

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

	Group 2015 RM'000	Bank 2015 RM'000
Profit for the year	<u>882,951</u>	<u>745,308</u>

SHARE CAPITAL AND DEBENTURES

During the financial year, the Bank fully redeemed 4,000,000 non-cumulative, non-convertible perpetual preference shares of RM1 each at RM100 each totalling RM400,000,000.

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

RESERVES AND PROVISIONS

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

DIVIDENDS

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

- i) A semi-annual net cash dividend of 4.51% (on the issue price) amounting to RM8.95 million to the preference shareholders on 20 March 2015;
- ii) A final dividend of 152.2 sen per ordinary share totalling RM437.70 million in respect of the previous financial year on 28 April 2015; and
- iii) A semi-annual net cash dividend amounting to RM9.06 million to the preference shareholders on 21 September 2015, at 4.51% and 4.32% (both on issue price) for the periods from 21 March 2015 to 12 August 2015 and 13 August 2015 to 20 September 2015, respectively.

The Directors recommend a final dividend of 152.2 sen per ordinary share in respect of the current financial year amounting to RM437.70 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 this proposed dividend. Such dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016 when approved by the shareholder.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

FINANCIAL PERFORMANCE

Against the backdrop of continued moderate growth in the global economy and slowing growth in most Asia in 2015, the Group registered a 6% or RM49 million increase in profit after tax against last year, rising to RM883 million. Despite the marginal drop in net interest income, total income rose by RM165 million or 7% to RM2.5 billion, largely attributable to higher net trading income by RM96 million or 73%, and higher income from Islamic banking operations by RM47 million or 10%. The Group provided RM70 million more individual impairment allowance than last year which was more than mitigated by lower collective impairment allowances by RM82 million.

Total assets of the Group grew by RM2.6 billion or 3% against last year, mainly from expansion of loans, advances and financing by RM5.8 billion or 9%.

The Group and Bank remained well capitalised after taking into consideration the proposed dividend, with Common Equity Tier 1 (CET 1) capital ratios of 11.066% and 11.483%, Tier 1 capital ratios of 12.855% and 13.600% and total capital ratios of 16.149% and 16.136% respectively.

ACTIVITIES AND ACHIEVEMENTS

During the year, OCBC Malaysia won several awards including The Asset's Best in Treasury and Working Capital for SMEs (Malaysia); Best SME Cash Management Solution, Malaysia; and Best SME Trade Finance Solution, Malaysia. The Bank was also recognised as the Best SME Bank in Malaysia by Global Banking & Finance Review. The Bank's Islamic Banking subsidiary, OCBC Al-Amin Bank Berhad, received the "Top Small and Medium Enterprises ("SME") Supporter Award 2014" from Credit Guarantee Corporation Malaysia ("CGC") for its continued support of the growth of SMEs in Malaysia.

During the year, we opened four new branches; the 32nd conventional banking branch in Kulajjaya, Johor in June 2015 and three Islamic banking branches in Kota Kemuning, Shah Alam; Sibul, Sarawak, and Sandakan, Sabah. The Kota Kemuning branch features OCBC Al-Amin's first Islamic Premier Banking centre, while the Sibul branch marked the establishment of our first Islamic banking branch in East Malaysia. With these, we now have a total of 45 branches nationwide; 32 offering conventional banking and 13 offering Islamic banking.

MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2016

Moving into 2016, OCBC Malaysia strives to entrench its position as a banker of choice to the retail, SME, corporate and commercial segments by providing a wider pool of innovative products and convenient services. There are plans to expand our customer reach through the opening of even more branches, both conventional and Islamic.

For corporate and commercial banking customers, we remain steadfast in supporting our clients to grow in both local and overseas markets through basic funding, transaction services, promoting trade and facilitating overseas investments. Besides conventional lending, we continue to strengthen our capacity to provide value chain financing, and contract and project financing to cater to the diverse needs of our customers and the complexity of the assignments.

For SMEs, we will continue to drive the growth of the business community by working closely with the Government and our strategic partners to provide even more convenient access to financing. We continue to leverage on our collaboration with CGC to make available our unsecured business financing facility through the country's only SME wholesale guarantee scheme, Wholesale Guarantee-i. We have also embarked on a strategy to gain traction with our customers via cash on-boarding process through the SME's operating account, alongside our on-going drive to offer deposit solutions.

In consumer banking, we continue to expand our Premier Banking services to serve the needs of affluent Malaysians at our conventional and Islamic branches. We will extend our product offerings and advisory from investments to insurance products as well to cater to the needs of our customers. We will also provide our customers in the emerging affluent segment with enhancements in digital banking and wealth management.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2016 (continued)

On the treasury front, we will continue to assist the various customer segments to fulfil their requirements in a very volatile environment and within the permitted regulatory guidelines. This is pertinent in light of foreign exchange having been the main source of risk for corporate, institutional and retail clients for most of the year. We expect the volatility to continue into 2016 given the precarious global outlook and the possibility of rate hikes from the US. Our focus on investment products for consumers will continue, with vanilla products being the main driver while structured products will be rolled out in a measured manner.

In Islamic banking, we will build on our endeavours in expanding and re-positioning our OCBC Al-Amin branches and introduce additional Shariah-compliant products for our treasury and wealth management businesses; the expanded product range will be even more comprehensive and far-reaching, in line with Malaysia's status as a global Islamic financial hub.

RATINGS BY EXTERNAL AGENCY

RAM Rating Services Berhad ("RAM") has reaffirmed OCBC Bank (Malaysia) Berhad's long term and short term financial institution rating on 10 July 2015 at AAA and P1, respectively, with stable outlook. The ratings reflect the Bank's sound credit metrics and established franchise among mid-sized corporates and small and medium-sized enterprises.

DIRECTORS OF THE BANK

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

Dato' Ooi Sang Kuang - Chairman
Samuel N. Tsien
Lai Teck Poh
Ng Hon Soon
Tong Hon Keong
Tan Ngiap Joo (appointed on 1 October 2015)
Ching Wei Hong (retired on 20 June 2015)
Dr Raja Lope Bin Raja Shahrome (retired on 10 March 2016)
Tan Siew Peng, Darren (resigned on 5 April 2016)

In accordance with Articles 106 and 107 of the Bank's Articles of Association, Mr Samuel N. Tsien shall retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with Article 110 of the Bank's Articles of Association, Mr Tan Ngiap Joo shall retire at the forthcoming Annual General Meeting and being eligible, offer himself for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Mr Lai Teck Poh and Mr Tan Ngiap Joo, who have attained 70 years of age, offer themselves for re-appointment at the forthcoming Annual General Meeting.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

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

Oversea-Chinese Banking Corporation Limited

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

	At			At
	1 January 2015	Acquired	Disposed	31 December 2015
<u>Ordinary Shares</u>				
Dato' Ooi Sang Kuang	13,033	6,760	-	19,793
Samuel N. Tsien	315,460	156,843	-	472,303
Lai Teck Poh	790,694	245,126	-	1,035,820
Tan Ngiap Joo	1,239,780*	-	-	1,239,780
Dr Raja Lope Bin Raja Shahrome (retired on 10 March 2016)	2,079	118	-	2,197
Tan Siew Peng, Darren (resigned on 5 April 2016)	326,416	136,469	(42,100)	420,785

* As at date of appointment on 1 October 2015

OCBC Deferred Share Plan and
OCBC Employee Share Purchase Plan

	At			At
	1 January 2015	Acquired/ Awarded/ Granted	Exercised/ Forfeited/ Lapsed	31 December 2015
Samuel N. Tsien	533,142	274,982	(138,788)	669,336
Tan Siew Peng, Darren (resigned on 5 April 2016)	217,060	93,163	(93,455)	216,768

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

	Date options expire	At			At
		1 January 2015	Granted	Exercised/ Forfeited/ Lapsed	31 December 2015
Samuel N. Tsien	15/3/2019-15/3/2025	2,545,137	744,867	-	3,290,004
Lai Teck Poh	Not applicable	200,518	-	(200,518)	-
Tan Ngiap Joo	13/3/2016-13/3/2017	113,113*	-	-	113,113
Tan Siew Peng, Darren (resigned on 5 April 2016)	13/3/2022-15/3/2025	500,021	247,042	(26,957)	720,106

* As at date of appointment on 1 October 2015

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

DIRECTORS' BENEFITS

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

DIRECTORS' BENEFITS (continued)

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

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises six Directors, all of whom are non-executive Directors. The independent non-executive Directors are Dato' Ooi Sang Kuang (Chairman of the Board), Mr Lai Teck Poh, Mr Ng Hon Soon, Mr Tong Hon Keong and Mr Tan Ngiap Joo (appointed on 1 October 2015) while the non-independent non-executive Director is Mr Samuel N. Tsien.

The roles of the Chairman and the Chief Executive Officer ("CEO") are separated, which is consistent with the principles of corporate governance as set out in the BNM Guidelines on Corporate Governance for Licensed Institutions to institute an appropriate balance of power and authority. The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agendas in consultation with the CEO; ensuring that Directors receive accurate, timely and clear information; encouraging constructive relations between the Board and management; facilitating the effective contribution of non-executive Directors; and promoting high standards of corporate governance.

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

As a principle of good corporate governance, all Directors are subject to re-election/re-appointment pursuant to the Bank's Articles of Association (by rotation) and BNM's approval.

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

Board Conduct and Responsibilities

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

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

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

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CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities (continued)

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

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

Board and Individual Director Performance

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

Board Audit Committee

The Board Audit Committee ("BAC") comprises Mr Tan Ngiap Joo (BAC Chairman with effect from 10 March 2016), Mr Ng Hon Soon and Mr Tong Hon Keong; all of whom are independent Directors.

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

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

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

CORPORATE GOVERNANCE (continued)

Internal Audit Function

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

Internal Audit reports on the adequacy of the system of internal controls to the BAC and management, but does not form any part of the system of internal controls. Internal Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors and the Shariah Governance Framework for Islamic Financial Institutions issued by BNM. In addition, the Internal Auditors have acquired the necessary qualifications and training in Islamic Banking.

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

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

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

Internal Controls

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

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

CORPORATE GOVERNANCE (continued)

Management Information (continued)

The Board reports include, amongst others, the following:

- i) Minutes of meetings of all Board Committees;
- ii) Monthly Performance Report of the Bank;
- iii) At least quarterly Credit Risk Management Report;
- iv) At least quarterly Asset Liability & Market Risk Report; and
- v) At least quarterly Operational Risk Management Report.

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

Directors' Attendance At Board And Board Committee Meetings in 2015

Name of Director	Schedule of Meetings							
	Board		Board Audit Committee		Nominating Committee		Risk Management Committee	
	Held#	Attended	Held#	Attended	Held#	Attended	Held#	Attended
Dato' Ooi Sang Kuang	8	8	6	6	3	3	6	6
Samuel N. Tsien	8	8	-	-	3	3	6	6
Lai Teck Poh	8	8	6	6	3	3	6	6
Ng Hon Soon	8	8	6	6	3	3	6	6
Tong Hon Keong	8	8	6	6	-	-	6	6
Tan Ngiap Joo (appointed on 1 October 2015)	2	2	2	2	1	1	2	2
Ching Wei Hong (retired on 20 June 2015)	5	3 [^]	-	-	1	1	3	3
Dr Raja Lope Bin Raja Shahrome (retired on 10 March 2016)	8	8	-	-	-	-	6	6
Tan Siew Peng, Darren (resigned on 5 April 2016)	8	6 [^]	-	-	-	-	6	6

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

[^] Mr Tan Siew Peng, Darren and Mr Ching Wei Hong abstained themselves from attending the Special Board Meeting on 26 February 2015 by virtue that they have deemed interest in the subject matter being discussed.

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

Profile of the Board of Directors

Dato' Ooi Sang Kuang, Chairman

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

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CORPORATE GOVERNANCE (continued)

Profile of the Board of Directors (continued)

Mr Samuel N. Tsien

Mr Samuel Tsien was appointed to the Board on 15 April 2012. He was appointed to the Board of OCBC Bank on 13 February 2014 and as Group Chief Executive Officer on 15 April 2012. Mr Tsien joined OCBC Bank in July 2007 as Senior Executive Vice President, overseeing the corporate and commercial banking business. In 2008, he assumed the position as Global Head, Global Corporate Bank with added responsibilities of overseeing the financial institution and transaction banking businesses. He has 38 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Mr Tsien is presently Chairman of OCBC Bank (China) Ltd and a Commissioner of PT Bank OCBC NISP Tbk. He also serves on the boards of major OCBC Group companies, including Great Eastern Holdings Ltd, Bank of Singapore Ltd and OCBC Wing Hang Bank Limited. He is concurrently a council member of the Association of Banks in Singapore and the Singapore Business Federation, a member of the Financial Sector Tripartite Committee and MAS Financial Centre Advisory Panel, and a Director of Mapletree Investments Pte Ltd. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles ("UCLA").

Mr Lai Teck Poh

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

Mr Ng Hon Soon

Mr Ng Hon Soon was appointed to the Board on 16 July 2014 as a non-independent non-executive Director and was later redesignated as an independent non-executive Director on 1 November 2014. He has more than 25 years of experience in the financial services industry, including banking and general insurance. He was previously attached to Bank Negara Malaysia from 1984 to 1994 before joining the research team of Nomura Advisory Services (M) Sdn Bhd in 1994. He then joined The Pacific Bank Berhad in 1995 overseeing, amongst others, corporate planning and risk management functions. In 2001, he was appointed to head PacificMas Berhad (renamed from The Pacific Bank Berhad following the sale of its banking business) as its General Manager. He was seconded by PacificMas Berhad to The Pacific Insurance Berhad as its Chief Executive Officer from 2002 to 2003 and was appointed the Chief Executive Officer of PacificMas Berhad in 2004 until his resignation in 2012, following the commencement of the voluntary winding-up of the company. Mr Ng is currently also a Director of OCBC Al-Amin Bank Berhad, Great Eastern Life Assurance (Malaysia) Berhad, Overseas Assurance Corporation (Malaysia) Berhad, RAM Rating Services Berhad and Pac Lease Berhad. Mr Ng holds a Bachelor of Applied Science (Hons.) from University Sains Malaysia and a Master in Public Administration from Harvard University.

Mr Tong Hon Keong

Mr Tong Hon Keong was appointed to the Board on 21 July 2015. He had an illustrious career in Maybank spanning over 30 years. He gained wide ranging experience in various functional responsibilities, covering Planning, Information Systems, Central Operations and Management Information Services. He is also a Director of OCBC Al-Amin Bank. Mr Tong holds a Bachelor of Economics (Hons.) from University of Malaya.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

CORPORATE GOVERNANCE (continued)

Profile of the Board of Directors (continued)

Mr Tan Ngiap Joo

Mr Tan Ngiap Joo was appointed to the Board on 1 October 2015. He spent 20 years in Citibank NA serving in various capacities, including Senior Risk Manager of Citibank Australia covering both Australia and New Zealand, and postings overseas prior to joining the OCBC Group in August 1990, where he held senior positions over the years, including Chief Executive of OCBC's Australian operations, and Head, Group Business Banking. He was appointed Deputy President in December 2001 and retired in December 2007. He is also a Chairman of United Engineers Ltd, Banking Computer Services Pte Ltd and Mapletree India China Fund Ltd, Investment Committee and a Director of OCBC Al-Amin Bank Berhad, BCS Information Systems Pte Ltd, China Fishery Group Ltd, and Mapletree Logistics Trust Management Ltd. Mr Tan holds a Bachelor of Arts from University of Western Australia.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

OTHER STATUTORY INFORMATION (continued)

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

In the opinion of the Directors, the financial performance of the Group and of the Bank for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

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

DATO' OOI SANG KUANG
Chairman

NG HON SOON
Director

Kuala Lumpur, Malaysia
Date: 12 April 2016

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 17 to 138 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 2015 and of their financial performance and cash flows for the financial year then ended.

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

DATO' OOI SANG KUANG
Chairman

NG HON SOON
Director

Kuala Lumpur, Malaysia
Date: 12 April 2016

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 17 to 138 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur in Malaysia on 12 April 2016.

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 2015 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 138.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Company No. 295400-W

Report on Other Legal and Regulatory Requirements

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

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

Other Matters

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

KPMG

Firm Number: AF 0758
Chartered Accountants

Ow Peng Li

Approval Number: 2666/09/17(J)
Chartered Accountant

Petaling Jaya, Selangor
Date: 12 April 2016

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Cash and cash equivalents	3	5,443,390	8,273,458	4,862,227	7,780,124
Deposits and placements with banks and other financial institutions	4	-	2,852,549	1,076,407	3,872,892
Financial assets held-for-trading	5	1,545,745	1,046,895	1,545,745	1,046,895
Financial investments available-for-sale	6	13,687,018	12,866,011	10,629,759	10,085,357
Loans, advances and financing	7	68,468,175	62,638,140	58,580,383	53,470,126
Derivative financial assets	9	2,104,912	1,240,338	2,104,507	1,240,367
Other assets	10	317,835	229,267	495,733	418,169
Statutory deposits with Bank Negara Malaysia	11	2,386,312	2,185,892	1,980,212	1,806,092
Investments in subsidiaries	12	-	-	556,617	496,617
Property and equipment	13	213,085	223,120	198,859	217,638
Prepaid lease payments	14	820	856	820	856
Investment properties	15	2,428	7,921	2,428	7,921
Non-current assets held for sale	16	1,595	-	1,595	-
Deferred tax assets	17	14,492	21,369	12,156	19,245
Current tax assets		4,907	16,691	-	6,872
Total assets		94,190,714	91,602,507	82,047,448	80,469,171
LIABILITIES					
Deposits from customers	18	73,465,634	71,588,131	63,366,892	61,649,806
Deposits and placements of banks and other financial institutions	19	8,098,511	10,291,077	6,665,892	9,476,126
Bills and acceptances payable		146,894	183,899	128,224	163,255
Recourse obligation on loans sold to Cagamas Berhad		1,148,897	-	1,148,897	-
Subordinated bonds	20	2,225,370	1,692,556	2,225,370	1,692,556
Derivative financial liabilities	9	1,979,824	1,006,835	1,979,249	1,006,830
Other liabilities	21	1,033,595	824,226	883,707	770,387
Current tax liabilities and zakat		21,600	35	21,560	-
Total liabilities		88,120,325	85,586,759	76,419,791	74,758,960
EQUITY					
Share capital	22	287,500	291,500	287,500	291,500
Reserves	23	5,782,889	5,724,248	5,340,157	5,418,711
Total equity attributable to owner of the Bank		6,070,389	6,015,748	5,627,657	5,710,211
Total liabilities and equity		94,190,714	91,602,507	82,047,448	80,469,171
Commitments and contingencies	35	109,531,585	97,506,549	106,100,743	95,840,175

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	24	3,551,529	3,278,293	3,609,488	3,341,525
Interest expense	24	(2,183,914)	(1,905,892)	(2,218,906)	(1,929,332)
Net interest income	24	1,367,615	1,372,401	1,390,582	1,412,193
Income from Islamic banking operations	25	513,732	467,154	-	-
Net fee and commission income	26	324,909	289,014	324,909	289,014
Net trading income	27	227,541	131,325	227,541	131,325
Other operating income	28	42,884	52,266	148,526	158,828
Operating income		2,476,681	2,312,160	2,091,558	1,991,360
Operating expenses	29	(1,014,468)	(942,334)	(929,477)	(870,947)
Operating profit before impairment allowance and provision		1,462,213	1,369,826	1,162,081	1,120,413
Impairment allowance on loans, advances and financing	31	(290,283)	(294,551)	(162,545)	(133,222)
Impairment allowance on investment properties	15	(670)	(311)	(670)	(311)
Provision for commitments and contingencies	21(c)	-	(1,717)	-	(1,717)
Impairment allowance on other receivables	21(d)	(2,862)	-	(2,862)	-
Profit before income tax and zakat		1,168,398	1,073,247	996,004	985,163
Income tax expense	32	(285,407)	(238,833)	(250,696)	(221,856)
Zakat		(40)	(35)	-	-
Profit for the year		882,951	834,379	745,308	763,307
Other comprehensive income, net of income tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		21,228	45,138	21,343	38,141
- Amount transferred to profit or loss		14,423	8,023	14,903	9,708
Income tax expense relating to components of other comprehensive income	17(i)	(8,253)	(13,712)	(8,400)	(12,284)
Other comprehensive income for the year, net of tax		27,398	39,449	27,846	35,565
Total comprehensive income for the year		910,349	873,828	773,154	798,872
Profit attributable to owner of the Bank		882,951	834,379	745,308	763,307
Total comprehensive income attributable to owner of the Bank		910,349	873,828	773,154	798,872
Basic earnings per ordinary share (sen)	33	300.8	283.9	253.0	259.2

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000		Retained earnings RM'000
At 1 January 2015	291,500	858,500	464,653	130,000	69,059	56,619	-	4,145,417	6,015,748
Fair value (available-for-sale) reserve									
- Change in fair value	-	-	-	-	21,228	-	-	-	21,228
- Amount transferred to profit or loss	-	-	-	-	14,423	-	-	-	14,423
Income tax credit relating to components of other comprehensive income	-	-	-	-	(8,253)	-	-	-	(8,253)
Total other comprehensive income for the year	-	-	-	-	27,398	-	-	-	27,398
Profit for the year	-	-	-	-	-	-	-	882,951	882,951
Total comprehensive income for the year	-	-	-	-	27,398	-	-	882,951	910,349
Transfer to statutory reserve	-	-	42,347	-	-	-	-	(42,347)	-
Transfer to regulatory reserve	-	-	-	25,000	-	-	-	(25,000)	-
Redemption of preference shares	(4,000)	(396,000)	-	-	-	-	4,000	(4,000)	(400,000)
<i>Contributions by and distributions to owners of the Bank</i>									
Dividends paid									
- Final 2014 ordinary	-	-	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	-	-	(18,008)	(18,008)
At 31 December 2015	287,500	462,500	507,000	155,000	96,457	56,619	4,000	4,501,313	6,070,389

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)**

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	
At 1 January 2014	291,500	858,500	429,390	-	29,610	56,619	3,996,728	5,662,347
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	45,138	-	-	45,138
- Amount transferred to profit or loss	-	-	-	-	8,023	-	-	8,023
Income tax expense relating to components of other comprehensive income	-	-	-	-	(13,712)	-	-	(13,712)
Total other comprehensive income for the year	-	-	-	-	39,449	-	-	39,449
Profit for the year	-	-	-	-	-	-	834,379	834,379
Total comprehensive income for the year	-	-	-	-	39,449	-	834,379	873,828
Transfer to regulatory reserve	-	-	-	130,000	-	-	(130,000)	-
Transfer to statutory reserve	-	-	35,263	-	-	-	(35,263)	-
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2013 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
- Interim 2014 ordinary	-	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	-	(18,040)	(18,040)
At 31 December 2014	291,500	858,500	464,653	130,000	69,059	56,619	4,145,417	6,015,748

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

<u>Bank</u>	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Capital redemption reserve RM'000	Retained earnings RM'000	
At 1 January 2015	291,500	858,500	322,000	130,000	71,873	-	4,036,338	5,710,211
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	21,343	-	-	21,343
- Amount transferred to profit or loss	-	-	-	-	14,903	-	-	14,903
Income tax credit relating to components of other comprehensive income	-	-	-	-	(8,400)	-	-	(8,400)
Total other comprehensive income for the year	-	-	-	-	27,846	-	-	27,846
Profit for the year	-	-	-	-	-	-	745,308	745,308
Total comprehensive income for the year	-	-	-	-	27,846	-	745,308	773,154
Transfer to regulatory reserve	-	-	-	25,000	-	-	(25,000)	-
Redemption of preference shares	(4,000)	(396,000)	-	-	-	4,000	(4,000)	(400,000)
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2014 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	-	(18,008)	(18,008)
At 31 December 2015	287,500	462,500	322,000	155,000	99,719	4,000	4,296,938	5,627,657

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)**

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

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before income tax and zakat	1,168,398	1,073,247	996,004	985,163
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	36	36	36	36
Depreciation of investment properties	121	180	121	180
Depreciation of property and equipment	44,050	47,111	41,773	44,356
Dividends received from financial assets held-for-trading	(1,144)	(830)	(1,144)	(830)
Dividends received from financial investments available-for-sale	(809)	(775)	(809)	(775)
Impairment allowance on:				
- Loans, advances and financing	290,283	294,551	162,545	133,222
- Investment properties	670	311	670	311
Net loss/(gain) on disposal of:				
- Financial investments available-for-sale	14,423	8,023	14,903	9,708
- Investment properties	(37,431)	(44,998)	(37,431)	(44,998)
- Property and equipment	(182)	145	(182)	145
Share-based expenses	6,254	4,924	5,971	4,704
Unrealised (gain)/loss on:				
- Financial assets held-for-trading	(8,801)	2,094	(8,801)	2,094
- Hedging derivatives	(986)	145	(986)	145
- Trading derivatives	133,371	(27,156)	133,371	(27,156)
- Subordinated bonds	13,292	-	13,292	-
Operating profit before changes in working capital	1,621,545	1,357,008	1,319,333	1,106,305
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	2,852,549	(1,002,740)	2,796,485	(1,155,952)
Financial assets held-for-trading	(488,905)	(693,186)	(488,905)	(693,186)
Loans, advances and financing	(6,120,318)	(7,233,820)	(5,272,802)	(4,667,431)
Other assets	(88,568)	97,581	(77,564)	105,410
Statutory deposits with Bank Negara Malaysia	(200,420)	(318,000)	(174,120)	(209,000)
Derivative financial assets and liabilities	(18,276)	(119,416)	(18,412)	(119,458)
Deposits from customers	1,877,503	8,576,925	1,717,086	5,220,762
Deposits and placements of banks and other financial institutions	(2,192,566)	667,313	(2,810,234)	400,636
Bills and acceptances payable	(37,005)	(59,560)	(35,031)	(66,525)
Other liabilities	203,248	35,964	107,482	16,956
Cash (used in)/generated from operations	(2,591,213)	1,308,069	(2,936,682)	(61,483)
Income tax and zakat paid	(253,474)	(315,457)	(223,575)	(289,748)
Net cash (used in)/generated from operating activities	(2,844,687)	992,612	(3,160,257)	(351,231)

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (continued)

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of financial investments available-for-sale	(20,121,597)	(16,863,489)	(14,689,056)	(13,356,469)
Acquisition of property and equipment	(34,667)	(17,867)	(23,332)	(17,659)
Dividends received from financial investments available-for-sale	809	775	809	775
Increase in investment in subsidiary	-	-	(60,000)	(120,000)
Proceeds from disposal of financial investments available-for-sale	19,319,134	15,703,491	14,163,313	12,990,299
Proceeds from disposal of investment properties	40,538	51,859	40,538	51,859
Proceeds from disposal of property and equipment	834	20	520	-
Net cash used in investing activities	(794,949)	(1,125,211)	(567,208)	(451,195)
Cash flows from financing activities				
Dividends paid to owner of the Bank	(437,700)	(502,387)	(437,700)	(502,387)
Dividends paid to preference shareholders	(18,008)	(18,040)	(18,008)	(18,040)
Proceeds from issuance of subordinated bonds	1,016,379	-	1,016,379	-
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	-	1,148,897	-
Redemption of subordinated bonds	(500,000)	-	(500,000)	-
Redemption of preference shares	(400,000)	-	(400,000)	-
Net cash generated from/(used in) financing activities	809,568	(520,427)	809,568	(520,427)
Net decrease in cash and cash equivalents	(2,830,068)	(653,026)	(2,917,897)	(1,322,853)
Cash and cash equivalents at 1 January	8,273,458	8,926,484	7,780,124	9,102,977
Cash and cash equivalents at 31 December	5,443,390	8,273,458	4,862,227	7,780,124

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

GENERAL INFORMATION

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

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

The consolidated financial statements of the Bank as at and for the financial year ended 31 December 2015 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

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

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

The financial statements were approved and authorised for issue by the Board of Directors on 12 April 2016.

1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except as disclosed in Note 2 to the financial statements.

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

(a) Statement of compliance

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and Shariah requirements (operations of Islamic Banking).

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

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

Effective for annual periods commencing on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosures of Interest in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 119, *Employee benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

Effective date to be announced by MASB

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned accounting standards and amendments when they become effective in the respective financial periods. The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements of the Group and the Bank except as described below:

MFRS 9, *Financial Instruments*

In November 2015, MASB issued MFRS 9, *Financial Instruments* effective for annual periods beginning or after 1 January 2018, which replaces MFRS 139, *Financial Instruments: Recognition and Measurement*. Retrospective application is required but comparative information is not compulsory.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 requires an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretations 131, *Revenue - Barter Transactions Involving Advertising Services*. Under MFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good and service.

The adoption of MFRS 9 and MFRS 15 will result in a change in accounting policy. The Group and the Bank are currently assessing the financial impact of adopting MFRS 9 and MFRS 15.

(b) Use of estimates and judgements

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

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

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

- (i) Fair value estimation for financial assets held-for-trading (Note 5), financial investments available-for-sale (Note 6) and derivative financial assets and liabilities (Note 9). Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives), the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads. Where observable market data is not available, judgement is required in the determination of model input, which normally incorporates assumptions that other market participants would use in their valuations, including assumptions about interest/profit rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgement is also required in assessing the impairment of financial investments available-for-sale as the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.
- (ii) For impaired loans, advances and financing which are individually and collectively assessed, management judgement is required in the estimation of the amount and timing of future cash flows in determining recoverable amount. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ from this.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

- (iii) Assessment of impairment of financial investments available-for-sale (Note 6) is made when the investment is impaired. Management judgement is required to evaluate the duration and extent of fair value loss for financial investments available-for-sale in order to determine if impaired.
- (iv) The measurement of the fair value for investment properties (Note 15) performed by management is determined with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.
- (v) Management judgement is required for estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome is not determined until a later date. Whereas, for deferred tax, management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2 SIGNIFICANT ACCOUNTING POLICIES

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

A Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Business combinations

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

A Basis of consolidation (continued)

(b) Business combinations (continued)

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

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

(c) Acquisitions of non-controlling interests

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

(d) Acquisitions of entities under common control

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

(e) Loss of control

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

(f) Transactions eliminated on consolidation

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

B Foreign currency transactions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

B Foreign currency transactions (continued)

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

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

C Financial instruments

(a) Initial recognition and measurement

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

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

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

(b) Financial instrument categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:

Financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

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

Financial assets (continued)

(ii) Held-to-maturity investments

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

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

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

(iii) Financial investments available-for-sale

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

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

(iv) Loans/Financing and receivables

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

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

Financial liabilities

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

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

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

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

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

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific 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 a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letters of credit, guarantees and acceptances.

(d) Regular way purchase or sale of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(e) Hedge accounting

(i) Fair value hedge

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

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

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

(ii) Cash flow hedge

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

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

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

(f) Derivatives

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(f) Derivatives (continued)

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

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

(g) Derecognition

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

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

(h) Offsetting

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

D Property and equipment

(a) Recognition and measurement

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

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

D Property and equipment (continued)

(a) Recognition and measurement (continued)

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

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

E Leased assets

(a) Finance lease

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

E Leased assets (continued)

(a) Finance lease (continued)

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

(b) Operating lease

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

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

F Investment property

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

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

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

Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. The Group and the Bank have adopted the cost method in measuring investment properties. Investment properties are measured at cost less any accumulated depreciation and any impairment allowance, consistent with the accounting policy for property and equipment as stated in Note 2(D).

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

G Non-current assets held for sale

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

H Cash and Cash Equivalents

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

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

I Impairment

(a) Financial assets

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

(i) Held-to-maturity investments

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

(ii) Financial investments available-for-sale

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

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

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

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

(iii) Loans/Financing and receivables

The Group and the Bank assess at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired subject to the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing where loans, advances and financing that are past due for more than 90 days or 3 months are deemed impaired.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

I Impairment (continued)

(a) Financial assets (continued)

(iii) Loans/Financing and receivables (continued)

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

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

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

(b) Other assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

I Impairment (continued)

(b) Other assets (continued)

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

J Equity Instruments

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

Ordinary shares are classified as equity.

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

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

K Employee benefits

(a) Short-term employee benefits

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

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

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

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

(b) Share-based payment transactions

(i) OCBC Deferred Share Plan

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

K Employee benefits (continued)

(b) Share-based payment transactions (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 and non-executive Directors. Options granted are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant except for options granted to non-executive Directors which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

(iii) OCBC Employee Share Purchase Plan

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

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

L Provisions

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

M Income and expenses

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

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

The effective interest/profit rate method is a method of calculating the amortised cost of a financial asset, a interest/profit-bearing financial investment available-for-sale or a financial liability and of allocating the interest/finance income or interest/finance expense over the relevant period. The effective interest/profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Bank estimate cash flows considering all contractual terms of the financial instruments but do not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest/profit rate, transaction costs and all other premiums or discounts.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

M Income and expenses (continued)

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

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

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

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

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

(b) Fee and commission income

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

(c) Net trading income

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

(d) Dividend income

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

(e) Rental income

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

(f) Other income

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

N Income tax

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

(a) Current tax

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

N Income tax (continued)

(b) Deferred tax

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

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

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

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

O 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.

P Restricted profit sharing investment accounts ("RPSIA")

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

Q Operating segments

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

R Contingencies

(a) Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

R Contingencies (continued)

(b) Contingent assets

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

S Fair value measurements

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

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

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

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

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

T Recourse obligation on loans sold to Cagamas Berhad

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

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.

U Zakat Contribution

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**3 CASH AND CASH EQUIVALENTS**

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	646,043	697,580	613,032	485,186
Money at call and deposit placements with financial institutions maturing within one month	457,746	2,938,035	1,007,595	2,657,095
Deposit placements with Bank Negara Malaysia	4,339,601	4,455,000	3,241,600	4,455,000
Reverse Repurchase Agreement	-	182,843	-	182,843
	5,443,390	8,273,458	4,862,227	7,780,124

The table below sets out the analysis by geography which is determined based on where the credit risk resides.

Malaysia	4,996,169	7,621,579	4,420,930	7,136,035
Singapore	241,756	481,497	241,043	477,959
Other ASEAN	18,863	4,793	18,508	3,883
Rest of the world	186,602	165,589	181,746	162,247
	5,443,390	8,273,458	4,862,227	7,780,124

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	2,852,549	1,076,407	3,872,892
a) By geographical distribution				
Malaysia	-	2,270,211	1,076,407	3,290,554
Singapore	-	349,353	-	349,353
Rest of the world	-	232,985	-	232,985
	-	2,852,549	1,076,407	3,872,892

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

b) By residual contractual maturity

Maturity within one year	-	2,852,549	639,772	3,441,301
One year to five years	-	-	399,022	377,398
Over five years	-	-	37,613	54,193
	-	2,852,549	1,076,407	3,872,892

Included in the Bank's 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 Mudharabah principle to fund a specific business venture where the Bank solely provides capital and the business venture is managed solely by OCBC Al-Amin. The profit of the business venture arrangement is shared with the Bank as mudarib based on a pre-agreed ratio, and losses borne by the Bank.

As at 31 December 2015, the RPSIA placements amounted to RM1.05 billion (2014: RM1.32 billion) at profit rates ranging from 1.67% to 4.55% per annum (2014: 1.56% to 5.67% per annum).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**5 FINANCIAL ASSETS HELD-FOR-TRADING**

	Group and Bank	
	2015	2014
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	79,782	274,981
Malaysian Government Securities	141,171	308,502
Private Debt Securities	1,213,649	452,027
Quoted shares in Malaysia	111,143	11,385
	<u>1,545,745</u>	<u>1,046,895</u>

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Bank Negara Malaysia Monetary Notes	129,637	2,339,009	29,877	1,566,568
Foreign Government Debt Securities	726,654	227,824	507,182	102,817
Malaysian Government Investment Issues	4,313,713	2,028,635	2,448,108	927,663
Malaysian Government Securities	3,228,090	3,794,818	3,228,090	3,794,818
Malaysian Treasury Bills and Islamic Treasury Bills	319,518	189,137	89,513	189,137
Malaysian Government Debt Securities and Sukuk	193,610	297,143	63,586	115,130
Negotiable Instruments of Deposit and Islamic				
Negotiable Instruments	1,599,781	899,464	1,516,059	663,163
Private and Islamic Debt Securities, and Sanadat				
Mudharabah Cagamas	3,066,995	2,981,257	2,638,324	2,617,337
Quoted shares in Malaysia	296	-	296	-
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
Debentures	190	190	190	190
	<u>13,687,030</u>	<u>12,866,023</u>	<u>10,629,771</u>	<u>10,085,369</u>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<u>13,687,018</u>	<u>12,866,011</u>	<u>10,629,759</u>	<u>10,085,357</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**7 LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	3,199,251	2,944,663	3,199,251	2,944,663
Term loans/financing:				
- Housing loans/financing	27,206,933	24,174,058	25,329,117	22,797,626
- Syndicated term loans/financing	2,323,101	1,646,412	1,928,790	1,480,703
- Hire purchase receivables	838,167	903,585	10	54
- Other term loans/financing	25,999,014	25,563,510	21,121,492	20,538,578
Credit card	557,136	585,185	557,136	585,185
Bills receivable	432,115	369,136	417,771	356,129
Trust receipts	41,230	43,021	41,020	42,774
Claims on customers under acceptance credits	2,511,663	1,884,678	2,123,224	1,656,531
Revolving credit	5,015,232	4,484,271	3,351,192	2,833,649
Staff loans/financing	77,431	83,511	77,431	83,511
Other loans/financing	1,426,495	962,869	1,320,630	941,274
Gross loans, advances and financing	69,627,768	63,644,899	59,467,064	54,260,677
Allowance for loans, advances and financing				
- Individual impairment	(408,850)	(323,671)	(326,417)	(261,273)
- Collective impairment	(750,743)	(683,088)	(560,264)	(529,278)
Net loans, advances and financing	68,468,175	62,638,140	58,580,383	53,470,126
a) By type of customer				
Domestic banking institutions	367	-	367	-
Domestic non-bank financial institutions	1,104,668	243,896	936,542	201,646
Domestic business enterprises				
- Small and medium enterprises	14,369,297	14,269,616	11,471,632	11,348,854
- Others	19,301,951	17,122,094	15,622,232	14,175,788
Individuals	32,133,898	29,333,087	29,297,065	27,007,838
Foreign entities	2,717,587	2,676,206	2,139,226	1,526,551
	69,627,768	63,644,899	59,467,064	54,260,677
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	159,086	249,508	133,468	224,688
- Hire purchase receivables	566,497	690,438	10	54
- Other fixed rate loans/financing	7,299,658	6,436,443	4,419,825	3,471,866
Variable rate				
- BLR/BFR plus	43,973,596	41,703,429	41,567,431	39,839,536
- Cost plus	15,857,607	13,894,671	11,686,520	10,054,123
- Other variable rates	1,771,324	670,410	1,659,810	670,410
	69,627,768	63,644,899	59,467,064	54,260,677

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**7 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
c) By sector				
Agriculture, hunting, forestry and fishing	2,922,444	2,998,396	2,166,205	2,747,656
Mining and quarrying	425,016	321,684	207,087	228,840
Manufacturing	8,776,131	7,866,699	6,703,245	6,067,579
Electricity, gas and water	332,857	513,091	257,884	272,455
Construction	1,925,997	1,229,607	1,583,937	906,369
Real estate	6,620,357	6,527,298	6,179,078	5,915,318
Wholesale & retail trade and restaurants & hotels	8,061,935	7,600,787	6,570,903	6,085,394
Transport, storage and communication	1,920,674	1,959,932	1,600,571	1,606,014
Finance, insurance and business services	2,316,106	1,484,017	1,797,626	1,105,471
Community, social and personal services	1,625,147	1,296,069	1,116,041	954,891
Household				
- Purchase of residential properties	28,400,582	25,394,117	26,479,554	23,985,093
- Purchase of non-residential properties	1,365,832	1,444,630	1,321,319	1,400,551
- Others	3,585,867	3,385,072	2,622,939	2,447,684
Others	1,348,823	1,623,500	860,675	537,362
	69,627,768	63,644,899	59,467,064	54,260,677
d) By geographical distribution				
Malaysia	67,260,994	61,287,836	57,328,049	52,737,004
Singapore	585,668	362,839	570,541	350,964
Other ASEAN	331,549	337,696	331,549	337,696
Rest of the world	1,449,557	1,656,528	1,236,925	835,013
	69,627,768	63,644,899	59,467,064	54,260,677
The analysis by geography is determined based on where the credit risk resides.				
e) By residual contractual maturity				
Within one year	15,381,828	13,102,759	12,869,653	10,966,450
One year to five years	8,850,320	8,714,780	6,105,534	5,444,961
Over five years	45,395,620	41,827,360	40,491,877	37,849,266
	69,627,768	63,644,899	59,467,064	54,260,677

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING**

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,277,026	1,307,531	1,080,344	1,200,172
Impaired during the year	1,271,177	1,071,652	840,253	769,186
Reclassified as unimpaired	(456,585)	(378,921)	(409,918)	(352,889)
Amount recovered	(542,631)	(615,724)	(315,198)	(488,624)
Amount written off	(165,646)	(110,632)	(80,064)	(50,621)
Effect of foreign exchange difference	51,029	3,120	33,529	3,120
At 31 December	1,434,370	1,277,026	1,148,946	1,080,344
Individual impairment allowance	(408,850)	(323,671)	(326,417)	(261,273)
Collective impairment allowance	(11,629)	(10,244)	(7,792)	(8,028)
Net impaired loans, advances and financing	1,013,891	943,111	814,737	811,043

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
a) By sector				
Agriculture, hunting, forestry and fishing	7,785	15,656	6,163	15,001
Mining and quarrying	194,701	87	102,039	-
Manufacturing	384,221	453,074	338,746	399,841
Electricity, gas and water	61	-	-	-
Construction	18,049	20,830	13,493	19,463
Real estate	71,567	160,228	48,370	88,958
Wholesale & retail trade and restaurants & hotels	207,361	139,255	173,387	121,250
Transport, storage and communication	88,944	83,254	80,702	76,378
Finance, insurance and business services	16,060	17,986	8,488	11,731
Community, social and personal services	12,162	9,963	9,155	7,845
Household				
- Purchase of residential properties	306,949	270,399	281,601	261,927
- Purchase of non-residential properties	31,732	23,968	31,302	23,776
- Others	93,577	78,483	54,956	50,994
Others	1,201	3,843	544	3,180
	1,434,370	1,277,026	1,148,946	1,080,344

b) By geographical distribution

Malaysia	1,427,255	1,272,863	1,141,831	1,076,181
Singapore	5,391	655	5,391	655
Rest of the world	1,724	3,508	1,724	3,508
	1,434,370	1,277,026	1,148,946	1,080,344

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

c) By period overdue

Less than 3 months	528,887	454,472	330,699	317,494
3 months to less than 6 months	202,526	147,399	158,523	114,271
6 months to less than 9 months	82,663	56,493	68,204	48,918
Over 9 months	620,294	618,662	591,520	599,661
	1,434,370	1,277,026	1,148,946	1,080,344

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
d) By collateral type				
Property	845,072	814,029	775,332	723,043
Fixed deposits	540	371	540	371
Stock and shares	32	238	32	238
Machinery	3,312	6,932	-	-
Secured - others	305,881	98,788	195,991	90,163
Unsecured - corporate and other guarantees	879	46,371	871	36,539
Unsecured - clean	278,654	310,297	176,180	229,990
	1,434,370	1,277,026	1,148,946	1,080,344

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

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
At 1 January	323,671	254,480	261,273	209,634
Made during the year	379,040	300,097	223,818	185,090
Amount written back	(125,887)	(117,281)	(76,688)	(79,950)
Amount written off	(165,646)	(110,631)	(80,064)	(50,620)
Discount unwind	(4,068)	(2,994)	(3,662)	(2,881)
Effect of foreign exchange difference	1,740	-	1,740	-
At 31 December	408,850	323,671	326,417	261,273
Collective impairment allowance				
At 1 January	683,088	533,169	529,278	473,018
Made during the year	67,655	149,919	30,986	56,260
At 31 December	750,743	683,088	560,264	529,278

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

a) By sector

Group	Individual impairment allowance		Individual impairment allowance made during the year		Individual impairment allowance written off		Collective impairment allowance	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	447	379	778	398	404	305	34,805	31,063
Mining and quarrying	211	87	230	87	57	-	6,077	3,774
Manufacturing	172,241	116,518	77,215	83,195	27,104	9,654	100,983	87,935
Electricity, gas and water	62	-	136	-	-	-	3,859	6,641
Construction	4,080	7,891	6,186	3,992	8,389	2,815	21,422	14,135
Real estate	9,500	1,390	8,435	256	53	-	66,735	68,061
Wholesale & retail trade and restaurants & hotels	63,355	45,328	71,581	43,347	39,136	24,963	89,689	84,128
Transport, storage and communication	24,422	15,198	16,798	10,261	7,148	2,151	20,949	21,409
Finance, insurance and business services	5,742	6,454	7,017	7,717	5,265	2,242	26,740	16,992
Community, social and personal services	4,130	3,621	4,693	3,552	2,768	1,567	20,135	14,942
Household								
- Purchase of residential properties	64,960	61,640	47,322	35,695	6,749	8,887	286,487	257,728
- Purchase of non-residential properties	3,606	4,348	3,741	2,077	2,887	510	13,324	14,412
- Others	55,500	57,790	134,683	108,939	63,946	56,891	42,166	38,708
Others	594	3,027	225	581	1,740	646	17,372	23,160
	408,850	323,671	379,040	300,097	165,646	110,631	750,743	683,088

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

a) By sector (continued)

	Individual impairment allowance		Individual impairment allowance made during the year		Individual impairment allowance written off		Collective impairment allowance	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bank								
Agriculture, hunting, forestry and fishing	-	143	46	213	11	202	20,521	26,930
Mining and quarrying	5	-	7	-	-	-	1,962	2,243
Manufacturing	165,292	104,526	69,712	73,263	14,715	5,198	61,937	58,447
Electricity, gas and water	-	-	-	-	-	-	2,443	2,670
Construction	3,044	7,193	3,838	2,892	6,602	1,709	14,977	8,813
Real estate	3,999	1,102	3,170	256	53	-	58,499	57,968
Wholesale & retail trade and restaurants & hotels	48,504	33,778	46,204	25,424	21,847	13,249	61,789	59,315
Transport, storage and communication	20,901	11,717	12,313	6,473	3,729	1,081	14,966	15,627
Finance, insurance and business services	2,131	2,564	2,276	2,701	1,495	553	17,009	10,810
Community, social and personal services	1,929	1,959	1,457	943	605	290	10,554	9,340
Household								
- Purchase of residential properties	58,828	60,510	39,320	34,667	6,749	8,804	250,295	234,498
- Purchase of non-residential properties	3,591	4,348	3,717	2,077	2,887	510	12,483	13,685
- Others	17,827	30,474	41,753	35,655	19,631	18,378	24,679	23,692
Others	366	2,959	5	526	1,740	646	8,150	5,240
	326,417	261,273	223,818	185,090	80,064	50,620	560,264	529,278

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**8 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

b) By geographical distribution

	Group				Bank			
	Individual impairment allowance		Collective impairment allowance		Individual impairment allowance		Collective impairment allowance	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	407,700	323,287	726,185	654,406	325,267	260,889	540,011	514,347
Singapore	906	297	5,682	3,633	906	297	5,396	3,437
Other ASEAN	-	-	3,141	3,310	-	-	3,141	3,310
Rest of the world	244	87	15,735	21,739	244	87	11,716	8,184
	408,850	323,671	750,743	683,088	326,417	261,273	560,264	529,278

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

9 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	2015			2014		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	3,839,872	72,832	31,671	3,709,288	126,862	46,049
- Swaps	21,225,065	1,759,213	1,683,902	18,058,253	766,695	618,677
- Options	1,274,707	68,742	3,543	1,518,249	51,070	8,919
- Others	11,220	51	51	488,793	3,466	3,466
Interest rate derivatives						
- Swaps	45,447,385	152,079	177,770	40,235,444	185,526	204,158
- Options	270,333	195	2,673	974,953	-	3,940
- Futures	107,257	84	-	40,000	-	42
- Swaptions	800,000	-	2,440	200,000	-	677
- Others	-	-	-	16,520	441	-
Equity and other derivatives						
- Swaps	236,660	37,204	37,204	1,288,980	91,314	91,314
- Exchange traded futures	9,425	21	-	1,133	5	-
- Options	2,999	35	-	-	-	-
- Commodity futures	14,186	495	-	27,214	2,861	2,803
- Warrants	52,805	-	16,546	75,000	1,186	-
- Credit linked notes	1,042,100	13,716	13,716	2,022,200	10,828	10,828
	<u>74,334,014</u>	<u>2,104,667</u>	<u>1,969,516</u>	<u>68,656,027</u>	<u>1,240,254</u>	<u>990,873</u>
Hedging						
Interest rate derivatives						
- Swaps	951,098	245	10,308	1,589,612	84	15,962
	<u>75,285,112</u>	<u>2,104,912</u>	<u>1,979,824</u>	<u>70,245,639</u>	<u>1,240,338</u>	<u>1,006,835</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

9 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Bank	2015			2014		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	3,837,329	72,426	30,907	3,749,960	126,893	46,043
- Swaps	21,230,818	1,759,214	1,684,091	17,950,349	766,693	618,678
- Options	1,274,707	68,742	3,543	1,518,249	51,070	8,919
- Others	11,220	51	51	488,793	3,466	3,466
Interest rate derivatives						
- Swaps	45,447,385	152,079	177,770	40,235,444	185,526	204,158
- Options	270,333	195	2,673	974,953	-	3,940
- Futures	107,257	84	-	40,000	-	42
- Swaptions	800,000	-	2,440	200,000	-	677
- Others	-	-	-	16,520	441	-
Equity and other derivatives						
- Swaps	236,660	37,204	37,204	1,288,980	91,314	91,314
- Exchange traded futures	9,425	21	-	1,133	5	-
- Options	2,999	35	-	-	-	-
- Commodity futures	14,186	495	-	27,214	2,861	2,803
- Warrants	52,805	-	16,546	75,000	1,186	-
- Credit linked notes	1,042,100	13,716	13,716	2,022,200	10,828	10,828
	<u>74,337,224</u>	<u>2,104,262</u>	<u>1,968,941</u>	<u>68,588,795</u>	<u>1,240,283</u>	<u>990,868</u>
Hedging						
Interest rate derivatives						
- Swaps	951,098	245	10,308	1,589,612	84	15,962
	<u>75,288,322</u>	<u>2,104,507</u>	<u>1,979,249</u>	<u>70,178,407</u>	<u>1,240,367</u>	<u>1,006,830</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**10 OTHER ASSETS**

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest/Profit receivable		120,498	123,215	100,032	113,694
Amount due from subsidiary	(a)	-	-	9,345	-
Unquoted Islamic subordinated bond of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		197,337	106,052	186,356	104,475
		<u>317,835</u>	<u>229,267</u>	<u>495,733</u>	<u>418,169</u>

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

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

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

12 INVESTMENTS IN SUBSIDIARIES

	Bank	
	2015 RM'000	2014 RM'000
Unquoted shares in Malaysia, at cost	<u>556,617</u>	<u>496,617</u>

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

Name	Principal activities	Effective ownership and voting interest	
		2015	2014
OCBC Al-Amin Bank Berhad	Islamic banking	100%	100%
OCBC Credit Berhad	In members' voluntary winding-up	100%	100%
Malaysia Nominees (Tempatan) Sdn Bhd	Nominee services	100%	100%
Malaysia Nominees (Asing) Sdn Bhd	Nominee services	100%	100%

The Bank subscribed for 20 million ordinary shares of RM1 each at an issue price of RM3 per ordinary share amounting to RM60 million issued by its subsidiary, OCBC Al-Amin Bank Berhad on 18 June 2015.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

13 PROPERTY AND EQUIPMENT

Group	Freehold	Leasehold	Buildings on		Office	Computer	Motor	Renovation	Work in	Total
	land and	land	leasehold land		equipment	equipment	vehicles		progress	
	buildings	50 years	Less than	50 years	and furniture					
	RM'000	or more	50 years	or more	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015										
Cost										
At 1 January	121,195	3,745	3,607	7,018	127,903	263,135	1,446	79,703	48	607,800
Additions	-	-	-	-	5,236	21,134	-	8,297	-	34,667
Disposals/Written off	-	-	-	-	(561)	(18,951)	-	(122)	-	(19,634)
Reclassification	-	-	-	-	448	-	-	(448)	-	-
At 31 December	121,195	3,745	3,607	7,018	133,026	265,318	1,446	87,430	48	622,833
Accumulated depreciation										
At 1 January	(30,037)	(442)	(1,371)	(2,203)	(86,809)	(198,622)	(730)	(59,808)	-	(380,022)
Depreciation for the year	(2,008)	(35)	(53)	(85)	(11,111)	(22,974)	(155)	(7,629)	-	(44,050)
Disposals/Written off	-	-	-	-	501	18,359	-	122	-	18,982
At 31 December	(32,045)	(477)	(1,424)	(2,288)	(97,419)	(203,237)	(885)	(67,315)	-	(405,090)
Impairment allowance										
At 1 January and 31 December	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Carrying amount										
At 1 January	89,535	3,253	1,151	2,915	41,094	64,513	716	19,895	48	223,120
At 31 December	87,527	3,218	1,098	2,830	35,607	62,081	561	20,115	48	213,085

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

13 PROPERTY AND EQUIPMENT (continued)

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

13 PROPERTY AND EQUIPMENT (continued)

Bank	Freehold	Leasehold	Building on		Office	Computer	Motor	Renovation	Work in	Total
	land and buildings	land 50 years or more	Less than 50 years	50 years or more	equipment and furniture	equipment	vehicles	RM'000	progress	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015										
Cost										
At 1 January	121,063	3,745	3,607	7,018	123,230	249,228	1,357	73,422	48	582,718
Additions/Transfer from subsidiary	-	-	-	-	2,915	16,221	-	4,196	-	23,332
Disposals/Written off/Transfer to subsidiary	-	-	-	-	(537)	(16,193)	-	(122)	-	(16,852)
Reclassification	-	-	-	-	448	-	-	(448)	-	-
At 31 December	121,063	3,745	3,607	7,018	126,056	249,256	1,357	77,048	48	589,198
Accumulated depreciation										
At 1 January	(30,000)	(442)	(1,371)	(2,203)	(84,641)	(186,590)	(641)	(54,534)	-	(360,422)
Depreciation for the year	(2,008)	(35)	(53)	(85)	(10,599)	(21,635)	(155)	(7,203)	-	(41,773)
Disposals/Written off/transfer to subsidiary	-	-	-	-	483	15,909	-	122	-	16,514
At 31 December	(32,008)	(477)	(1,424)	(2,288)	(94,757)	(192,316)	(796)	(61,615)	-	(385,681)
Impairment allowance										
At 1 January and 31 December	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Carrying amount										
At 1 January	89,440	3,253	1,151	2,915	38,589	62,638	716	18,888	48	217,638
At 31 December	87,432	3,218	1,098	2,830	31,299	56,940	561	15,433	48	198,859

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

13 PROPERTY AND EQUIPMENT (continued)

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**14 PREPAID LEASE PAYMENTS**

	Group and Bank	
	Leasehold land	
	Unexpired period	
	less than 50 years	
	2015	2014
	RM'000	RM'000
Cost		
At 1 January and 31 December	3,047	3,047
Accumulated amortisation		
At 1 January	(637)	(601)
Amortisation for the year	(36)	(36)
At 31 December	(673)	(637)
Impairment allowance		
At 1 January and 31 December	(1,554)	(1,554)
Carrying amount		
At 1 January	856	892
At 31 December	820	856

15 INVESTMENT PROPERTIES

	Group and Bank	
	2015	2014
	RM'000	RM'000
Cost		
At 1 January	11,793	15,916
Transfer (to)/from non-current assets held for sale	(4,350)	225
Disposals	(4,562)	(4,348)
At 31 December	2,881	11,793
Accumulated depreciation		
At 1 January	(3,060)	(3,333)
Depreciation for the year	(121)	(180)
Transfer to non-current assets held for sale	1,273	-
Disposals	1,455	453
At 31 December	(453)	(3,060)
Impairment allowance		
At 1 January	(812)	(501)
Write back of allowance during the year	(670)	(311)
Transfer to non-current assets held for sale	1,482	-
At 31 December	-	(812)
Carrying amount		
At 1 January	7,921	12,082
At 31 December	2,428	7,921
Fair value		
At 1 January	40,685	40,685
At 31 December	34,625	34,625

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**15 INVESTMENT PROPERTIES (continued)**

Investment properties comprise freehold land and buildings.

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

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

	Group and Bank	
	2015	2014
	RM'000	RM'000
Rental income	892	1,211
Direct operating expenses from income-generating investment properties	(250)	(351)
	<u>642</u>	<u>860</u>

16 NON-CURRENT ASSETS HELD FOR SALE

	Group and Bank	
	2015	2014
	RM'000	RM'000
At 1 January	-	3,191
Transfer from/(to) investment properties		
- Cost	4,350	(225)
- Accumulated depreciation	(1,273)	-
- Impairment allowance	(1,482)	-
Disposals	-	(2,966)
At 31 December	<u>1,595</u>	<u>-</u>

17 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Change in fair value of financial instruments	-	6,005	(2,248)	-	(2,248)	6,005
Excess of capital allowance over depreciation	-	-	(19,924)	(25,070)	(19,924)	(25,070)
Impairment allowance on financial investments available-for-sale	3	3	-	-	3	3
Temporary differences on lease receivables	4,142	4,298	-	-	4,142	4,298
Other temporary differences	32,519	36,133	-	-	32,519	36,133
Tax assets/(liabilities)	36,664	46,439	(22,172)	(25,070)	14,492	21,369
Set off of tax	(22,172)	(25,070)	22,172	25,070	-	-
Net tax assets	<u>14,492</u>	<u>21,369</u>	<u>-</u>	<u>-</u>	<u>14,492</u>	<u>21,369</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**17 DEFERRED TAX ASSETS (continued)**

Bank	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Change in fair value of financial instruments	-	5,065	(3,335)	-	(3,335)	5,065
Excess of capital allowance over depreciation	-	-	(19,193)	(24,314)	(19,193)	(24,314)
Impairment allowance on financial investments available-for-sale	3	3	-	-	3	3
Temporary differences on lease receivables	4,142	4,298	-	-	4,142	4,298
Other temporary differences	30,539	34,193	-	-	30,539	34,193
Tax assets/(liabilities)	34,684	43,559	(22,528)	(24,314)	12,156	19,245
Set off of tax	(22,528)	(24,314)	22,528	24,314	-	-
Net tax assets	12,156	19,245	-	-	12,156	19,245

(i) Movement in deferred tax during the financial year

Group	At	Recognised	Recognised	Reversal upon	At
	1 January	in profit	in other	disposal of	31 December
	RM'000	or loss	comprehensive	financial	RM'000
		RM'000	income	investments	
			RM'000	available-	
				for-sale	
				RM'000	
2015					
Change in fair value of financial instruments	6,005	-	(8,253)	-	(2,248)
Excess of capital allowance over depreciation	(25,070)	5,146	-	-	(19,924)
Impairment allowance on financial investments available-for-sale	3	-	-	-	3
Temporary differences on lease receivables	4,298	(156)	-	-	4,142
Other temporary differences	36,133	(3,614)	-	-	32,519
	21,369	1,376	(8,253)	-	14,492
2014					
Change in fair value of financial instruments	19,716	(134)	(13,712)	135	6,005
Excess of capital allowance over depreciation	(31,608)	6,538	-	-	(25,070)
Impairment allowance on financial investments available-for-sale	3	-	-	-	3
Temporary differences on lease receivables	3,532	766	-	-	4,298
Other temporary differences	37,407	(1,274)	-	-	36,133
	29,050	5,896	(13,712)	135	21,369

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**17 DEFERRED TAX ASSETS (continued)**

(i) Movement in deferred tax during the financial year (continued)

Bank	At	Recognised	Recognised	Reversal upon	At
	1 January	in profit	in other	disposal of	31 December
	RM'000	or loss	comprehensive	financial	RM'000
		RM'000	income	investments	
			RM'000	available-	
				for-sale	
				RM'000	
2015					
Change in fair value of financial instruments	5,065	-	(8,400)	-	(3,335)
Excess of capital allowance over depreciation	(24,314)	5,121	-	-	(19,193)
Impairment allowance on financial investments available-for-sale	3	-	-	-	3
Temporary differences on lease receivables	4,298	(156)	-	-	4,142
Other temporary differences	34,193	(3,654)	-	-	30,539
	19,245	1,311	(8,400)	-	12,156
2014					
Change in fair value of financial instruments	17,349	-	(12,284)	-	5,065
Excess of capital allowance over depreciation	(30,458)	6,144	-	-	(24,314)
Impairment allowance on financial investments available-for-sale	3	-	-	-	3
Temporary differences on lease receivables	3,532	766	-	-	4,298
Other temporary differences	35,615	(1,422)	-	-	34,193
	26,041	5,488	(12,284)	-	19,245

18 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
a) By type of deposit				
Demand deposits	13,953,132	13,116,661	10,968,527	10,348,592
Fixed/Investment deposits	48,859,202	45,833,799	42,570,178	40,151,206
Saving deposits	5,261,811	5,053,745	4,994,193	4,748,366
Negotiable instruments of deposit	99,703	7,564	-	2,215
Short-term money market deposits	2,374,513	3,579,455	1,916,721	2,402,520
Structured investments	2,917,273	3,996,907	2,917,273	3,996,907
	73,465,634	71,588,131	63,366,892	61,649,806

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**18 DEPOSITS FROM CUSTOMERS (continued)**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
b) By type of customer				
Government and statutory bodies	1,216,369	256,455	57,726	6,979
Non-bank financial institutions	5,075,306	8,164,091	4,005,061	8,164,091
Business enterprises	29,363,199	27,478,229	24,086,990	22,481,216
Individuals	34,491,204	29,838,777	32,115,043	27,519,571
Foreign entities	2,379,064	2,788,528	2,306,380	2,686,317
Others	940,492	3,062,051	795,692	791,632
	73,465,634	71,588,131	63,366,892	61,649,806
c) By maturity structure				
Within six months	57,844,394	59,005,107	48,977,567	50,282,959
Six months to one year	12,990,950	9,416,456	11,766,224	8,203,191
One year to three years	966,905	1,281,244	960,117	1,278,432
Three years to five years	1,663,385	1,145,324	1,662,984	1,145,224
Over five years	-	740,000	-	740,000
	73,465,634	71,588,131	63,366,892	61,649,806

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	8,003,629	10,155,028	6,571,010	9,340,077
Other financial institutions	94,882	136,049	94,882	136,049
	8,098,511	10,291,077	6,665,892	9,476,126

20 SUBORDINATED BONDS

	Note	Group and Bank	
		2015 RM'000	2014 RM'000
RM200 million Redeemable Islamic Subordinated Bond 2006/2021	(a)	200,000	200,000
RM400 million Innovative Tier 1 Capital Securities	(b)	400,000	400,000
RM500 million Redeemable Subordinated Bonds 2010/2020	(c)	-	499,768
RM600 million Redeemable Subordinated Bonds 2012/2022	(d)	595,700	592,788
USD110 million Additional Tier 1 Capital Securities	(e)	471,932	-
USD130 million Redeemable Subordinated Bonds 2015/2025	(f)	557,738	-
		2,225,370	1,692,556

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

20 SUBORDINATED BONDS (continued)

- (a) 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 funded by the RM200 million redeemable Islamic subordinated bonds.

The subordinated bonds, rated AA1 on 10 July 2015 by RAM, qualify as Tier 2 capital subject to a gradual phase out as required under the BNM Capital Adequacy Framework (Capital Components).

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

The IT1 Capital Securities, rated AA2 on 10 July 2015 by RAM, qualify as Tier 1 capital subject to a gradual phase out as required under the BNM Capital Adequacy Framework (Capital Components).

- (c) On 4 November 2010, the Bank issued RM500 million redeemable 10 years non-callable 5 years subordinated bonds at a coupon rate of 4.20% per annum payable semi-annually up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. Unless the call option is exercised by the Bank, the subordinated bonds shall be redeemed in full in five equal and consecutive annual payments. The call option is subject to prior approval from BNM and MAS and is redeemable in whole, but not in part, on 3 November 2015 and on every coupon payment date thereafter. The Bank had entered into interest rate swaps to manage the risk of the subordinated bonds and the cumulative fair value change of the risk hedged is included in the carrying amount of the subordinated bonds.

The subordinated bonds, rated AA1 on 10 July 2015 by RAM, qualify as Tier 2 capital subject to a gradual phase out as required under the BNM Capital Adequacy Framework (Capital Components).

The subordinated bonds were redeemed in full on 4 November 2015.

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

The subordinated bonds, rated AA1 on 10 July 2015 by RAM, qualify as Tier 2 capital subject to a gradual phase out as required under the BNM Capital Adequacy Framework (Capital Components).

- (e) On 18 September 2015, the Bank issued USD110 million Basel III-compliant Additional Tier 1 ("AT1") Capital Securities with perpetual non-callable five year tenure at a fixed coupon rate of 5.00% per annum payable semi-annually from and including 18 September 2015 (the Issue Date). The Bank may, subject to prior approval of BNM, at its option redeem in whole or in part, on 18 March 2021 and every coupon payment date thereafter. In addition to the first call in 2021, AT1 Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs. AT1 Capital Securities can be written off in whole or in part if the Bank is determined by BNM and/or Malaysia Deposit Insurance Corporation ("PIDM") to be non-viable.

The AT1 Capital Securities qualify as Additional Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**20 SUBORDINATED BONDS (continued)**

- (f) On 4 November 2015, the Bank issued USD130 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated bonds at a coupon rate of 3.65% per annum payable semi-annually from and including 4 November 2015 (the Issue Date) up to (but excluding) the maturity date or the date of early redemption 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 or in part, the subordinated bonds on the 4 November 2020 and any coupon payment date thereafter. In addition to the first call in 2020, the Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs. The subordinated bonds can be written off in whole or in part if the Bank is determined by BNM and/or Malaysia Deposit Insurance Corporation ("PIDM") to be non-viable.

The subordinated bonds qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

21 OTHER LIABILITIES

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amount due to subsidiary	(a)	-	-	4,550	55,921
Equity compensation benefits	(b)	10,809	9,103	10,809	9,103
Interest/Profit payable		635,917	442,055	552,867	381,755
Other payables and accruals		380,343	366,542	308,955	317,082
Provision for credit commitments and contingencies	(c)	6,526	6,526	6,526	6,526
		<u>1,033,595</u>	<u>824,226</u>	<u>883,707</u>	<u>770,387</u>

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

- (b) Equity compensation benefits

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

Included in equity compensation benefits are:

- (i) **OCBC Deferred Share Plan**

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

The deferred share awards are as follows:

- (a) Share awards granted annually to eligible executives who are paid variable performance bonus of Singapore Dollar S\$70,000 and above. The share awards form 20% to 40% of their total variable performance bonus for the year. 50% of the share awards will vest after two years with the remaining 50% vesting at the end of three years in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**21 OTHER LIABILITIES (continued)**

(b) Equity compensation benefits (continued)

(i) OCBC Deferred Share Plan (continued)

(b) In addition to the above, senior executives are also granted deferred share awards as part of their long term incentive compensation. These share awards are not deducted from their variable performance bonus and the whole award vests after three years. The awards will lapse immediately on the termination of employment and appointment, except in the event of retirement, redundancy, death, or where approved by the Remuneration Committee, in which case the Committee may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined by the Remuneration Committee.

(ii) OCBC Share Option Scheme 2001

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

The options will lapse immediately on the termination of employment, 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.

During the financial year, the Group and the Bank granted 142,930 options (2014: 271,742) and 124,978 options (2014: 256,718) to acquire ordinary shares in the ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") pursuant to OCBC Share Option Scheme 2001. The fair value of options granted to the employee of the Group and the Bank, determined using the binomial valuation model, were S\$144,331 (2014: S\$281,374) and S\$126,203 (2014: S\$265,817) respectively. Significant inputs to the valuation model are set out below:

	2015	2014
Acquisition price (S\$)	10.38	9.43
Average share price from grant date to acceptance date (S\$)	10.55	9.51
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	13.10	13.93
Risk-free rate based on SGD bond yield at acceptance date (%)	2.01	2.42
Expected dividend yield (%)	3.41	3.57
Exercise multiple (times)	1.57	1.57
Option life (years)	10	10

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**21 OTHER LIABILITIES (continued)**

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 (continued)

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

Group	2015		2014	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
At 1 January	1,148,431	8.483	1,624,691	8.215
Granted	142,930	10.378	271,742	9.428
Rights Issue *	-	-	32,640	-
Exercised	(141,663)	7.120	(430,834)	6.847
Forfeited/Lapsed	(3,149)	5.608	(349,808)	9.199
At 31 December	<u>1,146,549</u>	<u>8.895</u>	<u>1,148,431</u>	<u>8.483</u>
Exercisable at 31 December	<u>769,611</u>	<u>8.405</u>	<u>700,156</u>	<u>7.794</u>
Weighted average share price** underlying the options exercised (S\$)		<u>9.981</u>		<u>9.792</u>

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

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

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S\$)	2015	
				Outstanding	Exercisable
2006	14/03/2006	15/03/2007 to 13/03/2016	6.632	64,401	64,401
2007	14/03/2007	15/03/2008 to 13/03/2017	8.354	124,398	124,398
2008	14/03/2008	15/03/2009 to 13/03/2018	7.313	134,278	134,278
2009	16/03/2009	17/03/2010 to 15/03/2019	4.024	34,181	34,181
2010	15/03/2010	16/03/2011 to 14/03/2020	8.521	46,678	46,678
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	29,808	29,808
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	72,494	72,494
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	329,915	210,208
2014	14/03/2014	15/03/2015 to 13/03/2024	9.169	167,466	53,165
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	142,930	-
				<u>1,146,549</u>	<u>769,611</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**21 OTHER LIABILITIES (continued)**

(b) Equity compensation benefits (continued)

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

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

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

Bank	2015		2014	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
At 1 January	1,113,898	8.529	1,593,154	8.181
Granted	124,978	10.378	256,718	9.428
Rights Issue *	-	-	31,325	-
Exercised	(141,663)	7.120	(417,491)	6.553
Forfeited/Lapsed	(3,149)	5.608	(349,808)	9.199
At 31 December	<u>1,094,064</u>	<u>8.931</u>	<u>1,113,898</u>	<u>8.529</u>
Exercisable at 31 December	<u>753,459</u>	<u>8.382</u>	<u>700,156</u>	<u>7.794</u>

Weighted average share price** underlying the options exercised (S\$)

9.9819.792

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**21 OTHER LIABILITIES (continued)**

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 (continued)

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S\$)	2015	
				Outstanding	Exercisable
2006	14/02/2006	15/03/2007 to 13/03/2016	6.632	64,401	64,401
2007	14/02/2007	15/03/2008 to 13/03/2017	8.354	124,398	124,398
2008	14/02/2008	15/03/2009 to 13/03/2018	7.313	134,278	134,278
2009	16/02/2009	17/03/2010 to 15/03/2019	4.024	34,181	34,181
2010	15/02/2010	16/03/2011 to 14/03/2020	8.521	46,678	46,678
2011	14/02/2011	15/03/2012 to 13/03/2021	9.093	29,808	29,808
2012	14/02/2012	15/03/2013 to 13/03/2022	8.556	69,232	69,232
2013	14/02/2013	15/03/2014 to 13/03/2023	10.018	314,093	202,416
2014	14/02/2014	15/03/2015 to 13/03/2024	9.169	152,017	48,067
2015	16/02/2015	16/03/2016 to 15/03/2025	10.378	124,978	-
				<u>1,094,064</u>	<u>753,459</u>

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

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

(iii) OCBC Employee Share Purchase Plan

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

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

In June 2015, OCBC Bank launched its tenth offering of ESP Plan for OCBC Bank's employees, which commenced on 1 July 2015 and expires on 30 June 2017. Under the offering, the Group and the Bank granted 873,419 (2014: 918,575) and 866,000 (2014: 912,731) rights to acquire ordinary shares in OCBC Bank.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**21 OTHER LIABILITIES (continued)**

(b) Equity compensation benefits (continued)

(iii) OCBC Employee Share Purchase Plan (continued)

The fair value of rights for the Group and the Bank, determined using the binomial valuation model were S\$644,147 (2014: S\$544,899) and S\$638,675 (2014: S\$542,432) respectively. Significant inputs to the valuation model are set out below:

	<u>2015</u>	<u>2014</u>
Acquisition price (S\$)	10.24	9.58
Closing share price at valuation date (S\$)	10.13	9.60
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	13.57	11.70
Risk-free rate based on 2-year swap rate (%)	0.93	0.42
Expected dividend yield (%)	<u>2.84</u>	<u>2.83</u>

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

	<u>2015</u>		<u>2014</u>	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
<u>Group</u>				
At 1 January	1,512,776	9.448	1,435,323	9.341
Acquired	873,419	10.240	918,575	9.580
Rights Issue*	-	-	43,459	-
Forfeited/Lapsed	(303,019)	9.655	(242,049)	9.474
Exercised and converted upon expiry	(542,903)	9.630	(642,532)	8.748
At 31 December	<u>1,540,273</u>	<u>9.792</u>	<u>1,512,776</u>	<u>9.448</u>
Average share price** underlying acquisition rights exercised/converted (S\$)		<u>10.258</u>		<u>9.629</u>
<u>Bank</u>				
At 1 January	1,505,701	9.449	1,425,203	9.343
Acquired	866,000	10.240	912,731	9.580
Rights Issue*	-	-	43,231	-
Forfeited/Lapsed	(300,636)	9.653	(237,735)	9.479
Exercised and converted upon expiry	(541,482)	9.630	(637,729)	8.749
At 31 December	<u>1,529,583</u>	<u>9.793</u>	<u>1,505,701</u>	<u>9.449</u>
Average share price** underlying acquisition rights exercised/converted (S\$)		<u>10.258</u>		<u>9.629</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**21 OTHER LIABILITIES (continued)**

(c) Provision for credit commitments and contingencies

	Group and Bank	
	2015	2014
	RM'000	RM'000
At 1 January	6,526	4,809
Provision made during the year	-	1,717
At 31 December	<u>6,526</u>	<u>6,526</u>

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

(d) Impairment allowance on other receivables

	Group and Bank	
	2015	2014
	RM'000	RM'000
At 1 January	-	-
Provision made during the year	2,862	-
At 31 December	<u>2,862</u>	<u>-</u>

22 SHARE CAPITAL

	Group and Bank			
	2015		2014	
	Number of shares	Amount	Number of shares	Amount
	RM'000	RM'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM1 each	1,000,000	1,000,000	1,000,000	1,000,000
Non-cumulative, non-convertible perpetual preference shares of RM1 each	5,000	5,000	5,000	5,000
	<u>1,005,000</u>	<u>1,005,000</u>	<u>1,005,000</u>	<u>1,005,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January and 31 December	287,500	287,500	287,500	287,500
Non-cumulative, non-convertible perpetual preference shares of RM1 each				
At 1 January	4,000	4,000	4,000	4,000
Redeemed	(4,000)	(4,000)	-	-
At 31 December	-	-	4,000	4,000
	<u>287,500</u>	<u>287,500</u>	<u>291,500</u>	<u>291,500</u>

The ordinary shareholders are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank.

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

- They carry a net cash dividend of 4.51% per annum for first 10 years; thereafter at 190 basis points plus 6 months KLIBOR, payable semi-annually on 20 March and 20 September each year when and if declared by the Board;
- They do not confer any right or claim as regards to participation in the profits of the Bank;

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**22 SHARE CAPITAL (continued)**

- In the event of the winding up of the Bank or a reduction by repayment of capital, they shall rank junior to depositors and all other creditors (including holders of subordinated debt), pari passu with all parity obligations and senior to the ordinary shareholders; and
- They are perpetual securities with no fixed final date of redemption. They may be redeemed at the option of the Bank on 12 August 2015 and on each dividend date thereafter.

The Bank had on 21 September 2015 fully redeemed all the non-cumulative, not convertible perpetual preference shares of RM1 each at RM100 each totalling RM400,000,000.

23 RESERVES

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

Share premium comprises the premium paid on subscription of shares in the Bank over and above the par value of the shares.

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

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

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

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

Capital redemption reserve is maintained in compliance with Section 61 of the Companies Act, 1965 of Malaysia. An amount equivalent to the nominal value of the non-cumulative, non-convertible perpetual preference shares redeemed was transferred to capital redemption reserve during the financial year.

24 NET INTEREST INCOME

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	2,800,782	2,510,044	2,800,782	2,510,044
- Recoveries from impaired loans, advances and financing	62,413	64,798	62,413	64,798
- Discount unwind from impaired loans, advances and financing	3,662	2,881	3,662	2,881
Money at call and deposit placements with banks and other financial institutions	192,952	278,266	237,264	327,805
Financial assets held-for-trading	44,896	30,620	44,896	30,620
Financial investments available-for-sale	384,200	358,268	386,947	361,061
Unquoted Islamic subordinated bond of subsidiary	-	-	10,900	10,900
Others	62,624	33,416	62,624	33,416
	3,551,529	3,278,293	3,609,488	3,341,525

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**24 NET INTEREST INCOME (continued)**

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest expense				
Deposits from customers	(1,893,320)	(1,664,990)	(1,893,320)	(1,664,990)
Deposits and placements of banks and other financial institutions	(57,361)	(119,389)	(92,353)	(142,829)
Recourse obligation on loans sold to Cagamas Berhad	(16,671)	-	(16,671)	-
Subordinated bonds	(89,438)	(81,228)	(89,438)	(81,228)
Others	(127,124)	(40,285)	(127,124)	(40,285)
	<u>(2,183,914)</u>	<u>(1,905,892)</u>	<u>(2,218,906)</u>	<u>(1,929,332)</u>
Net interest income	1,367,615	1,372,401	1,390,582	1,412,193

(a) Net interest income by category of financial instruments

Interest income				
- Financial assets at fair value through profit or loss	44,896	30,620	44,896	30,620
- Loans/Financing and receivables	3,122,433	2,889,405	3,177,645	2,949,844
- Financial investments available-for-sale	384,200	358,268	386,947	361,061
	<u>3,551,529</u>	<u>3,278,293</u>	<u>3,609,488</u>	<u>3,341,525</u>
Interest expense				
- Liabilities at amortised cost	(2,183,914)	(1,905,892)	(2,218,906)	(1,929,332)
	<u>1,367,615</u>	<u>1,372,401</u>	<u>1,390,582</u>	<u>1,412,193</u>

25 INCOME FROM ISLAMIC BANKING OPERATIONS

	Group	
	2015	2014
	RM'000	RM'000
Income derived from investment of depositors' funds and others	775,891	638,511
Income derived from investment of shareholder's funds	101,710	84,951
Income attributable to depositors	(363,869)	(256,308)
	<u>513,732</u>	<u>467,154</u>

26 NET FEE AND COMMISSION INCOME

	Group and Bank	
	2015	2014
	RM'000	RM'000
Commission	128,768	122,565
Service charges and fees	149,994	120,955
Guarantee fees	33,902	31,719
Other fee income	12,245	13,775
	<u>324,909</u>	<u>289,014</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**27 NET TRADING INCOME**

	Group and Bank	
	2015	2014
	RM'000	RM'000
Foreign exchange (loss)/gain	(395,370)	18,257
Realised gain on financial assets held-for-trading	5,459	30,110
Realised gain on trading derivatives	742,022	57,896
Unrealised gain/(loss) on financial assets held-for-trading	8,801	(2,094)
Unrealised (loss)/gain on trading derivatives	(133,371)	27,156
	227,541	131,325

28 OTHER OPERATING INCOME

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(Loss)/Gain on disposal:				
- Financial investments available-for-sale	(14,903)	(9,708)	(14,903)	(9,708)
- Investment properties	37,431	44,998	37,431	44,998
- Property and equipment	182	(145)	182	(145)
Gross dividends from financial investments available-for-sale				
- Malaysia	809	775	809	775
Gross dividends from financial assets held-for-trading				
- Malaysia	1,144	830	1,144	830
Rental of premises	4,509	6,269	4,584	6,334
Rental of safe deposit boxes	6,219	5,763	6,219	5,763
Shared services income received from subsidiary	-	-	105,565	106,428
Shared services income received from related company	548	-	548	-
Unrealised gain/(loss) on hedging derivatives	986	(145)	986	(145)
Others	5,959	3,629	5,961	3,698
	42,884	52,266	148,526	158,828

29 OPERATING EXPENSES

	Note	Group		Bank	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Personnel expenses	(a)	493,383	456,044	460,645	421,519
Establishment expenses	(b)	99,220	94,849	90,891	87,150
Marketing expenses	(c)	36,572	39,610	33,153	35,687
General administrative expenses	(d)	385,293	351,831	344,788	326,591
		1,014,468	942,334	929,477	870,947
(a) Personnel expenses					
Wages, salaries and bonus		391,745	360,886	366,041	333,367
Employees Provident Fund contributions		59,382	56,540	55,449	52,167
Share-based expenses		6,254	4,924	5,971	4,704
Others		36,002	33,694	33,184	31,281
		493,383	456,044	460,645	421,519

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**29 OPERATING EXPENSES (continued)**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(b) Establishment expenses				
Depreciation of property and equipment	44,050	47,111	41,773	44,356
Rental of premises	18,296	16,492	15,633	14,229
Repair and maintenance	10,775	7,019	10,203	6,597
Information technology costs	6,532	4,265	6,274	4,171
Hire of equipment	1,227	1,355	1,227	1,355
Depreciation of investment properties	121	180	121	180
Amortisation of prepaid lease payments	36	36	36	36
Others	18,183	18,391	15,624	16,226
	99,220	94,849	90,891	87,150
(c) Marketing expenses				
Advertisement and business promotion	29,216	29,746	26,690	28,847
Transport and travelling	4,954	7,632	4,231	4,786
Others	2,402	2,232	2,232	2,054
	36,572	39,610	33,153	35,687
(d) General administrative expenses				
Intercompany expenses	282,468	270,290	260,061	247,592
Others	102,825	81,541	84,727	78,999
	385,293	351,831	344,788	326,591

The above expenditure includes the following items:

Auditors' remuneration

- Audit fees	466	436	384	358
- Other services	310	297	227	217

Chief Executive Officer ("CEO") and Directors' remuneration* (Note 30)

	5,237	5,922	3,430	4,507
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* excluding Benefits-in-kind

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**30 CEO AND DIRECTORS' REMUNERATION**

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

Group	Salaries and bonuses	Fees	Other accrued employee benefits	Employees provident fund	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015						
CEO of the Bank						
Ong Eng Bin	1,682	-	437	269	33	2,421
CEO of subsidiary company						
Syed Abdull Aziz Jailani Bin Syed Kechik	1,141	-	231	183	29	1,584
Non Executive Directors						
Dato' Ooi Sang Kuang	-	413	-	-	31	444
Dr Raja Lope Bin Raja Shahrome	-	167	-	-	-	167
Lai Teck Poh	-	232	-	-	-	232
Ng Hon Soon	-	222	-	-	-	222
Tong Hon Keong	-	201	-	-	-	201
Tan Ngiap Joo	-	59	-	-	-	59
	2,823	1,294	668	452	93	5,330
2014						
CEO of the Bank						
Ong Eng Bin	326	-	129	52	8	515
Executive Director and CEO of the Bank						
Chew Sun Teong, Jeffrey (Resigned)	2,213	-	594	354	8	3,169
Executive Director and CEO of subsidiary company						
Syed Abdull Aziz Jailani Bin Syed Kechik	910	-	158	145	5	1,218
Non Executive Directors						
Dato' Ooi Sang Kuang	-	314	-	-	14	328
Dr Raja Lope Bin Raja Shahrome	-	148	-	-	-	148
Lai Teck Poh	-	207	-	-	-	207
Ng Hon Soon	-	100	-	-	-	100
Tong Hon Keong	-	87	-	-	-	87
Tan Sri Dato' Nasruddin Bin Bahari (Retired)	-	98	-	-	5	103
Tan Siok Choo (Retired)	-	87	-	-	-	87
	3,449	1,041	881	551	40	5,962

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

30 CEO AND DIRECTORS' REMUNERATION (continued)

Bank	Salaries and bonuses	Fees	Other accrued employee benefits	Employees provident fund	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015						
CEO of the Bank						
Ong Eng Bin	1,682	-	437	269	33	2,421
Non Executive Directors						
Dato' Ooi Sang Kuang	-	360	-	-	31	391
Dr Raja Lope Bin Raja						
Shahrome	-	136	-	-	-	136
Lai Teck Poh	-	179	-	-	-	179
Ng Hon Soon	-	169	-	-	-	169
Tong Hon Keong	-	156	-	-	-	156
Tan Ngiap Joo	-	42	-	-	-	42
	1,682	1,042	437	269	64	3,494
2014						
CEO of the Bank						
Ong Eng Bin	326	-	129	52	8	515
Executive Director and CEO of the Bank						
Chew Sun Teong, Jeffrey (Resigned)	2,213	-	594	354	8	3,169
Non Executive Directors						
Dato' Ooi Sang Kuang	-	272	-	-	14	286
Dr Raja Lope Bin Raja						
Shahrome	-	119	-	-	-	119
Lai Teck Poh	-	157	-	-	-	157
Ng Hon Soon	-	76	-	-	-	76
Tong Hon Keong	-	68	-	-	-	68
Tan Sri Dato' Nasruddin Bin Bahari (Retired)	-	82	-	-	5	87
Tan Siok Choo (Retired)	-	65	-	-	-	65
	2,539	839	723	406	35	4,542

31 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
- Made during the year	379,040	300,097	223,818	185,090
- Written back	(125,887)	(117,281)	(76,688)	(79,950)
Collective impairment allowance				
- Made during the year	67,655	149,919	30,986	56,260
Impaired loans, advances and financing				
- Recovered during the year	(30,525)	(38,184)	(15,571)	(28,178)
	290,283	294,551	162,545	133,222

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**32 INCOME TAX EXPENSE**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian income tax				
- Current year	280,982	262,035	245,850	244,501
- Prior years	5,801	(17,306)	6,157	(17,157)
	<u>286,783</u>	<u>244,729</u>	<u>252,007</u>	<u>227,344</u>
Deferred tax				
- Origination and reversal of temporary differences	(638)	(7,479)	(559)	(7,058)
- Prior years	(738)	1,583	(752)	1,570
	<u>(1,376)</u>	<u>(5,896)</u>	<u>(1,311)</u>	<u>(5,488)</u>
	<u>285,407</u>	<u>238,833</u>	<u>250,696</u>	<u>221,856</u>

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

	Group		Bank	
	2015 %	2014 %	2015 %	2014 %
Malaysian tax rate of 25%	25.00	25.00	25.00	25.00
Tax effect of:				
Expenses not deductible for tax purposes	0.63	0.30	0.62	0.29
Income not subject to tax	(1.64)	(1.58)	(0.99)	(1.19)
Under/(Over) provision in prior years:				
- Income tax	0.50	(1.61)	0.62	(1.74)
- Deferred tax	(0.06)	0.15	(0.08)	0.16
Average effective tax rate	<u>24.43</u>	<u>22.26</u>	<u>25.17</u>	<u>22.52</u>

33 BASIC EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Group and the Bank were calculated based on the profit for the year less preference shares dividends of RM864,943,000 and RM727,300,000 respectively (2014: RM816,339,000 and RM745,267,000 respectively) and on 287,500,000 (2014: 287,500,000) ordinary shares of RM1.00 each in issue during the financial year.

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

34 DIVIDENDS

	Sen per share	Total amount RM'000	Date of payment
2015			
Final 2014 ordinary	152.24	437,700	28/04/2015
Preference	450.20	18,008	20/03/2015 and 21/09/2015
		<u>455,708</u>	
2014			
Final 2013 ordinary	152.24	437,700	15/04/2014
Interim 2014 ordinary	22.50	64,687	29/09/2014
Preference	451.00	18,040	20/03/2014 and 20/09/2014
		<u>520,427</u>	

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**34 DIVIDENDS (continued)**

The Directors recommend a final dividend of 152.2 sen per ordinary share in respect of the current financial year amounting to RM437.7 million on the issued and fully 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 2016 when approved by the shareholder.

35 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for credit commitments and contingencies already made in the financial statements (Note 21), no material losses are anticipated as a result of these transactions.

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

<u>Group</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Negative fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
2015					
Direct credit substitutes	674,349			674,349	446,610
Transaction-related contingent items	2,498,575			1,285,260	914,632
Short-term self-liquidating trade-related contingencies	542,082			119,977	58,010
Foreign exchange related contracts					
- Less than one year	16,094,111	653,097	528,778	914,440	182,770
- One year to less than five years	7,745,321	871,035	834,845	1,598,255	434,058
- Five years and above	2,511,432	376,706	355,544	852,896	534,614
Interest rate contracts					
- Less than one year	12,186,522	4,762	9,194	22,334	2,741
- One year to less than five years	32,297,885	133,384	140,294	680,732	164,780
- Five years and above	3,091,666	14,457	43,703	201,122	59,624
Equity and commodity related contracts	316,075	37,755	53,750	17,819	10,811
Credit derivative contracts	1,042,100	13,716	13,716	31,360	5,138
Formal standby facilities and credit lines					
- Maturity not exceeding one year	1,959			415	226
- Maturity exceeding one year	7,073,049			6,224,036	1,650,449
Other unconditionally cancellable commitments	23,456,459			2,034,560	437,269
Total	109,531,585	2,104,912	1,979,824	14,657,555	4,901,732

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**35 COMMITMENTS AND CONTINGENCIES (continued)**

Group	Principal amount	Positive fair value of derivative contracts	Negative fair value of derivative contracts	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000
2014					
Direct credit substitutes	654,668			654,668	448,046
Transaction-related contingent items	2,410,328			1,245,354	819,989
Short-term self-liquidating trade-related contingencies	464,668			101,032	40,879
Forward asset purchases, forward deposits, partly paid shares and securities	29,487			29,487	-
Foreign exchange related contracts					
- Less than one year	15,410,336	422,783	349,266	633,867	111,209
- One year to less than five years	6,451,375	408,699	211,438	1,000,574	339,532
- Five years and above	1,912,872	116,611	116,407	486,109	300,991
Interest rate contracts					
- Less than one year	11,714,926	5,204	11,466	23,991	3,338
- One year to less than five years	27,523,511	102,995	113,477	632,117	176,274
- Five years and above	3,818,092	77,852	99,836	177,866	68,551
Equity and commodity related contracts	1,392,327	95,366	94,117	74,796	9,028
Credit derivative contracts	2,022,200	10,828	10,828	79,308	16,289
Formal standby facilities and credit lines					
- Maturity not exceeding one year	4,382			3,390	1,934
- Maturity exceeding one year	6,294,111			5,665,080	867,170
Other unconditionally cancellable commitments	17,403,266			1,985,103	437,913
Total	97,506,549	1,240,338	1,006,835	12,792,742	3,641,143
Bank					
2015					
Direct credit substitutes	604,776			604,776	395,413
Transaction-related contingent items	2,234,189			1,149,495	798,026
Short-term self-liquidating trade-related contingencies	501,670			110,638	54,023
Foreign exchange related contracts					
- Less than one year	16,097,321	652,692	528,203	913,642	182,367
- One year to less than five years	7,745,321	871,035	834,845	1,598,255	434,058
- Five years and above	2,511,432	376,706	355,544	852,896	534,614
Interest rate contracts					
- Less than one year	12,186,522	4,762	9,194	22,334	2,741
- One year to less than five years	32,297,885	133,384	140,294	680,732	164,780
- Five years and above	3,091,666	14,457	43,703	201,122	59,624
Equity and commodity related contracts	316,075	37,755	53,750	17,819	10,811
Credit derivative contracts	1,042,100	13,716	13,716	31,360	5,138
Formal standby facilities and credit lines					
- Maturity not exceeding one year	79			39	1
- Maturity exceeding one year	6,597,047			5,803,122	1,467,434
Other unconditionally cancellable commitments	20,874,660			1,995,220	425,627
Total	106,100,743	2,104,507	1,979,249	13,981,450	4,534,657

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**35 COMMITMENTS AND CONTINGENCIES (continued)**

<u>Bank</u>	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Negative fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2014					
Direct credit substitutes	633,835			633,835	434,447
Transaction-related contingent items	2,198,681			1,134,909	737,782
Short-term self-liquidating trade-related contingencies	429,875			91,547	37,418
Forward asset purchases, forward deposits, partly paid shares and securities	29,487			29,487	-
Foreign exchange related contracts					
- Less than one year	15,343,104	422,812	349,261	632,248	110,296
- One year to less than five years	6,451,375	408,699	211,438	1,000,574	339,532
- Five years and above	1,912,872	116,611	116,407	486,109	300,991
Interest rate contracts					
- Less than one year	11,714,926	5,204	11,466	23,991	3,338
- One year to less than five years	27,523,511	102,995	113,477	632,117	176,274
- Five years and above	3,818,092	77,852	99,836	177,866	68,551
Equity and commodity related contracts	1,392,327	95,366	94,117	74,796	9,028
Credit derivative contracts	2,022,200	10,828	10,828	79,308	16,289
Formal standby facilities and credit lines					
- Maturity not exceeding one year	3,098			2,345	1,264
- Maturity exceeding one year	5,753,851			5,208,228	757,219
Other unconditionally cancellable commitments	16,612,941			1,981,668	436,762
Total	95,840,175	1,240,367	1,006,830	12,189,028	3,429,191

The comparative figures of commitments and contingencies in relation to derivatives have been restated to conform with current year presentation, which includes principal amounts and fair value of derivative contracts with nil credit equivalent amount and risk weighted amount.

36 CAPITAL COMMITMENTS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital expenditure commitments in respect of property and equipment				
- Authorised but not contracted for	5,115	43,185	1,189	39,767
- Contracted but not provided for	12,940	7,064	12,940	7,064
	18,055	50,249	14,129	46,831

37 LEASE COMMITMENTS

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Less than one year	19,173	16,050	16,445	13,697
Between one to five years	13,290	21,281	11,058	18,183
	32,463	37,331	27,503	31,880

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**38 MINIMUM LEASE RENTAL RECEIVABLE**

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

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Less than one year	24	194	83	249
Between one to five years	40	166	99	277
	64	360	182	526

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

The Group has related party relationship with the following:

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

(a) Significant related party transactions

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

Group	Holding Company	Other Related Companies	Key Management Personnel
	RM'000	RM'000	RM'000
2015			
Income			
Interest on deposits and placements with banks and other financial institutions	1,554	-	-
Interest on loans, advances and financing	-	4,792	126
Shared service fees	74	-	-
Fee and commission income	4,360	11,203	-
Other income	1,501	8,914	-
Rental income	-	4,302	-
	7,489	29,211	126

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant related party transactions (continued)

<u>Group</u>	<u>Holding Company</u> RM'000	<u>Other Related Companies</u> RM'000	<u>Key Management Personnel</u> RM'000
2015			
Expenditure			
Interest on deposits from customers	-	12,002	649
Interest on deposits and placements of banks and other financial institutions	76,719	-	-
Interest/Profit on unquoted Islamic subordinated bond	10,014	-	-
Rental expenses	-	960	-
Other expenses	47	165,770	-
Transaction processing fees	-	121,111	-
	<u>86,780</u>	<u>299,843</u>	<u>649</u>
Amount due from			
Cash and cash equivalents	126,245	19,277	-
Deposits and placements with banks and other financial institutions	143,108	1,303	-
Interest receivable	7	194	-
Loans, advances and financing	-	169,000	3,220
Shared service fee receivable	135	-	-
Other assets	6	28,700	-
	<u>269,501</u>	<u>218,474</u>	<u>3,220</u>
Amount due to			
Deposits from customers	-	976,966	17,708
Deposits and placements of banks and other financial institutions	6,085,500	-	-
Other liabilities	1,032,048	2,565	-
Interest payable	14,513	284	14
	<u>7,132,061</u>	<u>979,815</u>	<u>17,722</u>
Commitments			
Foreign exchange derivatives	1,337,567	245,696	-
Interest rate derivatives	4,207,750	1,080,000	-
Transaction related contingent items	126,658	141,900	-
	<u>5,671,975</u>	<u>1,467,596</u>	<u>-</u>
2014			
Income			
Interest on deposits and placements with banks and other financial institutions	2,325	-	-
Interest on loans, advances and financing	-	4,881	128
Fee and commission income	3,352	13,095	-
Other income	20	3,192	-
Rental income	-	4,857	-
	<u>5,697</u>	<u>26,025</u>	<u>128</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant related party transactions (continued)

<u>Group</u>	<u>Holding Company</u> RM'000	<u>Other Related Companies</u> RM'000	<u>Key Management Personnel</u> RM'000
2014			
Expenditure			
Interest on deposits from customers	-	8,164	1,973
Interest on deposits and placements of banks and other financial institutions	136,617	-	-
Rental expenses	-	912	-
Other deposits	-	-	-
Other expenses	230	146,246	-
Transaction processing fees	-	129,588	-
	<u>136,847</u>	<u>284,910</u>	<u>1,973</u>
Amount due from			
Cash and cash equivalents	78,329	10,961	-
Deposits and placements with banks and other financial institutions	239,292	12,839	-
Interest receivable	18	63	-
Loans, advances and financing	-	81,500	6,324
	<u>317,639</u>	<u>105,363</u>	<u>6,324</u>
Amount due to			
Deposits from customers	-	480,100	89,695
Deposits and placements of banks and other financial institutions	9,791,318	-	-
Other liabilities	2,477	292	-
Interest payable	6,692	787	4
	<u>9,800,487</u>	<u>481,179</u>	<u>89,699</u>
Commitments			
Foreign exchange derivatives	948,201	211,895	-
Interest rate derivatives	2,903,794	1,080,000	-
Transaction related contingent items	156,025	75,721	-
	<u>4,008,020</u>	<u>1,367,616</u>	<u>-</u>
2015			
Income			
Interest on deposits and placements with banks and other financial institutions	1,554	44,311	-
Interest on financial investments available-for-sale	-	2,747	-
Fee and commission income	4,360	335	11,203
Interest on loans, advances and financing	-	-	4,792
Interest/Profit on unquoted Islamic subordinated bond	-	10,900	-
Shared services fee income	-	105,568	-
Other income	1,501	-	7,616
Rental income	-	75	4,302
	<u>7,415</u>	<u>163,936</u>	<u>27,913</u>
	<u>89</u>		

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant related party transactions (continued)

<u>Bank</u>	<u>Holding Company</u>	<u>Subsidiary Companies</u>	<u>Other Related Companies</u>	<u>Key Management Personnel</u>
	RM'000	RM'000	RM'000	RM'000
2015				
Expenditure				
Interest on deposits from customers	-	1	4,690	-
Interest on deposits and placements of banks and other financial institutions	73,756	-	-	618
Interest/Profit on unquoted Islamic subordinated bond	10,014	-	-	-
Shared services fee expense	-	5,115	-	-
Rental expenses	-	-	960	-
Other expenses	47	-	164,458	-
Transaction processing fees	-	-	98,704	-
	<u>83,817</u>	<u>5,116</u>	<u>268,812</u>	<u>618</u>
Amount due from				
Cash and cash equivalents	126,245	577,193	19,277	-
Deposits and placements with banks and other financial institutions	142,119	1,049,063	1,223	-
Financial investments available-for-sale	-	65,273	-	-
Interest receivable	7	5,212	194	-
Islamic subordinated bond	-	200,000	-	-
Loans, advances and financing	-	-	169,000	2,404
Shared services fee receivable	135	8,906	-	-
Other assets	-	439	28,661	-
	<u>268,506</u>	<u>1,906,086</u>	<u>218,355</u>	<u>2,404</u>
Amount due to				
Deposits from customers	-	13,734	754,824	16,773
Deposits and placements of banks and other financial institutions	5,209,703	-	-	-
Other liabilities	1,031,969	4,550	2,162	-
Interest payable	14,100	-	229	-
	<u>6,255,772</u>	<u>18,284</u>	<u>757,215</u>	<u>16,773</u>
Commitments				
Foreign exchange derivatives	1,337,567	39,392	243,633	-
Interest rate derivatives	4,207,750	-	1,080,000	-
Transaction related contingent items	126,658	-	141,900	-
	<u>5,671,975</u>	<u>39,392</u>	<u>1,465,533</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Significant related party transactions (continued)

<u>Bank</u>	<u>Holding Company</u>	<u>Subsidiary Companies</u>	<u>Other Related Companies</u>	<u>Key Management Personnel</u>
	RM'000	RM'000	RM'000	RM'000
2014				
Income				
Interest on deposits and placements				
with banks and other financial institutions	2,325	49,540	-	-
Interest on financial investments available-for-sale	-	2,793	-	-
Fee and commission income	3,352	83	13,095	-
Interest on loans, advances and financing	-	-	4,653	90
Interest/Profit on unquoted Islamic subordinated bond	-	10,900	-	-
Shared services fee income	-	106,428	-	-
Other income	20	-	303	-
Rental income	-	65	4,857	-
	<u>5,697</u>	<u>169,809</u>	<u>22,908</u>	<u>90</u>
Expenditure				
Interest on deposits from customers	-	1	3,946	1,964
Interest on deposits and placements of banks and other financial institutions	135,071	-	-	-
Shared services fee expense	-	4,001	-	-
Rental expenses	-	-	912	-
Other expenses	230	-	4,053	-
Transaction processing fees	-	-	247,592	-
	<u>135,301</u>	<u>4,002</u>	<u>256,503</u>	<u>1,964</u>
Amount due from				
Cash and cash equivalents	78,329	386,524	10,961	-
Deposits and placements with banks and other financial institutions	235,023	1,320,036	12,660	-
Financial investments available-for-sale	-	62,526	-	-
Interest/profit receivable	18	8,969	63	-
Islamic subordinated bond	-	200,000	-	-
Loans, advances and financing	-	-	81,500	5,486
	<u>313,370</u>	<u>1,978,055</u>	<u>105,184</u>	<u>5,486</u>
Amount due to				
Deposits from customers	-	13,758	242,706	89,407
Deposits and placements of banks and other financial institutions	9,028,890	-	-	-
Other liabilities	2,397	55,921	86	-
Interest payable	6,460	-	695	-
	<u>9,037,747</u>	<u>69,679</u>	<u>243,487</u>	<u>89,407</u>
Commitments				
Foreign exchange derivatives	948,201	153,963	211,695	-
Interest rate derivatives	2,903,794	-	1,080,000	-
Transaction related contingent items	75,721	-	75,721	-
	<u>3,927,716</u>	<u>153,963</u>	<u>1,367,416</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**39 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)****(b) Credit exposure arising from credit transactions with connected parties**

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Aggregate value of outstanding credit exposure with connected parties[^]:				
Credit facility and leasing (except guarantee)	668,445	366,303	1,078,635	364,237
Commitments and contingencies *	288,040	1,596,976	287,736	2,068,511
	<u>956,485</u>	<u>1,963,279</u>	<u>1,366,371</u>	<u>2,432,748</u>

[^] Comprises total outstanding balance and unutilised limit.

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

	Group		Bank	
	2015 %	2014 %	2015 %	2014 %
Percentage of outstanding credit exposures to connected parties:				
- As a proportion of total credit exposures	1.07	2.42	1.76	3.49
- As a proportion of impaired or in default	-	-	-	-

(c) Key management personnel compensation

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term employee benefits	18,674	17,899	14,454	13,747
Share-based benefits	2,413	2,474	2,082	2,254
	<u>21,087</u>	<u>20,373</u>	<u>16,536</u>	<u>16,001</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**40 FINANCIAL INSTRUMENTS**

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

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

Group	FVTPL-HFT RM'000	L&R/FL RM'000	AFS RM'000	Derivatives used for hedging RM'000	Carrying amount RM'000
2015					
Financial assets					
Cash and cash equivalents	-	5,443,390	-	-	5,443,390
Deposits and placements with banks and other financial institutions	-	-	-	-	-
Financial assets held-for-trading	1,545,745	-	-	-	1,545,745
Financial investments available-for-sale	-	-	13,687,018	-	13,687,018
Loans, advances and financing	-	68,468,175	-	-	68,468,175
Derivative financial assets	2,104,667	-	-	245	2,104,912
Other assets	-	317,835	-	-	317,835
Statutory deposits with Bank Negara Malaysia	-	2,386,312	-	-	2,386,312
	3,650,412	76,615,712	13,687,018	245	93,953,387
Non-financial assets	-	237,327	-	-	237,327
Total assets	3,650,412	76,853,039	13,687,018	245	94,190,714
Financial liabilities					
Deposits from customers	-	73,465,634	-	-	73,465,634
Deposits and placements of banks and other financial institutions	-	8,098,511	-	-	8,098,511
Bills and acceptances payable	-	146,894	-	-	146,894
Recourse obligation on loans sold to Cagamas Berhad	-	1,148,897	-	-	1,148,897
Subordinated bonds	-	2,225,370	-	-	2,225,370
Derivative financial liabilities	1,969,516	-	-	10,308	1,979,824
Other liabilities	-	1,033,595	-	-	1,033,595
	1,969,516	86,118,901	-	10,308	88,098,725
Non-financial liabilities	-	21,600	-	-	21,600
Total liabilities	1,969,516	86,140,501	-	10,308	88,120,325

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**40 FINANCIAL INSTRUMENTS (continued)**

<u>Group</u>	FVTPL-HFT RM'000	L&R/FL RM'000	AFS RM'000	Derivatives used for hedging RM'000	Carrying amount RM'000
2014					
Financial assets					
Cash and cash equivalents	-	8,273,458	-	-	8,273,458
Deposits and placements with banks and other financial institutions	-	2,852,549	-	-	2,852,549
Financial assets held-for-trading	1,046,895	-	-	-	1,046,895
Financial investments available-for-sale	-	-	12,866,011	-	12,866,011
Loans, advances and financing	-	62,638,140	-	-	62,638,140
Derivative financial assets	1,240,254	-	-	84	1,240,338
Other assets	-	229,267	-	-	229,267
Statutory deposits with Bank Negara Malaysia	-	2,185,892	-	-	2,185,892
	<u>2,287,149</u>	<u>76,179,306</u>	<u>12,866,011</u>	<u>84</u>	<u>91,332,550</u>
Non-financial assets	-	269,957	-	-	269,957
Total assets	<u>2,287,149</u>	<u>76,449,263</u>	<u>12,866,011</u>	<u>84</u>	<u>91,602,507</u>
Financial liabilities					
Deposits from customers	-	71,588,131	-	-	71,588,131
Deposits and placements of banks and other financial institutions	-	10,291,077	-	-	10,291,077
Bills and acceptances payable	-	183,899	-	-	183,899
Subordinated bonds	-	1,692,556	-	-	1,692,556
Derivative financial liabilities	990,873	-	-	15,962	1,006,835
Other liabilities	-	824,226	-	-	824,226
	<u>990,873</u>	<u>84,579,889</u>	<u>-</u>	<u>15,962</u>	<u>85,586,724</u>
Non-financial liabilities	-	35	-	-	35
Total liabilities	<u>990,873</u>	<u>84,579,924</u>	<u>-</u>	<u>15,962</u>	<u>85,586,759</u>
Bank					
2015					
Financial assets					
Cash and cash equivalents	-	4,862,227	-	-	4,862,227
Deposits and placements with banks and other financial institutions	-	1,076,407	-	-	1,076,407
Financial assets held-for-trading	1,545,745	-	-	-	1,545,745
Financial investments available-for-sale	-	-	10,629,759	-	10,629,759
Loans, advances and financing	-	58,580,383	-	-	58,580,383
Derivative financial assets	2,104,262	-	-	245	2,104,507
Other assets	-	495,733	-	-	495,733
Statutory deposits with Bank Negara Malaysia	-	1,980,212	-	-	1,980,212
Investment in subsidiary companies	-	556,617	-	-	556,617
	<u>3,650,007</u>	<u>67,551,579</u>	<u>10,629,759</u>	<u>245</u>	<u>81,831,590</u>
Non-financial assets	-	215,858	-	-	215,858
Total assets	<u>3,650,007</u>	<u>67,767,437</u>	<u>10,629,759</u>	<u>245</u>	<u>82,047,448</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**40 FINANCIAL INSTRUMENTS (continued)**

Bank	FVTPL-HFT RM'000	L&R/FL RM'000	AFS RM'000	Derivatives used for hedging RM'000	Carrying amount RM'000
2015					
Financial liabilities					
Deposits from customers	-	63,366,892	-	-	63,366,892
Deposits and placements of banks and other financial institutions	-	6,665,892	-	-	6,665,892
Bills and acceptances payable	-	128,224	-	-	128,224
Recourse obligation on loans sold to Cagamas Berhad	-	1,148,897	-	-	1,148,897
Subordinated bonds	-	2,225,370	-	-	2,225,370
Derivative financial liabilities	1,968,941	-	-	10,308	1,979,249
Other liabilities	-	883,707	-	-	883,707
	<u>1,968,941</u>	<u>74,418,982</u>	<u>-</u>	<u>10,308</u>	<u>76,398,231</u>
Non-financial liabilities	-	21,560	-	-	21,560
Total liabilities	<u>1,968,941</u>	<u>74,440,542</u>	<u>-</u>	<u>10,308</u>	<u>76,419,791</u>
2014					
Financial assets					
Cash and cash equivalents	-	7,780,124	-	-	7,780,124
Deposits and placements with banks and other financial institutions	-	3,872,892	-	-	3,872,892
Financial assets held-for-trading	1,046,895	-	-	-	1,046,895
Financial investments available-for-sale	-	-	10,085,357	-	10,085,357
Loans, advances and financing	-	53,470,126	-	-	53,470,126
Derivative financial assets	1,240,283	-	-	84	1,240,367
Other assets	-	418,169	-	-	418,169
Statutory deposits with Bank Negara Malaysia	-	1,806,092	-	-	1,806,092
Investment in subsidiary companies	-	496,617	-	-	496,617
	<u>2,287,178</u>	<u>67,844,020</u>	<u>10,085,357</u>	<u>84</u>	<u>80,216,639</u>
Non-financial assets	-	252,532	-	-	252,532
Total assets	<u>2,287,178</u>	<u>68,096,552</u>	<u>10,085,357</u>	<u>84</u>	<u>80,469,171</u>
Financial liabilities					
Deposits from customers	-	61,649,806	-	-	61,649,806
Deposits and placements of banks and other financial institutions	-	9,476,126	-	-	9,476,126
Bills and acceptances payable	-	163,255	-	-	163,255
Subordinated bonds	-	1,692,556	-	-	1,692,556
Derivative financial liabilities	990,868	-	-	15,962	1,006,830
Other liabilities	-	770,387	-	-	770,387
	<u>990,868</u>	<u>73,752,130</u>	<u>-</u>	<u>15,962</u>	<u>74,758,960</u>
Non-financial liabilities	-	-	-	-	-
Total liabilities	<u>990,868</u>	<u>73,752,130</u>	<u>-</u>	<u>15,962</u>	<u>74,758,960</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**40 FINANCIAL INSTRUMENTS (continued)****OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The tables below set out carrying amounts of recognised financial assets and financial liabilities that are subject to International Swaps and Derivatives Association ("ISDA") and/or similar master netting arrangements but do not meet the criteria for offsetting in the statements of financial position. This is because the parties to the ISDA agreement provide the right of set-off of recognised amounts that is only enforceable in event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. Malaysia was not a clear netting jurisdiction previously and hence the Group was not able to enforce set-off in the event of default. The Netting of Financial Agreement Act ("the Act") which came into force on 30 March 2015 provides assurance that the close-out netting mechanism for financial transactions is enforceable under the law.

The related financial instruments not offset pertain to financial assets and financial liabilities that are not presented net in the Group's and the Bank's statements of financial position but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

Types of financial assets/liabilities	Carrying amount in the statement of financial position	Financial instruments not in scope of offsetting disclosures	Gross recognised financial instruments in scope	Related amount not offset in the statement of financial position		Net amount in scope
				Financial instruments	Cash collateral received/pledged	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2015						
Derivative financial assets	2,104,912	281,323	1,823,589	304,068	696,542	822,979
Derivative financial liabilities	1,979,824	139,220	1,840,604	304,068	315,626	1,220,910
2014						
Derivative financial assets	1,240,338	1,240,338	-	-	-	-
Derivative financial liabilities	1,006,835	1,006,835	-	-	-	-
Bank						
2015						
Derivative financial assets	2,104,507	280,918	1,823,589	304,068	696,542	822,979
Derivative financial liabilities	1,979,249	138,645	1,840,604	304,068	315,626	1,220,911
2014						
Derivative financial assets	1,240,367	1,240,367	-	-	-	-
Derivative financial liabilities	1,006,830	1,006,830	-	-	-	-

41 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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

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

(A) Fair value measurement

(i) Financial assets and financial liabilities

(a) Short term financial instruments

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

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

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. The fair value of unquoted equity instruments classified under available-for-sale portfolio is estimated using internal valuation techniques.

(d) Derivative financial assets and liabilities

Observable market data are used to determine the fair values of derivatives held-for-trading. Valuations are either based on quoted price or valuation technique. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(A) Fair value measurement (continued)

(i) Financial assets and financial liabilities (continued)

(e) Loans, advances and financing

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

(f) 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.

(g) 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.

(h) Subordinated bonds

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

(i) 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.

(ii) Off-statement of financial position financial instruments

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

(B) Fair value hierarchy of financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial instruments (continued)**

The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, are set out below:

	Level 1	Level 2	Level 3
Fair value determined	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 is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
Type of financial assets	Actively traded government and agency securities	Corporate and other government bonds and loans Over-the counter ("OTC") derivatives Cash and cash equivalents Deposits and placements with banks and other financial institutions Other assets	Private debt equity investments Corporate bonds with illiquid markets Loans, advances and financing
Type of financial liabilities		OTC derivatives Deposits from customer Deposits and placement of banks and other financial institutions Other liabilities Subordinated bonds	

(i) Fair value hierarchy of financial instruments carried at fair value

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2015				
Financial assets at fair value				
Held-for-trading	332,096	1,213,649	-	1,545,745
Available-for-sale	7,905,007	5,673,465	-	13,578,472
Derivative financial assets	615	2,090,301	13,996	2,104,912
	8,237,718	8,977,415	13,996	17,229,129
Financial liabilities at fair value				
Derivative financial liabilities	17,092	1,943,852	18,880	1,979,824

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2014				
Financial assets at fair value				
Held-for-trading	594,868	452,027	-	1,046,895
Available-for-sale	8,859,143	3,898,322	-	12,757,465
Derivative financial assets	1,036	1,223,004	16,298	1,240,338
	<u>9,455,047</u>	<u>5,573,353</u>	<u>16,298</u>	<u>15,044,698</u>
Financial liabilities at fair value				
Derivative financial liabilities	<u>1,134</u>	<u>984,787</u>	<u>20,914</u>	<u>1,006,835</u>
Bank				
2015				
Financial assets at fair value				
Held-for-trading	332,096	1,213,649	-	1,545,745
Available-for-sale	6,161,238	4,359,975	-	10,521,213
Derivative financial assets	633	2,089,878	13,996	2,104,507
	<u>6,493,967</u>	<u>7,663,502</u>	<u>13,996</u>	<u>14,171,465</u>
Financial liabilities at fair value				
Derivative financial liabilities	<u>17,090</u>	<u>1,943,279</u>	<u>18,880</u>	<u>1,979,249</u>
2014				
Financial assets at fair value				
Held-for-trading	594,868	452,027	-	1,046,895
Available-for-sale	6,696,132	3,280,679	-	9,976,811
Derivative financial assets	1,089	1,222,980	16,298	1,240,367
	<u>7,292,089</u>	<u>4,955,686</u>	<u>16,298</u>	<u>12,264,073</u>
Financial liabilities at fair value				
Derivative financial liabilities	<u>1,145</u>	<u>984,771</u>	<u>20,914</u>	<u>1,006,830</u>

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

	<u>Group and Bank</u>	
	<u>2015</u>	<u>2014</u>
	<u>RM'000</u>	<u>RM'000</u>
Financial assets at fair value		
At 1 January	16,298	41,232
Purchased	4,071	-
Settled/disposed	-	(12)
Recognised in profit or loss		
- Realised loss	(9,699)	(17,381)
- Unrealised gain	3,326	(7,541)
At 31 December	<u>13,996</u>	<u>16,298</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial instruments (continued)****(i) Fair value hierarchy of financial instruments carried at fair value (continued)**

	Group and Bank	
	2015	2014
	RM'000	RM'000
Financial liabilities at fair value		
At 1 January	20,914	46,359
Issued	9,006	4,217
Settled/disposed	(14,622)	(5,440)
Recognised in profit or loss		
- Realised gain	581	(15,704)
- Unrealised gain	3,001	(8,518)
At 31 December	<u>18,880</u>	<u>20,914</u>

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.

Transfer between Level 1 and 2 fair values

During the financial year, financial investments available-for-sale of the Group and the Bank with a carrying amount of RM465,486,449 and RM35,921,910 respectively, (2014: RM386,313,192 and RM29,566,036 respectively) were transferred from Level 1 to Level 2 because market for such debt securities became inactive, and financial investments available-for-sale of the Bank with a carrying amount of RM76,746,513 (2014: RM62,721,300) were transferred from Level 2 to Level 1 upon availability of active market.

The following table shows the valuation techniques used in the determination of fair value within Level 3, as well as the unobservable inputs used in the valuation model:

Group and Bank	2015	2014	Classification	Valuation technique	Unobservable input
	Fair value	Fair value			
	RM'000	RM'000			
Assets					
Derivative financial assets	<u>13,996</u>	<u>16,298</u>	Hedge for trading	Option pricing model	Standard deviation
Liabilities					
Derivative financial liabilities	<u>18,880</u>	<u>20,914</u>	Hedge for trading	Option pricing model	Standard deviation

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

Valuation control framework

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial instruments (continued)****(i) Fair value hierarchy of financial instruments carried at fair value (continued)**

The Treasury Financial Control 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 framework and policies are reviewed annually by the Market Risk Management Department ("MRM") and the Finance Division. Any material change to the valuation framework and policies requires the approval of the Risk Management Committee. Group Internal Audit provides independent assurance on the respective divisions' compliance with the policy.

(ii) Fair value hierarchy of financial instruments 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.

Group	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	fair value	amount
	RM'000	RM'000	RM'000	RM'000
2015				
Financial assets not carried at fair value				
Cash and cash equivalents	5,443,390	-	5,443,390	5,443,390
Deposits and placements with banks and other financial institutions	-	-	-	-
Financial investments available-for-sale	-	108,546	108,546	108,546
Loans, advances and financing	-	68,684,870	68,684,870	68,468,175
Statutory deposits with Bank Negara Malaysia	2,386,312	-	2,386,312	2,386,312
Other assets	317,835	-	317,835	317,835
	8,147,537	68,793,416	76,940,953	76,724,258
Financial liabilities not carried at fair value				
Deposits from customers	73,516,336	-	73,516,336	73,465,634
Deposits and placements of banks and other financial institutions	8,121,264	-	8,121,264	8,098,511
Bills and acceptance payable	146,894	-	146,894	146,894
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	-	1,148,897	1,148,897
Subordinated bonds	2,259,119	-	2,259,119	2,225,370
Other liabilities	1,033,595	-	1,033,595	1,033,595
	86,226,105	-	86,226,105	86,118,901
2014				
Financial assets not carried at fair value				
Cash and cash equivalents	8,273,458	-	8,273,458	8,273,458
Deposits and placements with banks and other financial institutions	2,852,549	-	2,852,549	2,852,549
Financial investments available-for-sale	-	108,546	108,546	108,546
Loans, advances and financing	-	62,858,708	62,858,708	62,638,140
Statutory deposits with Bank Negara Malaysia	2,185,892	-	2,185,892	2,185,892
Other assets	229,267	-	229,267	229,267
	13,541,166	62,967,254	76,508,420	76,287,852

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(ii) Fair value hierarchy of financial instruments not carried at fair value

<u>Group</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Carrying</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>fair value</u>	<u>amount</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2014				
Financial liabilities not carried at fair value				
Deposits from customers	71,607,013	-	71,607,013	71,588,131
Deposits and placements of banks and other financial institutions	10,307,338	-	10,307,338	10,291,077
Bills and acceptance payable	183,899	-	183,899	183,899
Subordinated bonds	1,733,250	-	1,733,250	1,692,556
Other liabilities	824,226	-	824,226	824,226
	<u>84,655,726</u>	<u>-</u>	<u>84,655,726</u>	<u>84,579,889</u>
Bank				
2015				
Financial assets not carried at fair value				
Cash and cash equivalents	4,862,227	-	4,862,227	4,862,227
Deposits and placements with banks and other financial institutions	1,076,407	-	1,076,407	1,076,407
Financial investments available-for-sale	-	108,546	108,546	108,546
Loans, advances and financing	-	58,589,159	58,589,159	58,580,383
Statutory deposits with Bank Negara Malaysia	1,980,212	-	1,980,212	1,980,212
Other assets	495,733	-	495,733	495,733
	<u>8,414,579</u>	<u>58,697,705</u>	<u>67,112,284</u>	<u>67,103,508</u>
Financial liabilities not carried at fair value				
Deposits from customers	63,416,397	-	63,416,397	63,366,892
Deposits and placements of banks and other financial institutions	6,682,153	-	6,682,153	6,665,892
Bills and acceptance payable	128,224	-	128,224	128,224
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	-	1,148,897	1,148,897
Subordinated bonds	2,256,039	-	2,256,039	2,225,370
Other liabilities	883,707	-	883,707	883,707
	<u>74,515,417</u>	<u>-</u>	<u>74,515,417</u>	<u>74,418,982</u>
2014				
Financial assets not carried at fair value				
Cash and cash equivalents	7,780,124	-	7,780,124	7,780,124
Deposits and placements with banks and other financial institutions	3,872,892	-	3,872,892	3,872,892
Financial investments available-for-sale	-	108,546	108,546	108,546
Loans, advances and financing	-	53,493,399	53,493,399	53,470,126
Statutory deposits with Bank Negara Malaysia	1,806,092	-	1,806,092	1,806,092
Other assets	418,169	-	418,169	418,169
	<u>13,877,277</u>	<u>53,601,945</u>	<u>67,479,222</u>	<u>67,455,949</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**41 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(ii) Fair value hierarchy of financial instruments not carried at fair value**

<u>Bank</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Carrying</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>fair value</u>	<u>amount</u>
			<u>RM'000</u>	<u>RM'000</u>
2014				
Financial liabilities not carried at fair value				
Deposits from customers	61,667,989	-	61,667,989	61,649,806
Deposits and placements of banks and other financial institutions	9,492,387	-	9,492,387	9,476,126
Bills and acceptance payable	163,255	-	163,255	163,255
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-
Subordinated bonds	1,727,830	-	1,727,830	1,692,556
Other liabilities	770,387	-	770,387	770,387
	<u>73,821,848</u>	<u>-</u>	<u>73,821,848</u>	<u>73,752,130</u>

42 HEDGING ACTIVITIES**Fair value hedge**

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

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

	<u>Group and Bank</u>	
	<u>2015</u>	<u>2014</u>
	<u>RM'000</u>	<u>RM'000</u>
Gains/(Losses) on hedging instruments	6,679	(2,732)
(Losses)/Gains on the hedged items attributable to the hedged risk	(5,693)	2,587
	<u>986</u>	<u>(145)</u>

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group believes that sound risk management is paramount to the success of its risk-taking activities. The Group's philosophy is to ensure that risks and returns remain consistent with our risk appetite. To achieve this, the Group identifies emerging portfolio threats and credit concentrations at an early stage in order to develop timely risk-response strategies.

The key elements of the Group's enterprise-wide risk management strategy are:

- (i) Risk appetite – The Board of Directors approves the Group's risk appetite, and that all risks are managed in alignment with the risk appetite. Risk-taking decisions must be consistent with strategic business goals and returns commensurate with the risks taken.
- (ii) Risk frameworks – The Group's risk management frameworks for all risk types are effective, comprehensive, and consistent.
- (iii) Holistic risk management – Risks are managed holistically, with a view to understand the potential interactions among risk types.
- (iv) Qualitative and quantitative evaluations – Risks are evaluated both qualitatively and with appropriate quantitative analyses and robust stress testing. Risk models in use are regularly reviewed and independently validated to ensure that they are fit-for-use.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group believes that effective risk management starts with well-considered risk-taking strategies, which is further supported by a robust and proactive risk management process. This is reinforced with competent risk management staff, ongoing investments in risk infrastructure and systems, regular review and enhancement of risk management policies and procedures. Cultivating a strong risk culture and robust internal control environment throughout the Group are also paramount to sound risk management. Accountability for managing risks is jointly owned among customer-facing and product business units, dedicated and independent functional risk management units, as well as other support units such as Operations and Technology. Group Audit also provides independent assurance that the Group's risk management system, control and governance processes are in compliance with internal rules and standards and are effective. Rigorous portfolio management tools such as stress testing and scenario analyses are used to identify possible events or market conditions that could adversely affect the Group's portfolios. These results are taken into account during the formulation of the Group's business strategy, capital adequacy assessment and the setting of risk limits.

Risk Governance and Organisation

The Board of Directors establishes the Group's risk appetite and risk principles. The Risk Management Committee ("RMC") is the principal Board committee that oversees the Group's risk management. It sets the Group's overall risk management philosophy and approves risk management frameworks, major risk policies, and risk models. The RMC also oversees the establishment and operation of the risk management systems, and receives regular reviews as to their effectiveness. The Group's various risk exposures, risk profiles, risk concentrations, and trends are regularly reported to the Board of Directors, RMC and senior management for review and action.

The RMC is supported by Group Risk Management Division ("GRM"), headed by the Country Chief Risk Officer. GRM has functional responsibility on a day-to-day basis for providing independent risk control and managing credit, market, operational, liquidity, and other key risks. Dedicated GRM officers establish Group-wide policies and procedures, risk measurement and methodology. They also monitor the Group's risk profiles and portfolio concentrations. The Group's risk management and reporting systems are designed to ensure that risks are comprehensively identified and evaluated to support risk decisions. Compensation of risk officers is determined independently of other business areas and is reviewed regularly to ensure compensation remains market competitive.

Senior management actively manages risks through various OCBC Group risk management committees such as the Credit Risk Management Committee and the Market Risk Management Committee, as well as various risk management committees at OCBC Bank (Malaysia) Group level such as the Asset and Liability Management Committee and the Operational Risk and Information Security Committee. Both risk-taking and risk control units are represented in these committees, emphasising shared risk management responsibilities.

Credit officers' approval authority limits are set in accordance to their relevant experience and qualifications. GRM officers also provide expertise during the design and approval of new products to ensure existing systems and processes are able to adequately manage any new product risks.

The Group performs an Internal Capital Adequacy Assessment Process ("ICAAP") assessment annually to ensure the Group is able to maintain sound capital levels after considering business plans and material risks under both normal and severe stress scenarios. Combined with the Board approved Risk Appetite Statement, the ICAAP process provides a high-level of assurance the Group will remain financially sound and prudently managed at all times.

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 its contractual obligations. As the Group's primary business is commercial banking, the Group is exposed to credit risks from lending and financing to consumer, corporate, and institutional customers. Trading and investment banking activities, such as trading of derivatives, debt securities, foreign exchange, commodities, securities underwriting, and settlement of transactions, also expose the Group to counterparty and issuer credit risks. For derivative contracts, the total credit exposure of the contract is the sum of the mark-to-market value and the estimate of the potential credit exposure over the remaining term of the contract. The Group calculates such exposures and uses statistical modelling and historical data to estimate the potential worst-case risk scenario.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Risk Management Oversight and Organisation

The Credit Risk Management Committee (“CRMC”) is the senior management group that supports the CEO and the RMC in proactively managing credit risk, including reshaping the credit portfolios. It oversees the execution of the Group’s credit risk management, framework and policies, and reviews the credit profile of material portfolios to ensure that credit risk taking is aligned with business strategy and risk appetite. In addition, the CRMC recommends credit approval authority limits and highlights any concentration concerns to higher management.

Credit Risk Management (“CRM”) departments manage credit risk within pre-determined risk appetite, customer targets, limits and established risk standards. Dedicated risk functions are responsible for risk portfolio monitoring, risk measurement methodology, risk reporting, and remedial loan management.

Regular risk reports are provided to the Board of Directors, RMC, and the CRMC in a timely, objective, and transparent manner. These reports include detailed profiles on portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio. Such reporting alerts senior management to adverse credit trends early, so that timely corrective actions can be taken.

Credit Risk Management Approach

OCBC’s credit risk management framework covers the entire credit risk cycle, underpinned by comprehensive credit risk processes, as well as using models to efficiently quantify and manage risks in a consistent manner.

The Group seeks to take only credit risks that meet its underwriting standards, and risks that commensurate with returns to enhance shareholder value. As Fair Dealing remains an integral part of OCBC’s core corporate values, credit extensions are only offered after a comprehensive assessment of the borrower’s creditworthiness, suitability and appropriateness of the product offering. In addition, the key to the Group’s risk management success lies in the sound judgement of the Group’s and the Bank’s experienced credit officers whose appointments are regularly reviewed.

Credit risks for the consumer and small business sectors are managed on a portfolio basis with product or credit programmes for mortgages, credit cards, unsecured loans, commercial property loans/financing, and business term loans/financing. Loans/financing are underwritten that conform to clearly defined target markets, terms of lending and maximum loan size. Credit origination source analysis and independent verification of documents are in place to prevent fraud. The portfolios are closely monitored monthly using MIS analytics. Scoring models are also used in the credit decision process for most products to enable objective, consistent decisions and efficient processing. Behavioural scores are used to identify potential problem credits early.

Loans/Financing to corporate and institutional customers are individually assessed and approved by experienced risk officers. They identify and assess the credit risks of corporate or institutional customers, including any customer group’s interdependencies, and take into consideration management quality, financial and business competitive profiles against industry and economic threats. Collaterals or other credit support are also used to mitigate potential losses. Credit extensions are guided by pre-defined target market and risk acceptance criteria. To ensure objectivity in credit extension, co-grantor approvals and shared risk ownership are required from both the business units as well as credit risk functions.

Counterparty credit risks from the Group’s and the Bank’s trading, derivative, and debt securities activities are closely monitored and actively managed to protect against potential losses in replacing a contract if a counterparty defaults. Counterparty credit limits are established for each counterparty following an assessment of the counterparty’s creditworthiness in accordance with internal policies, as well as the suitability and appropriateness of the product offering. Credit exposures are also controlled through independent monitoring and prompt reporting of excesses and breaches against approved limits and risk mitigation thresholds.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Internal Credit Rating Models

Internal credit rating models are an integral part of the Group's credit risk management, decision-making process, and capital assessment. These internal rating models and the parameters – probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") – are factors used in limit setting and limit utilisation monitoring, credit approval, reporting, remedial management, stress testing, and internal assessment of the capital adequacy and provisions.

Model risk is managed under an internal model risk management framework, including an internal ratings framework, to govern the development and validation of rating models and the application of these models. Approval for material models and annual validation results rests with the RMC. All models are subject to independent validation before implementation to ensure that all aspects of the model development process have met internal standards. The models are developed with active participation by credit experts from risk taking and risk control units. In addition, the models are subject to annual review (or more frequently, where necessary) and independent validation to ensure the models are performing as expected, and that the assumptions used in model development remain appropriate. All rating models are assessed for compliance with internal and regulatory requirements, which are also subject to independent review by Group Audit.

Credit Risk Control

Credit risk concentrations may arise from lending to single customer groups, borrowers who are in similar activities, or diverse groups of borrowers being affected by similar economic or market conditions. To manage such concentrations, limits are established for single borrowing groups, products, portfolio, and industry segments. These limits are aligned with the Group's business strategy, capacity and expertise. Impact on earnings and capital are also considered during the setting of limits.

The Group constantly strives to anticipate early problem credit and to proactively manage such credits. The Group has dedicated specialist workout teams to manage problem exposures. Time, risk-based event specific triggers, as well as discounted cash flow approaches are used to develop collection and asset recovery strategies. The Group uses information and analytical data such as delinquency buckets and adverse status tags for delinquent consumer loans, to constantly fine-tune collection efforts.

Market Risk Management

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest rates, foreign exchange rates, equity and commodity prices, or changes in volatility or correlations of such factors. The Group is exposed to market risks from its trading and balance sheet management activities.

The Group's market risk management strategy and market risk limits are established within the Group's risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

Market Risk Management Oversight and Organisation

The Asset Liability Management Committee ("ALCO") is the senior management group that supports the RMC and the CEO in managing market risk. ALCO establishes the 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") within GRM. MRM is the independent risk control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management (continued)

Market Risk Management Approach

Market risk management is a shared responsibility. Business units are responsible for undertaking proactive risk management within their approved trading strategies and investment mandates, whilst MRM acts as the independent monitoring unit to ensure sound governance. Key risk management activities of identification, measurement, monitoring, control, and reporting are regularly reviewed to ensure effective risk management.

Market Risk Identification

Risk identification is addressed via the Group's new product approval process at product inception. Market risks are also identified by the Group's risk managers from their on-going interactions with the business units.

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"), One Basis Point more in Credit Spreads ("CS01") and derivative greeks.

The Group also performs stress testing and scenario analyses to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Group's trading activities, risk profile, and prevailing and forecast economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Group's risk tolerance.

Risk Monitoring and Control

Only authorised trading activities for approved products may be undertaken by the various trading units. All trading risk positions are monitored on a daily basis against approved and allocated limits by independent support units. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution. Multiple risk limits (VaR and risk sensitivities), profit/loss, and other measures allow for more holistic analysis and management of market risk exposures.

Model validation is also an integral part of the Group's risk control process. Risk models are used to price financial instruments and to calculate VaR. The Group ensures that the models used are fit for their intended purpose through internal verification and assessment. Market rates used for risk measurements and valuation are sourced independently, thereby adding further to the integrity of the trading profits and losses ("P&L"), risk and limit control measurements.

To ensure the continued integrity of the VaR model, the Group conducts back-testing to confirm the consistency of actual daily trading P&L and 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 liquidity sourcing and diversification, and interest/profit rate management.

Asset Liability Management Oversight and Organisation

ALCO is the senior management group that is responsible for the management of the Group's statement of financial position and liquidity risks. The ALCO is chaired by the CEO and includes senior management from the business, risk and support units.

The ALCO is supported by the Corporate Treasury Department within the Group Finance Division and the MRM Department within GRM.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset Liability Management (continued)

Asset Liability Management Approach

The asset liability management framework comprises liquidity risk management and interest/profit rate risk mismatch management.

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations and 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 refining contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are performed and the results are taken into account in the risk management processes. Indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors and products. In addition, liquid assets in excess of regulatory requirements are maintained for contingent use in the event of a liquidity crisis. These liquid assets comprise statutory reserve, eligible securities as well as marketable shares and debt securities.

The primary goal of interest/profit rate risk management is to ensure that interest/profit rate risk exposures are maintained within defined risk tolerances.

Interest/profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates. The material sources of interest/profit rate risk are repricing risk, yield curve risk, basis risk and optionality risk. A range of techniques are employed to measure these risks from an earnings and economic value perspective. One method involves the simulation of the impact of a variety of interest/profit rate scenarios on the net interest/profit income and the economic value of the Group's equity. Other measures include interest/profit rate sensitivity measures such as PV01 as well as repricing gap profile analysis.

Limits and policies to manage interest rate exposures are established in line with the Group's strategy and risk appetite. Thresholds and policies are appropriately approved, and reviewed regularly to ensure they remain relevant against the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

Operational Risk Management

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

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

Operational Risk Management Oversight and Organisation

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

The Operational Risk Management (“ORM”) department within GRM establishes the ORM framework, including supporting policies and techniques. The ORM department also provides independent oversight of operational risk monitoring and controls that reside within business, products and process owners. The ORM programmes are actively implemented through the respective Operational Risk Partners or managers in the business units and subsidiaries. Operational Risk Partners or managers are put through an accreditation programme to raise competency levels in managing operational risk.

Operational Risk Management Approach

The Group adopts a framework that ensures operational risks are 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 control functions without fear of intimidation or reprisal.

Each business unit undertakes regular self-assessment on the robustness of its own risk and control environment, including meeting all regulatory and legal requirements. Self-assessment declarations are subject to risk-based independent reviews. Performance metrics are also used to detect early warning signals and to drive appropriate management actions before risks become material losses. To enhance controls over trading activities and data loss prevention, a Control Assurance Function has been established to perform end-to-end surveillance over these areas.

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

To mitigate operational losses resulting from significant risk events, the Group has in place an insurance programme which covers crime, civil liability, fraud, property damage, public liability, as well as directors’ and officers’ liability.

Outsourcing Risk Management

The Group recognises the risks associated with outsourcing arrangements. The Group has in place an outsourcing programme to manage subcontractor risks in a structured, systematic and consistent manner. An Outsourcing Management Control Group (“OMCG”), comprising members from different risk and internal control functions, has been set up to support the ORISC in managing the Group’s outsourcing risk.

Physical and People Security Risk Management

The Group recognises its personnel and assets may be exposed to external threats. To address this ever changing threat landscape, the Group has in place a physical and people security programme.

Business Continuity Risk Management

The Group’s business continuity management programme aims to reduce the interruption of essential business activities and services during times of crisis. Review and testing of its business recovery strategies and plans are carried out on an annual basis. Senior management also provides an annual attestation to the RMC. The attestation includes a measurement of the programme’s maturity, extent of alignment to BNM guidelines, and a declaration of acceptable residual risk. The Group has also enhanced its ability to respond to external calamities and crisis such as Middle East respiratory syndrome coronavirus (MERS-CoV) and terrorism related incident during the year.

Fraud Risk Management

The Group’s fraud risk management and whistle-blowing programmes help prevent and detect fraud or misconduct. Fraud incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents, are regularly reported to ORISC and RMC. Internal Audit independently reviews all fraud and whistle-blowing cases, and reports their finding to the Board Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Reputational Risk Management

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the Group's image by customers, counterparties, shareholders, investors and regulators. The Group has a reputational risk management programme which focuses on understanding and managing the Group's responsibilities towards its 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 from managing funds or providing other agency services. The programme provides guidelines on regular identification, assessment, mitigation, and monitoring of fiduciary risk exposures, to ensure the Group's compliance with applicable corporate standards.

Regulatory and Legal Risk Management

Each business unit is responsible for the adequacy and effectiveness of controls in managing both regulatory and legal risks. Senior management provides the state of regulatory compliance via an annual regulatory compliance certification to the CEO and Board of Directors.

Technology and Information Security Risk Management

The Group protects and ensures the confidentiality, integrity, and availability of its information assets by implementing appropriate security controls and backup systems to guard against the misuse or compromise of information assets. In 2015, the Group further enhanced its operational risk approach by holistically including technology and information security risk as an integral part of the ORM framework. This change provides assurance that technology and information security risks are properly identified, managed, monitored, mitigated and reported in a structured and consistent manner. Senior management attests annually to the CEO and the RMC, on the adequacy and effectiveness of technology controls including any key control deficiencies and remedial plans.

With the rise in cyber threats, the Group has remained an active participant in cyber security initiatives within the banking sector. The Bank is a member of the Industry Cyber Working Group ("ICWG") formed by BNM which main objective is to serve as a platform for effective information and intelligence sharing and cooperation on Cyber related matters among Financial institutions ("FIs"), disseminate latest Cyber threats and trend as well as the modus operandi, share remedial measures where appropriate among members to mitigate Cyber risks, assist in Cyber-related initiatives for FIs and facilitate cross-sector collaboration.

Shariah Governance

Shariah principles are the foundation of the practice of Islamic Finance through the observance of the tenets, conditions and principles espoused by Shariah to ensure all the operations and activities of OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") complies with Shariah rules and principles at all times. OCBC Al-Amin is governed by the Shariah Governance Framework ("SGF") of OCBC Al-Amin which in essence sets out the following:

- (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 OCBC Al-Amin 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 Non-Compliance Risk Management processes.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Shariah Governance (continued)

The SGF is applicable to all employees of OCBC Al-Amin and also extends to all employees of the Group who are involved in the business and operations of OCBC Al-Amin under shared services and other service providers under outsourcing arrangements.

Shariah Non-Compliance Risk

Shariah Non-Compliance Risk Management is a unique feature of the Group's risk management framework. Shariah Non-Compliance Risk arises from Islamic banks' failure to comply with the Shariah rules and principles as determined by the Shariah Advisory Council ("SAC") of Bank Negara Malaysia, Shariah Advisory Council of the Securities Commission and Shariah Committee of Islamic Banks.

The responsibility for complying with Shariah rules and principles, does not only lie/reside with the Board and Management; as compliance with all relevant regulations is a key part of our organisational culture, every business division and their staff are also responsible and accountable for any breaches of applicable laws, guidelines, rules and regulations related to Islamic banking and finance.

During the life cycle of the products and services, the Shariah requirements that were embedded in the said products and services must also be strictly adhered to and failing which, the income generated from the Islamic banking business potentially cannot be recognised and will be donated to charities.

The key components of the Bank's Shariah Non-Compliance Risk Management process are namely:

- (i) Risk Identification – Identification of the potential Shariah Non-Compliance Events.
- (ii) Risk Assessment/Measurement – Assessment and measurement of the impact of the potential Shariah Non-Compliance Event. The process takes into account the existing controls that have been put in place and their effectiveness in mitigating the Shariah Non-Compliance Risk.
- (iii) Mitigation/Control/Awareness – Shariah Non-Compliance Risk is mitigated by implementing and putting in place appropriate control measures, such as policies, guidelines and procedures on Shariah requirements. The Bank's Shariah Review team will periodically review the operations and processes of the Bank's activities and will escalate any potential non-compliance events to the Shariah Committee for decision. Training programs are also being offered to all personnel that are involved in the Shariah Banking activities and operations.
- (iv) Monitoring & Reporting – Establishing early warning, monitoring and reporting mechanism on Shariah Non-Compliance Risk exposures.

All potential Shariah Non-Compliance Events are submitted to the Bank's Shariah Committee for decision in order to determine the status of the events and related income. Upon confirmation and decision by the Shariah Committee, all actual and potential Shariah Non-Compliance Events ("SNCEs") are to be reported to BNM within the required timeframe set by BNM.

Shariah Risk

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Shariah Governance (continued)**

During the financial year ended 31 December 2015, OCBC Al-Amin Bank Berhad had received Shariah non-compliance income. The Shariah non-compliance income will be channelled to charitable organisations as determined by OCBC Al-Amin Bank Berhad's Shariah Committee. Details of the income are as follows:

	Group	
	2015	2014
Sources and Uses of charity funds	RM'000	RM'000
At 1 January	99	122
<u>Sources of charity funds</u>		
Shariah non-compliance income	3	89
<u>Uses of charity funds</u>		
Contribution to non-profit organisations	(95)	(112)
At 31 December	<u>7</u>	<u>99</u>

44 CREDIT RISK

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 equal their carrying amount as reported in the statements of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Note	Group		Bank	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents		5,443,390	8,273,458	4,862,227	7,780,124
Deposits and placements with banks and other financial institutions		-	2,852,549	1,076,407	3,872,892
Financial assets held-for-trading	(a)	1,545,745	1,046,895	1,545,745	1,046,895
Financial investments available-for-sale	(b)	13,687,030	12,866,023	10,629,771	10,085,369
Loans, advances and financing	(c)	69,627,768	63,644,899	59,467,064	54,260,677
Derivative financial assets	(d)	2,104,912	1,240,338	2,104,507	1,240,367
Other assets		317,835	229,267	495,733	418,169
Contingent liabilities and commitments	(e)	34,246,473	27,260,910	30,812,421	25,661,768
		<u>126,973,153</u>	<u>117,414,339</u>	<u>110,993,875</u>	<u>104,366,261</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**44 CREDIT RISK (continued)****(a) Credit quality of financial assets held-for-trading**

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

		Group and Bank	
		2015	2014
		RM'000	RM'000
(i)	By issuer		
	Government and Central Bank	220,953	583,483
	Banking institutions	174,378	51,179
	Non-bank financial institutions	826,800	45,356
	Business Enterprise	323,614	366,877
		<u>1,545,745</u>	<u>1,046,895</u>
(ii)	By geography		
	Malaysia	1,385,570	1,046,814
	Singapore	30	-
	Rest of the world	160,145	81
		<u>1,545,745</u>	<u>1,046,895</u>
(iii)	By credit rating		
	Government and Central Bank (unrated)	59,582	264,580
	Government (AAA to BBB)	161,371	318,903
	Investment grade (AAA to BBB)	1,068,722	452,009
	Unrated	256,070	11,403
		<u>1,545,745</u>	<u>1,046,895</u>
(iv)	By sector		
	Agriculture, hunting, forestry and fishing	22,952	4,724
	Mining and quarrying	508	-
	Manufacturing	77,180	1,701
	Electricity, gas and water	114	4,694
	Construction	15,844	-
	Real estate	321	98
	Wholesale & retail trade and restaurants & hotels	5,155	19,982
	Transport, storage and communication	77,816	4
	Finance, insurance and business services	1,120,247	96,535
	Education, health and others	-	75,000
	Others	225,608	844,157
		<u>1,545,745</u>	<u>1,046,895</u>
(v)	By residual contractual maturity		
	Within one year	1,344,877	96,294
	One to five years	141,581	495,486
	Over five years	59,287	455,115
		<u>1,545,745</u>	<u>1,046,895</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**44 CREDIT RISK (continued)****(b) Credit quality of financial investments available-for-sale**

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(i) By issuer				
Government and Central Bank	8,184,568	8,648,742	5,859,174	6,593,316
Foreign government	726,654	227,824	507,182	102,817
Public sector	129,774	59,941	69,811	49,928
Banking institutions	2,349,842	1,669,779	2,266,120	1,433,478
Non-bank financial institutions	667,904	429,030	618,186	399,097
Business Enterprises	1,628,098	1,830,517	1,309,108	1,506,543
Others	190	190	190	190
	13,687,030	12,866,023	10,629,771	10,085,369
(ii) By geography				
Malaysia	12,116,392	11,785,730	9,278,605	9,130,083
Singapore	-	40,328	-	40,328
Other ASEAN	284,396	968,331	195,185	907,923
Rest of the world	1,286,242	71,634	1,155,981	7,035
	13,687,030	12,866,023	10,629,771	10,085,369
(iii) By credit rating				
Government and Central Bank (unrated)	1,488,366	2,795,881	841,367	1,946,018
Government (A to AAA)	6,696,202	5,852,861	5,017,807	4,647,298
Foreign government (unrated)	34,704	29,549	8,263	7,035
Foreign government (AAA to BBB)	691,950	198,275	498,919	95,782
Investment grade (AAA to BBB)	2,598,173	2,484,124	2,319,769	2,232,902
Unrated	2,177,635	1,505,333	1,943,646	1,156,334
	13,687,030	12,866,023	10,629,771	10,085,369
(iv) By sector				
Agriculture, hunting, forestry and fishing	43,860	60,504	24,341	24,248
Mining and quarrying	210,599	177,843	210,599	177,843
Manufacturing	24,979	14,947	-	-
Electricity, gas and water	104,363	160,303	104,363	160,303
Construction	10,040	10,033	10,040	10,033
Real estate	-	7,035	-	7,035
Wholesale & retail trade and restaurants & hotels	43,580	43,941	43,580	43,941
Transport, storage and communication	352,971	302,399	338,104	302,399
Finance, insurance and business services	3,723,739	3,097,601	3,415,770	2,658,780
Education, health and others	-	117,680	-	117,680
Others	9,172,899	8,873,737	6,482,974	6,583,107
	13,687,030	12,866,023	10,629,771	10,085,369

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**44 CREDIT RISK (continued)****(b) Credit quality of financial investments available-for-sale (continued)**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(v) By residual contractual maturity				
Within one year	4,942,523	5,393,511	3,405,913	3,864,914
One to five years	7,165,205	5,231,499	5,862,425	4,194,171
Over five years	1,579,302	2,241,013	1,361,433	2,026,284
	13,687,030	12,866,023	10,629,771	10,085,369

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

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

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

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	67,565,819	61,356,394	57,832,044	52,288,880
Past due loans	1,654,928	1,921,780	1,389,457	1,733,287
- Unimpaired	627,579	1,011,479	486,074	891,453
- Impaired	1,027,349	910,301	903,383	841,834
Impaired but not past due	407,021	366,725	245,563	238,510
Gross loans, advances and financing	69,627,768	63,644,899	59,467,064	54,260,677

Neither past due nor impaired**(i) By internal grading**

Pass	66,130,927	60,184,655	57,002,775	51,379,198
Special Mention	1,434,892	1,171,739	829,269	909,682
	67,565,819	61,356,394	57,832,044	52,288,880

Past due but unimpaired**(i) By period overdue**

Less than 2 months	549,444	939,771	432,998	845,775
2 months to less than 3 months	78,135	71,708	53,076	45,678
	627,579	1,011,479	486,074	891,453

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**44 CREDIT RISK (continued)****(c) Credit quality of loans, advances and financing (continued)**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Past due but unimpaired (continued)				
(ii) By geographical distribution				
Malaysia	619,351	878,775	477,846	758,749
Singapore	6,122	7,577	6,122	7,577
Other ASEAN	212	4,838	212	4,838
Rest of the world	1,894	120,289	1,894	120,289
	<u>627,579</u>	<u>1,011,479</u>	<u>486,074</u>	<u>891,453</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	1,791	37,184	1,131	35,756
Mining and quarrying	3,751	118,075	1,566	116,326
Manufacturing	16,194	209,637	5,694	190,578
Electricity, gas and water	-	222	-	-
Construction	8,487	35,474	3,521	31,946
Real estate	23,364	100,092	22,659	100,092
Wholesale & retail trade and restaurants & hotels	64,914	80,941	36,899	59,541
Transport, storage and communication	8,972	11,826	2,246	7,282
Finance, insurance and business services	10,002	9,199	3,132	4,981
Community, social and personal services	9,595	9,849	5,659	3,355
Household				
- Purchase of residential properties	391,141	319,774	363,735	300,378
- Purchase of non-residential properties	11,291	17,834	11,291	17,834
- Others	78,077	61,169	28,541	23,181
Others	-	203	-	203
	<u>627,579</u>	<u>1,011,479</u>	<u>486,074</u>	<u>891,453</u>

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

Collateral

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

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

As at 31 December 2015, 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 2015 (continued)**44 CREDIT RISK (continued)****(c) Credit quality of loans, advances and financing (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 is as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fair value of collateral held against the covered portion of impaired loans, financing and advances	2,009,014	1,411,875	1,550,600	1,285,323
Covered portion of impaired loans, advances and financing	1,154,837	920,358	971,895	813,815
Uncovered portion of impaired loans, advances and financing	279,533	356,668	177,051	266,529
	<u>1,434,370</u>	<u>1,277,026</u>	<u>1,148,946</u>	<u>1,080,344</u>

(d) Credit quality of derivative assets

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(i) By counterparty				
Banking institutions	1,643,276	777,260	1,643,301	777,311
Non-bank financial institutions	133,161	142,426	133,160	142,426
Business enterprises	303,442	191,728	303,013	191,706
Individuals	25,033	128,918	25,033	128,918
Others	-	6	-	6
	<u>2,104,912</u>	<u>1,240,338</u>	<u>2,104,507</u>	<u>1,240,367</u>
(ii) By geographical distribution				
Malaysia	2,057,650	1,209,582	2,057,246	1,213,681
Singapore	45,748	20,432	45,747	20,432
Other ASEAN	2	957	2	957
Rest of the world	1,512	9,367	1,512	5,297
	<u>2,104,912</u>	<u>1,240,338</u>	<u>2,104,507</u>	<u>1,240,367</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	1,334	473	1,334	473
Mining and quarrying	200,910	73,182	200,910	73,182
Manufacturing	80,945	97,584	80,548	97,571
Electricity, gas and water	4	-	4	-
Construction	3,022	879	3,022	879
Real estate	1,679	2,214	1,679	2,214
Wholesale & retail trade and restaurants & hotels	8,170	11,775	8,139	11,771
Transport, storage and communication	943	1,085	943	1,085
Finance, insurance and business services	1,734,350	923,008	1,734,373	923,054
Community, social and personal services	-	1,188	-	1,188
Household	73,555	128,950	73,555	128,950
	<u>2,104,912</u>	<u>1,240,338</u>	<u>2,104,507</u>	<u>1,240,367</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

44 CREDIT RISK (continued)

(d) Credit quality of derivative assets (continued)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(iv) By residual contractual maturity				
Within one year	696,356	523,665	695,951	523,694
One to five years	1,017,629	521,122	1,017,629	521,122
Over five years	390,927	195,551	390,927	195,551
	<u>2,104,912</u>	<u>1,240,338</u>	<u>2,104,507</u>	<u>1,240,367</u>

(e) Credit quality of contingent liabilities and commitments

(i) By counterparty				
Banking institutions	5,218,261	2,375,672	5,183,768	2,355,162
Non-bank financial institutions	118,646	221,806	103,646	211,987
Business enterprises	16,523,557	11,331,114	13,387,072	10,135,923
Small and medium enterprises	5,429,043	5,294,147	5,429,043	5,294,147
Individuals	6,956,966	8,038,171	6,708,892	7,664,549
	<u>34,246,473</u>	<u>27,260,910</u>	<u>30,812,421</u>	<u>25,661,768</u>
(ii) By geographical distribution				
Malaysia	24,572,975	21,394,461	21,620,697	19,795,528
Singapore	639,743	1,141,211	637,647	1,141,002
Other ASEAN	1,540,809	328,872	1,326,294	328,872
Rest of the world	7,492,946	4,396,366	7,227,783	4,396,366
	<u>34,246,473</u>	<u>27,260,910</u>	<u>30,812,421</u>	<u>25,661,768</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	1,778,141	802,799	1,538,683	795,305
Mining and quarrying	903,840	970,880	862,814	967,428
Manufacturing	5,711,839	4,486,882	4,856,313	4,035,221
Electricity, gas and water	437,309	338,788	327,309	338,788
Construction	2,917,741	2,434,563	2,254,284	2,111,245
Real estate	2,474,755	1,150,152	1,835,395	1,135,769
Wholesale & retail trade and restaurants & hotels	3,067,436	2,851,818	2,867,019	2,650,635
Transport, storage and communication	493,150	399,021	447,691	360,346
Finance, insurance and business services	5,982,301	3,125,398	5,909,435	3,078,733
Community, social and personal services	2,104,193	866,116	1,912,792	860,034
Household	4,764,139	6,135,372	4,516,065	5,761,750
Others	3,611,629	3,699,121	3,484,621	3,566,514
	<u>34,246,473</u>	<u>27,260,910</u>	<u>30,812,421</u>	<u>25,661,768</u>
(iv) By residual contractual maturity				
Within one year	2,755,305	2,215,876	2,601,846	2,079,626
One to five years	17,254,751	11,225,065	14,488,599	10,275,469
Over five years	14,236,417	13,819,969	13,721,976	13,306,673
	<u>34,246,473</u>	<u>27,260,910</u>	<u>30,812,421</u>	<u>25,661,768</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**45 LIQUIDITY RISK**

The tables below show the Group's and the Bank's maturity analysis of assets and liabilities based on remaining contractual maturities and/or their behavioral profile.

Group	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2015								
Assets								
Cash and cash equivalents	5,443,390	5,443,390	-	-	-	-	-	-
Financial assets held-for-trading	1,545,745	1,089,728	108,790	35,216	10,093	131,488	59,287	111,143
Financial investments available-for-sale	13,687,018	2,997,825	210,986	1,733,712	4,936,499	2,228,706	1,470,448	108,842
Loans, advances and financing	68,468,175	13,405,752	2,165,504	2,316,195	8,174,957	6,650,643	35,755,124	-
Derivative financial assets	2,104,912	163,665	269,654	263,037	690,474	327,155	390,927	-
Statutory deposits with Bank Negara Malaysia	2,386,312	-	-	-	-	-	-	2,386,312
Other balances	555,162	211,856	7,773	18,213	40,158	23,823	22,123	231,216
Total assets	94,190,714	23,312,216	2,762,707	4,366,373	13,852,181	9,361,815	37,697,909	2,837,513
Liabilities								
Deposits from customers	73,465,634	49,043,117	8,801,277	12,990,950	966,905	1,663,385	-	-
Deposits and placements of banks and other financial institutions	8,098,511	5,735,890	2,359,831	341	1,403	1,046	-	-
Bills and acceptances payable	146,894	146,894	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	3,528	3,565	7,242	1,134,562	-	-	-
Subordinated bonds	2,225,370	-	-	200,000	595,700	957,738	471,932	-
Derivative financial liabilities	1,979,824	130,424	137,804	324,236	469,925	518,188	399,247	-
Other balances	1,055,195	642,292	166,374	149,293	32,232	9,863	24,401	30,740
Total liabilities	88,120,325	55,702,145	11,468,851	13,672,062	3,200,727	3,150,220	895,580	30,740

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

45 LIQUIDITY RISK (continued)

<u>Group</u>	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2014								
Assets								
Cash and cash equivalents	8,273,458	8,273,458	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	2,852,549	826,885	2,025,664	-	-	-	-	-
Financial assets held-for-trading	1,046,895	84,909	-	-	175,162	320,324	455,115	11,385
Financial investments available-for-sale	12,866,011	2,430,541	883,019	2,079,951	2,600,791	2,630,708	2,132,455	108,546
Loans, advances and financing	62,638,140	11,286,069	1,908,099	2,454,810	8,122,977	5,565,320	33,300,865	-
Derivative financial assets	1,240,338	285,166	107,285	131,214	381,867	139,255	195,551	-
Statutory deposits with Bank Negara Malaysia	2,185,892	-	-	-	-	-	-	2,185,892
Other balances	499,224	72,240	20,160	25,016	44,749	22,454	25,063	289,542
Total assets	91,602,507	23,259,268	4,944,227	4,690,991	11,325,546	8,678,061	36,109,049	2,595,365
Liabilities								
Deposits from customers	71,588,131	50,957,545	8,047,562	9,416,456	1,281,244	1,145,324	740,000	-
Deposits and placements of banks and other financial institutions	10,291,077	8,484,108	1,746,771	12	60,118	58	10	-
Bills and acceptances payable	183,899	183,899	-	-	-	-	-	-
Subordinated bonds	1,692,556	-	-	499,768	792,788	400,000	-	-
Derivative financial liabilities	1,006,835	303,600	153,144	-	379,103	66,171	104,817	-
Other balances	824,261	548,718	108,722	79,307	44,462	4,118	3,709	35,225
Total liabilities	85,586,759	60,477,870	10,056,199	9,995,543	2,557,715	1,615,671	848,536	35,225

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

45 LIQUIDITY RISK (continued)

<u>Bank</u>	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2015								
Assets								
Cash and cash equivalents	4,862,227	4,862,227	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	1,076,407	552,226	29,182	58,364	306,862	92,160	37,613	-
Financial assets held-for-trading	1,545,745	1,089,728	108,790	35,216	10,093	131,488	59,287	111,143
Financial investments available-for-sale	10,629,759	2,288,101	19,978	1,097,834	4,077,357	1,785,068	1,252,579	108,842
Loans, advances and financing	58,580,383	10,871,591	1,677,651	1,622,565	6,159,838	5,788,078	32,460,660	-
Derivative financial assets	2,104,507	163,260	269,654	263,037	690,474	327,155	390,927	-
Statutory deposits with Bank Negara Malaysia	1,980,212	-	-	-	-	-	-	1,980,212
Other balances	1,268,208	191,863	2,964	214,103	31,471	19,221	18,687	789,899
Total assets	82,047,448	20,018,996	2,108,219	3,291,119	11,276,095	8,143,170	34,219,753	2,990,096
Liabilities								
Deposits from customers	63,366,892	41,269,199	7,708,368	11,766,224	960,117	1,662,984	-	-
Deposits and placements of banks and other financial institutions	6,665,892	4,306,229	2,359,663	-	-	-	-	-
Bills and acceptances payable	128,224	128,224	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	3,528	3,565	7,242	1,134,562	-	-	-
Subordinated bonds	2,225,370	-	-	200,000	595,700	957,738	471,932	-
Derivative financial liabilities	1,979,249	129,849	137,804	324,236	469,925	518,188	399,247	-
Other balances	905,267	562,788	139,929	134,052	10,177	9,861	23,672	24,788
Total liabilities	76,419,791	46,399,817	10,349,329	12,431,754	3,170,481	3,148,771	894,851	24,788

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

45 LIQUIDITY RISK (continued)

<u>Bank</u>	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2014								
Assets								
Cash and cash equivalents	7,780,124	7,780,124	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	3,872,892	1,317,848	2,075,677	47,776	280,888	96,510	54,193	-
Financial assets held-for-trading	1,046,895	84,909	-	-	175,162	320,324	455,115	11,385
Financial investments available-for-sale	10,085,357	1,774,385	531,440	1,559,089	1,935,112	2,259,059	1,917,726	108,546
Loans, advances and financing	53,470,126	9,153,725	1,436,165	1,728,148	5,894,172	4,616,248	30,641,668	-
Derivative financial assets	1,240,367	285,195	107,285	131,214	381,867	139,255	195,551	-
Statutory deposits with Bank Negara Malaysia	1,806,092	-	-	-	-	-	-	1,806,092
Other balances	1,167,318	79,398	10,364	19,828	239,708	18,713	21,741	777,566
Total assets	80,469,171	20,475,584	4,160,931	3,486,055	8,906,909	7,450,109	33,285,994	2,703,589
Liabilities								
Deposits from customers	61,649,806	43,097,220	7,185,739	8,203,191	1,278,432	1,145,224	740,000	-
Deposits and placements of banks and other financial institutions	9,476,126	7,669,295	1,746,765	-	60,066	-	-	-
Bills and acceptances payable	163,255	163,255	-	-	-	-	-	-
Subordinated bonds	1,692,556	-	-	499,768	792,788	400,000	-	-
Derivative financial liabilities	1,006,830	303,595	153,144	-	379,103	66,171	104,817	-
Other balances	770,387	552,415	94,712	63,425	18,819	4,118	3,709	33,189
Total liabilities	74,758,960	51,785,780	9,180,360	8,766,384	2,529,208	1,615,513	848,526	33,189

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**45 LIQUIDITY RISK (continued)**

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

Group	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2015								
Non-derivative financial liabilities								
Deposits from customers	73,465,634	49,043,117	8,801,277	12,990,950	966,905	1,663,385	-	73,465,634
Deposits and placements of banks and other financial institutions	8,098,511	5,735,890	2,359,831	341	1,403	1,046	-	8,098,511
Bills and acceptances payable	146,894	146,894	-	-	-	-	-	146,894
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	3,528	3,565	7,242	1,134,562	-	-	1,148,897
Subordinated bonds	2,225,370	-	-	200,000	595,700	957,738	471,932	2,225,370
Other liabilities	1,033,595	769,163	507,726	428,295	299,151	134,830	37,769	2,176,934
	86,118,901	55,698,592	11,672,399	13,626,828	2,997,721	2,756,999	509,701	87,262,240
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		3,594	-	-	-	-	-	3,594
- Interest rate derivatives		15,824	14,675	24,114	53,529	72,431	10,574	191,147
- Equity and other derivatives		340	31,293	22,859	1,370	11,603	-	67,465
Hedging:								
- Interest rate derivatives		50	2,335	2,281	4,975	1,912	(805)	10,748
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		3,911,433	2,351,637	3,448,626	4,779,420	3,657,551	2,627,456	20,776,123
- Inflow		(3,847,965)	(2,406,219)	(3,333,474)	(4,942,681)	(3,504,464)	(2,679,036)	(20,713,839)
		76,997	158,127	61,019	135,646	197,222	293,427	335,238

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

45 LIQUIDITY RISK (continued)

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

45 LIQUIDITY RISK (continued)

<u>Bank</u>	Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2015								
Non-derivative financial liabilities								
Deposits from customers	63,366,892	41,269,199	7,708,368	11,766,224	960,117	1,662,984	-	63,366,892
Deposits and placements of banks and other financial institutions	6,665,892	4,306,229	2,359,663	-	-	-	-	6,665,892
Bills and acceptances payable	128,224	128,224	-	-	-	-	-	128,224
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	3,528	3,565	7,242	1,134,562	-	-	1,148,897
Subordinated bonds	2,225,370	-	-	200,000	595,700	957,738	471,932	2,225,370
Other liabilities	883,707	669,209	470,747	367,808	272,362	114,041	35,470	1,929,637
	<u>74,418,982</u>	<u>46,376,389</u>	<u>10,542,343</u>	<u>12,341,274</u>	<u>2,962,741</u>	<u>2,734,763</u>	<u>507,402</u>	<u>75,464,912</u>
Derivative financial liabilities								
Net settled derivatives								
Trading:								
- Foreign exchange derivatives		3,594	-	-	-	-	-	3,594
- Interest rate derivatives		15,824	14,675	24,114	53,529	72,431	10,574	191,147
- Equity and other derivatives		340	31,293	22,859	1,370	11,603	-	67,465
Hedging:								
- Interest rate derivatives		50	2,335	2,281	4,975	1,912	(805)	10,748
Gross settled derivatives								
Trading:								
- Foreign exchange derivatives								
- Outflow		3,903,630	2,347,931	3,448,626	4,779,420	3,657,551	2,627,456	20,764,614
- Inflow		(3,840,647)	(2,402,502)	(3,333,474)	(4,942,681)	(3,504,464)	(2,679,036)	(20,702,804)
		<u>76,523</u>	<u>158,138</u>	<u>61,019</u>	<u>135,646</u>	<u>197,222</u>	<u>292,953</u>	<u>334,764</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

45 LIQUIDITY RISK (continued)

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**46 INTEREST/PROFIT RATE RISK**

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

Non-trading Book

<u>Group</u>	<i>Non-trading Book</i>					Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000
	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			
2015								
Assets								
Cash and cash equivalents	4,791,826	-	-	-	-	651,564	-	5,443,390
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	1,545,745	1,545,745
Financial investments available-for-sale	3,697,965	1,838,836	4,483,004	2,087,923	1,470,270	109,020	-	13,687,018
Loans, advances and financing								
- Unimpaired	62,834,443	1,142,329	1,858,430	1,350,749	733,431	(465,098)	-	67,454,284
- Impaired	-	-	-	-	-	1,013,891	-	1,013,891
Derivative financial assets	-	-	-	236	9	-	2,104,667	2,104,912
Other assets	-	-	-	-	-	317,835	-	317,835
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,386,312	-	2,386,312
Property and equipment	-	-	-	-	-	213,085	-	213,085
Prepaid lease payments	-	-	-	-	-	820	-	820
Investment properties	-	-	-	-	-	2,428	-	2,428
Non-current assets held for sale	-	-	-	-	-	1,595	-	1,595
Deferred tax assets	-	-	-	-	-	14,492	-	14,492
Current tax assets	-	-	-	-	-	4,907	-	4,907
Total assets	71,324,234	2,981,165	6,341,434	3,438,908	2,203,710	4,250,851	3,650,412	94,190,714

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

46 INTEREST/PROFIT RATE RISK (continued)

Non-trading Book

<u>Group</u>	<i>Non-trading Book</i>						Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest/ profit sensitive RM'000		
2015								
Liabilities								
Deposits from customers	35,535,495	21,792,227	6,640,512	1,663,386	-	7,834,014	-	73,465,634
Deposits and placements of banks and other financial institutions	5,526,702	2,360,173	1,403	1,046	-	209,187	-	8,098,511
Bills and acceptances payable	-	-	-	-	-	146,894	-	146,894
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	-	-	-	-	-	-	1,148,897
Subordinated bonds	-	200,000	595,700	957,738	471,932	-	-	2,225,370
Derivative financial liabilities	-	-	4,523	846	4,939	-	1,969,516	1,979,824
Other liabilities	-	-	-	-	-	1,033,595	-	1,033,595
Current tax liabilities and zakat	-	-	-	-	-	21,600	-	21,600
Total liabilities	42,211,094	24,352,400	7,242,138	2,623,016	476,871	9,245,290	1,969,516	88,120,325
On-statement of financial position interest/profit sensitivity gap	29,113,140	(21,371,235)	(900,704)	815,892	1,726,839	(4,994,439)	1,680,896	6,070,389
Off-statement of financial position interest/profit sensitivity gap	(220,354)	71,452	550,000	(186,583)	(214,515)	-	-	-
Total Interest/profit sensitivity gap	28,892,786	(21,299,783)	(350,704)	629,309	1,512,324	(4,994,439)	1,680,896	6,070,389

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

46 INTEREST/PROFIT RATE RISK (continued)

Non-trading Book

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

46 INTEREST/PROFIT RATE RISK (continued)

<u>Group</u>	<i>Non-trading Book</i>						Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest/ profit sensitive RM'000		
2014								
Liabilities								
Deposits from customers	38,399,686	17,460,236	7,084,790	1,145,324	740,000	6,758,095	-	71,588,131
Deposits and placements of banks and other financial institutions	8,342,837	1,746,783	52	58	10	201,337	-	10,291,077
Bills and acceptances payable	-	-	-	-	-	183,899	-	183,899
Subordinated bonds	-	499,768	792,788	400,000	-	-	-	1,692,556
Derivative financial liabilities	8	1,353	7,430	955	6,216	-	990,873	1,006,835
Other liabilities	-	-	-	-	-	824,226	-	824,226
Current tax liabilities and zakat	-	-	-	-	-	35	-	35
Total liabilities	46,742,531	19,708,140	7,885,060	1,546,337	746,226	7,967,592	990,873	85,586,759
On-statement of financial position interest/profit sensitivity gap	21,544,435	(13,631,527)	(3,977,100)	2,665,294	2,179,222	(4,060,852)	1,296,276	6,015,748
Off-statement of financial position interest/profit sensitivity gap	(677,856)	387,671	550,000	(50,000)	(209,815)	-	-	-
Total Interest/profit sensitivity gap	20,866,579	(13,243,856)	(3,427,100)	2,615,294	1,969,407	(4,060,852)	1,296,276	6,015,748

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

46 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	<i>Non-trading Book</i>						Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000		
2015								
Assets								
Cash and cash equivalents	4,249,195	-	-	-	-	613,032	-	4,862,227
Deposits and placements with banks and other financial institutions	926,407	-	150,000	-	-	-	-	1,076,407
Financial assets held-for-trading	-	-	-	-	-	-	1,545,745	1,545,745
Financial investments available-for-sale	2,988,241	1,011,950	3,623,862	1,644,284	1,252,402	109,020	-	10,629,759
Loans, advances and financing								
- Unimpaired	56,155,668	714,749	662,218	328,628	229,009	(324,626)	-	57,765,646
- Impaired	-	-	-	-	-	814,737	-	814,737
Derivative financial assets	-	-	-	236	9	-	2,104,262	2,104,507
Other assets	-	200,000	-	-	-	295,733	-	495,733
Statutory deposits with								
Bank Negara Malaysia	-	-	-	-	-	1,980,212	-	1,980,212
Investment in subsidiaries	-	-	-	-	-	556,617	-	556,617
Property and equipment	-	-	-	-	-	198,859	-	198,859
Prepaid lease payments	-	-	-	-	-	820	-	820
Investment properties	-	-	-	-	-	2,428	-	2,428
Non-current assets held for sale	-	-	-	-	-	1,595	-	1,595
Deferred tax assets	-	-	-	-	-	12,156	-	12,156
Current tax assets	-	-	-	-	-	-	-	-
Total assets	64,319,511	1,926,699	4,436,080	1,973,148	1,481,420	4,260,583	3,650,007	82,047,448

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

46 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	<i>Non-trading Book</i>						Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000		
2015								
Liabilities								
Deposits from customers	28,095,617	19,474,592	6,633,724	1,662,985	-	7,499,974	-	63,366,892
Deposits and placements of banks and other financial institutions	4,151,478	2,359,663	-	-	-	154,751	-	6,665,892
Bills and acceptances payable	-	-	-	-	-	128,224	-	128,224
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	-	-	-	-	-	-	1,148,897
Subordinated bonds	-	200,000	595,700	957,738	471,932	-	-	2,225,370
Derivative financial liabilities	-	-	4,523	846	4,939	-	1,968,941	1,979,249
Other liabilities	-	-	-	-	-	883,707	-	883,707
Current tax liabilities and zakat	-	-	-	-	-	21,560	-	21,560
Total liabilities	33,395,992	22,034,255	7,233,947	2,621,569	476,871	8,688,216	1,968,941	76,419,791
On-statement of financial position interest/profit sensitivity gap	30,923,519	(20,107,556)	(2,797,867)	(648,421)	1,004,549	(4,427,633)	1,681,066	5,627,657
Off-statement of financial position interest/profit sensitivity gap	(220,354)	71,452	550,000	(186,583)	(214,515)	-	-	-
Total Interest/profit sensitivity gap	30,703,165	(20,036,104)	(2,247,867)	(835,004)	790,034	(4,427,633)	1,681,066	5,627,657

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**46 INTEREST/PROFIT RATE RISK (continued)**

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

46 INTEREST/PROFIT RATE RISK (continued)

<u>Bank</u>	<i>Non-trading Book</i>						Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000		
2014								
Liabilities								
Deposits from customers	30,855,560	15,388,930	7,082,143	1,145,224	740,000	6,437,949	-	61,649,806
Deposits and placements of banks and other financial institutions	7,580,403	1,746,765	-	-	-	148,958	-	9,476,126
Bills and acceptances payable	-	-	-	-	-	163,255	-	163,255
Subordinated bonds	-	499,768	792,788	400,000	-	-	-	1,692,556
Derivative financial liabilities	8	1,353	7,430	955	6,216	-	990,868	1,006,830
Other liabilities	-	-	-	-	-	770,387	-	770,387
Current tax liabilities and zakat	-	-	-	-	-	-	-	-
Total liabilities	38,435,971	17,636,816	7,882,361	1,546,179	746,216	7,520,549	990,868	74,758,960
On-statement of financial position interest/profit sensitivity gap	24,043,926	(12,808,689)	(5,394,128)	629,815	1,478,754	(3,535,777)	1,296,310	5,710,211
Off-statement of financial position interest/profit sensitivity gap	(677,856)	387,671	550,000	(50,000)	(209,815)	-	-	-
Total Interest/profit sensitivity gap	23,366,070	(12,421,018)	(4,844,128)	579,815	1,268,939	(3,535,777)	1,296,310	5,710,211

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**46 INTEREST/PROFIT RATE RISK (continued)**

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

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
+ 50 bps	1,679,315	1,664,903	1,283,547	1,262,425
- 50 bps	1,445,978	1,488,545	1,067,067	1,096,800

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

47 CURRENCY RISK

Group	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
2015					
Financial assets					
Cash and cash equivalents	4,747,184	355,378	186,627	154,201	5,443,390
Deposits and placements with banks and other financial institutions	-	-	-	-	-
Financial assets held-for-trading	1,545,631	-	65	49	1,545,745
Financial investments available-for-sale	11,209,786	1,386,298	289,276	801,658	13,687,018
Loans, advances and financing	62,492,405	4,473,778	115,617	1,386,375	68,468,175
Derivative financial assets	372,518	1,674,123	51,789	6,482	2,104,912
Other assets	245,658	57,181	6,530	8,466	317,835
Statutory deposits with Bank Negara Malaysia	2,386,312	-	-	-	2,386,312
	82,999,494	7,946,758	649,904	2,357,231	93,953,387
Financial liabilities					
Deposits from customers	67,681,627	4,110,169	542,959	1,130,879	73,465,634
Deposits and placements of banks and other financial institutions	1,219,054	5,571,839	79,824	1,227,794	8,098,511
Bills and acceptances payable	146,680	144	70	-	146,894
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	-	-	-	1,148,897
Subordinated bonds	1,195,700	1,029,670	-	-	2,225,370
Derivative financial liabilities	511,459	1,379,544	85,366	3,455	1,979,824
Other liabilities	957,470	46,051	15,435	14,639	1,033,595
	72,860,887	12,137,417	723,654	2,376,767	88,098,725
Net financial assets/(liabilities) exposure	10,138,607	(4,190,659)	(73,750)	(19,536)	5,854,662
2014					
Financial assets					
Cash and cash equivalents	5,710,249	1,800,103	69,275	693,831	8,273,458
Deposits and placements with banks and other financial institutions	-	2,375,600	-	476,949	2,852,549
Financial assets held-for-trading	1,036,420	10,393	18	64	1,046,895
Financial investments available-for-sale	10,683,639	1,056,170	437,191	689,011	12,866,011
Loans, advances and financing	58,738,593	2,717,925	72,319	1,109,303	62,638,140
Derivative financial assets	561,611	656,286	22,152	289	1,240,338
Other assets	154,689	28,409	38,949	7,220	229,267
Statutory deposits with Bank Negara Malaysia	2,185,892	-	-	-	2,185,892
	79,071,093	8,644,886	639,904	2,976,667	91,332,550
Financial liabilities					
Deposits from customers	67,725,498	2,271,120	315,332	1,276,181	71,588,131
Deposits and placements of banks and other financial institutions	541,910	7,519,264	228,807	2,001,096	10,291,077
Bills and acceptances payable	183,878	-	21	-	183,899
Subordinated bonds	1,692,556	-	-	-	1,692,556
Derivative financial liabilities	957,534	25,143	24,158	-	1,006,835
Other liabilities	803,806	496	13,462	6,462	824,226
	71,905,182	9,816,023	581,780	3,283,739	85,586,724
Net financial assets/(liabilities) exposure	7,165,911	(1,171,137)	58,124	(307,072)	5,745,826

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**47 CURRENCY RISK (continued)**

Bank	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
2015					
Financial assets					
Cash and cash equivalents	3,883,002	426,095	187,432	365,698	4,862,227
Deposits and placements with banks and other financial institutions	989,057	87,350	-	-	1,076,407
Financial assets held-for-trading	1,545,631	-	65	49	1,545,745
Financial investments available-for-sale	8,558,504	1,097,065	198,973	775,217	10,629,759
Loans, advances and financing	53,531,473	3,761,947	113,220	1,173,743	58,580,383
Derivative financial assets	372,114	1,674,122	51,789	6,482	2,104,507
Other assets	430,273	51,893	5,283	8,284	495,733
Statutory deposits with Bank Negara Malaysia	1,980,212	-	-	-	1,980,212
Investment in subsidiaries	556,617	-	-	-	556,617
	71,846,883	7,098,472	556,762	2,329,473	81,831,590
Financial liabilities					
Deposits from customers	57,671,220	4,037,956	527,008	1,130,708	63,366,892
Deposits and placements of banks and other financial institutions	662,891	4,801,302	-	1,201,699	6,665,892
Bills and acceptances payable	128,010	144	70	-	128,224
Recourse obligation on loans sold to Cagamas Berhad	1,148,897	-	-	-	1,148,897
Subordinated bonds	1,195,700	1,029,670	-	-	2,225,370
Derivative financial liabilities	510,883	1,379,545	85,366	3,455	1,979,249
Other liabilities	809,840	45,377	14,472	14,018	883,707
	62,127,441	11,293,994	626,916	2,349,880	76,398,231
Net financial assets/(liabilities) exposure	9,719,442	(4,195,522)	(70,154)	(20,407)	5,433,359
2014					
Financial assets					
Cash and cash equivalents	5,224,705	1,797,743	65,737	691,939	7,780,124
Deposits and placements with banks and other financial institutions	640,187	2,483,899	-	748,806	3,872,892
Financial assets held-for-trading	1,036,420	10,393	18	64	1,046,895
Financial investments available-for-sale	8,271,522	812,830	334,507	666,498	10,085,357
Loans, advances and financing	50,826,243	2,288,646	67,449	287,788	53,470,126
Derivative financial assets	561,640	656,286	22,152	289	1,240,367
Other assets	348,400	25,162	37,644	6,963	418,169
Statutory deposits with Bank Negara Malaysia	1,806,092	-	-	-	1,806,092
Investment in subsidiaries	496,617	-	-	-	496,617
	69,211,826	8,074,959	527,507	2,402,347	80,216,639
Financial liabilities					
Deposits from customers	57,842,363	2,220,124	311,285	1,276,034	61,649,806
Deposits and placements of banks and other financial institutions	1,313,854	6,883,092	118,983	1,160,197	9,476,126
Bills and acceptances payable	163,234	-	21	-	163,255
Subordinated bonds	1,692,556	-	-	-	1,692,556
Derivative financial liabilities	957,529	25,143	24,158	-	1,006,830
Other liabilities	754,101	-	12,806	3,480	770,387
	62,723,637	9,128,359	467,253	2,439,711	74,758,960
Net financial assets/(liabilities) exposure	6,488,189	(1,053,400)	60,254	(37,364)	5,457,679

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)

48 SEGMENT INFORMATION

Operating Segment

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

Business Banking

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

Consumer Financial Services

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

Global Treasury

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

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

Others

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

Measurement and Evaluation of Segment Performance

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

Major Customers

Revenue from no single customer amounted to greater than 10% of the Group's revenue for the current and preceding financial year.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**48 SEGMENT INFORMATION (continued)****Geographical Segment**

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

Group	Business Banking RM'000	Consumer Financial Services RM'000	Global Treasury RM'000	Others RM'000	Total RM'000
2015					
Net interest/finance income	1,039,549	515,225	184,702	94,284	1,833,760
Non-interest/finance income	142,003	141,034	234,600	125,284	642,921
Operating income	1,181,552	656,259	419,302	219,568	2,476,681
Operating expenses	(388,589)	(489,750)	(91,924)	(44,205)	(1,014,468)
Operating profit before impairment allowance and provision	792,963	166,509	327,378	175,363	1,462,213
(Impairment)/write-back of allowances and provision for commitments and contingencies	(196,388)	(96,696)	(1,800)	1,069	(293,815)
Profit before income tax and zakat	596,575	69,813	325,578	176,432	1,168,398
Income tax expense and zakat	(147,478)	(17,951)	(81,208)	(38,810)	(285,447)
Profit for the year	449,097	51,862	244,370	137,622	882,951
Gross loans, advances and financing	38,471,340	31,078,997	-	77,431	69,627,768
Gross impaired loans, advances and financing	1,053,874	380,268	-	228	1,434,370
Deposits from customers	36,475,633	33,907,753	3,082,248	-	73,465,634
2014					
Net interest/finance income	965,121	487,260	183,948	156,231	1,792,560
Non-interest/finance income	135,024	124,077	180,114	80,385	519,600
Operating income	1,100,145	611,337	364,062	236,616	2,312,160
Operating expenses	(358,188)	(481,082)	(80,953)	(22,111)	(942,334)
Operating profit before impairment allowance and provision	741,957	130,255	283,109	214,505	1,369,826
Impairment of allowances and provision for commitments and contingencies	(180,905)	(115,368)	-	(306)	(296,579)
Profit before income tax and zakat	561,052	14,887	283,109	214,199	1,073,247
Income tax expense and zakat	(140,206)	(3,722)	(70,777)	(24,163)	(238,868)
Profit for the year	420,846	11,165	212,332	190,036	834,379
Gross loans, advances and financing	35,762,029	27,799,359	-	83,511	63,644,899
Gross impaired loans, advances and financing	947,464	329,562	-	-	1,277,026
Deposits from customers	39,029,835	28,491,300	4,066,996	-	71,588,131

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**49 CAPITAL ADEQUACY****Capital Management**

It is the Group's and the Bank's objective to maintain a strong capital position to support business growth, and to maintain investor, depositor, customer and market confidence. In line with this, the Group and the Bank manage capital actively to ensure that the Group's and the Bank's capital adequacy ratios are comfortably above the regulatory minima while balancing shareholder's desire for sustainable returns and high standards of prudence.

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

Capital Adequacy Ratios

The Bank and its regulated banking subsidiary were in compliance with the BNM prescribed minimum capital ratios of Common Equity Tier 1 capital ratio of 4.5%, Tier 1 capital ratio of 6.0% and total capital ratio of 8.0% throughout the financial year.

During the financial year, the Bank had issued Basel III compliant USD110 million Additional Tier 1 capital securities and USD130 million Tier 2 subordinated bonds on 18 September 2015 and 4 November 2015 respectively. The Bank redeemed RM400 million non-cumulative non-convertible preference shares on 20 September 2015 and RM500 million subordinated bonds on 4 November 2015.

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

The table below shows the composition of the regulatory capital and capital adequacy ratios, determined according to the requirements of BNM's Capital Adequacy Framework (Capital Components).

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier 1 ("CET 1") capital				
Paid-up ordinary share capital	287,500	287,500	287,500	287,500
Ordinary share premium	462,500	462,500	462,500	462,500
Retained earnings	4,501,313	4,145,417	4,296,938	4,036,338
Other reserves	819,076	720,331	580,719	523,873
CET 1 capital	6,070,389	5,615,748	5,627,657	5,310,211
Regulatory adjustment for CET 1 capital	(241,749)	(215,058)	(459,331)	(310,250)
CET 1 capital	5,828,640	5,400,690	5,168,326	4,999,961
Additional Tier 1 capital				
Paid-up non-cumulative, non-convertible perpetual preference shares	-	3,200	-	3,200
Preference share premium	-	316,800	-	316,800
Innovative Tier 1 capital	400,000	320,000	400,000	320,000
Additional Tier 1 capital	471,932	-	471,932	-
Tier 1 capital	6,700,572	6,040,690	6,040,258	5,639,961

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (continued)**49 CAPITAL ADEQUACY (continued)**

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Tier 2 capital				
Collective impairment allowance under the Standardised Approach*	20,399	19,242	8,723	7,763
Surplus eligible provisions over expected losses	226,489	141,335	212,414	132,734
Subordinated bonds	1,357,738	1,040,000	1,357,738	1,040,000
	<u>1,604,626</u>	<u>1,200,577</u>	<u>1,578,875</u>	<u>1,180,497</u>
Regulatory adjustment for Tier 2 capital	-	-	(533,970)	(597,294)
Tier 2 capital	<u>1,604,626</u>	<u>1,200,577</u>	<u>1,044,905</u>	<u>583,203</u>
Capital base	<u>8,305,198</u>	<u>7,241,267</u>	<u>7,085,163</u>	<u>6,223,164</u>

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

	Group		Bank	
	2015	2014	2015	2014
Before deducting proposed dividend				
CET 1 capital ratio	11.964%	13.086%	12.546%	14.201%
Tier 1 capital ratio	13.754%	14.636%	14.662%	16.019%
Total capital ratio	<u>17.047%</u>	<u>17.545%</u>	<u>17.199%</u>	<u>17.675%</u>
After deducting proposed dividend				
CET 1 capital ratio	11.066%	12.003%	11.483%	12.933%
Tier 1 capital ratio	12.855%	13.554%	13.600%	14.750%
Total capital ratio	<u>16.149%</u>	<u>16.463%</u>	<u>16.136%</u>	<u>16.407%</u>

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

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	42,951,648	35,941,269	36,100,081	30,448,795
Total RWA for market risk	1,497,919	1,284,802	1,499,947	1,277,216
Total RWA for operational risk	4,254,593	4,046,159	3,581,509	3,482,210
Total RWA for large exposure risk	14,255	-	14,255	-
	<u>48,718,415</u>	<u>41,272,230</u>	<u>41,195,792</u>	<u>35,208,221</u>

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

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

	2015	2014
CET 1 capital ratio	12.746%	12.609%
Tier 1 capital ratio	12.746%	12.609%
Total capital ratio	<u>14.749%</u>	<u>15.458%</u>