<u>818,196</u>	<u>1,240,367</u>	<u>818,186</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**44 CREDIT RISKS (continued)****(e) Credit quality of contingent liabilities and commitments**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(i) By counterparty				
Banks	37,946,807	28,209,318	37,926,297	28,202,892
Other financial institutions	760,664	196,309	759,572	196,073
Corporates	3,865,243	3,769,599	3,800,006	3,616,852
Small and medium enterprises	1,687,795	891,732	1,339,441	757,574
Individuals	5,913,075	5,756,948	5,539,451	5,376,558
	<u>50,173,584</u>	<u>38,823,906</u>	<u>49,364,767</u>	<u>38,149,949</u>
(ii) By geographical distribution				
Malaysia	46,956,848	36,526,341	46,148,242	35,852,609
Singapore	2,962,654	2,043,744	2,962,445	2,043,519
Other ASEAN	183,617	194,933	183,617	194,933
Rest of the world	70,465	58,888	70,463	58,888
	<u>50,173,584</u>	<u>38,823,906</u>	<u>49,364,767</u>	<u>38,149,949</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	434,591	498,062	432,247	496,618
Mining and quarrying	709,682	758,855	707,375	757,525
Manufacturing	717,951	829,381	624,185	679,699
Electricity, gas and water	237,033	251,736	237,033	251,736
Construction	918,824	747,741	792,744	651,852
Real estate	515,370	315,484	513,570	315,170
Wholesale & retail trade and restaurants & hotels	506,727	518,026	466,748	460,035
Transport, storage and communication	617,851	569,483	595,402	561,810
Finance, insurance and business services	38,871,724	29,588,088	38,840,117	29,065,205
Community, social and personal services	160,362	-	154,501	-
Household	6,374,469	4,747,050	6,000,845	4,910,299
Others	109,000	-	-	-
	<u>50,173,584</u>	<u>38,823,906</u>	<u>49,364,767</u>	<u>38,149,949</u>
(iv) By residual contractual maturity				
Within one year	13,723,198	9,656,738	13,586,948	9,496,472
One to five years	27,676,382	21,615,640	27,514,895	21,445,694
Over five years	8,774,004	7,551,528	8,262,924	7,207,783
	<u>50,173,584</u>	<u>38,823,906</u>	<u>49,364,767</u>	<u>38,149,949</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**45 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 summarise the Group's and the Bank's exposures to interest/profit rate risk. The assets and liabilities at carrying amounts are categorised by the earlier of the next contractual repricing and maturity dates.

<u>Group</u>	/----- Non-trading Book -----/						Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000					
2014										
Assets										
Cash and cash equivalents	7,758,721	-	-	-	-	514,737	-	8,273,458	2.58	
Deposits and placements with banks and other financial institutions	826,885	2,025,664	-	-	-	-	-	2,852,549	2.58	
Financial assets held-for-trading	-	-	-	-	-	-	1,046,895	1,046,895	4.14	
Financial investments available-for-sale	3,147,091	2,880,838	2,286,152	2,310,929	2,132,277	108,724	-	12,866,011	3.69	
Loans, advances and financing										
- Unimpaired	56,554,269	1,170,027	1,621,808	1,900,702	793,171	(344,948)	-	61,695,029	5.32	
- Impaired	-	-	-	-	-	943,111	-	943,111	-	
Derivative financial assets	-	84	-	-	-	-	1,240,254	1,240,338	0.08	
Other assets	-	-	-	-	-	229,267	-	229,267	-	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,185,892	-	2,185,892	-	
Property and equipment	-	-	-	-	-	223,120	-	223,120	-	
Prepaid lease payments	-	-	-	-	-	856	-	856	-	
Investment properties	-	-	-	-	-	7,921	-	7,921	-	
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	21,369	-	21,369	-	
Current tax assets	-	-	-	-	-	16,691	-	16,691	-	
Total assets	68,286,966	6,076,613	3,907,960	4,211,631	2,925,448	3,906,740	2,287,149	91,602,507		

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

45 INTEREST/PROFIT RATE RISK (continued)

<u>Group</u>	/----- Non-trading Book -----/						Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000					
2014										
Liabilities										
Deposits from customers	38,399,686	17,460,236	7,084,790	1,145,324	740,000	6,758,095	-	71,588,131	3.23	
Deposits and placements of banks and other financial institutions	8,342,837	1,746,783	52	58	10	201,337	-	10,291,077	1.16	
Bills and acceptances payable	-	-	-	-	-	183,899	-	183,899	-	
Subordinated bonds	-	499,825	792,985	400,000	-	(254)	-	1,692,556	4.90	
Derivative financial liabilities	8	1,353	7,430	955	6,216	-	990,873	1,006,835	0.45	
Other liabilities	-	-	-	-	-	824,226	-	824,226	-	
Current tax liabilities and zakat	-	-	-	-	-	35	-	35	-	
Total liabilities	46,742,531	19,708,197	7,885,257	1,546,337	746,226	7,967,338	990,873	85,586,759		
On-statement of financial position interest/profit sensitivity gap	21,544,435	(13,631,584)	(3,977,297)	2,665,294	2,179,222	(4,060,598)	1,296,276	6,015,748		
Off-statement of financial position interest/profit sensitivity gap	(677,856)	387,671	550,000	(50,000)	(209,815)	-	-	-		
Total Interest/profit sensitivity gap	20,866,579	(13,243,913)	(3,427,297)	2,615,294	1,969,407	(4,060,598)	1,296,276	6,015,748		

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

45 INTEREST/PROFIT RATE RISK (continued)

Group	/----- Non-trading Book -----/						Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000					
2013										
Assets										
Cash and cash equivalents	8,580,206	-	-	-	-	346,278	-	8,926,484	2.67	
Deposits and placements with banks and other financial institutions	1,784,187	65,622	-	-	-	-	-	1,849,809	2.67	
Financial assets held-for-trading	-	-	-	-	-	-	354,973	354,973	3.35	
Financial investments available-for-sale	2,612,724	1,692,916	3,014,301	1,789,597	2,441,328	108,724	-	11,659,590	3.61	
Loans, advances and financing										
- Unimpaired	50,884,375	1,284,731	1,044,116	1,478,372	490,310	(526,050)	-	54,655,854	5.23	
- Impaired	-	-	-	-	-	1,043,017	-	1,043,017	-	
Derivative financial assets	-	-	2,724	-	-	-	815,472	818,196	0.31	
Other assets	-	-	-	-	-	326,848	-	326,848	-	
Statutory deposits with										
Bank Negara Malaysia	-	-	-	-	-	1,867,892	-	1,867,892	-	
Property and equipment	-	-	-	-	-	252,529	-	252,529	-	
Prepaid lease payments	-	-	-	-	-	892	-	892	-	
Investment properties	-	-	-	-	-	12,082	-	12,082	-	
Non-current assets held for sale	-	-	-	-	-	3,191	-	3,191	-	
Deferred tax assets	-	-	-	-	-	29,050	-	29,050	-	
Current tax assets	-	-	-	-	-	1,682	-	1,682	-	
Total assets	63,861,492	3,043,269	4,061,141	3,267,969	2,931,638	3,466,135	1,170,445	81,802,089		

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

45 INTEREST/PROFIT RATE RISK (continued)

<u>Group</u>	/----- Non-trading Book -----/						Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000					
2013										
Liabilities										
Deposits from customers	32,215,354	16,024,694	6,260,257	1,373,739	850,000	6,287,162	-	63,011,206	2.90	
Deposits and placements of banks and other financial institutions	9,246,420	200,018	69,075	-	-	108,251	-	9,623,764	1.54	
Bills and acceptances payable	-	-	-	-	-	243,459	-	243,459	-	
Subordinated bonds	-	-	702,495	591,617	400,000	(392)	-	1,693,720	4.90	
Derivative financial liabilities	-	-	3,821	8,624	3,007	-	713,081	728,533	0.57	
Other liabilities	-	-	-	-	-	783,476	-	783,476	-	
Current tax liabilities and zakat	-	-	-	-	-	55,584	-	55,584	-	
Total liabilities	41,461,774	16,224,712	7,035,648	1,973,980	1,253,007	7,477,540	713,081	76,139,742		
On-statement of financial position interest/profit sensitivity gap	22,399,718	(13,181,443)	(2,974,507)	1,293,989	1,678,631	(4,011,405)	457,364	5,662,347		
Off-statement of financial position interest/profit sensitivity gap	(1,393,141)	(100,000)	776,403	550,000	166,738	-	-	-		
Total Interest/profit sensitivity gap	21,006,577	(13,281,443)	(2,198,104)	1,843,989	1,845,369	(4,011,405)	457,364	5,662,347		

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

45 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	/----- Non-trading Book -----/						Non interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000					
2014										
Assets										
Cash and cash equivalents	7,294,938	-	-	-	-	485,186	-	7,780,124	2.52	
Deposits and placements with banks and other financial institutions	1,697,228	2,025,664	100,000	50,000	-	-	-	3,872,892	2.52	
Financial assets held-for-trading	-	-	-	-	-	-	1,046,895	1,046,895	4.14	
Financial investments available-for-sale	2,490,935	2,008,397	1,620,473	1,939,280	1,917,548	108,724	-	10,085,357	3.77	
Loans, advances and financing										
- Unimpaired	50,996,796	793,982	567,760	186,714	307,422	(193,591)	-	52,659,083	5.00	
- Impaired	-	-	-	-	-	811,043	-	811,043	-	
Derivative financial assets	-	84	-	-	-	-	1,240,283	1,240,367	0.08	
Other assets	-	-	200,000	-	-	218,169	-	418,169	5.45	
Statutory deposits with										
Bank Negara Malaysia	-	-	-	-	-	1,806,092	-	1,806,092	-	
Investment in subsidiaries	-	-	-	-	-	496,617	-	496,617	-	
Property and equipment	-	-	-	-	-	217,638	-	217,638	-	
Prepaid lease payments	-	-	-	-	-	856	-	856	-	
Investment properties	-	-	-	-	-	7,921	-	7,921	-	
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	19,245	-	19,245	-	
Current tax assets	-	-	-	-	-	6,872	-	6,872	-	
Total assets	62,479,897	4,828,127	2,488,233	2,175,994	2,224,970	3,984,772	2,287,178	80,469,171		

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

45 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	/----- Non-trading Book -----/						Non interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000					
2014										
Liabilities										
Deposits from customers	30,855,560	15,388,930	7,082,143	1,145,224	740,000	6,437,949	-	61,649,806	3.28	
Deposits and placements of banks and other financial institutions	7,580,403	1,746,765	-	-	-	148,958	-	9,476,126	0.90	
Bills and acceptances payable	-	-	-	-	-	163,255	-	163,255	-	
Subordinated bonds	-	499,825	792,985	400,000	-	(254)	-	1,692,556	4.94	
Derivative financial liabilities	8	1,353	7,430	955	6,216	-	990,868	1,006,830	0.45	
Other liabilities	-	-	-	-	-	770,387	-	770,387	-	
Current tax liabilities and zakat	-	-	-	-	-	-	-	-	-	
Total liabilities	38,435,971	17,636,873	7,882,558	1,546,179	746,216	7,520,295	990,868	74,758,960		
On-statement of financial position interest/profit sensitivity gap	24,043,926	(12,808,746)	(5,394,325)	629,815	1,478,754	(3,535,523)	1,296,310	5,710,211		
Off-statement of financial position interest/profit sensitivity gap	(677,856)	387,671	550,000	(50,000)	(209,815)	-	-	-		
Total Interest/profit sensitivity gap	23,366,070	(12,421,075)	(4,844,325)	579,815	1,268,939	(3,535,523)	1,296,310	5,710,211		

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

45 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	/----- Non-trading Book -----/						Non interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000					
2013										
Assets										
Cash and cash equivalents	8,812,279	-	-	-	-	290,698	-	9,102,977	2.67	
Deposits and placements with banks and other financial institutions	2,401,318	315,622	-	-	-	-	-	2,716,940	2.67	
Financial assets held-for-trading	-	-	-	-	-	-	354,973	354,973	3.35	
Financial investments available-for-sale	2,373,734	1,225,580	2,402,071	1,196,583	2,373,069	108,724	-	9,679,761	3.66	
Loans, advances and financing										
- Unimpaired	46,773,483	1,165,530	279,402	30,925	172,095	(466,573)	-	47,954,862	5.00	
- Impaired	-	-	-	-	-	981,055	-	981,055	-	
Derivative financial assets	-	-	2,724	-	-	-	815,462	818,186	0.31	
Other assets	-	-	200,000	-	-	323,579	-	523,579	5.45	
Statutory deposits with										
Bank Negara Malaysia	-	-	-	-	-	1,597,092	-	1,597,092	-	
Investment in subsidiaries	-	-	-	-	-	376,617	-	376,617	-	
Property and equipment	-	-	-	-	-	244,480	-	244,480	-	
Prepaid lease payments	-	-	-	-	-	892	-	892	-	
Investment properties	-	-	-	-	-	12,082	-	12,082	-	
Non-current assets held for sale	-	-	-	-	-	3,191	-	3,191	-	
Deferred tax assets	-	-	-	-	-	26,041	-	26,041	-	
Total assets	60,360,814	2,706,732	2,884,197	1,227,508	2,545,164	3,497,878	1,170,435	74,392,728		

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

45 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	/----- Non-trading Book -----/						Non interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000					
2013										
Liabilities										
Deposits from customers	26,824,401	15,040,422	6,258,710	1,373,739	850,000	6,081,772	-	56,429,044	2.95	
Deposits and placements of banks and other financial institutions	8,772,919	200,000	68,931	-	-	33,640	-	9,075,490	1.45	
Bills and acceptances payable	-	-	-	-	-	229,780	-	229,780	-	
Subordinated bonds	-	-	702,495	591,617	400,000	(392)	-	1,693,720	4.90	
Derivative financial liabilities	-	-	3,821	8,624	3,007	-	713,079	728,531	0.57	
Other liabilities	-	-	-	-	-	748,865	-	748,865	-	
Current tax liabilities and zakat	-	-	-	-	-	55,532	-	55,532	-	
Total liabilities	35,597,320	15,240,422	7,033,957	1,973,980	1,253,007	7,149,197	713,079	68,960,962		
On-statement of financial position interest/profit sensitivity gap	24,763,494	(12,533,690)	(4,149,760)	(746,472)	1,292,157	(3,651,319)	457,356	5,431,766		
Off-statement of financial position interest/profit sensitivity gap	(1,393,141)	(100,000)	776,403	550,000	166,738	-	-	-		
Total Interest/profit sensitivity gap	23,370,353	(12,633,690)	(3,373,357)	(196,472)	1,458,895	(3,651,319)	457,356	5,431,766		

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**45 INTEREST/PROFIT RATE RISK (continued)**

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

	Group		Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
+ 50 bps	1,664,903	1,600,757	1,262,425	1,279,007
- 50 bps	1,488,545	1,404,069	1,096,800	1,087,403

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**46 LIQUIDITY RISK****Contractual maturity of financial liabilities**

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

Group	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2014								
Non-derivative financial liabilities								
Deposits from customers	71,588,131	50,957,545	8,047,562	9,416,456	1,281,244	1,145,324	740,000	71,588,131
Deposits and placements with banks and other financial institutions	10,291,077	8,484,108	1,746,771	12	60,118	58	10	10,291,077
Bills and acceptances payable	183,899	183,899	-	-	-	-	-	183,899
Subordinated bonds	1,692,556	-	-	499,768	792,788	400,000	-	1,692,556
Other liabilities	824,226	710,905	369,211	293,362	221,944	70,421	4,202	1,670,045
	84,579,889	60,336,457	10,163,544	10,209,598	2,356,094	1,615,803	744,212	85,425,708
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		10,315	1,068	723	189	-	-	12,295
- Interest rate derivatives		19,149	14,947	21,652	56,949	26,802	78,782	218,281
- Equity and other derivatives		56,476	35,262	15,073	8,934	-	-	115,745
Hedging:								
- Interest rate derivatives		3,396	1,931	4,252	10,125	81	(789)	18,996
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		4,904,340	1,104,263	1,965,563	4,369,354	2,433,733	2,270,721	17,047,974
- Inflow		(4,802,362)	(1,069,231)	(1,934,242)	(4,567,612)	(2,432,340)	(2,255,604)	(17,061,391)
		191,314	88,240	73,021	(122,061)	28,276	93,110	351,900

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**46 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

<u>Group</u>	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2013								
Non-derivative financial liabilities								
Deposits from customers	63,011,206	43,814,178	8,018,517	8,083,393	871,375	1,373,743	850,000	63,011,206
Deposits and placements with banks and other financial institutions	9,623,764	9,354,672	150,006	50,012	69,074	-	-	9,623,764
Bills and acceptances payable	243,459	243,459	-	-	-	-	-	243,459
Subordinated bonds	1,693,720	-	-	-	702,377	591,343	400,000	1,693,720
Other liabilities	783,476	676,154	356,583	252,992	265,622	119,101	334,157	2,004,609
	<u>75,355,625</u>	<u>54,088,463</u>	<u>8,525,106</u>	<u>8,386,397</u>	<u>1,908,448</u>	<u>2,084,187</u>	<u>1,584,157</u>	<u>76,576,758</u>
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		19,517	7,430	10,231	3,205	-	-	40,383
- Interest rate derivatives		3,709	3,612	11,786	60,134	54,263	111,596	245,100
- Equity and other derivatives		1,054	773	6,308	14,879	7,131	-	30,145
Hedging:								
- Interest rate derivatives		2,410	404	3,052	11,556	4,341	(3,231)	18,532
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		6,185,014	1,363,912	2,979,556	3,277,684	2,692,172	1,962,845	18,461,183
- Inflow		(6,131,492)	(1,326,224)	(2,914,834)	(3,359,182)	(2,706,523)	(2,041,530)	(18,479,785)
		<u>80,212</u>	<u>49,907</u>	<u>96,099</u>	<u>8,276</u>	<u>51,384</u>	<u>29,680</u>	<u>315,558</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**46 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

Bank	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2014								
Non-derivative financial liabilities								
Deposits from customers	61,649,806	43,097,220	7,185,739	8,203,191	1,278,432	1,145,224	740,000	61,649,806
Deposits and placements with banks and other financial institutions	9,476,126	7,669,295	1,746,765	-	60,066	-	-	9,476,126
Bills and acceptances payable	163,255	163,255	-	-	-	-	-	163,255
Subordinated bonds	1,692,556	-	-	499,768	792,788	400,000	-	1,692,556
Other liabilities	770,387	692,149	334,190	234,051	157,812	56,784	3,709	1,478,695
	73,752,130	51,621,919	9,266,694	8,937,010	2,289,098	1,602,008	743,709	74,460,438
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		10,315	1,068	723	189	-	-	12,295
- Interest rate derivatives		19,149	14,947	21,652	56,949	26,802	78,782	218,281
- Equity and other derivatives		56,476	35,262	15,073	8,934	-	-	115,745
Hedging:								
- Interest rate derivatives		3,396	1,931	4,252	10,125	81	(789)	18,996
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		4,907,135	1,104,263	1,965,563	4,369,354	2,433,733	2,270,721	17,050,769
- Inflow		(4,805,154)	(1,069,231)	(1,934,242)	(4,567,612)	(2,432,340)	(2,255,604)	(17,064,183)
		191,317	88,240	73,021	(122,061)	28,276	93,110	351,903

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**46 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

Bank	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2013								
Non-derivative financial liabilities								
Deposits from customers	56,429,044	38,389,056	7,687,382	7,259,368	869,499	1,373,739	850,000	56,429,044
Deposits and placements with banks and other financial institutions	9,075,490	8,806,559	200,000	-	68,931	-	-	9,075,490
Bills and acceptances payable	229,780	229,780	-	-	-	-	-	229,780
Subordinated bonds	1,693,720	-	-	-	702,377	591,343	400,000	1,693,720
Other liabilities	748,865	666,893	339,370	214,766	221,264	119,101	314,052	1,875,446
	68,176,899	48,092,288	8,226,752	7,474,134	1,862,071	2,084,183	1,564,052	69,303,480
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		19,517	7,430	10,231	3,205	-	-	40,383
- Interest rate derivatives		3,709	3,612	11,786	60,134	54,263	111,596	245,100
- Equity and other derivatives		1,054	773	6,308	14,879	7,131	-	30,145
Hedging:								
- Interest rate derivatives		2,410	404	3,052	11,556	4,341	(3,231)	18,532
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		6,184,855	1,363,912	2,979,556	3,277,684	2,692,172	1,962,845	18,461,024
- Inflow		(6,131,334)	(1,326,224)	(2,914,834)	(3,359,182)	(2,706,523)	(2,041,530)	(18,479,627)
		80,211	49,907	96,099	8,276	51,384	29,680	315,557

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**47 CURRENCY RISK**

Group	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
2014					
Financial assets					
Cash and cash equivalents	5,710,249	1,800,103	69,275	693,831	8,273,458
Deposits and placements with banks and other financial institutions	-	2,375,600	-	476,949	2,852,549
Financial assets held-for-trading	1,036,420	10,393	18	64	1,046,895
Financial investments available-for-sale	10,683,639	1,056,170	437,191	689,011	12,866,011
Loans, advances and financing	58,738,593	2,717,925	72,319	1,109,303	62,638,140
Derivative financial assets	561,611	656,286	22,152	289	1,240,338
Other assets	154,689	28,409	38,949	7,220	229,267
Statutory deposits with Bank Negara Malaysia	2,185,892	-	-	-	2,185,892
	79,071,093	8,644,886	639,904	2,976,667	91,332,550
Financial liabilities					
Deposits from customers	67,725,498	2,271,120	315,332	1,276,181	71,588,131
Deposits and placements of banks and other financial institutions	541,910	7,519,264	228,807	2,001,096	10,291,077
Bills and acceptances payable	183,878	-	21	-	183,899
Subordinated bonds	1,692,556	-	-	-	1,692,556
Derivative financial liabilities	957,534	25,143	24,158	-	1,006,835
Other liabilities	803,806	496	13,462	6,462	824,226
	71,905,182	9,816,023	581,780	3,283,739	85,586,724
Net financial assets/(liabilities) exposure	7,165,911	(1,171,137)	58,124	(307,072)	5,745,826
2013					
Financial assets					
Cash and cash equivalents	7,824,244	685,370	30,028	386,842	8,926,484
Deposits and placements with banks and other financial institutions	557,959	949,783	-	342,067	1,849,809
Financial assets held-for-trading	354,895	13	15	50	354,973
Financial investments available-for-sale	9,834,162	877,108	384,675	563,645	11,659,590
Loans, advances and financing	51,725,367	2,787,433	50,362	1,135,709	55,698,871
Derivative financial assets	437,621	358,410	21,288	877	818,196
Other assets	265,748	18,646	38,094	4,360	326,848
Statutory deposits with Bank Negara Malaysia	1,867,892	-	-	-	1,867,892
	72,867,888	5,676,763	524,462	2,433,550	81,502,663
Financial liabilities					
Deposits from customers	59,594,254	2,017,270	259,837	1,139,845	63,011,206
Deposits and placements of banks and other financial institutions	3,057,068	4,708,628	200,989	1,657,079	9,623,764
Bills and acceptances payable	243,381	-	78	-	243,459
Subordinated bonds	1,693,720	-	-	-	1,693,720
Derivative financial liabilities	695,787	30,447	1,496	803	728,533
Other liabilities	759,651	4,397	13,831	5,597	783,476
	66,043,861	6,760,742	476,231	2,803,324	76,084,158
Net financial assets/(liabilities) exposure	6,824,027	(1,083,979)	48,231	(369,774)	5,418,505

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

47 CURRENCY RISK (continued)

Bank	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
2014					
Financial assets					
Cash and cash equivalents	5,224,705	1,797,743	65,737	691,939	7,780,124
Deposits and placements with banks and other financial institutions	640,187	2,483,899	-	748,806	3,872,892
Financial assets held-for-trading	1,036,420	10,393	18	64	1,046,895
Financial investments available-for-sale	8,271,522	812,830	334,507	666,498	10,085,357
Loans, advances and financing	50,826,243	2,288,646	67,449	287,788	53,470,126
Derivative financial assets	561,640	656,286	22,152	289	1,240,367
Other assets	348,400	25,162	37,644	6,963	418,169
Statutory deposits with Bank Negara Malaysia	1,806,092	-	-	-	1,806,092
Investment in subsidiaries	496,617	-	-	-	496,617
	69,211,826	8,074,959	527,507	2,402,347	80,216,639
Financial liabilities					
Deposits from customers	57,842,363	2,220,124	311,285	1,276,034	61,649,806
Deposits and placements of banks and other financial institutions	1,313,854	6,883,092	118,983	1,160,197	9,476,126
Bills and acceptances payable	163,234	-	21	-	163,255
Subordinated bonds	1,692,556	-	-	-	1,692,556
Derivative financial liabilities	957,529	25,143	24,158	-	1,006,830
Other liabilities	754,101	-	12,806	3,480	770,387
	62,723,637	9,128,359	467,253	2,439,711	74,758,960
Net financial assets/(liabilities) exposure	6,488,189	(1,053,400)	60,254	(37,364)	5,457,679
2013					
Financial assets					
Cash and cash equivalents	8,183,246	508,911	25,290	385,530	9,102,977
Deposits and placements with banks and other financial institutions	1,170,959	949,783	-	596,198	2,716,940
Financial assets held-for-trading	354,895	13	15	50	354,973
Financial investments available-for-sale	8,150,704	668,996	296,416	563,645	9,679,761
Loans, advances and financing	46,071,882	2,502,258	42,854	318,923	48,935,917
Derivative financial assets	437,612	358,410	21,288	876	818,186
Other assets	466,732	15,358	37,242	4,247	523,579
Statutory deposits with Bank Negara Malaysia	1,597,092	-	-	-	1,597,092
Investment in subsidiaries	376,617	-	-	-	376,617
	66,809,739	5,003,729	423,105	1,869,469	74,106,042
Financial liabilities					
Deposits from customers	53,056,916	1,975,206	257,078	1,139,844	56,429,044
Deposits and placements of banks and other financial institutions	4,049,773	4,077,370	103,782	844,565	9,075,490
Bills and acceptances payable	229,702	-	78	-	229,780
Subordinated bonds	1,693,720	-	-	-	1,693,720
Derivative financial liabilities	695,784	30,447	1,496	804	728,531
Other liabilities	728,000	3,967	13,652	3,246	748,865
	60,453,895	6,086,990	376,086	1,988,459	68,905,430
Net financial assets/(liabilities) exposure	6,355,844	(1,083,261)	47,019	(118,990)	5,200,612

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

48 SEGMENT INFORMATION

Operating Segment

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the 'management approach', which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision maker in order to allocate resources to a segment and to assess its performance. The Group's businesses are organised into the following four segments based on the types of products and services that it provides:

Business Banking

Business Banking has 3 principal customer segments namely, Large Corporate, Commercial Banking and Emerging Business structured along its customer base. Business Banking also serves financial institutions referencing to banks and non-bank financial institutions, including international financial institutions, for which OCBC Malaysia provides correspondent banking services, payments and trade-related services.

Consumer Financial Services

Consumer Financial Services is responsible for individual customers, who are broadly categorised under the mass market, mass affluent and premier banking segments. Consumer Financial Services offers an array of consumer products and services, including savings and fixed deposits, checking and savings accounts, consumer loans such as housing loans and other personal loans, unit trusts, bancassurance products, structured investments and credit cards.

Global Treasury

Global Treasury offers treasury financial solutions to customers with products ranging from foreign exchange ("FX") spot and forwards to currency options as well as liabilities hedging tools using interest rate swaps and interest rate options. Global Treasury also offers both conventional and Islamic structured investments, denominated in Ringgit Malaysia as well as foreign currencies that build on amongst others, interest rates, FX, equities and its indices, and commodities.

Global Treasury manages the gapping and investment book of OCBC Malaysia, execution of Asset Liability Management Committee ("ALCO") decisions, compliance of liquidity requirements and facilitates money market operations.

Others

The other segments include property-related activities and income/expenses not attributable to other operating segments.

Measurement and Evaluation of Segment Performance

The Board evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, loans and deposits growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profits. Transactions between operating segments are based on mutually agreed allocation bases. Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income. In addition to the operating segments, the segment information disclosed also includes internal service providers (head office) which operate on non-profit basis.

Major Customers

Revenue from no single customer amounted to greater than 10% of the Group's revenue for the current financial year (2013: NIL).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**48 SEGMENT INFORMATION (continued)****Geographical Segment**

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

Group	Business Banking RM'000	Consumer Financial Services RM'000	Global Treasury RM'000	Others RM'000	Total RM'000
2014					
Net interest/finance income	965,121	487,260	183,948	156,231	1,792,560
Non-interest/finance income	135,024	124,077	180,114	80,385	519,600
Operating income	1,100,145	611,337	364,062	236,616	2,312,160
Operating expenses	(358,188)	(481,082)	(80,953)	(22,111)	(942,334)
Operating profit before impairment allowance and provision	741,957	130,255	283,109	214,505	1,369,826
Impairment allowances and provision for commitments and contingencies	(180,905)	(115,368)	-	(306)	(296,579)
Profit before income tax and zakat	561,052	14,887	283,109	214,199	1,073,247
Income tax expense and zakat	(140,206)	(3,722)	(70,777)	(24,163)	(238,868)
Profit for the year	420,846	11,165	212,332	190,036	834,379
Gross loans, advances and financing	35,761,996	27,799,313	-	83,590	63,644,899
Deposits from customers	39,029,835	28,491,300	4,066,996	-	71,588,131
Gross impaired loans, advances and financing	947,464	329,562	-	-	1,277,026
2013					
Net interest/finance income	869,943	480,437	147,418	95,721	1,593,519
Non-interest/finance income	137,517	114,874	251,637	89,678	593,706
Operating income	1,007,460	595,311	399,055	185,399	2,187,225
Operating expenses	(335,260)	(442,109)	(73,705)	(26,150)	(877,224)
Operating profit before impairment allowance and provision	672,200	153,202	325,350	159,249	1,310,001
(Impairment)/write back of allowances and provision for commitments and contingencies	(3,425)	(58,540)	-	1,888	(60,077)
Profit before income tax and zakat	668,775	94,662	325,350	161,137	1,249,924
Income tax expense and zakat	(167,104)	(23,665)	(81,337)	(31,820)	(303,926)
Profit for the year	501,671	70,997	244,013	129,317	945,998
Gross loans, advances and financing	33,421,500	22,970,757	-	94,263	56,486,520
Deposits from customers	32,626,969	26,400,416	3,983,821	-	63,011,206
Gross impaired loans, advances and financing	1,033,383	274,148	-	-	1,307,531

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**49 CAPITAL ADEQUACY****Capital Management**

It is the Group's and the Bank's objective to maintain a strong capital position to support business growth, and to maintain investor, depositor, customer and market confidence. In line with this, the Group and the Bank manage capital actively to ensure that the Group's and the Bank's capital adequacy ratios are comfortably above the regulatory minima while balancing shareholder's desire for sustainable returns and high standards of prudence. Over the years, the Group and the Bank had issued non-cumulative perpetual preference shares, innovative Tier 1 capital and Tier 2 subordinated 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 Adequacy Ratios

The Group and the Bank are required to comply with the Common Equity Tier 1 capital ratio of 4.0%, Tier 1 capital ratio of 5.5% and total capital ratio of 8.0% prescribed by BNM. The Bank and its regulated banking subsidiary were in compliance with the prescribed capital ratios throughout the financial year.

The table below shows the composition of the regulatory capital and capital adequacy ratios as at 31 December 2014, determined according to the requirements of BNM's Capital Adequacy Framework (Capital Components) which defines the regulatory capital and deductions required, including the cost of investment in subsidiaries and other capital investments. Recognition of the Group's and the Bank's Additional Tier 1 and Tier 2 capital instruments are subject to a gradual phase out as required by BNM's Capital Adequacy Framework (Capital Components).

A description of the key terms and conditions of the subordinated bond capital included as Tier 1 and Tier 2 capital is provided in Note 20 to the financial statements.

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Common Equity Tier 1 ("CET 1") capital				
Paid-up ordinary share capital	287,500	287,500	287,500	287,500
Ordinary share premium	462,500	462,500	462,500	462,500
Retained earnings	4,145,416	3,996,728	4,036,338	3,923,458
Other reserves	720,332	515,619	523,873	358,308
CET 1 capital	5,615,748	5,262,347	5,310,211	5,031,766
Regulatory adjustment for CET 1 capital	(215,058)	(316,452)	(310,250)	(270,760)
Eligible CET 1 capital	5,400,690	4,945,895	4,999,961	4,761,006
Additional Tier 1 capital				
Paid-up non-cumulative, non-convertible perpetual preference shares	3,200	3,600	3,200	3,600
Preference share premium	316,800	356,400	316,800	356,400
Innovative Tier 1 capital	320,000	360,000	320,000	360,000
Eligible Tier 1 capital	6,040,690	5,665,895	5,639,961	5,481,006

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014 (continued)**49 CAPITAL ADEQUACY (continued)****Capital Adequacy Ratios (continued)**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Tier 2 capital				
Collective impairment allowance under the Standardised Approach*	19,242	19,124	7,763	10,519
Surplus eligible provisions over expected losses	141,335	-	132,734	-
Subordinated bonds	1,040,000	1,170,000	1,040,000	1,170,000
	<u>1,200,577</u>	<u>1,189,124</u>	<u>1,180,497</u>	<u>1,180,519</u>
Regulatory adjustment for Tier 2 capital	-	-	(597,294)	(576,617)
Eligible Tier 2 capital	<u>1,200,577</u>	<u>1,189,124</u>	<u>583,203</u>	<u>603,902</u>
Capital base	<u>7,241,267</u>	<u>6,855,019</u>	<u>6,223,164</u>	<u>6,084,908</u>

* Excludes the collective impairment allowance on impaired loans, advances and financing

	Group		Bank	
	2014	2013	2014	2013
Before deducting proposed dividend				
CET 1 capital ratio	13.086%	12.773%	14.201%	14.158%
Tier 1 capital ratio	14.636%	14.632%	16.019%	16.299%
Total capital ratio	<u>17.545%</u>	<u>17.703%</u>	<u>17.675%</u>	<u>18.095%</u>
After deducting proposed dividend				
CET 1 capital ratio	12.003%	11.619%	12.933%	12.830%
Tier 1 capital ratio	13.554%	13.478%	14.750%	14.971%
Total capital ratio	<u>16.463%</u>	<u>16.549%</u>	<u>16.407%</u>	<u>16.767%</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Credit risk RWA	35,941,269	34,148,404	30,448,795	29,473,684
Market risk RWA	1,284,802	737,026	1,277,216	737,031
Operational risk RWA	4,046,159	3,837,567	3,482,210	3,416,725
	<u>41,272,230</u>	<u>38,722,997</u>	<u>35,208,221</u>	<u>33,627,440</u>

The capital adequacy ratios of OCBC Al-Amin Bank Berhad, the banking subsidiary company of the Group, are as follows:

	2014	2013
CET 1 capital ratio	12.609%	10.549%
Tier 1 capital ratio	12.609%	10.549%
Total capital ratio	<u>15.458%</u>	<u>14.125%</u>

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