

Company No. 295400-W

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

**REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2013**

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

Company No. 295400-W

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**REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2013**

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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013.

### **PRINCIPAL ACTIVITIES**

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

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

### **FINANCIAL RESULTS**

	<b>GROUP 2013 RM'000</b>	<b>BANK 2013 RM'000</b>
Profit for the year	<u>945,998</u>	<u>838,277</u>

### **DIVIDENDS**

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

- a) A net cash dividend of 4.51% (on issue price) amounting to RM8.9 million to the preference shareholders on 20 March 2013;
- b) A final gross dividend of 160.0 sen per ordinary share less tax at 25% amounting to RM345.0 million to the ordinary shareholders on 26 April 2013 in respect of the financial year ended 31 December 2012;
- c) A net cash dividend of 4.51% (on issue price) amounting to RM9.1 million to the preference shareholders on 20 September 2013; and
- d) An interim gross dividend of 30.0 sen per ordinary share less tax at 25% amounting to RM64.7 million to the ordinary shareholders on 26 September 2013 in respect of the financial year ended 31 December 2013.

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 2014 and a final single tier dividend of 152.0 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.

### **SHARE CAPITAL AND DEBENTURES**

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

### **RESERVES AND PROVISIONS**

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

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

### **BAD AND DOUBTFUL DEBTS AND FINANCING**

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

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

### **CURRENT ASSETS**

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

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

### **VALUATION METHODS**

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

### **CONTINGENT AND OTHER LIABILITIES**

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

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

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

### **CHANGE OF CIRCUMSTANCES**

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

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

### **ITEMS OF AN UNUSUAL NATURE**

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

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

### **COMPLIANCE WITH BANK NEGARA'S EXPECTATIONS ON FINANCIAL REPORTING**

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

### **FINANCIAL PERFORMANCE**

The Bank and its subsidiaries ("Group") recorded a net profit of RM946 million for the financial year ended 31 December 2013, registering an increase of RM135 million or 17% compared to 2012. Pre-tax profit rose 15% from the previous year to RM1.2 billion in 2013. The higher net profit was derived from operating profit rising by RM141 million or 12% to RM1.31 billion, coupled with a reduction in impairment allowance and provisions of RM24 million or 29% to RM60.1 million.

Total operating income for the Group rose by RM161.9 million or 8% to RM2.2 billion as a result of RM126 million or 52% increase in income from Islamic banking operations and net fee and commission income grown by RM22 million or 8% to RM296 million. Trading income, however, declined by 14% mainly arising from higher foreign exchange losses of RM129 million and lower gains on trading securities (fell by RM30 million) mitigated by better derivatives income (rose by RM131 million). Operating expenses grew marginally by 2% to RM872 million despite the Group concentrating on building its capabilities around its upgraded banking systems and the further opening of 2 new OCBC Al-Amin Xpres branches during the year through effective cost management and high productivity of the sales distribution.

Individual impairment allowance for loans, advances and financing during the year increased by RM33 million to RM105 million compared to RM72 million last year while collective impairment allowances were lower by RM28 million.

The Group's total assets grew by RM9 billion to RM82 billion mainly contributed by gross loans, advances and financing which grew by RM8.2 billion or 17% to RM56 billion. The growth came mainly from housing loans of RM4.1 billion and lending to small medium enterprises (SME) of RM2.7 billion funded mainly from higher customer deposits of RM7.5 billion and higher interbank borrowings of RM1.1 billion.

The Group and Bank remain well capitalised with Tier 1 Capital ratios of 13.478% and 14.971% and risk weighted capital ratios of 16.549% and 16.767% respectively after taking into account the proposed dividend payout.

### **ACTIVITIES AND ACHIEVEMENTS**

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

During the year, OCBC Malaysia opened two more OCBC Al-Amin Xpres branches, at the Masjid Jamek and Ampang Park LRT (Light Rapid Transit) stations, to cater to young urban professionals. With this, our network of Islamic banking branches increased to 10 nationwide, complementing our existing 31 conventional branches.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

### **ACTIVITIES AND ACHIEVEMENTS (continued)**

OCBC Malaysia received several awards in 2013, including Best SME Solution in Malaysia, Best Trade Finance Solution in Malaysia, Best Islamic Project Finance, and Best in Treasury and Working Capital for SME in Malaysia, all from The Asset.

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

### **MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2014**

Moving into 2014, OCBC Malaysia will strive to entrench its position as a banker of choice to the retail, SME and corporate segments by expanding its presence in new markets and deepening penetration into existing ones. These efforts will hinge on providing a wider enhanced pool of innovative products and convenient services.

On the business banking front, OCBC Malaysia will implement strategies to meet the diverse needs of our key sub-segments namely corporate customers, commercial customers and SMEs. For corporates, OCBC Malaysia's industry and project specialist teams will centre efforts on opportunities arising from the government's Economic Transformation Plan (ETP), and increasing regionalisation of businesses as well as intensify efforts to deepen our involvement in syndication deals. For commercial customers, the focus will be on deepening OCBC Malaysia's share of wallet through new and existing markets, both locally and regionally, while continuing to specialise in industry expertise and trade knowledge.

In consumer banking, OCBC Malaysia will continue to expand its Islamic banking network to complement the overall branch presence and so strengthen the distribution capacity of its wealth management and deposit-related marketing efforts. OCBC Malaysia will also build on its premier and mass/emerging affluent segments by offering tailor-made product propositions that fit the specific segments. Our distribution strategy will focus on improving our brick and mortar branches whilst building new channels of distribution to reach a larger customer base through targeted engagements. We will invest more aggressively in digital marketing and the Internet to achieve this and eventually build a viable channel to serve our clients that do not necessarily visit our branches. We will also build on our property financing strengths through the relationships we currently hold with established developers as well as by better catering to the property financing needs of young professionals and families.

On the treasury front, OCBC Malaysia will focus on providing enhanced risk hedging solutions to meet corporate and institutional clients' business needs. For retail clients, the Bank will build on the successes of 2013 by rolling out more investment products that are linked to equities, FX and commodities asset classes. The Bank aims to launch more Shariah-compliant treasury products to make its offerings even more comprehensive and far-reaching, in line with Malaysia's status as a global Islamic financial hub.

In Islamic banking, OCBC Al-Amin will further expand its domestic capital market business, foreign currency financing and sukuk investment activities and drive efforts to widen the OCBC Group's Islamic finance market coverage by establishing a greater presence beyond the domestic market.

It will also reinforce its existing strong network of distribution channels to acquire new customers and offer innovative solutions to existing and potential customers. The Bank will focus on increasing its market share by maximizing its sales distribution efficiency and opening new branches to further increase the number of customer touch points. OCBC Al Amin's distribution footprint will expand through the Xpres branches, dedicated direct sales teams, a strategic alliance with Great Eastern Takaful as well as through best-in-class online banking and social media engagement. A key target segment continues to be the urban young and Bumiputra segments. Through its corporate programmes, the Bank will seek to penetrate the private sector employee market to become a financier of choice. It will also leverage on infrastructure within the OCBC Group and the strong OCBC brand name to enhance its customer base and retain its position as a leading provider of innovative product solutions among the foreign Islamic banks.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

### **RATINGS BY EXTERNAL AGENCIES**

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 21 August 2013. The ratings reflect the Bank's healthy credit fundamentals and established franchise among mid-sized corporates as well as small and medium-sized enterprises.

### **CORPORATE GOVERNANCE**

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

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

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

The roles of the Chairman and the CEO are separated, which is consistent with the principles of corporate governance as set out in 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; ensuring constructive relations between the executive Director and 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 Board has five independent Directors, namely, Tan Sri Dato' Nasruddin Bin Bahari, Dato' Ooi Sang Kuang, Dr Raja Lope Bin Raja Shahrome, Ms Tan Siok Choo and Mr Lai Teck Poh.

The members of the Board, as a group, provide skills and competencies to ensure the effectiveness of the Board. These competencies include banking, accounting, finance, legal, strategy formulation, business acumen, management experience, understanding of industry and customers, familiarity with regulatory requirements and knowledge of risk management. Details of the Directors' professional qualifications and background can be found below under "Profile on the Board of Directors".

As a principle of good corporate governance, all Directors are subject to re-election at regular intervals. The Bank's Articles of Association 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.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

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

#### **Board Conduct and Responsibilities**

The Board is elected by the shareholder to supervise the management of business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interests of the 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:

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

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

The Board and the Board Audit Committee have separate and independent access to the internal auditors, external auditors, the Bank's senior management and the 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.



## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

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

#### **Board Audit Committee**

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

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

In addition to the review of the Group's and the Bank's financial statements, the Board Audit Committee reviews and evaluates with the external and internal auditors, the adequacy 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 Board Audit 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 Board Audit Committee reviews concerns, including anonymous complaints, which staff may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed-up. It meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management to consider any matters which might be raised privately. In addition, the Chairman of the Board Audit Committee meets the internal auditors on a regular basis to discuss the work undertaken, key findings and any other significant matters arising from the Bank's operations. Formal reports are sent to the Board Audit Committee on a regular basis. The Board is updated on these reports. The Board Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Bank and the external auditors are compatible with maintaining the independence of the external auditors.

#### **Internal Audit Function**

The Board Audit Committee approves the Audit Charter of Internal Audit and reviews the effectiveness of the internal audit function. In line with leading practice, Internal Audit's mission statement and charter require it to provide independent and reasonable, but not absolute assurance that the Bank's system of risk management, control and governance processes, as designed and implemented by senior management, are adequate and effective. Internal Audit reports on the adequacy of the 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, technology and strategic risks as well.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

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

#### **Internal Audit Function (continued)**

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

#### **Internal Controls**

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

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

### **MANAGEMENT INFORMATION**

All Directors review Board reports prior to the Board meeting. Information and materials, duly endorsed by the CEO, 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:

- Minutes of meetings of all Board Committees
- Monthly Performance Report of the Bank
- At least quarterly Credit Risk Management Report
- At least quarterly Asset Liability & Market Risk Report
- At least quarterly Operational Risk Management Report

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)****CORPORATE GOVERNANCE (continued)****DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS IN 2013**

Name of Director	Scheduled of Meetings							
	Board		Board Audit Committee		Nominating Committee		Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Sri Dato' Nasruddin Bin Bahari*	7	7	6	6	3	3	6	6
Dato' Ooi Sang Kuang**	7	7	-	-	-	-	6	6
Chew Sun Teong, Jeffrey	7	7	-	-	-	-	-	-
Samuel N. Tsien	7	7	-	-	3	3	6	6
Ching Wei Hong	7	7	-	-	3	2	6	6
Tan Siok Choo	7	7	6	6	3	3	6	6
Dr Raja Lope Bin Raja Shahrome	7	6	-	-	-	-	6	5
Lai Teck Poh	7	6	6	6	3	3	6	6
Tan Siew Peng, Darren	7	7	-	-	-	-	6	6

\* Retiring on 29 March 2014

\*\* To be appointed as Chairman with effect from 30 March 2014

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

**PROFILE ON THE BOARD OF DIRECTORS****Tan Sri Dato' Nasruddin Bin Bahari, Chairman**

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

**Dato' Ooi Sang Kuang, Deputy Chairman**

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

**CORPORATE GOVERNANCE (continued)**

**PROFILE OF THE BOARD OF DIRECTORS (continued)**

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

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

**Mr Samuel N. Tsien**

Mr Samuel Tsien was appointed to the Board on 15 April 2012. He was appointed as the Group Chief Executive Officer of Oversea-Chinese Banking Corporation Limited ("OCBC Bank") 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 36 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, OCBC Al-Amin Bank Berhad and Bank of Singapore. He is Chairman of the Association of Banks in Singapore since June 2013 and is also a director of Mapletree Commercial Trust. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles ("UCLA").

**Mr Ching Wei Hong**

Mr Ching Wei Hong was appointed to the Board on 20 June 2006. He was appointed Chief Operating Officer of 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 Chairman of Bank of Singapore, OCBC Securities and Lion Global Investors Limited. 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. Mr Ching has more than 28 years of experience in regional finance, corporate banking and cash management. 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.

**Ms Tan Siok Choo**

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

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

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

#### **PROFILE OF THE BOARD OF DIRECTORS (continued)**

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

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

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

Mr Lai Teck Poh was appointed to the Board on 7 January 2011. He joined Oversea-Chinese Banking Corporation Limited ("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, WBL Corporation Limited and AVJennings Limited, and a Commissioner of PT Bank OCBC NISP Tbk. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore.

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

Mr Darren Tan was appointed to the Board on 6 April 2012. He is also an Executive Vice President and the Chief Financial Officer ("CFO") of OCBC Bank. Mr Tan oversees financial, regulatory and management accounting, treasury financial control, corporate treasury, funding and capital management, corporate development and investor relations. 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, Mr Tan 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 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.

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

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

Tan Sri Dato' Nasruddin Bin Bahari - Chairman  
Dato' Ooi Sang Kuang - Deputy Chairman  
Chew Sun Teong, Jeffrey  
Samuel N. Tsien  
Ching Wei Hong  
Tan Siok Choo  
Dr Raja Lope Bin Raja Shahrome  
Lai Teck Poh  
Tan Siew Peng, Darren

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)****DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS (continued)**

In accordance with Articles 106 and 107 of the Bank's Articles of Association, Mr Ching Wei Hong and Mr Lai Teck Poh 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.

Tan Sri Dato' Nasruddin Bin Bahari has indicated his desire to retire as Chairman of the Bank on 29 March 2014.

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

Oversea-Chinese Banking Corporation Limited

	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
	As at 1 January 2013	Acquired	Disposed	As at 31 December 2013
<u>Ordinary Shares</u>				
Tan Sri Dato' Nasruddin Bin Bahari	20,285	-	-	20,285
Dato' Ooi Sang Kuang	-	5,163	-	5,163
Chew Sun Teong, Jeffrey	108	132,383	(129,784)	2,707
Samuel N. Tsien	121,555	311,474	(250,000)	183,029
Ching Wei Hong	136,562	119,022	(130,000)	125,584
Tan Siok Choo	48,893	-	-	48,893
Dr Raja Lope Bin Raja Shahrome	2,000	-	-	2,000
Lai Teck Poh	554,824	94,442	(50,000)	599,266
Tan Siew Peng, Darren	89,699	141,017	(38,000)	192,716
<u>Class G Preference Shares</u>				
Tan Siok Choo	9,600	-	-	9,600
<u>Class B Preference Shares</u>				
Ching Wei Hong	2,500	-	(2,500)	-
Lai Teck Poh	2,500	-	(2,500)	-
Tan Siew Peng, Darren	2,000	-	(2,000)	-

	Shareholdings in which Directors have deemed interest			
	As at 1 January 2013	Acquired/ Awarded/ Granted	Disposed/ Exercised	As at 31 December 2013
<u>Ordinary Shares</u>				
Tan Siok Choo	3,553,453	-	-	3,553,453
<u>Class G Preference Shares</u>				
Tan Siok Choo	656,152	-	-	656,152

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)****DIRECTORS AND THEIR INTERESTS IN SHARES AND OPTIONS (continued)**Oversea-Chinese Banking Corporation Limited (continued)OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan

	Shareholdings in which Directors have deemed interest			
	As at 1 January 2013	Acquired/ Awarded/ Granted	Exercised/ Withdrawn	As at 31 December 2013
Chew Sun Teong, Jeffrey	89,041	36,156	(30,474)	94,723
Samuel N. Tsien	222,139	183,562	(61,474)	344,227
Ching Wei Hong	162,193	68,532	(59,022)	171,703
Lai Teck Poh	14,442	-	(14,442)	-
Tan Siew Peng, Darren	265,763	79,664	(130,967)	214,460

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

	Shareholdings in which Directors have deemed interest				
	As at 1 January 2013	Offered	Exercised /Lapsed	As at 31 December 2013	Date options expire
Chew Sun Teong, Jeffrey	234,098	132,806	(100,784)	266,120	13/3/2021-13/3/2023
Samuel N. Tsien	1,125,538	951,663	(250,000)	1,827,201	13/3/2018-13/3/2023
Ching Wei Hong	613,732	150,675	(60,000)	704,407	13/3/2016-13/3/2023
Lai Teck Poh	341,000	-	(74,000)	267,000	14/3/2014-15/3/2019
Tan Siew Peng, Darren	155,589	150,675	(10,050)	296,214	15/3/2019-13/3/2023

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

**DIRECTORS' BENEFITS**

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

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate except for the share options granted to executives of 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 2013 (continued)**

**IMMEDIATE AND ULTIMATE HOLDING COMPANY**

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

**SIGNIFICANT EVENTS DURING THE YEAR**

The Bank further subscribed to 10 million ordinary shares of RM1 each at RM3 per ordinary share issued by its subsidiary, OCBC Al-Amin Bank Berhad, on 30 July 2013 as disclosed in Note 11 to the financial statements.

**AUDITORS**

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 20 March 2014.

**TAN SRI DATO' NASRUDDIN BIN BAHARI**  
DIRECTOR

**CHEW SUN TEONG, JEFFREY**  
DIRECTOR

Kuala Lumpur



Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 20 to 137 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 2013 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 dated 20 March 2014.

**TAN SRI DATO' NASRUDDIN BIN BAHARI**  
DIRECTOR

**CHEW SUN TEONG, JEFFREY**  
DIRECTOR

Kuala Lumpur

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

I, Teoh Yin Meng, the officer primarily responsible for the financial management of OCBC Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 137 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at            )  
Kuala Lumpur in Wilayah Persekutuan        )  
on 20 March 2014                                    )                    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 2013 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 year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 137.

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2013 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) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Matters**

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

#### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

#### **Ow Peng Li**

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

Petaling Jaya, Selangor.

Date: 20 March 2014

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013**

ASSETS	Note	Group		Bank	
		2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000 Restated
Cash and cash equivalents	2	8,926,484	11,250,208	9,102,977	11,850,982
Deposits and placements with banks and other financial institutions	3	1,849,809	1,285,868	2,716,940	1,953,967
Financial assets held-for-trading	4	354,973	228,230	354,973	228,230
Financial investments available-for-sale	5	11,659,590	9,813,105	9,679,761	7,559,727
Loans, advances and financing	6	55,698,871	47,478,794	48,935,917	43,183,072
Derivative financial assets	8	818,196	544,241	818,186	544,129
Other assets	9	326,848	269,322	523,579	456,859
Statutory deposits with Bank Negara Malaysia	10	1,867,892	1,625,592	1,597,092	1,411,092
Investments in subsidiary companies	11	-	-	376,617	346,617
Property, plant and equipment	12	252,529	255,428	244,480	247,403
Prepaid lease payments	13	892	928	892	928
Investment properties	14	12,082	13,040	12,082	13,040
Non-current assets held for sale	15	3,191	2,822	3,191	2,822
Deferred tax assets	16	29,050	2,566	26,041	-
Current tax assets		1,682	443	-	-
<b>Total assets</b>		<b>81,802,089</b>	<b>72,770,587</b>	<b>74,392,728</b>	<b>67,798,868</b>
<b>LIABILITIES</b>					
Deposits from customers	17	63,011,206	55,480,255	56,429,044	51,071,317
Deposits and placements of banks and other financial institutions	18	9,623,764	8,479,493	9,075,490	8,078,172
Bills and acceptances payable		243,459	356,718	229,780	341,923
Recourse obligation on loans sold to Cagamas Berhad		-	25,662	-	25,662
Subordinated term loan/bonds	19	1,693,720	1,705,231	1,693,720	1,705,231
Derivative financial liabilities	8	728,533	503,574	728,531	503,511
Other liabilities	20	783,476	927,809	748,865	916,465
Current tax liabilities and zakat		55,584	32,868	55,532	32,843
Deferred tax liabilities	16	-	1,809	-	1,809
<b>Total Liabilities</b>		<b>76,139,742</b>	<b>67,513,419</b>	<b>68,960,962</b>	<b>62,676,933</b>
<b>EQUITY</b>					
Share capital	21	291,500	291,500	291,500	291,500
Reserves	22	5,370,847	4,965,668	5,140,266	4,830,435
<b>Total equity</b>		<b>5,662,347</b>	<b>5,257,168</b>	<b>5,431,766</b>	<b>5,121,935</b>
<b>Total liabilities and equity</b>		<b>81,802,089</b>	<b>72,770,587</b>	<b>74,392,728</b>	<b>67,798,868</b>
<b>Commitments and contingencies</b>	35	<b>83,123,255</b>	<b>93,576,669</b>	<b>81,601,403</b>	<b>91,607,682</b>

The notes on pages 26 to 137 form an integral part of these financial statements.

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income	23	2,866,159	2,774,147	2,918,427	2,803,159
Interest expense	23	(1,593,559)	(1,528,480)	(1,604,653)	(1,537,665)
Net interest income	23	1,272,600	1,245,667	1,313,774	1,265,494
Income from Islamic banking operations	24	369,121	243,283	-	-
Net fee and commission income	25	296,427	274,216	296,427	274,216
Net trading income	26	167,549	195,535	167,549	195,535
Other operating income	27	76,567	61,701	147,834	121,444
<b>Operating income</b>		<b>2,182,264</b>	<b>2,020,402</b>	<b>1,925,584</b>	<b>1,856,689</b>
Personnel and operating expenses	28	(872,263)	(851,432)	(808,251)	(787,743)
<b>Operating profit before impairment allowance and provision</b>		<b>1,310,001</b>	<b>1,168,970</b>	<b>1,117,333</b>	<b>1,068,946</b>
Impairment allowance on loans, advances and financing	30	(61,988)	(88,650)	(5,934)	(48,382)
Write back of impairment allowance on investment properties	14	1,182	1,642	1,182	1,642
Write back of impairment allowance on property, plant and equipment	12	729	-	729	-
Write back of impairment allowance on investments in subsidiary companies		-	-	-	6
Write back of provision for commitment and contingencies	20(b)	-	2,895	-	2,895
<b>Profit before income tax expense and zakat</b>		<b>1,249,924</b>	<b>1,084,857</b>	<b>1,113,310</b>	<b>1,025,107</b>
Income tax expense	32	(303,896)	(273,493)	(275,033)	(260,379)
Zakat		(30)	(25)	-	-
<b>Profit for the year</b>		<b>945,998</b>	<b>811,339</b>	<b>838,277</b>	<b>764,728</b>
<b>Other comprehensive income, net of income tax expense</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value (available-for-sale) reserve					
- Change in fair value		(114,352)	58,146	(103,955)	52,329
- Amount transferred to profit or loss		(34,349)	(42,315)	(28,249)	(40,914)
Income tax expense relating to components of other comprehensive income	16	35,609	(4,207)	31,485	(2,921)
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(113,092)</b>	<b>11,624</b>	<b>(100,719)</b>	<b>8,494</b>
<b>Total comprehensive income for the year</b>		<b>832,906</b>	<b>822,963</b>	<b>737,558</b>	<b>773,222</b>
Profit attributable to shareholder of the Bank		945,998	811,339	838,277	764,728
Total comprehensive income attributable to shareholder of the Bank		832,906	822,963	737,558	773,222
<b>Basic earnings per ordinary share (sen)</b>	33	<b>322.8</b>	<b>275.9</b>	<b>285.3</b>	<b>259.7</b>

The notes on pages 26 to 137 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<i>Non-distributable</i>				<i>Distributable</i>		<b>Total equity RM'000</b>
	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserve RM'000</b>	<b>Capital reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	
<b>Group</b>							
Balance 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
<b>Total other comprehensive loss for the year</b>	-	-	-	-	(113,092)	-	(113,092)
Profit for the year	-	-	-	-	-	945,998	945,998
<b>Total comprehensive (loss)/ income for the year</b>	-	-	-	-	(113,092)	945,998	832,906
<i>Contributions by and distributions to owners of the Bank</i>							
Transfer to statutory reserve	-	-	53,747	-	-	(53,747)	-
Dividends paid (Note 34)							
- Final 2012 ordinary	-	-	-	-	-	(345,000)	(345,000)
- Interim 2013 ordinary	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2013	<u>291,500</u>	<u>858,500</u>	<u>429,390</u>	<u>56,619</u>	<u>29,610</u>	<u>3,996,728</u>	<u>5,662,347</u>
Balance at 1 January 2012	291,500	858,500	352,596	56,619	131,078	3,150,130	4,840,423
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	58,146	-	58,146
- Amount transferred to profit or loss	-	-	-	-	(42,315)	-	(42,315)
Income tax expense relating to components of other comprehensive income	-	-	-	-	(4,207)	-	(4,207)
<b>Total other comprehensive income for the year</b>	-	-	-	-	11,624	-	11,624
Profit for the year	-	-	-	-	-	811,339	811,339
<b>Total comprehensive income for the year</b>	-	-	-	-	11,624	811,339	822,963
<i>Contributions by and distributions to owners of the Bank</i>							
Transfer to statutory reserve	-	-	23,047	-	-	(23,047)	-
Dividends paid (Note 34)							
- Final 2011 ordinary	-	-	-	-	-	(323,438)	(323,438)
- Interim 2012 ordinary	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	(18,093)	(18,093)
Balance at 31 December 2012	<u>291,500</u>	<u>858,500</u>	<u>375,643</u>	<u>56,619</u>	<u>142,702</u>	<u>3,532,204</u>	<u>5,257,168</u>

The notes on pages 26 to 137 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<i>Non-distributable</i>			<i>Distributable</i>		<b>Total equity RM'000</b>
	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	
<b>Bank</b>						
Balance 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
<b>Total other comprehensive loss for the year</b>	-	-	-	(100,719)	-	(100,719)
Profit for the year	-	-	-	-	838,277	838,277
<b>Total comprehensive (loss)/ income for the year</b>	-	-	-	(100,719)	838,277	737,558
<i>Contributions by and distributions to owners of the Bank</i>						
Dividends paid (Note 34)						
- Final 2012 ordinary	-	-	-	-	(345,000)	(345,000)
- Interim 2013 ordinary	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	(18,040)	(18,040)
Balance at 31 December 2013	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>36,308</u>	<u>3,923,458</u>	<u>5,431,766</u>
Balance at 1 January 2012	291,500	858,500	322,000	128,533	3,154,398	4,754,931
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	52,329	-	52,329
- Amount transferred to profit or loss	-	-	-	(40,914)	-	(40,914)
Income tax expense relating to components of other comprehensive income	-	-	-	(2,921)	-	(2,921)
<b>Total other comprehensive income for the year</b>	-	-	-	8,494	-	8,494
Profit for the year	-	-	-	-	764,728	764,728
<b>Total comprehensive income for the year</b>	-	-	-	8,494	764,728	773,222
<i>Contributions by and distributions to owners of the Bank</i>						
Dividends paid (Note 34)						
- Final 2011 ordinary	-	-	-	-	(323,438)	(323,438)
- Interim 2012 ordinary	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	(18,093)	(18,093)
Balance at 31 December 2012	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>137,027</u>	<u>3,512,908</u>	<u>5,121,935</u>

The notes on pages 26 to 137 form an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	Note	Group		Bank	
		2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000 Restated
<b>Cash flows from operating activities</b>					
Profit before income tax expense and zakat		1,249,924	1,084,857	1,113,310	1,025,107
<i>Adjustments for:</i>					
Net (gain)/loss from disposal of:					
- Financial investments available-for-sale		(34,349)	(42,559)	(28,249)	(40,914)
- Investment properties	27	(36,985)	-	(36,985)	-
- Property, plant and equipment	27	301	(9,630)	301	(9,630)
Dividends on financial investments available-for-sale	27	(767)	(1,271)	(767)	(1,271)
Depreciation of property, plant and equipment	28	51,035	40,439	47,588	38,434
Depreciation of investment properties	28	168	205	168	205
Amortisation of prepaid lease payments	28	36	36	36	36
Write back of impairment allowance on investment properties		(1,182)	(1,642)	(1,182)	(1,642)
Write back of impairment allowance on property, plant and equipment		(729)	-	(729)	-
Write back of impairment allowance on investments in subsidiary companies		-	-	-	(6)
Impairment allowance on loans, advances and financing	30	61,988	88,650	5,934	48,382
Write back of provision for commitment and contingencies	20(b)	-	(2,895)	-	(2,895)
Share-based expenses	28	5,900	6,479	5,735	6,252
Unrealised loss/(gain) on:					
- Financial assets held-for-trading	26	2,191	(282)	2,191	(282)
- Trading derivatives	26	(122,391)	75,145	(122,391)	75,145
- Hedging derivatives	27	188	800	188	800
Operating profit before changes in working capital		1,175,328	1,238,332	985,148	1,137,721
<i>(Increase)/Decrease in operating assets and Increase/(Decrease) in operating liabilities:</i>					
Deposits and placements with banks and other financial institutions		(563,941)	595,206	(762,973)	203,222
Financial assets held-for-trading		(128,934)	238,354	(128,934)	238,354
Loans, advances and financing		(8,282,065)	(5,199,403)	(5,758,779)	(4,052,726)
Other assets		(28,859)	1,710	(38,053)	1,447
Statutory deposits with Bank Negara Malaysia		(242,300)	(224,600)	(186,000)	(169,500)
Derivative financial assets and liabilities		72,550	(3,714)	72,509	(3,685)
Deposits from customers		7,530,951	6,552,823	5,357,727	6,522,677
Deposits and placements of banks and other financial institutions		1,144,271	1,063,953	997,318	750,674
Bills and acceptances payable		(113,259)	4,728	(112,143)	26,483
Recourse obligation on loans sold to Cagamas Berhad		(25,662)	(39,949)	(25,662)	(39,949)
Other liabilities		(150,196)	12,152	(173,298)	54,481
<b>Cash generated from operations</b>		387,884	4,239,592	226,860	4,669,199
Income tax and zakat paid		(275,133)	(311,251)	(248,709)	(297,449)
<b>Net cash generated from/(used in) operating activities</b>		112,751	3,928,341	(21,849)	4,371,750



**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (continued)**

	Note	Group		Bank	
		2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000 Restated
<b>Cash flows from investing activities</b>					
Proceeds from disposal of financial investments available-for-sale		10,956,897	16,375,656	8,080,690	12,101,120
Acquisition of financial investments available-for-sale		(12,928,625)	(16,522,947)	(10,315,570)	(11,834,739)
Increase in investments in subsidiary companies		-	-	(30,000)	(90,000)
Acquisition of property, plant and equipment		(52,535)	(90,219)	(50,472)	(86,261)
Proceeds from disposal of investment properties		14,505	3,642	14,505	3,642
Proceeds from disposal of property, plant and equipment		243	10,259	1,651	10,239
Dividends received from financial investments available-for-sale		767	1,271	767	1,271
<b>Net cash (used in)/generated from investing activities</b>		<b>(2,008,748)</b>	<b>(222,338)</b>	<b>(2,298,429)</b>	<b>105,272</b>
<b>Cash flows from financing activities</b>					
Dividends paid to preference shareholders		(18,040)	(18,093)	(18,040)	(18,093)
Dividends paid to shareholder of the Bank		(409,687)	(388,125)	(409,687)	(388,125)
Proceeds from subordinated term loan/bonds (net)		-	599,723	-	599,723
Repayment of subordinated bonds		-	(400,000)	-	(400,000)
<b>Net cash used in financing activities</b>		<b>(427,727)</b>	<b>(206,495)</b>	<b>(427,727)</b>	<b>(206,495)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,323,724)</b>	<b>3,499,508</b>	<b>(2,748,005)</b>	<b>4,270,527</b>
<b>Cash and cash equivalents at 1 January</b>		<b>11,250,208</b>	<b>7,750,700</b>	<b>11,850,982</b>	<b>7,580,455</b>
<b>Cash and cash equivalents at 31 December</b>	2	<b>8,926,484</b>	<b>11,250,208</b>	<b>9,102,977</b>	<b>11,850,982</b>

The notes on pages 26 to 137 form an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013**

### **GENERAL INFORMATION**

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

The consolidated financial statements of the Bank as at and for the year ended 31 December 2013 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Bank as at and for the year ended 31 December 2013 do not include other entities.

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

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

These financial statements were approved for issue by the Board of Directors on 20 March 2014.

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

### **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The financial statements of the Group and the Bank for the financial year ended 31 December 2013 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 ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia and Shariah requirements (operations of IB).

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

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

The following MFRSs, Issue Committee ("IC") Interpretation and Amendments to MFRSs have been adopted by the Group and the Bank during the current year:

MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in December 2003)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards - Government Loans

Amendments to MFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134 contained in the documents entitled "Annual Improvements 2009 - 2011 Cycle"

Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance

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

The adoption of the above MFRSs, IC Interpretation and Amendments to MFRSs did not have any impact on the financial statements as they mainly help to clarify the requirements of or provide further explanations to existing MFRS.

The Group and the Bank have not applied the following MFRS, Amendments to MFRS and IC Interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2014

Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities

Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities

Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities

Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136, Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

Amendments to MFRS 139, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21 Levies

Effective for annual periods commencing on or after 1 July 2014

Amendments to MFRS 1, MFRS 3, MFRS 13 and MFRS 140 contained in the documents entitled "Annual Improvements 2011 - 2013 Cycle"

Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS13, MFRS 116, MFRS 124 and MFRS 138 contained in the documents entitled "Annual improvements 2010 - 2012 Cycle"

Amendments to MFRS 119, Employee Benefits - Defined Benefit Plans: Employee Contributions

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

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

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

Effective for annual periods commencing on a date yet to be confirmed

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
	Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

The initial application of the above MFRS and Amendments to MFRS is not expected to have any material impact to the financial statements upon their first time adoption, except for those discussed below.

IC Interpretation 21 Levies is not applicable to the Bank as it is not relevant to the business of the Bank.

#### MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 9.

#### B. Basis of consolidation

##### (i) Subsidiaries

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

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group 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. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group 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. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provisions of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**B. Basis of consolidation (continued)**

(i) Subsidiaries (continued)

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

(ii) Accounting for business combinations

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

For new acquisitions, the Group measures goodwill at the acquisition date as:

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the 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 investment or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

C. Financial instruments

(i) Initial recognition and measurement

A financial instrument 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.

(ii) Financial instrument categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:

**Financial assets**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

C. Financial instruments (continued)

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

**Financial assets (continued)**

*(b) Held-to-maturity investments*

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

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

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

*(c) Loans/Financing and receivables*

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

Financial assets categorised as loans/financing and receivables are subsequently 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 cost 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 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 method.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

C. Financial instruments (continued)

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

**Financial liabilities**

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

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

The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss.

(iii) Financial guarantee contracts

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

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Hedge accounting

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

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



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

C. Financial instruments (continued)

(v) Hedge accounting (continued)

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

**Fair value hedge**

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

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

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

**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 the profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**C. Financial instruments (continued)**

(vi) Derivatives

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

Financial derivatives include forward contracts for the purchase and sale of foreign currencies, interest/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 gain and loss 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.

(vii) Derecognition

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

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

(viii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the 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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

D. Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives:

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**E. Leased assets**

(i) Finance lease

Leases which the Group or the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. 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, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

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

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

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

**F. Investment properties (carried at cost)**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**F. Investment properties (carried at cost) (continued)**

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

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

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

**G. Receivables**

Receivables are categorised and measured as loans/financing and receivables in accordance with Note 1(C) to the financial statements.

**H. Non-current assets held for sale**

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

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's and the Bank'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 loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's and the Bank's accounting policies. Impairment losses 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 loss.

**I. Cash and Cash Equivalents**

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

Cash and cash equivalents are categorised and measured as loans/financing and receivables in accordance with Note 1(C) to the financial statements.

**J. Impairment of financial assets**

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

J. Impairment of financial assets (continued)

(ii) Financial investments available-for-sale

Impairment loss is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in fair value of 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 loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

Impairment loss recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

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

(iii) Loans, advances and financing

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

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.

Individual impairment allowance

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

J. Impairment of financial assets (continued)

(iii) Loans, advances and financing (continued)

Collective impairment allowance

The Group has adopted MFRS 139, *Financial Instruments: Recognition and Measurement* on collective impairment allowance. Under MFRS 139, financial assets that have not been individually assessed are grouped together and collectively assessed for impairment allowance. These financial assets are grouped according to their credit risk characteristics and collectively assessed for impairment allowance.

Impaired loans, advances and financing written off

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 judgment of the management, there is no prospect of recovery.

K. Impairment of other assets

The carrying amounts of other assets (except for deferred tax assets, assets arising from employees benefits, 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.

When indication of impairment exists for other assets, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "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 to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**L. Equity instruments**

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently. Costs directly attributable to 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 year in which they are declared and payable by the Board of Directors. Final dividends are recorded in the year when the dividends are approved by the shareholder at the annual general meeting.

**M. Employee benefits**

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

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

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

**(ii) Employee leave entitlements**

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

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

**(a) OCBC Deferred Share Plan**

The OCBC Deferred Share Plan ("the Plan") was implemented with effect from 2003. Under the Plan, shares of the ultimate holding company of the Bank are awarded to executives of the rank of Assistant Manager and above. A trust is set up to administer the shares purchased under the Plan. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period.



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

M. Employee benefits (continued)

(iii) Share-based payment transactions (continued)

(b) OCBC Share Option Scheme 2001

Under the OCBC Share Option Scheme 2001, shares of the ultimate holding company of the Bank are offered to executives of the rank of Manager and above, including Executive Directors and non-executive Directors. Options granted are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant except for options granted to non-executive Directors are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

(c) OCBC Employee Share Purchase Plan

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

Equity instruments granted are recognised as expense in profit or loss based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, with corresponding entries to the equity. At each reporting date, the Bank revises the estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with recognition of a corresponding liability payable to the ultimate holding company of the Bank. The 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 20(a) to the financial statements.

N. Provisions

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

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

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

O. Contingencies

(i) Contingent liabilities

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

O. Contingencies (continued)

(ii) Contingent assets

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

P. Revenue and expenses

(i) Interest/Finance income and expense

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

The effective interest/profit rate method is a method of calculating the amortised cost of a financial asset, interest/profit-bearing financial investments 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 estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest/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 loss, interest/finance income is recognised using the interest/profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Net trading income

Net trading income arising from trading activities includes all gains and losses from changes in fair value for financial assets, trading derivatives, gains and losses on foreign exchange trading and other transactions are also reported under "other trading income".

(iii) Fees and commission income

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

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

(iv) Dividend income

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

(v) Rental income

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**Q. Recourse obligation on loans sold to Cagamas Berhad**

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

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

**R. Foreign currency transactions**

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

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

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

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

**S. Income tax**

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

**(i) Current tax**

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

**(ii) Deferred tax**

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

A deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, under the same taxable entity and tax authority.

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

T. Zakat Contribution

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

U. 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.

V. Restricted profit sharing investment accounts ("RPSIA")

These deposits placed with the Bank's subsidiary; OCBC Al-Amin Bank Berhad are used for specific funding purposes and follow the principle of Mudharabah which states that profits will be shared with the Bank as mudarib and losses borne by depositors.

W. Profit Equalisation Reserve

In managing the Islamic Banking's Displaced Commercial Risk, the Bank uses two techniques prescribed in BNM Guidelines on Profit Equalisation Reserve that require either foregoing the Islamic Bank's share of the profit or transferring from its retained earnings to the investment account holder.

X. Significant accounting judgments and estimation

In the preparation of the financial statements in conformity with MFRS, management has been required to make judgments, 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 financial statements in the period in which the estimates are revised and in any future periods affected.

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

- (i) Fair value estimation for financial assets held-for-trading (Note 4), financial investments available-for-sale (Note 5) and derivative financial assets and liabilities (Note 8). Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives), the fair value is determined using valuation techniques, which 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 observables data such as risk-free and benchmark discount rates and credit spreads. Where observable market data is not available, judgment 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. Judgment is also required in assessing the impairment of financial investments available-for-sale as the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

X. Significant accounting judgments and estimation (continued)

- (ii) For impaired loans, advances and financing which are individually and collectively assessed, judgment by management is required in the estimation of the amount and timing of future cash flows in determining recoverable amount. In estimating these cash flows, judgments 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 5) is made when the investment is impaired. Management judgement is required to evaluate the duration and extent of fair value loss for financial investments available-for-sale in order to determine if impaired.
- (iv) The measurement of the fair value for investment properties (Note 14) 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.

Y. Operating segments

An operating segment is a component of the Group 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. All operating segments' operating 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.

Z. Fair value measurements

From 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribes that 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.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than additional disclosures.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****2 CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
Cash and balances with banks and other financial institutions	346,278	295,881	290,698	272,193
Money at call and deposit placements with financial institutions maturing within one month	8,580,206	10,954,327	8,812,279	11,578,789
	<b>8,926,484</b>	<b>11,250,208</b>	<b>9,102,977</b>	<b>11,850,982</b>
i) By geographical distribution				
Malaysia	8,529,606	10,656,186	8,740,957	11,260,894
Singapore	303,322	234,371	298,584	233,265
Other ASEAN	4,043	8,157	3,087	7,864
Rest of the world	89,513	351,494	60,349	348,959
	<b>8,926,484</b>	<b>11,250,208</b>	<b>9,102,977</b>	<b>11,850,982</b>

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

**3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	1,149,809	1,285,868	2,016,940	1,953,967
Bank Negara Malaysia	700,000	-	700,000	-
	<b>1,849,809</b>	<b>1,285,868</b>	<b>2,716,940</b>	<b>1,953,967</b>
i) By geographical distribution				
Malaysia	1,127,965	1,161,481	1,995,096	1,829,580
Singapore	328,111	-	328,111	-
Rest of the world	393,733	124,387	393,733	124,387
	<b>1,849,809</b>	<b>1,285,868</b>	<b>2,716,940</b>	<b>1,953,967</b>

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

## ii) By residual contractual maturity

Maturity within one year	1,734,462	1,248,303	2,601,593	1,916,402
One year to five years	115,347	37,565	115,347	37,565
	<b>1,849,809</b>	<b>1,285,868</b>	<b>2,716,940</b>	<b>1,953,967</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)**

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

As at 31 December 2013, the RPSIA placements amounted to RM649 million (2012: RM318 million) at profit rates ranging from 1.51% to 4.68% (2012: 1.92% to 4.31%) per annum.

**4 FINANCIAL ASSETS HELD-FOR-TRADING**

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Malaysian Government Treasury Bills	19,462	23,258
Malaysian Government Securities	236,637	-
Bank Negara Malaysia Monetary Notes	68,827	47,178
Private Debt Securities	17,832	153,838
Quoted shares in Malaysia	12,215	3,956
	<b>354,973</b>	<b>228,230</b>

**5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>				
Malaysian Government Securities	3,649,859	2,438,721	3,649,859	2,438,721
Malaysian Government Investment Issues	1,836,604	1,695,843	586,366	136,312
Bank Negara Malaysia Monetary Notes	361,255	751,584	361,255	701,760
Private Debt Securities	3,324,684	2,438,359	2,852,601	2,058,051
Negotiable Instruments of Deposit	1,768,104	2,135,049	1,676,053	2,033,055
Malaysian Government Debt Securities	212,856	142,048	97,037	29,970
Foreign Government Debt Securities	397,504	85,622	347,866	35,979
Quoted shares outside Malaysia	-	17,155	-	17,155
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
Debentures	190	190	190	190
	<b>11,659,602</b>	<b>9,813,117</b>	<b>9,679,773</b>	<b>7,559,739</b>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<b>11,659,590</b>	<b>9,813,105</b>	<b>9,679,761</b>	<b>7,559,727</b>

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****6 LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>				
Overdrafts	3,045,594	4,002,705	3,045,594	3,076,772
Term loans/financing:				
- Housing loans/financing	19,885,789	15,793,686	19,210,090	15,573,192
- Syndicated term loans/financing	1,989,469	2,081,983	1,989,469	2,041,977
- Hire purchase receivables	825,112	653,132	73	55
- Lease receivables	25	44	25	44
- Other term loans/financing	23,390,269	19,789,230	19,159,242	17,970,603
Credit card receivable/charge card	529,019	439,794	529,019	439,794
Bills receivable	797,385	439,771	755,053	387,948
Trust receipts	35,911	35,950	25,354	35,950
Claims on customers under acceptance credits	1,913,405	1,920,050	1,722,195	1,693,978
Revolving credit	4,199,311	3,080,321	2,569,642	2,164,673
Staff loans/financing	94,085	98,915	94,085	98,915
Other loans/financing	548,621	406,480	524,886	398,469
	<u>57,253,995</u>	<u>48,742,061</u>	<u>49,624,727</u>	<u>43,882,370</u>
Less: Unearned interest/income	(767,475)	(490,445)	(6,158)	-
Gross loans, advances and financing	<u>56,486,520</u>	<u>48,251,616</u>	<u>49,618,569</u>	<u>43,882,370</u>
Allowance for loans, advances and financing				
- Individual impairment	(254,480)	(264,575)	(209,634)	(232,242)
- Collective impairment	(533,169)	(508,247)	(473,018)	(467,056)
Net loans, advances and financing	<u>55,698,871</u>	<u>47,478,794</u>	<u>48,935,917</u>	<u>43,183,072</u>
i) By type of customer				
Domestic banking institutions	30,589	-	-	-
Domestic non-bank financial institutions				
- Stockbroking companies	1,046	-	1,046	-
- Others	391,232	231,287	261,024	231,287
Domestic business enterprises				
- Small medium enterprises	12,351,356	9,688,782	10,089,620	8,586,670
- Others	17,390,568	17,182,006	14,337,629	14,885,945
Individuals	24,807,729	20,591,838	23,455,451	19,656,662
Other domestic entities	-	310	-	310
Foreign entities	1,514,000	557,393	1,473,799	521,496
	<u>56,486,520</u>	<u>48,251,616</u>	<u>49,618,569</u>	<u>43,882,370</u>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****6 LOANS, ADVANCES AND FINANCING (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ii) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	299,301	505,446	264,658	475,751
- Hire purchase receivables	632,476	581,475	73	55
- Other fixed rate loans/financing	5,982,050	5,167,231	3,702,697	3,591,075
Variable rate				
- BLR/BFR plus	35,975,413	29,882,923	35,050,732	29,568,937
- Cost plus	12,859,475	11,460,529	9,862,604	9,592,540
- Other variable rates	737,805	654,012	737,805	654,012
	<b>56,486,520</b>	<b>48,251,616</b>	<b>49,618,569</b>	<b>43,882,370</b>
iii) By sector				
Agriculture, hunting, forestry and fishing	3,072,686	2,618,407	2,855,765	2,326,473
Mining and quarrying	849,687	845,423	670,815	639,716
Manufacturing	6,833,798	5,775,051	5,524,200	4,792,001
Electricity, gas and water	384,030	530,194	312,490	458,471
Construction	957,138	1,172,782	742,074	1,044,745
Real estate	7,093,275	6,809,106	5,618,142	5,919,061
Wholesale & retail trade and restaurants & hotels	6,613,232	5,362,645	5,562,355	4,940,925
Transport, storage and communication	1,729,924	1,707,541	1,494,994	1,558,577
Finance, insurance and business services	1,863,703	1,496,378	1,464,464	1,379,292
Community, social and personal services	1,316,031	820,942	1,053,661	710,295
Household				
- Purchase of residential properties	21,102,296	17,055,487	20,423,903	16,838,298
- Purchase of non-residential properties	1,426,223	1,250,708	1,394,843	1,238,131
- Others	2,823,632	2,524,717	2,140,926	1,813,483
Others	420,865	282,235	359,937	222,902
	<b>56,486,520</b>	<b>48,251,616</b>	<b>49,618,569</b>	<b>43,882,370</b>
iv) By geographical distribution				
Malaysia	54,189,884	47,736,740	48,144,415	43,399,170
Singapore	185,746	185,908	180,409	184,457
Other ASEAN	81,184	105,644	81,184	75,571
Rest of the world	2,029,706	223,324	1,212,561	223,172
	<b>56,486,520</b>	<b>48,251,616</b>	<b>49,618,569</b>	<b>43,882,370</b>
The analysis by geography is determined based on where the credit risk resides.				
v) By residual contractual maturity				
Within one year	12,777,072	11,534,223	10,699,686	10,195,257
One year to five years	9,104,383	7,673,218	6,447,431	6,101,144
Over five years	34,605,065	29,044,175	32,471,452	27,585,969
	<b>56,486,520</b>	<b>48,251,616</b>	<b>49,618,569</b>	<b>43,882,370</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING**

## a) Movements in impaired loans, advances and financing

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Balance at 1 January	952,805	1,105,135	897,867	1,057,651
Impaired during the year	1,158,157	902,317	987,346	825,562
Reclassified as unimpaired	(204,424)	(379,359)	(186,102)	(366,338)
Amount recovered	(487,309)	(550,973)	(420,638)	(531,166)
Amount written off	(114,171)	(123,162)	(80,774)	(86,689)
Effect of foreign exchange difference	2,473	(1,153)	2,473	(1,153)
Balance at 31 December	1,307,531	952,805	1,200,172	897,867
Individual impairment allowance	(254,480)	(264,575)	(209,634)	(232,242)
Collective impairment allowance	(10,034)	(7,337)	(9,483)	(7,122)
Net impaired loans, advances and financing	1,043,017	680,893	981,055	658,503

## i) By sector

Agriculture, hunting, forestry and fishing	20,880	10,072	20,356	9,475
Manufacturing	597,083	340,190	542,151	323,724
Construction	57,612	28,979	55,663	25,819
Real estate	68,491	67,544	67,151	67,544
Wholesale & retail trade and restaurants & hotels	144,806	139,263	130,332	129,742
Transport, storage and communication	74,352	26,743	72,083	25,477
Finance, insurance and business services	14,144	21,510	11,330	19,054
Community, social and personal services	10,085	6,759	8,735	6,086
Household				
- Purchase of residential properties	221,893	228,477	219,604	225,325
- Purchase of non-residential properties	22,320	17,483	22,246	17,483
- Others	68,815	58,675	44,121	41,270
Others	7,050	7,110	6,400	6,868
	1,307,531	952,805	1,200,172	897,867

## ii) By geographical distribution

Malaysia	1,307,531	952,805	1,200,172	897,867
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The analysis by geography is determined based on where the credit risk resides.

## iii) By period overdue

Less than 3 months	656,140	324,827	592,895	313,465
3 months to less than 6 months	179,958	108,757	159,257	86,150
6 months to less than 9 months	145,968	44,194	142,671	42,426
Over 9 months	325,465	475,027	305,349	455,826
	1,307,531	952,805	1,200,172	897,867

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

iv) By collateral type

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Property	654,714	466,570	645,727	457,136
Fixed deposits	912	693	769	693
Stock and shares	35	348	35	348
Machinery	6,441	1,491	-	-
Secured - others	115,630	76,021	107,837	68,033
Unsecured - corporate and other guarantees	47,655	156,891	44,445	142,490
Unsecured - clean	482,144	250,791	401,359	229,167
	<b>1,307,531</b>	<b>952,805</b>	<b>1,200,172</b>	<b>897,867</b>

b) Movements in impairment allowance for loans, advances and financing

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Individual impairment allowance</u>				
Balance at 1 January	264,575	318,091	232,242	289,280
Made during the year	205,850	177,736	131,178	118,492
Amount written back	(100,676)	(104,990)	(72,026)	(84,696)
Amount written off	(113,724)	(123,004)	(80,353)	(87,576)
Discount unwind	(2,044)	(2,899)	(1,906)	(2,899)
Effect of foreign exchange difference	499	(359)	499	(359)
Balance at 31 December	<b>254,480</b>	<b>264,575</b>	<b>209,634</b>	<b>232,242</b>
<u>Collective impairment allowance</u>				
Balance at 1 January	508,247	455,314	467,056	423,750
Made during the year	24,922	52,933	5,962	43,306
Balance at 31 December	<b>533,169</b>	<b>508,247</b>	<b>473,018</b>	<b>467,056</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

## i) Individual impairment allowance by sector

<u>Group</u>	Individual impairment allowance		Impairment allowance charged to profit or loss		Impairment allowance written off	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Agriculture, hunting, forestry and fishing	334	556	260	217	198	261
Manufacturing	56,314	55,583	29,694	22,418	19,286	33,323
Construction	9,511	17,035	3,680	2,480	4,776	13,113
Real estate	1,561	4,009	1,521	59	85	109
Wholesale & retail trade and restaurants & hotels	45,729	51,407	34,129	27,936	28,378	12,250
Transport, storage and communication	8,059	9,190	3,230	1,647	2,674	244
Finance, insurance and business services	3,156	3,043	3,065	3,046	1,141	786
Community, social and personal services	3,875	2,151	3,526	1,350	245	380
Household						
- Purchase of residential properties	64,226	67,962	30,315	33,263	8,362	11,839
- Purchase of non-residential properties	3,633	3,867	1,510	1,519	1,266	1,225
- Others	53,885	44,576	94,000	82,228	46,359	48,189
Others	4,197	5,196	920	1,573	954	1,285
	<b>254,480</b>	<b>264,575</b>	<b>205,850</b>	<b>177,736</b>	<b>113,724</b>	<b>123,004</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

## i) Individual impairment allowance by sector (continued)

<b>Bank</b>	<b>Individual impairment allowance</b>		<b>Impairment allowance charged to profit or loss</b>		<b>Impairment allowance written off</b>	
	<b>2013 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Agriculture, hunting, forestry and fishing	154	372	253	72	193	175
Manufacturing	49,156	49,061	27,449	16,638	18,279	24,109
Construction	8,738	15,970	2,771	2,144	4,533	13,080
Real estate	1,167	4,009	1,110	58	85	108
Wholesale & retail trade and restaurants & hotels	37,644	46,699	27,235	24,539	25,831	12,117
Transport, storage and communication	6,755	8,489	2,235	869	2,665	244
Finance, insurance and business services	1,975	2,492	1,628	2,661	641	566
Community, social and personal services	3,186	1,986	2,854	1,206	148	367
Household						
- Purchase of residential properties	63,583	67,173	30,081	32,641	8,201	11,671
- Purchase of non-residential properties	3,633	3,867	1,510	1,519	1,266	1,225
- Others	29,496	27,171	33,202	34,815	17,802	22,629
Others	4,147	4,953	850	1,330	709	1,285
	<b>209,634</b>	<b>232,242</b>	<b>131,178</b>	<b>118,492</b>	<b>80,353</b>	<b>87,576</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****7 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

## ii) Collective impairment allowance by sector

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	29,249	27,660	27,338	24,889
Mining and quarrying	7,999	8,799	6,422	6,845
Manufacturing	63,897	60,023	52,415	50,748
Electricity, gas and water	3,623	5,587	2,992	4,906
Construction	8,910	12,214	7,021	11,008
Real estate	66,775	71,744	53,774	63,291
Wholesale & retail trade and restaurants & hotels	62,084	56,329	52,891	52,368
Transport, storage and communication	16,308	17,994	14,248	16,586
Finance, insurance and business services	17,510	15,839	14,001	14,732
Community, social and personal services	12,364	8,628	10,057	7,579
Household				
- Purchase of residential properties	200,895	181,506	194,920	179,451
- Purchase of non-residential properties	13,596	13,326	13,319	13,207
- Others	26,017	25,704	20,214	19,114
Others	3,942	2,894	3,406	2,332
	<b>533,169</b>	<b>508,247</b>	<b>473,018</b>	<b>467,056</b>

## iii) Impairment allowance for loans, advances and financing by geographical distribution

**Individual impairment allowance**

Malaysia	<b>254,480</b>	<b>264,575</b>	<b>209,634</b>	<b>232,242</b>
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**Collective impairment allowance**

Malaysia	511,805	505,860	458,905	464,970
Singapore	1,774	1,988	1,727	1,974
Other ASEAN	777	375	777	89
Rest of the world	18,813	24	11,609	23
	<b>533,169</b>	<b>508,247</b>	<b>473,018</b>	<b>467,056</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****8 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

<b>Group</b>	<b>2013</b>			<b>2012</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Fair value</b>		<b>Contract or underlying principal amount RM'000</b>	<b>Fair value</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Trading</b>						
Foreign exchange derivatives						
- Forward	4,598,345	52,884	25,732	4,821,479	33,846	32,404
- Swaps	20,357,590	444,643	385,818	24,094,664	207,646	173,076
- Options	1,873,332	20,477	12,385	1,825,511	21,758	20,073
- Others	1,061,451	28,023	27,998	39,469	14,496	14,496
Interest rate derivatives						
- Swaps	30,220,841	224,902	224,107	34,756,291	142,330	147,497
- Options	1,763,793	-	5,141	1,872,633	-	11,857
- Futures	84,457	1,692	-	8,111	10	-
- Swaptions	300,000	-	1,755	1,750,000	2,360	1,897
- Others	42,885	727	-	64,781	2,735	-
Equity and other derivatives						
- Swaps	725,780	7,058	7,058	256,500	7,356	7,356
- Exchange traded futures	922	-	11	3,777	-	14
- Options	1,000	12	-	1,039,371	38,211	15,745
- Commodity futures	73,260	1,561	1,642	50,200	2,391	2,394
- Warrants	-	-	-	1,148	296	-
- Bond forward	1,090,000	10,303	-	-	-	-
- Credit linked notes	2,598,100	23,190	21,434	3,183,000	63,533	57,610
	<b>64,791,756</b>	<b>815,472</b>	<b>713,081</b>	<b>73,766,935</b>	<b>536,968</b>	<b>484,419</b>
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	1,493,141	2,724	15,452	1,482,786	7,273	19,155
	<b>66,284,897</b>	<b>818,196</b>	<b>728,533</b>	<b>75,249,721</b>	<b>544,241</b>	<b>503,574</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****8 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Bank</b>	<b>2013</b>			<b>2012</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Fair value</b>		<b>Contract or underlying principal amount RM'000</b>	<b>Fair value</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Trading</b>						
Foreign exchange derivatives						
- Forward	4,587,987	52,902	25,702	5,195,217	30,816	33,512
- Swaps	21,355,077	444,615	385,846	23,720,916	210,564	171,905
- Options	1,873,332	20,477	12,385	1,825,511	21,758	20,073
- Others	1,061,451	28,023	27,998	39,469	14,496	14,496
Interest rate derivatives						
- Swaps	30,220,841	224,902	224,107	34,756,291	142,330	147,497
- Options	1,763,793	-	5,141	1,872,633	-	11,857
- Futures	84,457	1,692	-	8,111	10	-
- Swaptions	300,000	-	1,755	1,750,000	2,360	1,897
- Others	42,885	727	-	64,781	2,735	-
Equity and other derivatives						
- Swaps	725,780	7,058	7,058	256,500	7,356	7,356
- Exchange traded futures	922	-	11	3,777	-	14
- Options	1,000	12	-	1,039,371	38,211	15,745
- Commodity futures	73,260	1,561	1,642	50,200	2,391	2,394
- Warrants	-	-	-	1,148	296	-
- Bond forward	1,090,000	10,303	-	-	-	-
- Credit linked notes	2,598,100	23,190	21,434	3,183,000	63,533	57,610
	<b>65,778,885</b>	<b>815,462</b>	<b>713,079</b>	<b>73,766,925</b>	<b>536,856</b>	<b>484,356</b>
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	1,493,141	2,724	15,452	1,482,786	7,273	19,155
	<b>67,272,026</b>	<b>818,186</b>	<b>728,531</b>	<b>75,249,711</b>	<b>544,129</b>	<b>503,511</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****9 OTHER ASSETS**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
Interest/Profit receivable	110,905	123,919	103,387	107,283
Amount due from subsidiary	-	-	5,409	6,141
Unquoted Islamic subordinated bonds of subsidiary	-	-	200,000	200,000
Other receivables, deposits and prepayments	215,943	145,403	214,783	143,435
	<b>326,848</b>	<b>269,322</b>	<b>523,579</b>	<b>456,859</b>

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

The amount due from subsidiary is unsecured, interest/profit free and payable on demand.

Included in other receivables, deposits and prepayments are receivables arising from disposal of investment properties of RM28.7 million (2012: NIL).

**10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA**

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

**11 INVESTMENTS IN SUBSIDIARY COMPANIES**

	<b>Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares at cost in Malaysia	376,617	346,617

On 30 July 2013, the Bank had further subscribed 10 million ordinary shares of RM1 each at RM3 per ordinary share issued by its subsidiary, OCBC Al-Amin.

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

<b>Name</b>	<b>Principal activities</b>	<b>Percentage of equity held</b>	
		<b>2013</b>	<b>2012</b>
		<b>%</b>	<b>%</b>
OCBC Al-Amin Bank Berhad	Islamic banking	100	100
OCBC Credit Berhad	Dormant	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 2013 (continued)****12 PROPERTY, PLANT AND EQUIPMENT**

<u>Group</u>	Freehold land	Leasehold	Buildings on		Office	Computer	Motor	Renovation	Work in	Total
	and buildings	land	leasehold land		equipment	Equipment	Vehicles		Progress	
	RM'000	50 years	Less than	50 years	and furniture	RM'000	RM'000	RM'000	RM'000	RM'000
		or more	50 years	or more						
<b>2013</b>										
<b>Cost</b>										
Balance as 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
Disposal/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)
Balance as at 31 December	121,195	3,745	3,607	7,018	123,590	253,014	1,035	74,460	48	587,712
<b>Accumulated depreciation</b>										
Balance as at 1 January	27,918	372	1,265	2,049	72,518	162,776	1,035	44,183	-	312,116
Additions	2,102	35	53	77	10,861	29,642 *	-	8,994	-	51,764
Disposal/Written off	-	-	-	-	(5,933)	(24,228)	-	(1,211)	-	(31,372)
Reclassified to										
investment properties	(1,983)	-	-	-	-	-	-	-	-	(1,983)
Balance as at 31 December	28,037	407	1,318	2,126	77,446	168,190	1,035	51,966	-	330,525
<b>Impairment allowance</b>										
Balance as at 1 January	1,967	50	1,085	2,285	-	-	-	-	-	5,387
Written back	(344)	-	-	(385)	-	-	-	-	-	(729)
Balance as at 31 December	1,623	50	1,085	1,900	-	-	-	-	-	4,658
<b>Net carrying amount</b>										
<b>as at 31 December</b>	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.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Bank</b>	<b>Freehold land and buildings</b>	<b>Leasehold land 50 years or more</b>	<b>Buildings on leasehold land</b>		<b>Office equipment and furniture</b>	<b>Computer Equipment</b>	<b>Motor Vehicles</b>	<b>Renovation</b>	<b>Work in Progress</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Less than 50 years</b>	<b>50 years or more</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>										
<b>Cost</b>										
Balance as 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
Disposal/Written off/ Transfer to subsidiary	-	-	-	-	(6,307)	(29,934)	-	(1,213)	-	(37,454)
Reclassification Reclassified to investment properties	(6,567)	-	-	-	5,196	6,974	-	(5,202)	(6,968)	-
Balance as at 31 December	121,063	3,745	3,607	7,018	119,020	239,158	946	68,118	48	562,723
<b>Accumulated depreciation</b>										
Balance as at 1 January	27,881	372	1,265	2,049	70,990	158,946	946	40,068	-	302,517
Additions	2,102	35	53	77	10,419	27,121 *	-	8,510	-	48,317
Transfer from subsidiary	-	-	-	-	102	87	-	47	-	236
Disposal/Written off/ Transfer to subsidiary	-	-	-	-	(5,846)	(28,445)	-	(1,211)	-	(35,502)
Reclassified to investment properties	(1,983)	-	-	-	-	-	-	-	-	(1,983)
Balance as at 31 December	28,000	407	1,318	2,126	75,665	157,709	946	47,414	-	313,585
<b>Impairment allowance</b>										
Balance as at 1 January	1,967	50	1,085	2,285	-	-	-	-	-	5,387
Written back	(344)	-	-	(385)	-	-	-	-	-	(729)
Balance as at 31 December	1,623	50	1,085	1,900	-	-	-	-	-	4,658
<b>Net carrying amount as at 31 December</b>	<b>91,440</b>	<b>3,288</b>	<b>1,204</b>	<b>2,992</b>	<b>43,355</b>	<b>81,449</b>	<b>-</b>	<b>20,704</b>	<b>48</b>	<b>244,480</b>

\* Included accumulated depreciation of computer equipment transferred from a related company of RM729,000.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****13 PREPAID LEASE PAYMENTS**

	<b>Group and Bank</b>	
	<b>Leasehold land</b>	
	<b>Unexpired period less than 50 years</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
Balance at 1 January/31 December	3,047	3,047
<b>Accumulated amortisation</b>		
Balance at 1 January	565	529
Amortisation for the year	36	36
Balance at 31 December	601	565
<b>Impairment allowance</b>		
Balance at 1 January/31 December	1,554	1,554
<b>Carrying amount</b>		
Balance at 1 January	928	964
Balance at 31 December	892	928

**14 INVESTMENT PROPERTIES**

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
Balance at 1 January	18,257	25,976
Transfer from property, plant and equipment (Note 12)	6,567	1,900
Transfer to non-current assets held for sale (Note 15)	(4,695)	(9,619)
Disposal	(4,213)	-
Balance at 31 December	15,916	18,257
<b>Accumulated depreciation</b>		
Balance at 1 January	3,534	5,288
Additions	168	205
Transfer from property, plant and equipment (Note 12)	1,983	272
Transfer to non-current assets held for sale (Note 15)	(1,504)	(2,231)
Disposal	(848)	-
Balance at 31 December	3,333	3,534

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****14 INVESTMENT PROPERTIES (continued)**

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Impairment allowance</b>		
Balance at 1 January	1,683	4,249
Written back during the year	(1,182)	(1,642)
Transferred to non-current assets held for sale	-	(924)
Balance at 31 December	<u>501</u>	<u>1,683</u>
<b>Carrying amount*</b>		
Balance at 1 January	<u>13,040</u>	<u>16,439</u>
Balance at 31 December	<u>12,082</u>	<u>13,040</u>
* Included in carrying amount are freehold land and buildings.		
<b>Fair value</b>		
At 1 January	<u>105,625</u>	<u>95,819</u>
At 31 December	<u>40,685</u>	<u>105,625</u>

The fair value of investment properties as disclosed is Level 2 fair value. Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 fair value. Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date that are observable for the investment property, either directly or indirectly. Level 3 fair value is estimated using unobservable inputs for the investment property.

Level 2 fair value of land and buildings has been generally derived using the Comparison Method of Valuation. This method entails analysis of sales and listings of similar properties in the locality and the value of property is arrived at by comparison after making adjustments for differences in location, size, neighbourhood and other relevant factors.

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.

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

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income	1,564	2,700
Direct operating expenses from income-generating investment properties	(385)	(269)
	<u>1,179</u>	<u>2,431</u>

**15 NON-CURRENT ASSETS HELD FOR SALE**

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Investment properties</b>		
Balance at 1 January	2,822	-
Amount reclassified from investment properties (Note 14):		
- Cost	4,695	9,619
- Accumulated depreciation	(1,504)	(2,231)
- Impairment allowance	-	(924)
Disposal	(2,822)	(3,642)
Balance at 31 December	<u>3,191</u>	<u>2,822</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****16 DEFERRED TAX ASSETS/LIABILITIES**

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

	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impairment allowance on financial investments available-for-sale	3	4	-	-	3	4
Temporary differences arising from leasing business	3,532	3,570	-	-	3,532	3,570
Excess of capital allowance over depreciation	-	-	(31,608)	(28,378)	(31,608)	(28,378)
Collective impairment allowance on loans, advances and financing	-	13,236	-	-	-	13,236
Changes in fair value of financial instruments	19,716	-	-	(15,893)	19,716	(15,893)
Other temporary differences	37,407	28,218	-	-	37,407	28,218
Tax assets/(liabilities)	60,658	45,028	(31,608)	(44,271)	29,050	757
Set off of tax	(31,608)	(42,462)	31,608	42,462	-	-
Net tax assets/(liabilities)	29,050	2,566	-	(1,809)	29,050	757



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****16 DEFERRED TAX ASSETS/LIABILITIES (continued)**

	Assets		Liabilities		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b><u>Bank</u></b>						
Impairment allowance on financial investments available-for-sale	3	4	-	-	3	4
Temporary differences arising from leasing business	3,532	3,575	-	-	3,532	3,575
Excess of capital allowance over depreciation	-	-	(30,458)	(27,361)	(30,458)	(27,361)
Collective impairment allowance on loans, advances and financing	-	10,826	-	-	-	10,826
Changes in fair value of financial instruments	17,349	-	-	(14,136)	17,349	(14,136)
Other temporary differences	35,615	25,283	-	-	35,615	25,283
Net tax assets/(liabilities)	56,499	39,688	(30,458)	(41,497)	26,041	(1,809)

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****16 DEFERRED TAX ASSETS/LIABILITIES (continued)**

<u>Group</u>	At 1 January	Recognised in profit or loss (Note 32)	Recognised in other comprehensive income	Reversal upon disposal of securities available- for-sale	At 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2013</b>					
Impairment allowance on financial investments available-for-sale	4	(1)	-	-	3
Temporary differences arising from leasing business	3,570	(38)	-	-	3,532
Excess of capital allowance over depreciation	(28,378)	(3,230)	-	-	(31,608)
Collective impairment allowance on loans, advances and financing	13,236	(13,236)	-	-	-
Changes in fair value of financial instruments	(15,893)	-	35,609	-	19,716
Other temporary differences	28,218	9,189	-	-	37,407
	<u>757</u>	<u>(7,316)</u>	<u>35,609</u>	<u>-</u>	<u>29,050</u>
<b>2012</b>					
Impairment allowance on financial investments available-for-sale	165	(161)	-	-	4
Temporary differences arising from leasing business	5,015	(1,445)	-	-	3,570
Excess of capital allowance over depreciation	(13,015)	(15,363)	-	-	(28,378)
Collective impairment allowance on loans, advances and financing	18,963	(5,727)	-	-	13,236
Changes in fair value of financial instruments	(11,686)	(244)	(4,207)	244	(15,893)
Other temporary differences	24,060	4,158	-	-	28,218
	<u>23,502</u>	<u>(18,782)</u>	<u>(4,207)</u>	<u>244</u>	<u>757</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****16 DEFERRED TAX ASSETS/LIABILITIES (continued)**

	At 1 January	Recognised in profit or loss (Note 32)	Recognised in other comprehensive income	At 31 December
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
<b>2013</b>				
Impairment allowance on financial investments available-for-sale	4	(1)	-	3
Temporary differences arising from leasing business	3,575	(43)	-	3,532
Excess of capital allowance over depreciation	(27,361)	(3,097)	-	(30,458)
Collective impairment allowance on loans, advances and financing	10,826	(10,826)	-	-
Changes in fair value of financial instruments	(14,136)	-	31,485	17,349
Other temporary differences	25,283	10,332	-	35,615
	<u>(1,809)</u>	<u>(3,635)</u>	<u>31,485</u>	<u>26,041</u>
<b>2012</b>				
Impairment allowance on financial investments available-for-sale	165	(161)	-	4
Temporary differences arising from leasing business	4,967	(1,392)	-	3,575
Excess of capital allowance over depreciation	(12,145)	(15,216)	-	(27,361)
Collective impairment allowance on loans, advances and financing	17,250	(6,424)	-	10,826
Changes in fair value of financial instruments	(11,215)	-	(2,921)	(14,136)
Other temporary differences	21,655	3,628	-	25,283
	<u>20,677</u>	<u>(19,565)</u>	<u>(2,921)</u>	<u>(1,809)</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****17 DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
i) By type of deposit				
Demand deposits	10,878,995	9,337,361	8,650,041	7,596,891
Savings deposits	5,676,866	4,002,613	5,362,734	3,676,736
Fixed/Investment deposits	38,366,908	34,225,868	35,041,048	32,091,676
Negotiable instruments of deposit	8,724	49,710	12,484	36,083
Short-term money market deposits	3,687,903	4,469,444	2,970,927	4,315,798
Structured investments	4,391,810	3,395,259	4,391,810	3,354,133
	<b>63,011,206</b>	<b>55,480,255</b>	<b>56,429,044</b>	<b>51,071,317</b>
ii) By type of customer				
Government and statutory bodies	11,635	19,191	1,993	4,859
Business enterprises	23,889,485	23,586,601	20,498,641	21,030,207
Individuals	27,502,927	24,611,564	26,420,986	23,321,127
Foreign entities	2,066,521	1,328,403	2,032,529	1,307,552
Others	9,540,638	5,934,496	7,474,895	5,407,572
	<b>63,011,206</b>	<b>55,480,255</b>	<b>56,429,044</b>	<b>51,071,317</b>
iii) By maturity structure				
Within six months	51,852,481	44,771,493	46,076,438	40,816,326
Six months to one year	8,063,607	7,580,387	7,259,368	7,169,161
One year to three years	871,375	1,633,191	869,499	1,590,722
Three years to five years	1,373,743	1,395,184	1,373,739	1,395,108
Over five years	850,000	100,000	850,000	100,000
	<b>63,011,206</b>	<b>55,480,255</b>	<b>56,429,044</b>	<b>51,071,317</b>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
Licensed banks	9,470,945	8,106,890	8,922,671	7,705,569
Other financial institutions	152,819	372,603	152,819	372,603
	<b>9,623,764</b>	<b>8,479,493</b>	<b>9,075,490</b>	<b>8,078,172</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****19 SUBORDINATED TERM LOAN/BONDS**

	Note	Group and Bank	
		2013 RM'000	2012 RM'000
RM200 million Redeemable Islamic Subordinated Bonds 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)	502,377	506,840
RM600 million Redeemable Subordinated Bonds 2012/2022	(d)	591,343	598,391
		<u>1,693,720</u>	<u>1,705,231</u>

- (a) On 24 November 2006, the Bank issued RM200 million redeemable Islamic subordinated bonds on a 15-years non-callable 10-years basis under the principle of Mudharabah (profit sharing contract) at a projected constant rate of 5.40% per annum for the first 10 years and a step up of 100 basis point commencing from the beginning of the 11th year from the issue date and ending on the date of full redemption of the subordinated bonds, subject to the availability of profits and the investors' entitlement under the profit sharing ratio. Unless the call option is exercised by the Bank, the subordinated bonds shall be redeemed in full by five equal and consecutive annual payments. The call option is subject to prior approval from 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 21 August 2013 by Rating Agency Malaysia Berhad, which previously qualified as Tier 2 capital, have been offset against the Restricted Subordinated Bonds held by the Bank.

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

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

The IT1 Capital Securities, rated AA2 on 21 August 2013 by Rating Agency Malaysia Berhad, qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

**19 SUBORDINATED TERM LOAN/BONDS (continued)**

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

The subordinated bonds, rated AA1 on 21 August 2013 by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

- (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, exercise its call option and may redeem in whole, but not in part, of the subordinated bonds on the 5th anniversary date from the issue date and on every coupon payment date thereafter at 100% of the principal amount outstanding together with accrued but unpaid coupon payment. Unless the call option is exercised by the Bank, the subordinated bonds would essentially have a final maturity of 10 years. The Bank had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying amount of the subordinated bonds.

The subordinated bonds, rated AA1 on 21 August 2013 by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****20 OTHER LIABILITIES**

	Note	Group		Bank	
		2013 RM'000	2012 RM'000 Restated	2013 RM'000	2012 RM'000 Restated
Equity compensation benefits	(a)	9,569	13,075	9,569	13,075
Provision for commitments and contingencies	(b)	4,809	4,809	4,809	4,809
Interest/Profit payable		378,718	310,306	352,670	271,606
Other accruals and charges		390,380	386,438	346,678	341,361
Liabilities arising from structured investments		-	213,181	-	213,181
Amount due to subsidiary companies	(c)	-	-	35,139	72,433
		<u>783,476</u>	<u>927,809</u>	<u>748,865</u>	<u>916,465</u>

**(a) Equity compensation benefits**

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

Included in equity compensation benefits are:

**(i) OCBC Deferred Share Plan**

The OCBC Deferred Share Plan (“the Plan”) was implemented with effect from 2003. Under the Plan, shares of the ultimate holding company of the Bank are awarded to executives of the rank of Assistant Manager and above. A trust is set up to administer the shares purchased under the Plan. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period.

The deferred share awards are as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****20 OTHER LIABILITIES (continued)**(a) Equity compensation benefits (continued)

## (ii) OCBC Share Option Scheme 2001

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

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

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

	2013		2012	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
At 1 January	2,202,153	6.449	3,628,378	5.925
Granted	479,389	10.302	205,417	8.798
Exercised	(978,120)	5.761	(1,489,428)	5.561
Forfeited/Lapsed	(110,268)	4.273	(142,214)	5.771
At 31 December	1,593,154	8.181	2,202,153	6.449
Exercisable options at 31 December	927,848	6.934	1,839,757	5.959
Weighted average share price for options exercised (S\$)		10.363		9.009

Details of the options outstanding are as follows:

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



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****20 OTHER LIABILITIES (continued)**(a) Equity compensation benefits (continued)

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

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

The fair value of share options granted during the financial year ended 31 December 2013 determined using the binomial valuation model was S\$506,070 (2012: S\$305,430). Significant inputs to the valuation model are set out below:

	2013	2012
Acquisition price (S\$)	10.30	8.80
Average share price from grant date to acceptance date (S\$)	10.51	8.89
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	13.77	20.53
Risk-free rate based on SGD bond yield at acceptance date (%)	1.37	1.61
Expected dividend yield (%)	3.14	3.38
Exercise multiple (times)	1.57	1.57
Option life (years)	10	10

## (iii) OCBC Employee Share Purchase Plan

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****20 OTHER LIABILITIES (continued)**(a) 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:

	2013		2012	
	Number of acquisition rights	Weighted average acquisition price (S\$)	Number of acquisition rights	Weighted average acquisition price (S\$)
At 1 January	1,377,057	8.896	1,306,591	9.018
Acquisition	823,957	9.920	876,797	8.680
Forfeited/Lapsed	(189,056)	9.197	(649,407)	8.869
Exercised	(576,635)	9.153	(156,924)	8.816
At 31 December	1,435,323	9.341	1,377,057	8.896
Weighted average share price for rights exercised (S\$)		10.308		9.185

The fair value of rights, determined using the binomial valuation model was S\$676,798 (2012: S\$787,714). Significant inputs to the valuation model are set out below:

	2013	2012
Acquisition price (S\$)	9.92	8.68
Average share price (S\$)	10.13	8.70
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	13.79	20.59
Risk-free rate based on 2-year swap rate (%)	0.26	0.15
Expected dividend yield (%)	2.61	2.76

## (b) Provision for commitments and contingencies

	Group and Bank	
	2013 RM'000	2012 RM'000
Balance at 1 January	4,809	7,704
Reversal made during the year	-	(2,895)
Balance at 31 December	4,809	4,809

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****21 SHARE CAPITAL**

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised</b>		
Ordinary shares of RM1 each	1,000,000	1,000,000
Non-cumulative, Non-convertible perpetual preference shares of RM1 each	5,000	5,000
	<u>1,005,000</u>	<u>1,005,000</u>
<b>Issued and fully paid</b>		
287,500,000 Ordinary shares of RM1 each	287,500	287,500
4,000,000 Non-cumulative, Non-convertible perpetual preference shares of RM1 each	4,000	4,000
	<u>291,500</u>	<u>291,500</u>

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

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

**22 RESERVES**

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

The statutory reserve is maintained in compliance with Section 12 and Section 47(2)(f) of the Financial Services Act, 2013, Section 12 and Section 57(2)(f) of the Islamic Financial Services Act, 2013 and BNM Guidelines on Capital Funds. It is not distributable as cash dividends.

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

Fair value reserve captures the fair value adjustment on financial assets which are classified as available-for-sale and its corresponding effect on deferred tax. The reserve is non-distributable and cumulative fair value adjustments will be reversed to profit or loss upon disposal of the assets.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****23 NET INTEREST INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Interest income</b>				
Loans, advances and financing				
- Interest income other than recoveries	2,225,767	2,057,471	2,225,767	2,057,471
- Recoveries from impaired loans, advances and financing	69,902	67,733	69,902	67,733
- Discount unwind from impaired loans, advances and financing	1,906	2,899	1,906	2,899
Money at call and deposit placements with banks and other financial institutions	241,121	310,669	279,534	326,359
Financial assets held-for-trading	25,772	25,364	25,772	25,364
Financial investments available-for-sale	287,271	296,457	290,226	298,878
Unquoted Islamic Subordinated Bonds of subsidiary	-	-	10,900	10,900
Others	14,420	13,554	14,420	13,555
	<u>2,866,159</u>	<u>2,774,147</u>	<u>2,918,427</u>	<u>2,803,159</u>
<b>Interest expense</b>				
Deposits from other customers	1,409,261	1,356,422	1,409,261	1,356,422
Deposits and placements of banks and other financial institutions	73,295	75,506	84,389	84,674
Recourse obligation on loans sold to Cagamas Berhad	609	1,253	609	1,253
Subordinated term loan/bonds	78,944	77,055	78,944	77,055
Others	31,450	18,244	31,450	18,261
	<u>1,593,559</u>	<u>1,528,480</u>	<u>1,604,653</u>	<u>1,537,665</u>
<b>Net interest income</b>	<u>1,272,600</u>	<u>1,245,667</u>	<u>1,313,774</u>	<u>1,265,494</u>
<b>Analysed by categories of financial instruments</b>				
Interest income:				
- Financial assets at fair value through profit or loss	25,772	25,364	25,772	25,364
- Loans and receivables	2,553,116	2,452,326	2,602,429	2,478,917
- Financial investments available-for-sale	287,271	296,457	290,226	298,878
	<u>2,866,159</u>	<u>2,774,147</u>	<u>2,918,427</u>	<u>2,803,159</u>
Interest expense:				
- Liabilities at amortised cost	1,593,559	1,528,480	1,604,653	1,537,665

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

**24 INCOME FROM ISLAMIC BANKING OPERATIONS**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	449,068	336,934
Income derived from investment of shareholder's funds	72,166	51,462
Income attributable to depositors	(152,113)	(145,113)
	<u>369,121</u>	<u>243,283</u>

**25 NET FEE AND COMMISSION INCOME**

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Commission	99,529	87,201
Service charges and fees	152,902	152,043
Guarantee fees	33,701	25,282
Other fee income	10,295	9,690
	<u>296,427</u>	<u>274,216</u>

**26 NET TRADING INCOME**

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
(Loss)/gain on foreign exchange	(66,270)	62,601
Realised gain on financial assets held-for-trading	11,611	39,331
Realised gain on trading derivatives	102,008	168,466
Unrealised (loss)/gain on financial assets held-for-trading	(2,191)	282
Unrealised gain/(loss) on trading derivatives	122,391	(75,145)
	<u>167,549</u>	<u>195,535</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****27 OTHER OPERATING INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unrealised loss on hedging derivatives (Note 44)	(188)	(800)	(188)	(800)
Gross dividends from financial investments available-for-sale				
- Malaysia	694	1,168	694	1,168
- Outside Malaysia	73	103	73	103
Gross dividends from financial assets held-for-trading				
- Malaysia	200	593	200	593
Rental of premises	7,020	6,738	7,063	6,836
Rental of safe deposit box	4,677	4,064	4,677	4,064
Realised gain on disposal of financial investments available-for-sale	28,249	40,914	28,249	40,914
(Loss)/gain on disposal of property, plant and equipment	(301)	9,630	(301)	9,630
Gain on disposal of investment properties	36,985	-	36,985	-
Shared services income received from subsidiary	-	-	71,224	59,645
Others	(842)	(709)	(842)	(709)
	<b>76,567</b>	<b>61,701</b>	<b>147,834</b>	<b>121,444</b>

**28 PERSONNEL AND OPERATING EXPENSES**

	<b>Note</b>	<b>Group</b>		<b>Bank</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	(i)	434,692	430,338	403,693	395,328
Establishment expenses	(ii)	97,802	83,696	89,266	75,898
Marketing expenses	(iii)	34,718	38,541	32,351	35,538
General administrative expenses	(iv)	305,051	298,857	282,941	280,979
		<b>872,263</b>	<b>851,432</b>	<b>808,251</b>	<b>787,743</b>

The above expenditure includes the following statutory disclosures:

Auditors' remuneration					
- Statutory audit		412	405	335	330
- Other services		274	286	231	261
Directors remuneration* (Note 29)		6,319	5,876	4,990	4,675

\* excluding Benefits-in-kind

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****28 PERSONNEL AND OPERATING EXPENSES (continued)****(i) Personnel expenses**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages, salaries and bonus	345,670	338,459	320,878	311,126
Employees Provident Fund contributions	53,576	52,971	49,787	48,242
Share-based expenses	5,900	6,479	5,735	6,252
Others	29,546	32,429	27,293	29,708
	<b>434,692</b>	<b>430,338</b>	<b>403,693</b>	<b>395,328</b>

**(ii) Establishment expenses**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation of property, plant and equipment	51,035	40,439	47,588	38,434
Rental of premises	16,118	13,164	13,386	11,431
Repair and maintenance	7,411	5,352	6,980	4,962
Information technology costs	2,359	3,383	2,350	3,383
Hire of equipment	1,497	1,213	1,497	1,213
Depreciation of investment properties	168	205	168	205
Amortisation of prepaid lease payments	36	36	36	36
Others	19,178	19,904	17,261	16,234
	<b>97,802</b>	<b>83,696</b>	<b>89,266</b>	<b>75,898</b>

**(iii) Marketing expenses**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Advertisement and business promotion	27,085	30,791	25,508	28,409
Transport and travelling	5,740	6,197	5,061	5,650
Others	1,893	1,553	1,782	1,479
	<b>34,718</b>	<b>38,541</b>	<b>32,351</b>	<b>35,538</b>

**(iv) General administrative expenses**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Intercompany expenses	232,285	220,995	212,541	205,770
Others	72,766	77,862	70,400	75,209
	<b>305,051</b>	<b>298,857</b>	<b>282,941</b>	<b>280,979</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****29 DIRECTORS' REMUNERATION**

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

<b>Group</b>	<b>Salaries and bonuses</b>	<b>Fees</b>	<b>Other accrued employee benefits</b>	<b>Employees provident fund</b>	<b>Benefits-in-kind</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>						
<b>Executive Director of the Bank (CEO)</b>						
Chew Sun Teong, Jeffrey	2,606	-	1,193	417	2	4,218
<b>Executive Director of subsidiary company</b>						
Syed Abdull Aziz Jailani Bin Syed Kechik	852	-	139	136	5	1,132
<b>Non Executive Directors</b>						
Tan Sri Dato' Nasruddin Bin Bahari	-	370	-	-	21	391
Dato' Ooi Sang Kuang	-	120	-	-	-	120
Tan Siok Choo	-	176	-	-	-	176
Dr Raja Lope Bin Raja Shahrome	-	122	-	-	-	122
Lai Teck Poh	-	174	-	-	-	174
Dato' Lim Eng Soon	-	14	-	-	-	14
	<b>3,458</b>	<b>976</b>	<b>1,332</b>	<b>553</b>	<b>28</b>	<b>6,347</b>
<b>2012</b>						
<b>Executive Director of the Bank (CEO)</b>						
Chew Sun Teong, Jeffrey	2,512	-	1,022	402	2	3,938
<b>Executive Director of subsidiary company</b>						
Syed Abdull Aziz Jailani Bin Syed Kechik	768	-	118	123	5	1,014
<b>Non Executive Directors</b>						
Tan Sri Dato' Nasruddin Bin Bahari	-	364	-	-	25	389
Dato' Ooi Sang Kuang	-	85	-	-	-	85
Tan Siok Choo	-	170	-	-	-	170
Dr Raja Lope Bin Raja Shahrome	-	128	-	-	-	128
Lai Teck Poh	-	170	-	-	-	170
Dato' Lim Eng Soon	-	14	-	-	-	14
	<b>3,280</b>	<b>931</b>	<b>1,140</b>	<b>525</b>	<b>32</b>	<b>5,908</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****29 DIRECTORS' REMUNERATION (continued)**

<b>Bank</b>	<b>Salaries and bonuses</b>	<b>Fees</b>	<b>Other accrued employee benefits</b>	<b>Employees provident fund</b>	<b>Benefits-in-kind</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>						
<b>Executive Director (CEO)</b>						
Chew Sun Teong, Jeffrey	2,606	-	1,193	417	2	4,218
<b>Non-Executive Directors</b>						
Tan Sri Dato' Nasruddin Bin Bahari	-	310	-	-	21	331
Dato' Ooi Sang Kuang	-	96	-	-	-	96
Tan Siok Choo	-	134	-	-	-	134
Dr Raja Lope Bin Raja Shahrome	-	102	-	-	-	102
Lai Teck Poh	-	132	-	-	-	132
	<b>2,606</b>	<b>774</b>	<b>1,193</b>	<b>417</b>	<b>23</b>	<b>5,013</b>
<b>2012</b>						
<b>Executive Director (CEO)</b>						
Chew Sun Teong, Jeffrey	2,512	-	1,022	402	2	3,938
<b>Non-Executive Directors</b>						
Tan Sri Dato' Nasruddin Bin Bahari	-	306	-	-	25	331
Dato' Ooi Sang Kuang	-	69	-	-	-	69
Tan Siok Choo	-	130	-	-	-	130
Dr Raja Lope Bin Raja Shahrome	-	104	-	-	-	104
Lai Teck Poh	-	130	-	-	-	130
	<b>2,512</b>	<b>739</b>	<b>1,022</b>	<b>402</b>	<b>27</b>	<b>4,702</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****30 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance on loans, advances and financing				
Individual impairment allowance				
- Made during the year	205,850	177,736	131,178	118,492
- Written back	(100,676)	(104,990)	(72,026)	(84,696)
Collective impairment allowance				
- Made during the year	24,922	52,933	5,962	43,306
Impaired loans, advances and financing				
- Recovered during the year	(68,225)	(37,170)	(59,297)	(28,861)
Others	117	141	117	141
	<b>61,988</b>	<b>88,650</b>	<b>5,934</b>	<b>48,382</b>

**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

Related parties of the Bank are as follows:

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

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

<b>Group</b>	<b>Holding Company</b>	<b>Other Related Companies</b>	<b>Key Management</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>			
<b>Income</b>			
Interest on deposits and placements with banks and other financial institutions	3,040	-	-
Interest on loans, advances and financing	-	7,898	143
Commission income	3,867	15,345	-
Other fee income	-	2,282	-
Rental income	-	4,842	-
	<b>6,907</b>	<b>30,367</b>	<b>143</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

<b>Group</b>	<b>Holding Company</b>	<b>Other Related Companies</b>	<b>Key Management</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>			
<b>Expenditure</b>			
Interest on deposits from customers	-	3,157	1,762
Interest on deposits and placements of banks and other financial institutions	70,201	-	-
Rental expenses	-	841	-
Other deposits	-	97	176
Other expenses	73	6,679	-
Transaction processing fees	-	192,219	-
	<u>70,274</u>	<u>202,993</u>	<u>1,938</u>
<b>Amount due from</b>			
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>
<b>Amount due to</b>			
Deposits from customers	-	274,366	25,467
Deposits and placements of banks and other financial institutions	8,771,479	123,633	-
Other liabilities	3,018	-	-
Interest payable	12,387	184	89
	<u>8,786,884</u>	<u>398,183</u>	<u>25,556</u>
<b>Commitments</b>			
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>
<b>2012</b>			
<b>Income</b>			
Interest on deposits and placements with banks and other financial institutions	1,941	-	-
Interest on loans, advances and financing	-	7,298	130
Commission income	-	23,913	-
Other fee income	1,556	334	3
Rental income	-	4,822	-
	<u>3,497</u>	<u>36,367</u>	<u>133</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

<b>Bank</b>	<b>Holding Company</b>	<b>Subsidiary Companies</b>	<b>Other Related Companies</b>	<b>Key Management</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>				
<b>Income</b>				
Interest/Profit on deposits and placements with banks and other financial institutions	3,040	38,413	-	-
Interest/Profit on financial investments available-for-sale	-	2,955	-	-
Commission income	3,867	-	15,345	-
Interest on loans, advances and financing	-	-	7,541	104
Interest/Profit on unquoted Islamic Subordinated Bonds	-	10,900	-	-
Shared services income	-	71,224	-	-
Other fee income	-	-	279	-
Rental income	-	43	4,842	-
	<b>6,907</b>	<b>123,535</b>	<b>28,007</b>	<b>104</b>
<b>Expenditure</b>				
Interest on deposits from customers	-	-	89	1,762
Interest on deposits and placements of banks and other financial institutions	69,422	-	-	-
Shared services fee expense	-	2,344	-	-
Rental expenses	-	-	841	-
Other expenses	73	-	6,494	-
Transaction processing fees	-	-	172,475	-
	<b>69,495</b>	<b>2,344</b>	<b>179,899</b>	<b>1,762</b>
<b>Amount due from</b>				
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 Bonds (Note 9)	-	200,000	-	-
Loans, advances and financing	-	-	189,100	2,437
Shared service fee receivable	-	5,409	-	-
	<b>58,077</b>	<b>2,302,843</b>	<b>208,485</b>	<b>2,437</b>
<b>Amount due to</b>				
Deposits from customers	-	139	139,257	19,951
Deposits and placements of banks and other financial institutions	8,297,984	-	123,633	-
Other liabilities	2,945	34,767	-	-
Shared service fee payable	-	372	-	-
Interest payable	12,311	-	130	-
	<b>8,313,240</b>	<b>35,278</b>	<b>263,020</b>	<b>19,951</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

<b><u>Bank</u></b>	<b><u>Holding Company</u></b>	<b><u>Subsidiary Companies</u></b>	<b><u>Other Related Companies</u></b>	<b><u>Key Management</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>				
<b>Commitments</b>				
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	-
	<b>2,680,613</b>	<b>5,091</b>	<b>1,394,113</b>	<b>-</b>
<b>2012</b>				
<b>Income</b>				
Interest/Profit on deposits and placements with banks and other financial institutions	1,941	15,690	-	-
Interest/Profit on financial investments available-for-sale	-	2,421	-	-
Commission income	-	-	23,913	-
Interest on loans, advances and financing	-	-	7,298	86
Interest/Profit on unquoted Islamic Subordinated Bonds	-	10,900	-	-
Shared services income	-	59,645	-	-
Other fee income	1,556	-	334	3
Rental income	-	55	4,822	-
	<b>3,497</b>	<b>88,711</b>	<b>36,367</b>	<b>89</b>
<b>Expenditure</b>				
Interest on deposits from customers	-	1	50	996
Interest on deposits and placements of banks and other financial institutions	65,220	-	-	-
Shared services fee paid/payable	-	1,487	-	-
Rental expenses	-	-	846	-
Other expenses	122	17	5,843	-
Transaction processing fees	-	-	175,403	-
	<b>65,342</b>	<b>1,505</b>	<b>182,142</b>	<b>996</b>
<b>Amount due from</b>				
Cash and cash equivalents	63,004	974,462	3,097	-
Deposits and placements with banks and other financial institutions	3,073	318,099	7,394	-
Financial investments available-for-sale	-	57,374	-	-
Interest/profit receivable	-	3,420	463	-
Islamic Subordinated Bonds (Note 9)	-	200,000	-	-
Loans, advances and financing	-	-	200,100	2,243
Shared service fee receivable	-	6,141	-	-
	<b>66,077</b>	<b>1,559,496</b>	<b>211,054</b>	<b>2,243</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

	<b>Holding Company</b>	<b>Subsidiary Companies</b>	<b>Other Related Companies</b>	<b>Key Management</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
<b>2012</b>				
<b>Amount due to</b>				
Deposits from customers	-	13,531	185,539	31,681
Deposits and placements of banks and other financial institutions	5,394,832	-	-	-
Other liabilities	2,239	72,433	-	-
Shared service fee payable	-	139	-	-
Interest payable	4,087	-	136	-
	<b>5,401,158</b>	<b>86,103</b>	<b>185,675</b>	<b>31,681</b>
<b>Commitments</b>				
Foreign exchange derivatives	1,429,786	985,114	203,504	-
Interest rate derivatives	2,867,091	-	728,111	-
Transaction related contingent items	157,337	-	114,542	-
	<b>4,454,214</b>	<b>985,114</b>	<b>1,046,157</b>	<b>-</b>

ii) Credit exposure arising from credit transactions with connected parties

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Aggregate value of outstanding credit exposure with connected parties^ :</b>				
Credit facility and leasing (except guarantee)	511,282	399,258	506,843	397,070
Commitments and contingencies *	4,427,642	1,238,038	4,854,522	1,777,893
Total credit exposures	<b>4,938,924</b>	<b>1,637,296</b>	<b>5,361,365</b>	<b>2,174,963</b>

^ Comprises total outstanding balance and unutilised limit.

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Percentage of outstanding credit exposures to connected parties				
- As a proportion of total credit exposures	6.89	2.67	8.41	3.69
- Impaired or in default	0	0	0	0

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

## iii) Key management personnel compensation

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits	18,394	17,278	14,251	13,786
Share-based benefits	2,993	2,241	2,812	2,049
	<u>21,387</u>	<u>19,519</u>	<u>17,063</u>	<u>15,835</u>

Key management personnel comprises persons having authority and responsibility for planning, directing and controlling the activities of the Bank, either directly or indirectly, including Directors of the Bank. Included in the above is Directors' remuneration which is disclosed in Note 29 to the financial statements.

**32 INCOME TAX EXPENSE**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax				
- Current year	308,807	272,212	280,214	256,843
- Overprovision in prior years	(12,227)	(17,501)	(8,816)	(16,029)
	<u>296,580</u>	<u>254,711</u>	<u>271,398</u>	<u>240,814</u>
Deferred tax				
- Origination and reversal of temporary differences	(10,944)	(278)	(12,121)	2,224
- Underprovision in prior years	18,260	19,060	15,756	17,341
	<u>7,316</u>	<u>18,782</u>	<u>3,635</u>	<u>19,565</u>
	<u>303,896</u>	<u>273,493</u>	<u>275,033</u>	<u>260,379</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Malaysian tax rate of 25%	25.0	25.0	25.0	25.0
Tax effects of:				
Expenses not deductible for tax purposes	0.5	0.3	0.4	0.3
Income not subject to tax	(1.7)	(0.3)	(1.3)	(0.0)
(Over)/Under provision in prior years:				
- income tax	(1.0)	(1.7)	(0.8)	(1.6)
- deferred tax	1.5	1.9	1.4	1.7
Average effective tax rate	<u>24.3</u>	<u>25.2</u>	<u>24.7</u>	<u>25.4</u>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****33 BASIC EARNINGS PER ORDINARY SHARE**

The basic earnings per ordinary share of the Group and of the Bank have been calculated based on the profit for the year less preference shares dividends of RM927,958,000 and RM820,237,000 respectively (2012: RM793,246,000 and RM746,635,000) and on 287,500,000 (2012: 287,500,000) ordinary shares of RM1.00 each in issue during the financial year.

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

**34 DIVIDENDS**

	<b>Sen per share (net of tax)</b>	<b>Total amount RM'000</b>	<b>Date of payment</b>
<b>2013</b>			
Final 2012 ordinary	120.0	345,000	26 April 2013
Preference	451.0	18,040	20 March 2013 and 20 September 2013
Interim 2013 ordinary	22.5	<u>64,687</u>	26 September 2013
		<u><u>427,727</u></u>	
<b>2012</b>			
Final 2011 ordinary	112.5	323,438	2 May 2012
Preference	451.0	18,093	20 March 2012 and 20 September 2012
Interim 2012 ordinary	22.5	<u>64,687</u>	4 October 2012
		<u><u>406,218</u></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 2014 and a final single tier dividend of 152.0 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 2014 when approved by the shareholder.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****35 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the financial statements (Note 20), no material losses are anticipated as a result of these transactions. The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in BNM's Capital Adequacy Framework (Basel II) - Internal Ratings Approach.

<u>Group</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
<b>2013</b>				
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
Credit derivative contracts	1,044,050	15,855	98,292	67,499
Equity and commodity related contracts	398,551	2,827	41,254	6,455
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
<b>Total</b>	<b>83,123,255</b>	<b>675,632</b>	<b>11,488,688</b>	<b>4,024,622</b>
<b>2012</b>				
Direct credit substitutes	777,022		777,022	641,439
Transaction-related contingent items	1,462,379		731,190	632,991
Short-term self-liquidating trade-related contingencies	583,969		116,794	87,023
Foreign exchange related contracts				
- Less than one year	23,570,089	98,288	337,679	93,426
- One year to less than five years	5,932,670	104,486	668,810	373,729
- Five years and above	1,431,754	60,639	340,256	279,691
Interest rate contracts				
- Less than one year	11,255,304	31,411	46,810	17,926
- One year to less than five years	24,798,505	87,095	673,480	382,756
- Five years and above	3,008,359	40,045	246,061	198,060
Credit derivative contracts	1,336,500	-	149,447	119,901
Equity and commodity related contracts	384,185	77,278	57,576	11,380
Formal standby facilities and credit lines				
- Maturity not exceeding one year	171,676		27,394	9,022
- Maturity exceeding one year	4,340,858		3,986,504	657,007
Other unconditionally cancellable commitments	14,523,399		1,941,667	374,922
<b>Total</b>	<b>93,576,669</b>	<b>499,242</b>	<b>10,100,690</b>	<b>3,879,273</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****35 COMMITMENTS AND CONTINGENCIES (continued)**

<b>Bank</b>	<b>Principal amount RM'000</b>	<b>Positive fair value of derivative contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
<b>2013</b>				
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
Credit derivative contracts	1,044,050	15,855	98,292	67,499
Equity and commodity related contracts	398,552	2,827	41,255	6,454
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
<b>Total</b>	<b>81,601,403</b>	<b>675,594</b>	<b>11,006,684</b>	<b>3,802,672</b>
<b>2012</b>				
Direct credit substitutes	764,598		764,598	618,937
Transaction-related contingent items	1,384,538		692,269	593,059
Short-term self-liquidating trade-related contingencies	540,380		108,076	81,066
Foreign exchange related contracts				
- Less than one year	22,588,847	97,557	332,720	90,501
- One year to less than five years	5,932,670	104,486	668,810	373,729
- Five years and above	1,431,754	60,639	340,256	279,691
Interest rate contracts				
- Less than one year	11,255,304	31,411	46,810	17,926
- One year to less than five years	24,798,505	87,095	673,480	382,756
- Five years and above	3,008,359	40,045	246,061	198,060
Credit derivative contracts	1,336,500	-	149,447	119,901
Equity and commodity related contracts	384,185	77,278	57,577	11,380
Formal standby facilities and credit lines				
- Maturity not exceeding one year	168,126		24,101	7,423
- Maturity exceeding one year	4,185,170		3,865,821	619,652
Other unconditionally cancellable commitments	13,828,746		1,937,935	373,209
<b>Total</b>	<b>91,607,682</b>	<b>498,511</b>	<b>9,907,961</b>	<b>3,767,290</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****36 LEASE COMMITMENTS**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	12,185	15,585	10,541	13,611
One to five years	9,399	11,282	8,520	9,708
	<b>21,584</b>	<b>26,867</b>	<b>19,061</b>	<b>23,319</b>

**37 CAPITAL COMMITMENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure in respect of property, plant and equipment				
- Authorised and contracted for	20,486	30,269	19,778	27,394
- Authorised but not contracted for	48,087	61,125	39,097	50,291
	<b>68,573</b>	<b>91,394</b>	<b>58,875</b>	<b>77,685</b>

**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:

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Less than one year	765	1,356	804	1,395
One to five years	393	1,389	393	1,428
	<b>1,158</b>	<b>2,745</b>	<b>1,197</b>	<b>2,823</b>

**39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**Credit Risk Management**

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**Credit Risk Management (continued)**

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

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

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

**Market Risk Management**

Market risk is the risk of loss of income or market value due to fluctuations in market factors. The Group is exposed to market risks from its trading activities. The Asset Liability Management Committee (“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 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 new product approval process at product inception. Several market risk measurements are also utilised regularly to quantify and assess potential losses. These include Value-at-risk (“VaR”), Present Value of a Basis Point (“PV01”), Greeks and stress testing with scenario analysis.

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

**Asset Liability Management**

Asset liability management is the strategic management of the statement of financial position structure and liquidity needs, covering structural interest/profit rate management and funding liquidity risk management. The ALCO is the senior management committee that oversees the Bank’s liquidity and balance sheet 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.

*Structural Interest/Profit Rate Risk*

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 strategy and risk appetite, appropriately approved, and reviewed regularly to ensure they remain relevant to the external environment. Control systems are established to monitor the profile against the approved risk thresholds.

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

### 39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### **Asset Liability Management (continued)**

##### *Liquidity Risk*

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations as well as to undertake new transactions. The Group's liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

#### **Operational Risk Management**

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

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

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

#### **Operational Risk Management Oversight and Organisation**

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

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

#### **Operational Risk Management Approach**

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**Operational Risk Management (continued)**

**Operational Risk Management Approach (continued)**

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

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

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

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

*Reputation Risk Management*

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

*Fiduciary Risk Management*

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

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

**Operational Risk Management (continued)**

*Regulatory and Legal Risks*

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

**Shariah Governance**

The Group is governed by the Shariah Governance Framework (“SGF”) which is designed to meet the following purpose:

- (i) Defines Shariah governance structures, policies and processes to ensure that all its operations and business activities are in accordance with Shariah principles;
- (ii) Provides comprehensive guidance to the Board, management and Shariah Committee of the Group in discharging their respective duties in matters relating to Shariah; and
- (iii) Outlines the functions relating to Shariah Review, Shariah Audit, Shariah Research and Secretariat and Shariah Risk Management.

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

*Shariah Risk*

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

<b>Sources of charity funds</b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Balance at 1 January	15	-
<u>Sources of charity funds</u>		
Shariah non-compliant income	122	15
<u>Uses of charity funds</u>		
Contribution to non-profit organisations	(15)	-
Undistributed charity funds as at 31 December	<u>122</u>	<u>15</u>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****40 INTEREST/PROFIT RATE RISK**

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

<u>Group</u>	← Non-trading Book →					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000				
<b>2013</b>									
<b>Assets</b>									
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	2,031,196	1,771,627	3,194,816	2,111,898	2,441,329	108,724	-	11,659,590	3.61
Loans, advances and financing									
- Unimpaired	50,884,498	1,284,731	1,044,116	1,478,372	490,310	(526,173)	-	54,655,854	5.23
- Impaired	-	-	-	-	-	1,043,017	-	1,043,017	-
Derivative financial assets	-	-	2,724	-	-	-	815,472	818,196	0.34
Other assets	-	-	-	-	-	326,848	-	326,848	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,867,892	-	1,867,892	-
Property, plant 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	-
<b>Total assets</b>	<b>63,280,087</b>	<b>3,121,980</b>	<b>4,241,656</b>	<b>3,590,270</b>	<b>2,931,639</b>	<b>3,466,012</b>	<b>1,170,445</b>	<b>81,802,089</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

## 40 INTEREST/PROFIT RATE RISK (continued)

Group	Non-trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000				
<b>2013</b>									
<b>Liabilities</b>									
Deposits from customers	37,912,878	15,931,042	871,046	1,373,739	850,000	6,072,501	-	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 term loan/bonds	-	-	702,377	591,343	400,000	-	-	1,693,720	4.90
Derivative financial liabilities	-	-	3,821	8,624	3,007	-	713,081	728,533	1.35
Other liabilities	-	-	-	-	-	783,476	-	783,476	-
Current tax liabilities and zakat	-	-	-	-	-	55,584	-	55,584	-
<b>Total liabilities</b>	<b>47,159,298</b>	<b>16,131,060</b>	<b>1,646,319</b>	<b>1,973,706</b>	<b>1,253,007</b>	<b>7,263,271</b>	<b>713,081</b>	<b>76,139,742</b>	
On-statement of financial position interest/profit sensitivity gap	16,120,789	(13,009,080)	2,595,337	1,616,564	1,678,632	(3,797,259)	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	-	-	-	
<b>Total interest/profit sensitivity gap</b>	<b>14,727,648</b>	<b>(13,109,080)</b>	<b>3,371,740</b>	<b>2,166,564</b>	<b>1,845,370</b>	<b>(3,797,259)</b>	<b>457,364</b>	<b>5,662,347</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

## 40 INTEREST/PROFIT RATE RISK (continued)

Group	Non-trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000				
<b>2012</b>									
<b>Assets</b>									
Cash and cash equivalents	10,954,327	-	-	-	-	295,881	-	11,250,208	2.46
Deposits and placements with banks and other financial institutions	704,903	580,965	-	-	-	-	-	1,285,868	2.46
Financial assets held-for-trading	-	-	-	-	-	-	228,230	228,230	3.29
Financial investments available-for-sale	2,387,891	891,039	3,356,156	1,810,342	1,241,798	125,879	-	9,813,105	3.75
Loans, advances and financing									
- Unimpaired	43,486,912	1,029,345	1,161,445	784,239	836,870	(500,910)	-	46,797,901	5.29
- Impaired	-	-	-	-	-	680,893	-	680,893	-
Derivative financial assets	-	-	7,256	17	-	-	536,968	544,241	0.36
Other assets	-	-	-	-	-	269,322	-	269,322	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,625,592	-	1,625,592	-
Property, plant and equipment	-	-	-	-	-	255,428	-	255,428	-
Prepaid lease payments	-	-	-	-	-	928	-	928	-
Investment properties	-	-	-	-	-	13,040	-	13,040	-
Non-current assets held for sale	-	-	-	-	-	2,822	-	2,822	-
Deferred tax assets	-	-	-	-	-	2,566	-	2,566	-
Current tax assets	-	-	-	-	-	443	-	443	-
<b>Total assets</b>	<b>57,534,033</b>	<b>2,501,349</b>	<b>4,524,857</b>	<b>2,594,598</b>	<b>2,078,668</b>	<b>2,771,884</b>	<b>765,198</b>	<b>72,770,587</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

## 40 INTEREST/PROFIT RATE RISK (continued)

Group	Non-trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000				
<b>2012</b>									
<b>Liabilities</b>									
Deposits from customers	29,744,680	14,286,936	1,633,191	1,395,184	100,000	8,320,264	-	55,480,255	2.92
Deposits and placements of banks and other financial institutions	8,229,922	115	139,555	-	-	109,901	-	8,479,493	1.41
Bills and acceptances payable	-	-	-	-	-	356,718	-	356,718	-
Recourse obligation on loans sold to Cagamas Berhad	476	25,186	-	-	-	-	-	25,662	4.17
Subordinated term loan/bonds	-	-	506,840	798,391	400,000	-	-	1,705,231	4.90
Derivative financial liabilities	-	-	6,001	1,508	11,646	-	484,419	503,574	1.20
Other liabilities	-	-	-	-	-	927,809	-	927,809	-
Current tax liabilities and zakat	-	-	-	-	-	32,868	-	32,868	-
Deferred tax liabilities	-	-	-	-	-	1,809	-	1,809	-
<b>Total liabilities</b>	<b>37,975,078</b>	<b>14,312,237</b>	<b>2,285,587</b>	<b>2,195,083</b>	<b>511,646</b>	<b>9,749,369</b>	<b>484,419</b>	<b>67,513,419</b>	
On-statement of financial position interest/profit sensitivity gap	19,558,955	(11,810,888)	2,239,270	399,515	1,567,022	(6,977,485)	280,779	5,257,168	
Off-statement of financial position interest/profit sensitivity gap	(1,482,786)	-	770,172	550,000	162,614	-	-	-	
<b>Total interest/profit sensitivity gap</b>	<b>18,076,169</b>	<b>(11,810,888)</b>	<b>3,009,442</b>	<b>949,515</b>	<b>1,729,636</b>	<b>(6,977,485)</b>	<b>280,779</b>	<b>5,257,168</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

## 40 INTEREST/PROFIT RATE RISK (continued)

<b>Bank</b>	<b>Non-trading Book</b>					<b>Non- interest/profit sensitive RM'000</b>	<b>Trading Book RM'000</b>	<b>Total RM'000</b>	<b>Effective interest/profit rate %</b>
	<b>Up to 3 months RM'000</b>	<b>&gt; 3 - 12 months RM'000</b>	<b>&gt; 1 - 3 years RM'000</b>	<b>&gt; 3 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>				
<b>2013</b>									
<b>Assets</b>									
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	1,792,206	1,304,291	2,582,586	1,518,884	2,373,070	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	0.34
Other assets	-	-	200,000	-	-	-	-	523,579	5.45
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,597,092	-	1,597,092	-
Investments in subsidiary companies	-	-	-	-	-	376,617	-	376,617	-
Property, plant 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	-
<b>Total assets</b>	<b>59,779,286</b>	<b>2,785,443</b>	<b>3,064,712</b>	<b>1,549,809</b>	<b>2,545,165</b>	<b>3,497,878</b>	<b>1,170,435</b>	<b>74,392,728</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

## 40 INTEREST/PROFIT RATE RISK (continued)

<b>Bank</b>	<b>Non-trading Book</b>					<b>Non- interest/profit sensitive RM'000</b>	<b>Trading Book RM'000</b>	<b>Total RM'000</b>	<b>Effective interest/profit rate %</b>
	<b>Up to 3 months RM'000</b>	<b>&gt; 3 - 12 months RM'000</b>	<b>&gt; 1 - 3 years RM'000</b>	<b>&gt; 3 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>				
<b>2013</b>									
<b>Liabilities</b>									
Deposits from customers	32,522,064	14,946,750	869,499	1,373,739	850,000	5,866,992	-	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 term loan/bonds	-	-	702,377	591,343	400,000	-	-	1,693,720	4.90
Derivative financial liabilities	-	-	3,821	8,624	3,007	-	713,079	728,531	1.35
Other liabilities	-	-	-	-	-	748,865	-	748,865	-
Current tax liabilities and zakat	-	-	-	-	-	55,532	-	55,532	-
<b>Total liabilities</b>	<b>41,294,983</b>	<b>15,146,750</b>	<b>1,644,628</b>	<b>1,973,706</b>	<b>1,253,007</b>	<b>6,934,809</b>	<b>713,079</b>	<b>68,960,962</b>	
On-statement of financial position interest/profit sensitivity gap	18,484,303	(12,361,307)	1,420,084	(423,897)	1,292,158	(3,436,931)	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	-	-	-	
<b>Total interest/profit sensitivity gap</b>	<b>17,091,162</b>	<b>(12,461,307)</b>	<b>2,196,487</b>	<b>126,103</b>	<b>1,458,896</b>	<b>(3,436,931)</b>	<b>457,356</b>	<b>5,431,766</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

## 40 INTEREST/PROFIT RATE RISK (continued)

<b>Bank</b>	← 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				
<b>2012</b>									
<b>Assets</b>									
Cash and cash equivalents	11,578,789	-	-	-	-	272,193	-	11,850,982	2.46
Deposits and placements with banks and other financial institutions	1,287,136	666,831	-	-	-	-	-	1,953,967	2.46
Financial assets held-for-trading	-	-	-	-	-	-	228,230	228,230	3.29
Financial investments available-for-sale	2,164,171	680,695	2,625,753	957,949	1,005,280	125,879	-	7,559,727	3.88
Loans, advances and financing									
- Unimpaired	41,089,210	912,164	648,080	30,435	304,614	(459,934)	-	42,524,569	5.13
- Impaired	-	-	-	-	-	658,503	-	658,503	-
Derivative financial assets	-	-	7,256	17	-	-	536,856	544,129	0.36
Other assets	-	-	-	200,000	-	256,859	-	456,859	5.45
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,411,092	-	1,411,092	-
Investments in subsidiary companies	-	-	-	-	-	346,617	-	346,617	-
Property, plant and equipment	-	-	-	-	-	247,403	-	247,403	-
Prepaid lease payments	-	-	-	-	-	928	-	928	-
Investment properties	-	-	-	-	-	13,040	-	13,040	-
Non-current assets held for sale	-	-	-	-	-	2,822	-	2,822	-
<b>Total assets</b>	<b>56,119,306</b>	<b>2,259,690</b>	<b>3,281,089</b>	<b>1,188,401</b>	<b>1,309,894</b>	<b>2,875,402</b>	<b>765,086</b>	<b>67,798,868</b>	

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

## 40 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	Non-trading Book					Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/profit rate %
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000				
<b>2012</b>									
<b>Liabilities</b>									
Deposits from customers	26,755,880	13,636,833	1,590,722	1,395,108	100,000	7,592,774	-	51,071,317	2.97
Deposits and placements of banks and other financial institutions	7,909,263	75	139,099	-	-	29,735	-	8,078,172	1.27
Bills and acceptances payable	-	-	-	-	-	341,923	-	341,923	-
Recourse obligation on loans sold to Cagamas Berhad	476	25,186	-	-	-	-	-	25,662	4.17
Subordinated term loan/bonds	-	-	506,840	798,391	400,000	-	-	1,705,231	4.90
Derivative financial liabilities	-	-	6,001	1,508	11,646	-	484,356	503,511	1.20
Other liabilities	-	-	-	-	-	916,465	-	916,465	-
Current tax liabilities and zakat	-	-	-	-	-	32,843	-	32,843	-
Deferred tax liabilities	-	-	-	-	-	1,809	-	1,809	-
<b>Total liabilities</b>	<b>34,665,619</b>	<b>13,662,094</b>	<b>2,242,662</b>	<b>2,195,007</b>	<b>511,646</b>	<b>8,915,549</b>	<b>484,356</b>	<b>62,676,933</b>	
On-statement of financial position interest/profit sensitivity gap	21,453,687	(11,402,404)	1,038,427	(1,006,606)	798,248	(6,040,147)	280,730	5,121,935	
Off-statement of financial position interest/profit sensitivity gap	(1,482,786)	-	770,172	550,000	162,614	-	-	-	
<b>Total interest/profit sensitivity gap</b>	<b>19,970,901</b>	<b>(11,402,404)</b>	<b>1,808,599</b>	<b>(456,606)</b>	<b>960,862</b>	<b>(6,040,147)</b>	<b>280,730</b>	<b>5,121,935</b>	



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****40 INTEREST/PROFIT RATE RISK (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
+ 50 bps	1,600,757	1,443,579	1,279,007	1,223,204
- 50 bps	1,404,069	1,267,155	1,087,403	1,042,308

The 50 bps shock impact on the net interest/finance 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 statements of financial position and that all positions run to maturity.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****41 LIQUIDITY RISK****Contractual maturity of financial liabilities**

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

<b>Group</b>	<b>Carrying amount</b>	<b>Up to 3 months</b>	<b>&gt; 3 - 6 months</b>	<b>&gt; 6 - 12 months</b>	<b>&gt; 1 - 3 years</b>	<b>&gt; 3 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	63,011,206	43,814,178	8,018,517	8,083,394	871,374	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	13,679	-	-	229,780	-	-	243,459
Subordinated term loan/bonds	1,693,720	-	-	-	702,377	591,343	400,000	1,693,720
Other liabilities	783,476	130,297	240,020	202,556	207,206	131,915	1,114,269	2,026,263
	<b>75,355,625</b>	<b>53,312,826</b>	<b>8,408,543</b>	<b>8,335,962</b>	<b>2,079,811</b>	<b>2,097,001</b>	<b>2,364,269</b>	<b>76,598,412</b>
<b>Derivative financial liabilities</b>								
Net settled derivatives								
<i>Trading:</i>								
- 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
<i>Hedging:</i>								
- Interest rate derivatives		2,410	404	3,052	11,556	4,341	(3,231)	18,532
Gross settled derivatives								
<i>Trading:</i>								
- 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)
		<b>80,212</b>	<b>49,907</b>	<b>96,099</b>	<b>8,276</b>	<b>51,384</b>	<b>29,680</b>	<b>315,558</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****41 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

<b>Group</b>	<b>Carrying amount</b>	<b>Up to 3 months</b>	<b>&gt; 3 - 6 months</b>	<b>&gt; 6 - 12 months</b>	<b>&gt; 1 - 3 years</b>	<b>&gt; 3 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	55,480,255	38,064,964	6,706,529	7,580,387	1,633,191	1,395,184	100,000	55,480,255
Deposits and placements with banks and other financial institutions	8,479,493	8,307,479	26	89	171,899	-	-	8,479,493
Bills and acceptances payable	356,718	356,718	-	-	-	-	-	356,718
Recourse obligation on loans sold to Cagamas Berhad	25,662	476	481	24,705	-	-	-	25,662
Subordinated term loan/bonds	1,705,231	-	-	-	506,840	798,391	400,000	1,705,231
Other liabilities	927,809	615,061	174,201	317,835	565,874	388,828	258,380	2,320,179
	<b>66,975,168</b>	<b>47,344,698</b>	<b>6,881,237</b>	<b>7,923,016</b>	<b>2,877,804</b>	<b>2,582,403</b>	<b>758,380</b>	<b>68,367,538</b>
<b>Derivative financial liabilities</b>								
Net settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives		17,044	3,029	-	14,496	-	-	34,569
- Interest rate derivatives		17,521	12,929	19,978	66,218	50,873	1,466	168,985
- Equity and other derivatives		1,342	295	6,595	60,764	14,123	-	83,119
<i>Hedging:</i>								
- Interest rate derivatives		2,005	236	2,074	9,699	7,021	706	21,741
Gross settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives								
- Outflow		10,868,502	2,106,674	11,143	2,050,466	3,415,536	190,653	18,642,974
- Inflow		(10,712,305)	(2,003,918)	(113,747)	(2,058,621)	(3,480,056)	(196,024)	(18,564,671)
		<b>194,109</b>	<b>119,245</b>	<b>(73,957)</b>	<b>143,022</b>	<b>7,497</b>	<b>(3,199)</b>	<b>386,717</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****41 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

<b>Bank</b>	<b>Carrying amount</b>	<b>Up to 3 months</b>	<b>&gt; 3 - 6 months</b>	<b>&gt; 6 - 12 months</b>	<b>&gt; 1 - 3 years</b>	<b>&gt; 3 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative financial liabilities</b>								
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 term loan/bonds	1,693,720	-	-	-	702,377	591,343	400,000	1,693,720
Other liabilities	748,865	92,733	225,380	170,905	207,117	131,914	1,059,552	1,887,601
	<b>68,176,899</b>	<b>47,518,128</b>	<b>8,112,762</b>	<b>7,430,273</b>	<b>1,847,924</b>	<b>2,096,996</b>	<b>2,309,552</b>	<b>69,315,635</b>
<b>Derivative financial liabilities</b>								
Net settled derivatives								
<i>Trading:</i>								
- 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
<i>Hedging:</i>								
- Interest rate derivatives		2,410	404	3,052	11,556	4,341	(3,231)	18,532
Gross settled derivatives								
<i>Trading:</i>								
- 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)
		<b>80,211</b>	<b>49,907</b>	<b>96,099</b>	<b>8,276</b>	<b>51,384</b>	<b>29,680</b>	<b>315,557</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****41 LIQUIDITY RISK (continued)****Contractual maturity of financial liabilities (continued)**

<b>Bank</b>	<b>Carrying amount</b>	<b>Up to 3 months</b>	<b>&gt; 3 - 6 months</b>	<b>&gt; 6 - 12 months</b>	<b>&gt; 1 - 3 years</b>	<b>&gt; 3 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative financial liabilities</b>								
Deposits from customers	51,075,434	34,352,771	6,467,672	7,169,161	1,590,722	1,395,108	100,000	51,075,434
Deposits and placements with banks and other financial institutions	8,078,172	7,938,998	13	62	139,099	-	-	8,078,172
Bills and acceptances payable	341,923	341,923	-	-	-	-	-	341,923
Recourse obligation on loans sold to Cagamas Berhad	25,662	477	481	24,704	-	-	-	25,662
Subordinated term loan/bonds	1,705,231	-	-	-	506,840	798,391	400,000	1,705,231
Other liabilities	902,838	613,237	165,812	299,304	544,212	388,819	235,754	2,247,138
	<b>62,129,260</b>	<b>43,247,406</b>	<b>6,633,978</b>	<b>7,493,231</b>	<b>2,780,873</b>	<b>2,582,318</b>	<b>735,754</b>	<b>63,473,560</b>
<b>Derivative financial liabilities</b>								
Net settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives		17,044	3,030	-	14,495	-	-	34,569
- Interest rate derivatives		17,520	12,929	19,979	66,218	50,873	1,466	168,985
- Equity and other derivatives		1,342	295	6,595	60,764	14,123	-	83,119
<i>Hedging:</i>								
- Interest rate derivatives		2,005	236	2,074	9,699	7,021	706	21,741
Gross settled derivatives								
<i>Trading:</i>								
- Foreign exchange derivatives								
- Outflow		10,869,462	2,106,674	11,142	2,050,466	3,415,536	190,653	18,643,933
- Inflow		(10,713,246)	(2,003,919)	(113,747)	(2,058,621)	(3,480,056)	(196,024)	(18,565,613)
		<b>194,127</b>	<b>119,245</b>	<b>(73,957)</b>	<b>143,021</b>	<b>7,497</b>	<b>(3,199)</b>	<b>386,734</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****42 CURRENCY RISK**

<u>Group</u>					
2013	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
<b>Financial assets</b>					
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
	<b>72,867,888</b>	<b>5,676,763</b>	<b>524,462</b>	<b>2,433,550</b>	<b>81,502,663</b>
<b>Financial liabilities</b>					
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 term loan/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
	<b>66,043,861</b>	<b>6,760,742</b>	<b>476,231</b>	<b>2,803,324</b>	<b>76,084,158</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>6,824,027</b>	<b>(1,083,979)</b>	<b>48,231</b>	<b>(369,774)</b>	<b>5,418,505</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****42 CURRENCY RISK (continued)**

<u>Group</u>	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000 Restated
<b>2012</b>					
<b>Financial assets</b>					
Cash and cash equivalents	9,749,705	928,111	1,555	570,837	11,250,208
Deposits and placements with banks and other financial institutions	7,080	1,253,569	-	25,219	1,285,868
Financial assets held-for-trading	228,112	-	-	118	228,230
Financial investments available-for-sale	8,815,272	470,528	345,901	181,404	9,813,105
Loans, advances and financing	44,870,184	1,784,013	31,696	792,901	47,478,794
Derivative financial assets	453,956	57,220	17,695	15,370	544,241
Other assets	180,842	19,159	38,812	30,509	269,322
Statutory deposits with Bank Negara Malaysia	1,625,592	-	-	-	1,625,592
	<b>65,930,743</b>	<b>4,512,600</b>	<b>435,659</b>	<b>1,616,358</b>	<b>72,495,360</b>
<b>Financial liabilities</b>					
Deposits from customers	52,010,329	2,558,693	170,887	740,346	55,480,255
Deposits and placements of banks and other financial institutions	2,809,836	4,253,814	234,199	1,181,644	8,479,493
Bills and acceptances payable	356,718	-	-	-	356,718
Recourse obligation on loans sold to Cagamas Berhad	25,662	-	-	-	25,662
Subordinated term loan/bonds	1,705,231	-	-	-	1,705,231
Derivative financial liabilities	358,264	129,256	-	16,054	503,574
Other liabilities	882,293	16,482	17,152	11,882	927,809
	<b>58,148,333</b>	<b>6,958,245</b>	<b>422,238</b>	<b>1,949,926</b>	<b>67,478,742</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>7,782,410</b>	<b>(2,445,645)</b>	<b>13,421</b>	<b>(333,568)</b>	<b>5,016,618</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****42 CURRENCY RISK (continued)****Bank**

<b>2013</b>	<b>MYR RM'000</b>	<b>USD RM'000</b>	<b>SGD RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>					
Cash and cash equivalents	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
Investments in subsidiary companies	376,617	-	-	-	376,617
	<b>66,809,739</b>	<b>5,003,729</b>	<b>423,105</b>	<b>1,869,469</b>	<b>74,106,042</b>
<b>Financial liabilities</b>					
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 term loan/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
	<b>60,453,895</b>	<b>6,086,990</b>	<b>376,086</b>	<b>1,988,459</b>	<b>68,905,430</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>6,355,844</b>	<b>(1,083,261)</b>	<b>47,019</b>	<b>(118,990)</b>	<b>5,200,612</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****42 CURRENCY RISK (continued)****Bank**

<b>2012</b>	<b>MYR RM'000</b>	<b>USD RM'000</b>	<b>SGD RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000 Restated</b>
<b>Financial assets</b>					
Cash and cash equivalents	10,354,499	926,377	449	569,657	11,850,982
Deposits and placements with banks and other financial institutions	397,080	1,299,435	-	257,452	1,953,967
Financial assets held-for-trading	228,112	-	-	118	228,230
Financial investments available-for-sale	6,807,607	283,157	287,559	181,404	7,559,727
Loans, advances and financing	41,128,901	1,603,742	31,696	418,733	43,183,072
Derivative financial assets	453,844	57,220	17,695	15,370	544,129
Other assets	372,774	16,694	37,453	29,938	456,859
Statutory deposits with Bank Negara Malaysia	1,411,092	-	-	-	1,411,092
Investments in subsidiary companies	346,617	-	-	-	346,617
	<b>61,500,526</b>	<b>4,186,625</b>	<b>374,852</b>	<b>1,472,672</b>	<b>67,534,675</b>
<b>Financial liabilities</b>					
Deposits from customers	47,613,577	2,547,237	170,157	740,346	51,071,317
Deposits and placements of banks and other financial institutions	3,191,661	3,901,838	175,609	809,064	8,078,172
Bills and acceptances payable	341,923	-	-	-	341,923
Recourse obligation on loans sold to Cagamas Berhad	25,662	-	-	-	25,662
Subordinated term loan/bonds	1,705,231	-	-	-	1,705,231
Derivative financial liabilities	358,201	129,256	-	16,054	503,511
Other liabilities	872,407	16,399	17,100	10,559	916,465
	<b>54,108,662</b>	<b>6,594,730</b>	<b>362,866</b>	<b>1,576,023</b>	<b>62,642,281</b>
<b>Net financial assets/(liabilities) exposure</b>	<b>7,391,864</b>	<b>(2,408,105)</b>	<b>11,986</b>	<b>(103,351)</b>	<b>4,892,394</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****43 CREDIT RISKS**

Credit risk management policies are disclosed in Note 39 to the financial statements. 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.

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
Cash and cash equivalents	8,926,484	11,250,208	9,102,977	11,850,982
Deposits and placements with banks and other financial institutions	1,849,809	1,285,868	2,716,940	1,953,967
Financial assets held-for-trading	354,973	228,230	354,973	228,230
Financial investments available-for-sale	11,659,602	9,813,117	9,679,773	7,559,739
Loans, advances and financing	56,486,520	48,251,616	49,618,569	43,882,370
Derivative financial assets	818,196	544,241	818,186	544,129
Other assets	326,848	269,322	523,579	456,859
Contingent liabilities and commitments	38,823,905	47,734,573	38,149,948	47,441,481
	<b>119,246,337</b>	<b>119,377,175</b>	<b>110,964,945</b>	<b>113,917,757</b>

**Collateral**

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

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

As at 31 December 2013, there were no assets repossessed by the Group and the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****43 CREDIT RISKS (continued)*****Collateral (continued)***

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>
Fair value of collateral held against the covered portion of loans, financing and advances	1,199,119	795,719	1,169,414	772,029
Covered portion of loans, advances and financing	778,851	545,492	755,234	526,577
Uncovered portion of loans, advances and financing	528,680	407,313	444,938	371,290
	<b>1,307,531</b>	<b>952,805</b>	<b>1,200,172</b>	<b>897,867</b>

***Credit quality***

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

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

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>
Neither past due nor impaired	53,998,989	46,982,032	47,294,553	42,699,276
Past due loans	2,039,379	1,003,821	1,932,509	926,065
- Unimpaired	1,180,000	316,779	1,123,844	285,227
- Impaired	859,379	687,042	808,665	640,838
Impaired but not past due	448,152	265,763	391,507	257,029
Gross loans, advances and financing	<b>56,486,520</b>	<b>48,251,616</b>	<b>49,618,569</b>	<b>43,882,370</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****43 CREDIT RISKS (continued)*****Credit quality (continued)****(a) Credit quality of loans, advances and financing (continued)*Neither past due nor impaired

## (i) By the Group's and Bank's internal grading system

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Pass	53,125,799	46,031,835	46,659,687	41,810,297
Special mention	873,190	950,197	634,866	888,979
	<b>53,998,989</b>	<b>46,982,032</b>	<b>47,294,553</b>	<b>42,699,276</b>

Past due but not impaired

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(i) By period overdue				
Less than 2 months	1,151,054	276,568	1,094,898	245,016
2 months to less than 3 months	28,946	40,211	28,946	40,211
	<b>1,180,000</b>	<b>316,779</b>	<b>1,123,844</b>	<b>285,227</b>
(ii) By geographical distribution				
Malaysia	1,160,072	316,779	1,103,916	285,227
Singapore	13,075	-	13,075	-
Rest of the world	6,853	-	6,853	-
	<b>1,180,000</b>	<b>316,779</b>	<b>1,123,844</b>	<b>285,227</b>
(iii) By sector				
Agriculture, hunting, forestry and fishing	904	467	904	467
Mining and quarrying	225	710	225	-
Manufacturing	38,992	23,771	24,258	18,651
Construction	4,548	3,303	4,040	3,244
Real estate	69,499	2,657	69,499	2,657
Wholesale & retail trade and restaurants & hotels	68,569	27,529	59,483	26,042
Transport, storage and communication	10,235	5,927	7,753	3,502
Finance, insurance and business services	10,904	2,363	9,003	750
Community, social and personal services	9,574	1,819	9,574	1,819
Household				
- Purchase of residential properties	860,997	190,967	857,061	189,318
- Purchase of non-residential properties	40,137	7,621	40,137	7,621
- Others	61,660	48,330	39,789	30,599
Others	3,756	1,315	2,118	557
	<b>1,180,000</b>	<b>316,779</b>	<b>1,123,844</b>	<b>285,227</b>

The analysis of impaired loan, advances and financing are detailed in Note 7 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****43 CREDIT RISKS (continued)***(b) Credit quality of financial assets held-for-trading*

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

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) By issuer		
Government and Central Bank	324,925	70,436
Banks	9,864	28,599
Other financial institutions	27	-
Corporates	20,157	129,195
	<u>354,973</u>	<u>228,230</u>
(ii) By geography		
Malaysia	354,650	178,125
Singapore	261	49,987
Rest of the world	62	118
	<u>354,973</u>	<u>228,230</u>
(iii) By credit rating		
Malaysian Government and Central Bank issued and notes	324,926	70,436
Investment grade (AAA to BBB)	17,832	153,838
Unrated	12,215	3,956
	<u>354,973</u>	<u>228,230</u>
(iv) By industry		
Agriculture, hunting, forestry and fishing	117	-
Manufacturing	4,942	72
Electricity, gas and water	6,935	512
Construction	-	88
Real estate	7	-
Wholesale & retail trade and restaurants & hotels	6,453	16,034
Transport, storage and communication	1,441	1,806
Finance, insurance and business services	78,964	75,919
Education, health and others	15	-
Others	256,099	133,799
	<u>354,973</u>	<u>228,230</u>
(v) By residual contractual maturity		
Within one year	100,504	74,392
One to five years	179,600	103,495
Over five years	74,869	50,343
	<u>354,973</u>	<u>228,230</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****43 CREDIT RISKS (continued)***(c) Credit quality of financial investments available-for-sale*

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

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(i) By issuer				
Government and Central Bank	6,060,574	5,028,196	4,694,517	3,306,763
Foreign government	397,504	85,622	347,866	35,979
Banks	2,490,722	2,479,760	2,398,671	2,362,754
Other financial institutions	126,655	96,722	126,655	96,722
Corporates	2,583,957	2,122,627	2,111,874	1,757,331
Others	190	190	190	190
	<b>11,659,602</b>	<b>9,813,117</b>	<b>9,679,773</b>	<b>7,559,739</b>
(ii) By geography				
Malaysia	10,662,009	9,440,656	8,731,818	7,236,921
Singapore	3,579	18,833	3,579	18,833
Other ASEAN countries	80,654	109,032	31,016	59,389
Rest of the world	913,360	244,596	913,360	244,596
	<b>11,659,602</b>	<b>9,813,117</b>	<b>9,679,773</b>	<b>7,559,739</b>
(iii) By credit rating				
Malaysian Government and Central Bank securities	6,060,574	5,028,196	4,694,517	3,306,763
Foreign government securities	397,504	85,622	347,866	35,979
Investment grade (AAA to BBB)	2,349,828	1,401,934	2,046,185	1,160,517
Unrated	2,851,696	3,297,365	2,591,205	3,056,480
	<b>11,659,602</b>	<b>9,813,117</b>	<b>9,679,773</b>	<b>7,559,739</b>
(iv) By industry				
Agriculture, hunting, forestry and fishing	115,393	53,141	96,271	53,141
Mining and quarrying	97,467	14,351	97,467	14,351
Manufacturing	580,172	580,491	510,000	510,000
Electricity, gas and water	36,979	88,314	36,979	88,314
Construction	-	30,385	-	-
Real estate	-	5,309	-	5,309
Wholesale & retail trade and restaurants & hotels	102,163	123,923	102,163	123,923
Transport, storage and communication	160,779	208,344	150,770	198,286
Finance, insurance and business services	3,801,235	3,616,925	3,584,404	3,451,814
Education, health and others	337,305	55,968	337,305	55,968
Others	6,428,109	5,035,966	4,764,414	3,058,633
	<b>11,659,602</b>	<b>9,813,117</b>	<b>9,679,773</b>	<b>7,559,739</b>
(v) By residual contractual maturity				
Within one year	3,802,823	3,296,085	3,096,497	2,862,021
One to five years	5,306,714	5,166,498	4,101,470	3,583,702
Over five years	2,550,065	1,350,534	2,481,806	1,114,016
	<b>11,659,602</b>	<b>9,813,117</b>	<b>9,679,773</b>	<b>7,559,739</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****43 CREDIT RISKS (continued)***(d) Credit quality of derivative assets*

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(i) Analysed by counterparty				
Banks	464,027	280,687	464,033	280,702
Other financial institutions	121,591	23,134	121,591	23,133
Corporates	121,963	216,428	121,947	216,302
Individuals	65,189	22,155	65,189	22,155
Others	45,426	1,837	45,426	1,837
	<b>818,196</b>	<b>544,241</b>	<b>818,186</b>	<b>544,129</b>
(ii) Analysed by geography				
Malaysia	806,364	434,266	806,354	438,924
Singapore	9,358	83,041	9,358	83,040
Other ASEAN countries	382	23,040	382	18,271
Rest of the world	2,092	3,894	2,092	3,894
	<b>818,196</b>	<b>544,241</b>	<b>818,186</b>	<b>544,129</b>
(iii) By industry				
Agriculture, hunting, forestry and fishing	37,961	17,029	37,961	17,029
Manufacturing	46,942	16,025	46,930	15,909
Construction	4,494	42,126	4,494	42,126
Wholesale & retail trade and restaurants & hotels	9,601	21,604	9,601	21,604
Transport, storage and communication	15,868	70,833	15,864	70,823
Finance, insurance and business services	601,681	310,652	601,687	310,666
Others	101,649	65,972	101,649	65,972
	<b>818,196</b>	<b>544,241</b>	<b>818,186</b>	<b>544,129</b>
(iv) By residual contractual maturity				
Within one year	222,881	171,454	222,871	171,342
One to five years	394,301	270,640	394,301	270,640
Over five years	201,014	102,147	201,014	102,147
	<b>818,196</b>	<b>544,241</b>	<b>818,186</b>	<b>544,129</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****43 CREDIT RISKS (continued)***(e) Credit quality of contingent liabilities and commitments*

	<b>Group</b>		<b>Bank</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(i) Analysed by geography				
Malaysia	36,526,341	44,318,738	35,852,609	44,026,103
Singapore	2,043,744	3,175,834	2,043,519	3,175,377
Other ASEAN countries	194,933	143,661	194,933	143,661
Rest of the world	58,887	96,340	58,887	96,340
	<b>38,823,905</b>	<b>47,734,573</b>	<b>38,149,948</b>	<b>47,441,481</b>
(ii) By industry				
Agriculture, hunting, forestry and fishing	498,062	433,782	496,618	432,705
Mining and quarrying	758,855	456,452	757,525	455,273
Manufacturing	829,381	869,107	679,699	801,157
Electricity, gas and water	251,736	276,867	251,736	276,867
Construction	747,741	737,158	651,852	662,070
Real estate	315,484	289,145	315,170	288,837
Wholesale & retail trade and restaurants & hotels	518,026	555,990	460,035	537,220
Transport, storage and communication	569,483	557,422	561,810	557,185
Finance, insurance and business services	29,588,088	39,723,092	29,583,088	39,702,697
Household	4,747,049	3,835,558	4,392,415	3,727,470
	<b>38,823,905</b>	<b>47,734,573</b>	<b>38,149,948</b>	<b>47,441,481</b>
(iii) Analysed by counterparty				
Banks	28,209,318	36,196,347	28,202,892	36,196,347
Other financial institutions	196,309	1,944,487	196,073	1,941,089
Corporates	3,769,599	3,378,264	3,616,852	3,305,784
Small medium enterprises	891,732	912,459	757,574	847,255
Individuals	5,239,068	4,515,205	4,858,675	4,363,236
Others	517,879	787,811	517,882	787,770
	<b>38,823,905</b>	<b>47,734,573</b>	<b>38,149,948</b>	<b>47,441,481</b>
(iv) By residual contractual maturity				
Within one year	9,656,738	13,048,149	9,496,472	12,950,045
One to five years	21,615,640	27,545,708	21,445,694	27,487,077
Over five years	7,551,527	7,140,716	7,207,782	7,004,359
	<b>38,823,905</b>	<b>47,734,573</b>	<b>38,149,948</b>	<b>47,441,481</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****44 HEDGING ACTIVITIES****Fair value hedge**

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

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

	<b>Group and Bank</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Losses on hedging instruments	(845)	(15,534)
Gains on the hedged items attributable to the hedged risk	657	14,734
	<u>(188)</u>	<u>(800)</u>

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

**45 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

**(A) Fair value measurement**

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

**(a) Short term financial instruments**

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

**(b) Deposits and placements with/to banks and other financial institutions with maturity 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.

**(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.

**(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) Recourse obligation on loans sold to Cagamas Berhad**

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

**(h) Subordinated term loan/bonds**

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****45 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(A) Fair value measurement (continued)****(ii) Off-statements of financial position**

The fair value of off-statements of financial position is the estimated amount of 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 are disclosed in Note 8 of the financial statements.

**(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.

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>				
<b>Financial assets at fair value</b>				
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
	<b>8,024,019</b>	<b>4,658,962</b>	<b>149,778</b>	<b>12,832,759</b>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	2,632	679,542	46,359	728,533
<b>2012</b>				
<b>Financial assets at fair value</b>				
Held-for-trading	74,392	153,838	-	228,230
Available-for-sale	5,011,205	4,693,354	108,546	9,813,105
Derivative assets	997	440,067	103,177	544,241
	<b>5,086,594</b>	<b>5,287,259</b>	<b>211,723</b>	<b>10,585,576</b>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	2,527	414,865	86,182	503,574
<b>Bank</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>				
<b>Financial assets at fair value</b>				
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
	<b>6,477,411</b>	<b>4,225,731</b>	<b>149,778</b>	<b>10,852,920</b>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	2,632	679,540	46,359	728,531
<b>2012</b>				
<b>Financial assets at fair value</b>				
Held-for-trading	74,392	153,838	-	228,230
Available-for-sale	3,240,129	4,211,052	108,546	7,559,727
Derivative assets	1,015	439,937	103,177	544,129
	<b>3,315,536</b>	<b>4,804,827</b>	<b>211,723</b>	<b>8,332,086</b>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	2,543	414,786	86,182	503,511

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****45 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:

	<b>Group and Bank</b>		
	<b>Trading</b>	<b>Available-for-sale</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>			
<b>Financial assets at fair value</b>			
At 1 January	103,177	108,546	211,723
Purchases	12	-	12
Settlements/disposals	(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>108,545</u>	<u>149,778</u>
<b>Financial liabilities at fair value</b>			
At 1 January	86,182	-	86,182
Issues	1,675	-	1,675
Reclassified to other liabilities	(55,115)	-	(55,115)
Recognised in profit or loss			
- Realised loss	12,106	-	12,106
- Unrealised gain	1,511	-	1,511
At 31 December	<u>46,359</u>	<u>-</u>	<u>46,359</u>
<b>2012</b>			
<b>Financial assets at fair value</b>			
At 1 January	83,613	108,546	192,159
Purchases	1,191	-	1,191
Settlements/disposals	(5,255)	-	(5,255)
Recognised in profit or loss			
- Realised loss	1,305	-	1,305
- Unrealised gain	22,323	-	22,323
At 31 December	<u>103,177</u>	<u>108,545</u>	<u>211,723</u>
<b>Financial liabilities at fair value</b>			
At 1 January	91,562	-	91,562
Issues	4,390	-	4,390
Reclassified to other liabilities	(11,789)	-	(11,789)
Recognised in profit or loss			
- Realised loss	(15,226)	-	(15,226)
- Unrealised gain	17,245	-	17,245
At 31 December	<u>86,182</u>	<u>-</u>	<u>86,182</u>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****45 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.

**Transfer between Level 1 and 2 fair values**

During the year, financial investments available-for-sale with a carrying amount of RM44,368,000 were transferred from Level 2 to Level 1 because active market price is available.

**Level 3 fair value**

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

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

<b>Group and Bank</b>	<b>Fair value 2013 RM'000</b>	<b>Classification</b>	<b>Valuation technique</b>	<b>Unobservable input</b>
<b>Assets</b>				
Derivative assets	41,232	Held for trading	Option pricing model	Standard deviation
<b>Liabilities</b>				
Derivative liabilities	46,359	Held 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.

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 MRM and finance function. Any material changes to the framework require the approval of the CEO and concurrence from the Board Risk Management Committee. Group Audit provides independent assurance on the respective divisions' compliance with the policy.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****45 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(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 in the financial statements. 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 has been classified under Level 3.

	<b>Group</b>		<b>Bank</b>	
	<b>Carrying Amount RM'000</b>	<b>Fair value (Level 3) RM'000</b>	<b>Carrying Amount RM'000</b>	<b>Fair value (Level 3) RM'000</b>
<b><u>2013</u></b>				
<b>Financial assets</b>				
Loans, advances and financing	55,698,871	55,783,734	48,935,917	48,936,533
<b><u>2012</u></b>				
<b>Financial assets</b>				
Loans, advances and financing	47,478,794	47,526,813	43,183,072	43,184,527

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 based on expected future discounted cash flows using market rates of loan, advances and financing of similar credit risks and maturity. For impaired loans, advances and financing, the fair values are carried at amortised costs net of individual and collective impairment allowances.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****46 FINANCIAL ASSETS AND LIABILITIES**

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

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

<b>Group</b>	<b>Derivatives used for hedging</b>				<b>Carrying amount</b>
<b>2013</b>	<b>FVTPL-HFT RM'000</b>	<b>RM'000</b>	<b>AFS RM'000</b>	<b>L&amp;R/FL RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
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
	<b>1,170,445</b>	<b>2,724</b>	<b>11,659,590</b>	<b>68,669,904</b>	<b>81,502,663</b>
Non-financial assets	-	-	-	299,426	299,426
<b>Total assets</b>	<b>1,170,445</b>	<b>2,724</b>	<b>11,659,590</b>	<b>68,969,330</b>	<b>81,802,089</b>
<b>Financial liabilities</b>					
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
Subordinated term loan/bonds	-	-	-	1,693,720	1,693,720
Derivative financial liabilities	713,081	15,452	-	-	728,533
Other liabilities	-	-	-	783,476	783,476
	<b>713,081</b>	<b>15,452</b>	<b>-</b>	<b>75,355,625</b>	<b>76,084,158</b>
Non-financial liabilities	-	-	-	55,584	55,584
<b>Total liabilities</b>	<b>713,081</b>	<b>15,452</b>	<b>-</b>	<b>75,411,209</b>	<b>76,139,742</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****46 FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Group</b>	<b>Derivatives used for hedging</b>		<b>AFS</b>	<b>L&amp;R/FL</b>	<b>Carrying amount</b>
<b>2012</b>	<b>FVTPL-HFT</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Restated</b>
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	11,250,208	11,250,208
Deposits and placements with banks and other financial institutions	-	-	-	1,285,868	1,285,868
Financial assets held-for-trading	228,230	-	-	-	228,230
Financial investments available-for-sale	-	-	9,813,105	-	9,813,105
Loans, advances and financing	-	-	-	47,478,794	47,478,794
Derivative financial assets	536,968	7,273	-	-	544,241
Other assets	-	-	-	269,322	269,322
Statutory deposits with Bank Negara Malaysia	-	-	-	1,625,592	1,625,592
	<b>765,198</b>	<b>7,273</b>	<b>9,813,105</b>	<b>61,909,784</b>	<b>72,495,360</b>
Non-financial assets	-	-	-	275,227	275,227
<b>Total assets</b>	<b>765,198</b>	<b>7,273</b>	<b>9,813,105</b>	<b>62,185,011</b>	<b>72,770,587</b>
<b>Financial liabilities</b>					
Deposits from customers	-	-	-	55,480,255	55,480,255
Deposits and placements of banks and other financial institutions	-	-	-	8,479,493	8,479,493
Bills and acceptances payable	-	-	-	356,718	356,718
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	25,662	25,662
Surbordinated term loan/bonds	-	-	-	1,705,231	1,705,231
Derivative financial liabilities	484,419	19,155	-	-	503,574
Other liabilities	-	-	-	927,809	927,809
	<b>484,419</b>	<b>19,155</b>	<b>-</b>	<b>66,975,168</b>	<b>67,478,742</b>
Non-financial liabilities	-	-	-	34,677	34,677
<b>Total liabilities</b>	<b>484,419</b>	<b>19,155</b>	<b>-</b>	<b>67,009,845</b>	<b>67,513,419</b>



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****46 FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Bank</b>	<b>Derivatives used for hedging</b>				<b>Carrying amount</b>
<b>2013</b>	<b>FVTPL-HFT RM'000</b>	<b>RM'000</b>	<b>AFS RM'000</b>	<b>L&amp;R/FL RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
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
Investments in subsidiary companies	-	-	-	376,617	376,617
	<b>1,170,435</b>	<b>2,724</b>	<b>9,679,761</b>	<b>63,253,122</b>	<b>74,106,042</b>
Non-financial assets	-	-	-	286,686	286,686
<b>Total assets</b>	<b>1,170,435</b>	<b>2,724</b>	<b>9,679,761</b>	<b>63,539,808</b>	<b>74,392,728</b>
<b>Financial liabilities</b>					
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
Subordinated term loan/bonds	-	-	-	1,693,720	1,693,720
Derivative financial liabilities	713,079	15,452	-	-	728,531
Other liabilities	-	-	-	748,865	748,865
	<b>713,079</b>	<b>15,452</b>	<b>-</b>	<b>68,176,899</b>	<b>68,905,430</b>
Non-financial liabilities	-	-	-	55,532	55,532
<b>Total liabilities</b>	<b>713,079</b>	<b>15,452</b>	<b>-</b>	<b>68,232,431</b>	<b>68,960,962</b>

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****46 FINANCIAL ASSETS AND LIABILITIES (continued)**

<b>Bank</b>	<b>Derivatives used for hedging</b>				<b>Carrying amount</b>
<b>2012</b>	<b>FVTPL-HFT RM'000</b>	<b>RM'000</b>	<b>AFS RM'000</b>	<b>L&amp;R/FL RM'000</b>	<b>RM'000 Restated</b>
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	11,850,982	11,850,982
Deposits and placements with banks and other financial institutions	-	-	-	1,953,967	1,953,967
Financial assets held-for-trading	228,230	-	-	-	228,230
Financial investments available-for-sale	-	-	7,559,727	-	7,559,727
Loans, advances and financing	-	-	-	43,183,072	43,183,072
Derivative financial assets	536,856	7,273	-	-	544,129
Other assets	-	-	-	456,859	456,859
Statutory deposits with Bank Negara Malaysia	-	-	-	1,411,092	1,411,092
Investments in subsidiaries	-	-	-	346,617	346,617
	<b>765,086</b>	<b>7,273</b>	<b>7,559,727</b>	<b>59,202,589</b>	<b>67,534,675</b>
Non-financial assets	-	-	-	264,193	264,193
<b>Total assets</b>	<b>765,086</b>	<b>7,273</b>	<b>7,559,727</b>	<b>59,466,782</b>	<b>67,798,868</b>
<b>Financial liabilities</b>					
Deposits from customers	-	-	-	51,071,317	51,071,317
Deposits and placements of banks and other financial institutions	-	-	-	8,078,172	8,078,172
Bills and acceptances payable	-	-	-	341,923	341,923
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	25,662	25,662
Surbordinated term loan/bonds	-	-	-	1,705,231	1,705,231
Derivative financial liabilities	484,356	19,155	-	-	503,511
Other liabilities	-	-	-	916,465	916,465
	<b>484,356</b>	<b>19,155</b>	<b>-</b>	<b>62,138,770</b>	<b>62,642,281</b>
Non-financial liabilities	-	-	-	34,652	34,652
<b>Total liabilities</b>	<b>484,356</b>	<b>19,155</b>	<b>-</b>	<b>62,173,422</b>	<b>62,676,933</b>

## **NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)**

### **47 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:

#### **(i) 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.

#### **(ii) 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.

#### **(iii) 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.

#### **(iv) Others**

The other segments include property-related activities, insurance businesses and income and 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/finance income. In addition to the operating segments, the segment information disclosed also includes internal service providers (head office), which operate on a non-profit basis and inter-segment eliminations.

#### **Major Customers**

Revenue from no single customer amounted to greater than 10% of the Group's revenue for the current financial year (2012: NIL).

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****47 SEGMENT INFORMATION (continued)**

<b>Group</b>	<b>Business Banking RM'000</b>	<b>Consumer Financial Services RM'000</b>	<b>Global Treasury RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>2013</b>					
Net interest/finance income	869,943	480,437	147,418	95,721	1,593,519
Non-interest/finance income	137,489	109,912	251,636	89,708	588,745
Operating income	1,007,432	590,349	399,054	185,429	2,182,264
Personnel and operating expenses	(335,233)	(437,147)	(73,705)	(26,178)	(872,263)
Operating profit before impairment allowance and provision	672,199	153,202	325,349	159,251	1,310,001
Impairment allowance on loans, advances and financing	(7,128)	(51,369)	(1,714)	134	(60,077)
Profit before income tax expense and zakat	665,071	101,833	323,635	159,385	1,249,924
Income tax expense and zakat	(253,683)	(38,949)	(81,206)	69,912	(303,926)
Profit for the year	411,388	62,884	242,429	229,297	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
<b>2012</b>					
Net interest/finance income	791,461	454,796	170,400	41,434	1,458,091
Non-interest/finance income	125,746	78,064	289,240	69,261	562,311
Operating income	917,207	532,860	459,640	110,695	2,020,402
Personnel and operating expenses	(319,228)	(405,680)	(84,453)	(42,071)	(851,432)
Operating profit before impairment allowance and provision	597,979	127,180	375,187	68,624	1,168,970
Impairment allowance on loans, advances and financing	(73,146)	(8,151)	-	(2,816)	(84,113)
Profit before income tax expense and zakat	524,833	119,029	375,187	65,808	1,084,857
Income tax expense and zakat	(203,591)	(46,641)	(94,022)	70,736	(273,518)
Profit for the year	321,242	72,388	281,165	136,544	811,339
Gross Loans, advances and financing	29,645,291	18,503,797	-	102,528	48,251,616
Deposits from customers	28,185,469	24,302,427	2,992,343	16	55,480,255
Gross impaired loans, advances and financing	633,266	319,539	-	-	952,805

**Geographical Segment**

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

## NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)

### 48 CAPITAL ADEQUACY

#### Capital Management

It is the Group's and the Bank's objective to maintain a strong capital position to support business growth, and to maintain investor, depositor, customer and market confidence. In line with this, the Group and the Bank manage capital actively to ensure that the Group's and the Bank's capital adequacy ratios are comfortably above the regulatory minima while balancing shareholder's desire for sustainable returns and high standards of prudence. Over the years, the Group and the Bank had issued non-cumulative perpetual preference shares, innovative Tier 1 capital and Tier 2 subordinated term loan/bonds. There are no significant impediments on the transfer of capital within the Group and the Bank.

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

#### Capital Initiatives

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 subordinated bonds, rated AA1 on 21 August 2013 by Rating Agency Malaysia Berhad, qualify as Tier 2 capital for the purpose of determining the capital adequacy ratios of the Bank.

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

#### Capital Adequacy Ratios

The Group and the Bank are required to comply with Common Equity Tier 1 capital ratio of 3.5%, Tier 1 capital ratio of 4.5% and risk-weighted capital ratio of 8% prescribed by BNM. The Bank and its regulated banking subsidiary were in compliance with the prescribed capital ratios throughout the financial year.

The Group's and Bank's capital adequacy ratios remained strong. The table below shows the composition of the regulatory capital and capital adequacy ratios as at 31 December 2013, determined according to the requirements of BNM Guidelines - Capital Adequacy Framework (Capital Components), which defines the regulatory capital and deductions required, including the cost of investment in subsidiaries and other capital investments.

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****48 CAPITAL ADEQUACY (continued)**

With effect from 1 January 2013, the capital ratio is computed in accordance with BNM's Capital Adequacy Framework (Capital Components). Recognition of the Group's and the Bank's Tier 2 capital instruments is subject to a gradual phase out as required by the BNM's Capital Adequacy Framework (Capital Components).

Comparative figures are computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework (RWCAF-Basel II) and have not been restated.

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

	<b>Basel III</b>	
	<u>Group</u>	<u>Bank</u>
<b>2013</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Common Equity Tier 1 ("CET 1") Capital</u>		
Paid-up ordinary share capital	287,500	287,500
Ordinary share premium	462,500	462,500
Retained earnings	3,996,729	3,923,458
Unrealised gain on financial investments available-for-sale	29,610	36,308
Other reserves	429,389	322,000
Capital reserves	56,619	-
CET 1 capital	<u>5,262,347</u>	<u>5,031,766</u>
Regulatory adjustment for CET 1	(316,452)	(270,760)
Eligible CET 1 capital	<u>4,945,895</u>	<u>4,761,006</u>
<u>Additional Tier 1 Capital</u>		
Paid-up non-cumulative, non-convertible perpetual preference shares	3,600	3,600
Preference share premium	356,400	356,400
Innovative Tier 1 capital	360,000	360,000
Eligible Tier 1 capital	<u>5,665,895</u>	<u>5,481,006</u>
<u>Tier 2 capital</u>		
Collective impairment allowance under the Standardised Approach *	19,124	10,519
Subordinated term loans/bonds	1,170,000	1,170,000
	<u>1,189,124</u>	<u>1,180,519</u>
Regulatory adjustment for Tier 2 capital	-	(576,617)
Eligible Tier 2 capital	<u>1,189,124</u>	<u>603,902</u>
<b>Capital base</b>	<u>6,855,019</u>	<u>6,084,908</u>
<u>Before deducting proposed dividend</u>		
CET 1 capital ratio	12.773%	14.158%
Tier 1 capital ratio	14.632%	16.299%
Risk-weighted capital ratio	<u>17.703%</u>	<u>18.095%</u>
<u>After deducting proposed dividend</u>		
CET 1 capital ratio	11.619%	12.830%
Tier 1 Capital Ratio	13.478%	14.971%
Risk-weighted capital ratio	<u>16.549%</u>	<u>16.767%</u>

\* Excluding collective impairment allowance on impaired loans, advances and financing

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****48 CAPITAL ADEQUACY (continued)**

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

	<b>Basel II</b>	
	<b>Group</b>	<b>Bank</b>
<b>2012</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Tier 1 capital</u>		
Paid-up ordinary share capital	287,500	287,500
Paid-up non-cumulative, non-convertible perpetual preference shares	4,000	4,000
Share premium	858,500	858,500
Retained earnings	3,532,204	3,512,908
Other reserves	375,643	322,000
Innovative Tier 1 Capital	400,000	400,000
Capital reserves	56,619	-
	<u>5,514,466</u>	<u>5,384,908</u>
Deferred tax adjustments	(16,650)	(12,327)
Eligible Tier 1 capital	<u>5,497,816</u>	<u>5,372,581</u>
<u>Tier 2 capital</u>		
Collective impairment allowance under the Standardised Approach *	22,294	12,343
Subordinated term loans/bonds	1,299,467	1,099,467
Total Tier 2 capital	<u>1,321,761</u>	<u>1,111,810</u>
Investments in subsidiary companies	-	(346,617)
Excess of Expected Loss over Eligible Provisions under the Internal Ratings Based Approach	(56,032)	(40,430)
Eligible Tier 2 capital	<u>1,265,729</u>	<u>724,763</u>
<b>Capital base</b>	<u>6,763,545</u>	<u>6,097,344</u>
<u>Before payment of dividend</u>		
Tier 1 capital ratio	14.469%	15.913%
Risk-weighted capital ratio	<u>17.800%</u>	<u>18.059%</u>
<u>After payment of dividend</u>		
Tier 1 Capital Ratio	13.537%	14.864%
Risk-weighted capital ratio	<u>16.868%</u>	<u>17.011%</u>

\* Excluding collective impairment allowance on impaired loans, advances and financing

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****48 CAPITAL ADEQUACY (continued)**

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

<b><u>Group</u></b>	<b>2013 RM'000</b>	<b>2012 RM'000</b>
Credit risk	34,148,404	33,661,280
Market risk	737,026	721,979
Operational risk	3,837,567	3,614,636
	<u>38,722,997</u>	<u>37,997,895</u>
 <b><u>Bank</u></b>		
Credit risk	29,473,684	29,734,320
Market risk	737,031	723,156
Operational risk	3,416,725	3,305,337
	<u>33,627,440</u>	<u>33,762,813</u>

The Total RWA of the Group is derived from the consolidated balances of the Bank and its subsidiaries. There are no banking subsidiaries that are not included in the consolidation for regulatory purposes and for those consolidated, there are no differences in the basis of consolidation for accounting and regulatory purposes.

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

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

	<b><u>OCBC Al-Amin Bank Berhad</u></b>	
	<b>Basel III 2013</b>	<b>Basel II 2012</b>
CET 1 capital ratio	10.549%	-
Tier 1 capital ratio	10.549%	10.736%
Risk-weighted capital ratio	<u>14.125%</u>	<u>15.240%</u>

The capital ratios of OCBC Al-Amin are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components). Comparative figures are computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework (CAFIB-Basel II) and have not been restated. OCBC Al-Amin 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.



**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (continued)****49 SIGNIFICANT EVENTS DURING THE YEAR**

Subscription of 10 million ordinary shares of RM1 each at RM3 per ordinary share issued by its subsidiary as disclosed in Note 11 to the financial statements.

**50 COMPARATIVE FIGURES**

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

**STATEMENTS OF FINANCIAL POSITION**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2012</b>		<b>31 December 2012</b>	
	<b>As previously reported</b>	<b>As restated</b>	<b>As previously reported</b>	<b>As restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>				
Cash and cash equivalents	11,361,095	11,250,208	11,961,869	11,850,982
Other assets	259,769	269,322	447,306	456,859
<b>LIABILITIES</b>				
Deposits from customers	55,484,372	55,480,255	51,075,434	51,071,317
Deposits and placements of banks and other financial institutions	8,590,337	8,479,493	8,189,016	8,078,172
Other liabilities	914,182	927,809	902,838	916,465