OSK Investment Bank
(A Member of RHB Banking Group)

100 years
RHB Banking Group
A Century of Commitment

YEARS
1913-2013

annual report 2012

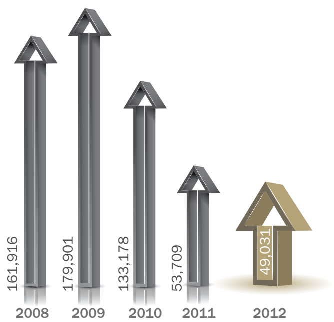
Inside
this report

Five-Year Group Financial Highlights

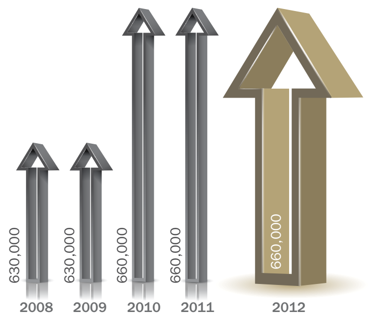
	2012	2011*	2010*	2009	2008
RESULTS (RM'000)					
Profit before tax	**49,031**	53,709	133,178	179,901	161,916
Net profit for the financial year	**29,677**	37,439	97,806	135,213	133,320
Net dividend	**–**	–	–	35,438	46,620
STATEMENT OF FINANCIAL POSITION (RM'000)					
Share capital	**660,000**	660,000	660,000	630,000	630,000
Shareholder's equity (attributable to owner of the Bank)	**847,431**	1,049,081	1,031,583	989,364	868,459
Total assets	**11,304,838**	9,141,103	8,469,499	9,386,001	5,331,628
Loans and advances	**1,960,011**	1,425,405	1,101,708	766,998	796,994
Total deposits	**6,662,335**	5,433,198	4,621,818	4,535,101	2,829,240
RATIOS					
Basic earnings per share (sen)	**2.22**	2.53	9.87	17.03	18.75
Gross dividends per share (sen)	**–**	–	–	7.50	10.00
Net tangible assets per share (sen)	**156.08**	177.51	167.23	167.45	144.20
Return on shareholder's equity (%)	**1.73**	1.59	6.21	10.85	13.60

* Restated as a result of retrospective application of MFRS 139 and FRSIC 18.

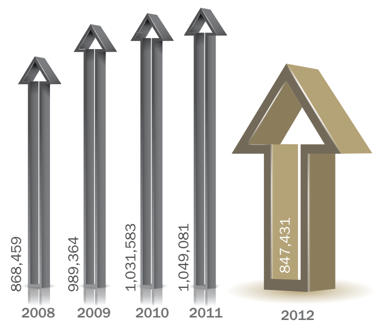
PROFIT BEFORE TAX (RM'000)



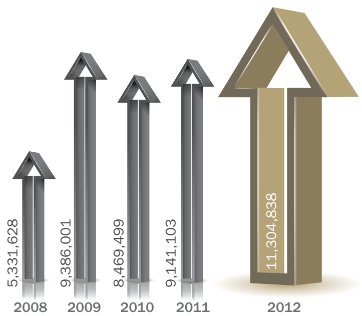
SHARE CAPITAL (RM'000)



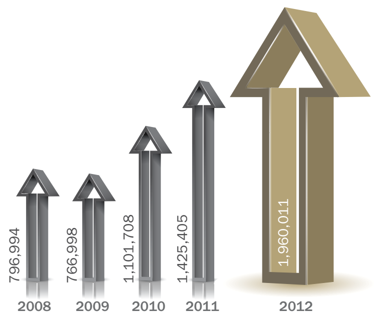
SHAREHOLDER'S EQUITY (RM'000)



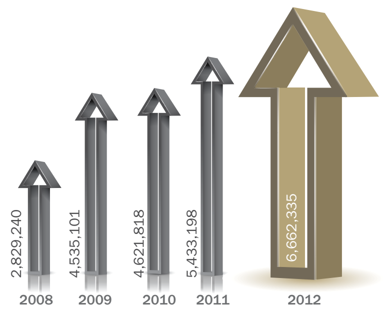
TOTAL ASSETS (RM'000)



LOANS AND ADVANCES (RM'000)



TOTAL DEPOSITS (RM'000)



Corporate Information
As At 22 March 2013

BOARD OF DIRECTORS

Mr. Foo San Kan
– Chairman
Senior Independent Non-Executive Director

Mr. U Chen Hock
Chief Executive Officer/Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Non-Independent Non-Executive Director

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Non-Independent Non-Executive Director

Dato' Abdul Majit bin Ahmad Khan
Independent Non-Executive Director

Mr. Leong Keng Yuen
Independent Non-Executive Director

Dr. Ngo Get Ping
Independent Non-Executive Director

BOARD COMMITTEES

A. Credit Lending Committee – Connected Parties Members

Dato' Abdul Majit bin Ahmad Khan
– Chairman
Independent Non-Executive Director

Mr. Foo San Kan
Senior Independent Non-Executive Director

Mr. U Chen Hock
Chief Executive Officer/Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Non-Independent Non-Executive Director

Mr. Wong Chong Kim
Deputy Chief Executive Officer

B. Audit Committee Members

Mr. Leong Keng Yuen
– Chairman
Independent Non-Executive Director

Mr. Foo San Kan
Senior Independent Non-Executive Director

Dato' Abdul Majit bin Ahmad Khan
Independent Non-Executive Director

C. Risk Management Committee Members

Dr. Ngo Get Ping
– Chairman
Independent Non-Executive Director

Mr. Foo San Kan
Senior Independent Non-Executive Director

Mr. Leong Keng Yuen
Independent Non-Executive Director

D. Nominating Committee Members

Mr. Foo San Kan
– Chairman
Senior Independent Non-Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Non-Independent Non-Executive Director

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Non-Independent Non-Executive Director

Dato' Abdul Majit bin Ahmad Khan
Independent Non-Executive Director

Mr. Leong Keng Yuen
Independent Non-Executive Director

Dr. Ngo Get Ping
Independent Non-Executive Director

E. Remuneration Committee Members

Dato' Abdul Majit bin Ahmad Khan
– Chairman
Independent Non-Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Non-Independent Non-Executive Director

Dr. Ngo Get Ping
Independent Non-Executive Director

F. Shariah Committee Members

Dr. Ahmad Basri Ibrahim
– Chairman
Shariah Adviser

En. Wan Abdul Rahim Kamil Wan Mohamed Ali
Shariah Adviser

En. Mohd Fadhly Md. Yusoff
Shariah Adviser

Dr. Mohamad Asmadi Haji Abdullah
Shariah Adviser

COMPANY SECRETARIES

Chua Siew Chuan (MAICSA0777689)
Chin Mun Yee (MAICSA7019243)

AUDITORS

PricewaterhouseCoopers (AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur

PRINCIPAL BANKERS

Bangkok Bank Plc
CIMB Bank Berhad
Citibank Berhad
DBS Bank Ltd.
Malayan Banking Berhad
Panin Bank
PT Bank CIMB Niaga Tbk
PT Bank OCBC NISP Tbk
PT Bank Permata Tbk
RHB Bank Berhad
RHB Islamic Bank Berhad
Standard Chartered Bank (Hong Kong) Limited
Standard Chartered Bank Berhad
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank (Malaysia) Berhad
United Overseas Bank Limited

SOLICITORS

Cheang & Ariff
Rajesh Hisham Rahim & Gopal
Lee Hishamudin Allen & Gledhill

REGISTERED OFFICE

20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : 603-23338333
Fax : 603-21753220

PRINCIPAL BUSINESS ADDRESSES

OSKIB BRANCH NETWORK

Central Region

Principal Office
Tingkat 12, 20 (sebahagian) & 21,
Plaza OSK, Jalan Ampang,
50450 Kuala Lumpur
Tel : (03) 2333 8333/2175 3388
Fax : (03) 2175 3209

Kepong
No. 62, 62-1, 64 & 64-1,
Vista Magna, Jalan Prima,
Metro Prima, 52100 Kuala Lumpur
Tel : (03) 6257 5869
Fax : (03) 6257 5934

Seri Petaling
Ground, First, Second & Third Floor,
No. 55, Zone J4, Jalan Radin Anum,
Bandar Baru Seri Petaling,
57000 Kuala Lumpur
Tel : (03) 9058 7222
Fax : (03) 9058 3386

Selangor Region

Bandar Puchong Jaya
Tingkat Bawah dan Tingkat Satu,
No. 13 Jalan Kenari 3,
Bandar Puchong Jaya,
47100 Puchong, Selangor
Tel : (03) 8070 6899
Fax : (03) 8070 6748

Kajang
No. 37, Jalan Semenyih,
43000 Kajang, Selangor
Tel : (03) 8736 3378
Fax : (03) 8736 7939

Klang
Tingkat Bawah & Tingkat Mezanin,
No. 87 & 89, Jalan Susur,
Pusat Perniagaan NBC,
Batu 1 ½ Jalan Meru,
41050 Klang, Selangor
Tel : (03) 3343 9180
Fax : (03) 3342 6455

Kota Damansara
11-1 & 11-2, Jalan PJU 5/12,
Dataran Sunway, Kota Damansara,
47810 Petaling Jaya, Selangor
Tel : (03) 6148 3361
Fax : (03) 6148 3362

Pandan Indah
No. 5 & 7, Jalan Pandan Indah 4/33,
Pandan Indah, 55100 Selangor
Tel : (03) 4280 4798
Fax : (30) 4280 5519

Rawang
Tingkat Bawah & Tingkat Satu,
No. 15, Jalan Bandar Rawang 4,
48000 Rawang, Selangor
Tel : (03) 6092 8916
Fax : (03) 6092 4541

SS2, Petaling Jaya
24, 24M, 24A, 26M, 28M, 28A, 30,
30M & 30A, Jalan SS2/63,
47300 Petaling Jaya, Selangor
Tel : (03) 7873 6366
Fax : (03) 7873 6566

USJ Taipan
Tingkat 3, 1A-D,
Jalan USJ 10/1A,
Pusat Perniagaan USJ 10,
47610, UEP Subang Jaya, Selangor
Tel : (03) 8023 6518
Fax : (03) 8023 6534

Penang Region

Penang
No. 64 & 64D,
Tingkat Bawah - Tingkat 3 & Tingkat 5
- Tingkat 8, Lebuh Bishop,
10200 Penang
Tel : (04) 263 4222
Fax : (04) 262 2299

Bayan Baru
15-G-5, 15-G-6, 15-1-5, 15-1-6,
15-2-5,15-2-6 & 15-2-24,
Bayan Point Medan Kampung Relau,
11950 Penang
Tel : (04) 640 4888
Fax : (04) 640 4878

Bukit Mertajam
Tingkat Bawah, Tingkat Satu & Tingkat
Dua, No. 11A, Jalan Keranji,
Off Jalan Padang Lallang,
14000 Bukit Mertajam, Pulau Pinang
Tel : (04) 540 2888
Fax : (04) 540 2878

Butterworth
Aras Bawah, 1 dan 2, 2677,
Jalan Chain Ferry, Taman Inderawasih,
13600 Prai, Pulau Pinang
Tel : (04) 390 0022
Fax : (04) 390 0023

Farlim
41-A, 41-B dan 41-C,
Lintang Angsana, Bandar Baru Air
Itam, 11500 Pulau Pinang
Tel : (04) 835 2988
Fax : (04) 835 2978

Sungai Bakap
834, Tingkat Bawah dan Tingkat Satu,
835, Tingkat Satu, Jalan Besar,
Sungai Bakap, 14200 Sungai Jawi
SPS, Pulau Pinang
Tel : (04) 5831 888
Fax : (04) 5831 878

Perlis Region

Kangar
Tingkat Bawah & Tingkat Satu,
No. 39, Taman Suriani,
Persiaran Jubli Emas,
01000 Kangar, Perlis
Tel : (04) 979 3888
Fax : (04) 979 3878

Perak Region

Ipoh
21-25, Jalan Seenivasagam,
Greentown, 30450 Ipoh, Perak
Tel : (05) 241 5100
Fax : (05) 255 3903

Kampar
Tingkat Bawah dan Tingkat Satu,
No. 72, Jalan Idris,
31900 Kampar, Perak
Tel : (05) 467 1820
Fax : (05) 467 1800

Parit Buntar
Tingkat Bawah dan Tingkat Satu,
No. 2, Jalan Wawasan 4,
Taman Wawasan,
34200 Parit Buntar, Perak
Tel : (05) 717 0888
Fax : (05) 717 0878

Sitiawan
Tingkat Bawah dan Tingkat Satu,
No. 23 & 25, Jalan Lumut,
32000 Sitiawan, Perak
Tel : (05) 692 9226
Fax : (05) 692 9223

Taiping
Tingkat Bawah,
No. 40, 42 & 44,
Jalan Berek,
34000 Taiping, Perak
Tel : (05) 808 8229
Fax : (05) 808 5229

Teluk Intan
No. 17, Jalan Intan 2,
Bandar Baru,
36000 Teluk Intan, Perak
Tel : (05) 623 6498
Fax : (05) 623 6497

Melaka Region

Melaka
579, 580 dan 581,
Taman Melaka Raya,
75000 Melaka
Tel : (06) 282 5211
Fax : (03) 284 4871

Negeri Sembilan Region

Bahau
Tingkat Satu & Tingkat Dua,
No. 168, Jalan Mewah
(Pusat Perniagaan UMNO
Bahagian Jempol),
72100 Bahau, Negeri Sembilan
Tel : (06) 455 3014
Fax : (06) 455 3010

Port Dickson
Tingkat Bawah & Tingkat Mezanin,
No. 346 & 347, Batu ½ Jalan Pantai,
71000 Port Dickson, Negeri Sembilan
Tel : (06) 646 1234
Fax : (06) 646 4064

Seremban
Tingkat Bawah, Tingkat 1 & Tingkat 2,
No. 32 & 33, Jalan Dato' Bandar
Tunggal, 70000 Seremban,
Negeri Sembilan
Tel : (06) 764 1641
Fax : (06) 764 1711

Tampin
Tingkat Satu, No. 3601, Jalan Besar,
73000 Tampin, Negeri Sembilan
Tel : (06) 442 1000
Fax : (06) 442 1001

Johor Region

Batu Pahat
53,53-A dan 53-B,
Jalan Sultanah,
83000 Batu Pahat, Johor
Tel : (07) 438 0288
Fax : (07) 438 0350

Johor Bahru
Tingkat 6, Wisma Tiong-Hua,
8, Jalan Keris, Taman Sri Tebrau,
80050 Johor Bahru, Johor
Tel : (07) 278 8821
Fax : (07) 278 8011

Kluang
Tingkat Bawah dan Tingkat Satu,
No. 40, Jalan Haji Manan,
86000 Kluang, Johor
Tel : (07) 776 9655
Fax : (07) 771 4382

Kulai
Tingkat Bawah, Tingkat Satu & Tingkat
Dua, No. 10, Jalan Anggerik 1,
Taman Kulai Utama,
81000 Kulai, Johor
Tel : (07) 662 6288
Fax : (07) 662 6289

Labis
No. 2, Tingkat 1, Jalan Makmur,
Taman Sri Aman,
85300 Labis, Johor
Tel : (07) 9256 881
Fax : (07) 9256 882

Muar
No. 33-1, Tingkat 1 & Tingkat 2
(Unit Penjuru), Jalan Ali,
84000 Muar, Johor
Tel : (06) 953 8262
Fax : (06) 953 8263

Segamat
Tingkat Bawah, Tingkat 1 & Tingkat 2,
No.3, Jalan Susur Utama 2/1,
Taman Utama, 85000 Segamat, Johor
Tel : (07) 932 1543
Fax : (07) 932 1612

Sutera Utama
Tingkat Bawah dan Tingkat Satu,
No. 119 dan 121, Jalan Sutera
Tanjung 8/2, Taman Sutera Utama,
81300 Skudai, Johor
Tel : (07) 557 7628
Fax : (07) 557 3664

Taman Molek
Tingkat Bawah, Tingkat 1 dan
Tingkat 2, No. 21 dan 23,
Jalan Molek 1/30, Taman Molek,
81100 Johor Bahru, Johor
Tel : (07) 352 2293
Fax : (07) 358 1040

Tangkak
Tingkat Bawah, Tingkat 1 & Tingkat 2,
No. 343, Jalan Muar,
84900 Tangkak, Johor
Tel : (06) 978 7180
Fax : (06) 978 8280

Yong Peng (EAF)
No. 240A, Jalan Besar,
83700 Yong Peng, Johor
Tel : (07) 467 7451
Fax : (07) 467 7481

Pahang Region

Bentong
Tingkat Bawah dan Tingkat Satu,
98 Jalan Pasdec,
28700 Bentong, Pahang
Tel : (09) 2234 948
Fax : (09) 2234 950

Cameron Highlands
Tingkat Bawah dan
Tingkat Satu, No. 76-A,
Persiaran Camelia 4, Tanah Rata,
39000 Cameron Highlands, Pahang
Tel : (05) 491 4913
Fax : (05) 491 4931

Kuantan
B32 & B34,
Lorong Tun Ismail 8,
Seri Dagangan II,
25000 Kuantan, Pahang
Tel : (09) 517 3811
Fax : (09) 517 3911

Kedah Region

Alor Setar
214-A, 214-B, 215-A dan 215-B,
Medan Putra, Jalan Putra,
05150 Alor Setar, Kedah
Tel : (04) 720 9888
Fax : (04) 720 9878

Kulim
Tingkat Bawah dan Tingkat 1,
35, Jalan Suria 1, Jalan Bayu,
09000 Kulim, Kedah
Tel : (04) 496 4888
Fax : (04) 496 4878

Sungai Petani
No. 112, Jalan Pengkalan,
Taman Pekan Baru,
08000 Sungai Petani, Kedah
Tel : (04) 420 4888
Fax : (04) 420 4878

Terengganu Region

Kemaman
Tingkat Bawah & Tingkat Satu,
9651, Cukai Utama,
Jalan Kubang Kurus,
24000 Kemaman, Terengganu
Tel : (09) 850 2730
Fax : (09) 858 2314

Kuala Terengganu
31A, Tingkat Bawah, 31A & 31B
Tingkat 1, Jalan Sultan Ismail,
20200 Kuala Terengganu, Terengganu
Tel : (09) 626 1816
Fax : (09) 626 6241

Kelantan Region

Kota Bharu
No. 3953-H, Tingkat Bawah &
Tingkat Satu, PT 225,
Jalan Kebun Sultan,
15350 Kota Bharu, Kelantan
Tel : (09) 743 0077
Fax : (09) 747 6669

Sarawak Region

Bintulu
Tingkat Bawah dan Tingkat 1,
No. 221, Parkcity Commerce Square,
Phase III, Jalan Tun Ahmad Zaidi,
97000 Bintulu, Sarawak
Tel : (086) 311 770
Fax : (086) 312 770

Kuching
Lot 170 & 171, Section 49,
K.T.L.D., Jalan Chan Chin Ann,
93100 Kuching, Sarawak
Tel : (082) 422 252
Fax : (082) 240 955

Miri
Tingkat Dua, Lot 1268 dan Lot 1269,
Centre Point Commercial Centre,
Jalan Melayu, 98000 Miri, Sarawak
Tel : (085) 422 788
Fax : (085) 410 822

Sarikei
Tingkat Bawah dan Tingkat Satu,
No. 10, Jalan Bersatu,
96100 Sarikei, Sarawak
Tel : (084) 658 964
Fax : (084) 651 900

Sibu
No. 102, Pusat Pedada,
Jalan Pedada,
96000 Sibu, Sarawak
Tel : (084) 329 100
Fax : (084) 334 100

Sabah Region

Kota Kinabalu
Tingkat 5, Wisma BSN Sabah,
Jalan Kemajuan, Karamunsing,
88000 Kota Kinabalu, Sabah
Tel : (088) 269 788
Fax : (088) 260 910

Lintas
Lot 14-0, Tingkat Bawah,
Lorong Lintas Plaza 2, Lintas Plaza,
Off Jalan Lintas,
88300 Kota Kinabalu, Sabah
Tel : (088) 256 666
Fax : (088) 256 618

Sandakan
Tingkat Bawah, Block 2, Lot 4 & Lot
5, Bandar Indah, Batu 4, North Road,
91000 Sandakan, Sabah
Tel : (089) 229 286
Fax : (089) 229 719

OSKIB INTERNATIONAL BRANCH

Singapore Branches

DMG & Partners Securities Pte Ltd
10 Collyer Quay, #09-08,
Ocean Financial Centre,
Singapore 049315
Tel : (65) 6533 1818
Fax : (65) 6532 6211

OSK International Asset Management Pte. Ltd
10 Collyer Quay, #09-08,
Ocean Financial Centre,
Singapore 049315
Tel : (65) 6323 2508
Fax : (65) 6323 2314

Hong Kong & China Branches

OSK Holdings Hong Kong Limited
12th Floor, World Wide House,
19 Des Voeux Road Central,
Hong Kong
Tel : (852) 2525 1118
Fax : (852) 2810 0908

OSK Capital Hong Kong Ltd
12th Floor, World Wide House,
19 Des Voeux Road Central,
Hong Kong
Tel : (852) 2103 9238
Fax : (852) 2501 0343

OSK (China) Investment Advisory Co Ltd China
Suites 4005, 40/F, CITIC Square,
1168 Nanjing West Road,
Shanghai 200041, China
Tel : (8621) 6288 9611
Fax : (8621) 6288 9633

OSK Indochina Bank Limited (Cambodia Branches)

Phnom Penh Main Office

No. 263, Ang Duong Street (St. 110),
Sangkat Wat Phnom,
Khan Daun Penh,
Phnom Penh, Cambodia
Tel : (855) 2399 2833
Tel : (855) 2399 1822

Battambang
No. 1 - 3 - 5 - 7,
Street No. 3, Kamakor Village, Svay
Por Commune, Battambang City,
Battambang Province, Cambodia
Tel : (855) 5395 2811
Fax : (855) 5395 2966

City Mall Olympic
Lot A3E0, Ground Floor,
City Mall Olympic, Monireth Street,
Sangkat Veal Vong, Khan 7 Makara,
Phnom Penh, Cambodia
Tel : (855) 2399 3568
Fax : (855) 2399 3565

Kampong Cham
No. 41, National Road No. 7,
Phum I, Sangkat Veal Vong,
Kampong Cham City,
Kampong Cham Province, Cambodia
Tel : (855) 4294 2811
Fax : (855) 4294 2899

Kbal Thnal
No. 530A - 530B,
Monivong Blvd.
(Junction of Street 271),
Sangkat Tonle Bassac, Khan
Chamkarmon, Phnom Penh, Cambodia
Tel : (855) 2399 3598
Fax : (855) 2399 3593

Pet Lok Song
No. 1-3, Street 271,
Sangkat Toeuk Thla, Khan Sen Sok,
Phnom Penh, Cambodia
Tel : (855) 2396 9368
Fax : (855) 2396 9370

Preah Sihanouk
No. 129, Street 7 Makara,
Phum II, Sangkat No. 4,
Khan Mittapheap, Preah Sihanouk City,
Preah Sihanouk Province, Cambodia
Tel : (855) 3493 4811
Fax : (855) 3493 4816

Stoeung Meanchey
Monireth Street
(Corner of former Chaksomram Road),
Sangkat Stoeung Meanchey,
Khan Meanchey, Phnom Penh,
Cambodia
Tel : (855) 2396 9228
Fax : (855) 2396 9231

Siem Reap
No. 12 - 14 - 16,
National Road No. 6,
Phum Banteay Chas, Sangkat Slor
Kram, Siem Reap City, Siem Reap
Province, Cambodia
Tel : (855) 6396 9811
Fax : (855) 6396 9816

OSK Indochina Securities Limited
No. 1-3, Level 2 & 3, Street 271,
Sangkat Toeuk Thla, Khan Sen Sok,
Phnom Penh, Cambodia
Tel : (855) 2396 9161
Fax : (855) 2396 9171

PT OSK Nusadana Securities (Indonesia Branches)

Jakarta Main Office
Plaza CIMB Niaga, Lantai 14, Jl. Jend.
Sudirman Kav.25, Jakarta Selatan,
12920, Indonesia
Tel : (6221) 2598 6888
Fax : (6221) 2598 6777

Bandung
Flamboyant Square,
Jl. Sukajadi 232,
Kel. Geger Kalong, Kec. Sukajadi,
Bandung 40153, Indonesia
Tel : (6222) 2039 493
Fax : (6222) 2039 492

Kebon Jeruk
Jl. Arjuna Selatan,
No. 28, Kebun Jeruk,
Jakarta Barat
Tel : (6221) 5366 1601
Fax : (6221) 5366 1601

Kelapa Gading
Boulevard Barat, Blok LA-I, Nomor 1B,
Kelapa Gading, Jakarta Utara,
14240, Indonesia
Tel : (6221) 450 7595
Fax : (6221) 4585 6919

Makassar
Jln. Ahmad Yani 23/25 A9,
Makassar 90174 - Sulawesi Selatan,
Indonesia
Tel : (62411) 363 2301
Fax : (62411) 362 8150

Malang
Jl. Panggung No. 9,
Malang 65112, Indonesia
Tel : (62341) 352 888
Fax : (62341) 352 887

Mangga Dua
Ruko Textile Mangga Dua Blok C1
No. 32 Jl. Mangga Dua Raya
Kelurahan Ancol Kecamatan
Penjaringan Jakarta Utara, Indonesia
Tel : (6221) 612 4455
Fax : (6221) 612 4454

Medan
Jln. Zainul Arifin No. 122, Medan,
20152, Indonesia
Tel : (6261) 452 9633
Fax : (6261) 452 9233

Palembang
JL. Lingkaran 1, Dempo Luar No. 386,
Palembang 30125, Indonesia
Tel : (62711) 317 882
Fax : (62711) 317 639

Pekanbaru
Jl. Tuanku Tambusai/Jl. Nangka,
No. 128A Kel. Kampung Melayu,
Pekanbaru Riau 28000, Indonesia
Tel : (62761) 861 244
Fax : (62761) 861 241

PIK
Rukan Garden House Blok A, No.26,
Pantai Indah Kapuk,
Jakarta Utara 14470, Indonesia
Tel : (6221) 2903 3188
Fax : (6221) 2903 3323

Pluit
Ruko Pluit Village, No. 51
Jl. Pluit Indah Raya Jakarta 14440,
Indonesia
Tel : (6221) 6667 0060
Fax : (6221) 6667 0251

Pontianak
Jl. Gusti Sulung Lelanang, Komplek
Pontianak Mall, Blok AA, 3-4,
Pontianak 78117, Indonesia
Tel : (62561) 740 222
Fax : (62561) 747 222

Puri Branch
Rukan Puri Kencana Blok M4 / 1 B,
Jl. Raya Puri Kencana, Kembangan,
Jakarta Barat 11610, Indonesia
Tel : (6221) 5835 5055
Fax : (6221) 5835 5056

Slipi
Gedung BRI, Lt. 2 Jl. Raya Pasar
Minggu No. 5, Pancoran - Jakarta,
Indonesia
Tel : (6221) 799 8505
Fax : (6221) 799 8506

Surabaya Bukit Darmo
Bukit Darmo Golf Office Park 2 Blok
B2-10, Surabaya Barat 60226,
Indonesia
Tel : (6231) 5116 3049
Fax : (6231) 5116 3047

Surabaya Kertajaya
Jl. Kertajaya Indah F-303, Surabaya,
60256, Indonesia
Tel : (6231) 596 6199
Fax : (6231) 599 0708

Tangerang (BSD)
Ruko Bidex Blok F-30, Jl. Pahlawan
Seribu BSD CITY Tangerang Selatan -
Banten 15321, Indonesia
Tel : (6221) 538 9188
Fax : (6221) 5315 5588

Yogyakarta
Ruko Ketandan No. 9,
Jln. Yogya - Wonosari,
Ringroad Timur, Jomblangan,
Banguntapan Bantul
Yogyakarta
Tel : (62274) 451 491
Fax : (62274) 833 1199

PT OSK Nusadana Asset Management

Sequiz Plaza, 20th Floor, Suite 2001
Jln. Jendral Sudirman Kav. 25 Jakarta
12920, Indonesia
Tel : (6221) 5292 0598
Fax : (6221) 5290 6558

OSK Securities (Thailand) Public Company Limited (Thailand Branches)

Bangkok Main Branch
10th Floor, Sathorn Square Office
Tower, 98 North Sathorn Road, Silom,
Bang Rak, Bangkok 10500, Thailand
Tel : (662) 862 9999
Fax : (662) 108 0999

Hat Yai
127 – 129 Sri Puwanart Road,
Tambon Hat Yai, Amphur Hat Yai,
Songkhla Province 90110, Thailand
Tel : (667) 489 1999
Fax : (667) 489 1900

Pakin Building
1st Floor, Pakin Building,
9 Ratchadapisek Road, Din Daeng,
Din Daeng, Bangkok 10400, Thailand
Tel : (662) 654 1999
Fax : (662) 654 1900

Samut Sakhon
930/45 Chyo, Ekachai Road,
Tambol Mahachai, Amphur Mueang,
Samut Sakhon Province,
74000, Thailand
Tel : (662) 3487 0730
Fax : (662) 3487 0734

Silom
16th Floor, Silom Complex Building
191 Silom Road, Silom, Bang Rak,
Bangkok 10500, Thailand
Tel : (662) 200 2000
Fax : (662) 632 0191

Sukhumvit 16
3rd Floor, Soi Sukhumvit 16,
199/9 Sukhumvit Road, Klong Toei
Klong Toei, Bangkok 10110, Thailand
Tel : (662) 6633 108
Fax : (662) 6633 107

Yaowaraj
2nd Floor, Thai National Building,
207, 209, 209/1 Rajchawong Road,
Jakrawat, Samphantawong,
Bangkok 10100, Thailand
Tel : (662) 654 1888
Fax : (662) 654 1800

Management Team
As At 22 March 2013

U Chen Hock
Chief Executive Officer
Executive Director

Wong Chong Kim
Deputy Chief Executive Officer

Ong Ju Yan
Chief Operating Officer
Head of Investment Banking

Woon Chong Boon
Chief Operating Officer
Head of Corporate Strategy & Finance

ESTATE PLANNING AND TRUSTEE

Woo Lai Mei
Director
Chief Operating Officer

Tay Kok Leong
Director

INVESTMENT RESEARCH

Jeffrey Tan Jing Keat
Associate Director
Acting Head of Research

UNIT TRUST MANAGEMENT

Ho Seng Yee
CEO of Malaysia and Regional Head of Distribution

UNIT TRUST ISLAMIC FUND MANAGEMENT

Md Noor Bin Hj A Rahman
Chief Executive Officer

INVESTMENT BANK (LABUAN)

Ric Koh Wai Chee
Director

FINEXASIA.COM

Yap Chih Hsiung
Chief Technology Officer

OSK HOLDINGS – HONG KONG

Wu Wai Leung, William
Chief Executive Officer
OSK Holdings Hong Kong Limited

DMG & PARTNERS - SINGAPORE

Robert Huray
Chief Executive Officer
DMG & Partners Securities Pte Ltd
(wef. 10 April 2013)

OSK INDOCHINA BANK LIMITED – CAMBODIA

Lim Loong Seng
Country Head
OSK Indochina Bank Limited

OSK INDOCHINA SECURITIES LIMITED – CAMBODIA

Eugene Lam Jit Jin
Chief Executive Officer
OSK Indochina Securities Limited

PT OSK NUSADANA SECURITIES INDONESIA

Halim Susanto
Executive Director
President Director
PT OSK Nusadana Securities Indonesia

Chan Kong Ming
Executive Director
Chief Operating Officer
PT OSK Nusadana Securities Indonesia

PT OSK NUSADANA ASSET MANAGEMENT

Rima N. Suhaimi
President Director
PT OSK Nusadana Asset Management

OSK SECURITIES (THAILAND) PUBLIC COMPANY LIMITED

Victor Yuen Tuck Choy
Chief Executive Officer
OSK Securities (Thailand) Public Company Limited

RHB Capital Berhad Group Structure

As At 22 March 2013

RHB CAPITAL BERHAD

Commercial Banking Group

RHB Bank Berhad

- **RHB Islamic Bank Berhad**
- RHB Bank (L) Ltd
  - RHB International Trust (L) Ltd
    - RHB Corporate Services Sdn Bhd
- RHB Leasing Sdn Bhd
- RHB Capital Nominees (Tempatan) Sdn Bhd
  - RHB Capital Nominees (Asing) Sdn Bhd
- RHB Capital Properties Sdn Bhd
- Utama Assets Sdn Bhd
- *RHB Bank Nominees Pte Ltd (Singapore)*
- *Banfora Pte Ltd (Singapore)*
- *RHB Investment Ltd (Singapore)*
- *RHB Trade Services Limited (Hong Kong)*
- Utama Gilang Sdn Bhd(3)
- UMBC Sdn Bhd
- RHB Delta Sdn Bhd(3)

Investment Banking Group

RHB Investment Bank Berhad

- RHB Investment Management Sdn Bhd
  - RHB Islamic Asset Management Sdn Bhd
- RHB Research Institute Sdn Bhd
- RHB Merchant Nominees (Tempatan) Sdn Bhd
  - RHB Merchant Nominees (Asing) Sdn Bhd
- RHB Private Equity Holdings Sdn Bhd
  - RHB Private Equity Management Ltd
  - *RHB Private Equity Fund Ltd (Cayman Islands)*
- RHB Nominees Sdn Bhd
- RHB Nominees (Tempatan) Sdn Bhd
- RHB Nominees (Asing) Sdn Bhd
- RHB Excel Sdn Bhd(4)
- RHB Progressive Sdn Bhd(4)
- RHB Marketing Services Sdn Bhd(3)
- RHB Unit Trust Management Berhad(4)
- *Vietnam Securities Corporation* ***(49%)***

OSK Investment Bank Berhad

- *OSK International Investments Pte Ltd*
  - *OSK International Asset Management Pte Ltd*
    - *OSK GC-Millennium Capital Pte Ltd* ***(40.00%)***
- *OSK Indochina Bank Limited*
  - *OSK Indochina Securities Limited*
- ***93.50%*** *OSK Holdings Hong Kong Limited*
  - *OSK Securities Hong Kong Limited* ***(100.00%)***
    - *OSK Nominees Hong Kong Limited* ***(100.00%)***
  - *OSK Futures Hong Kong Limited*
  - *OSK Finance Hong Kong Limited*
  - *OSK Capital Hong Kong Limited*
  - *OSK Precious Metals Hong Kong Limited*
  - *OSK International Investments Hong Kong Limited*
    - *OSK Fideus Asia and Emerging Markets Value Fund Ltd.* ***(51.00%)***
  - *OSK Wealth Management Hong Kong Limited*
  - *OSK (China) Investment Advisory Co Ltd*
- ***99.00%*** *PT OSK Nusadana Securities Indonesia*
  - *PT OSK Nusadana Asset Management* ***(99.62%)***
- ***51.00%*** *DMG & Partners Securities Pte Ltd*
  - *DMG & Partners Nominees Pte Ltd* ***(100.00%)***
  - *Summit Nominees Pte Ltd* ***(100.00%)***
  - *DMG & Partners Research Pte Ltd* ***(100.00%)***
- ***97.41%*** *OSK Securities (Thailand) PCL* ***2.02%***
- OSK Futures and Options Sdn Bhd
- OSK Research Sdn Bhd
- OSK International Asset Management Sdn Bhd
- OSK Nominees (Tempatan) Sdn Bhd
- OSK Nominees (Asing) Sdn Bhd
- TCL Nominees (Tempatan) Sdn Bhd
- TCL Nominees (Asing) Sdn Bhd
- KE-ZAN Nominees (Tempatan) Sdn Bhd
- KE-ZAN Nominees (Asing) Sdn Bhd
- **80.00%** OSK Trustees Berhad(5) **20.00%**
- **80.00%** Malaysian Trustees Berhad(5) **20.00%**
- **70.00%** OSK-UOB Investment Management Berhad
  - OSK-UOB Islamic Fund Management Berhad **(70.00%)**
- iFast-OSK Sdn Bhd **(38.27%)**
  - iFast Capital Sdn Bhd **(100.00%)**
    - iFast Nominees Sdn Bhd **(100.00%)**
  - FA Corporate And Compliance Consultancy Sdn Bhd **(100.00%)**
- UOB-OSK Asset Management Sdn Bhd **30.00%**
- **40.05%** Finexasia.com Sdn Bhd **59.95%**
  - Stock 188.com Sdn Bhd

OSK Investment Bank (Labuan) Limited

Others

- **RHB Insurance Berhad** ***(94.7%)***
- RHB Equities Sdn Bhd(1)
  - KYB Sdn Bhd(4)
- *RHB Capital (Jersey) Limited*
  - *RHB (Philipines), Inc*(2)
- RHB Hartanah Sdn Bhd
  - Positive Properties Sdn Bhd
  - RHB Property Management Sdn Bhd
- Straits Asset Holdings Sdn Bhd
  - SSSB Services (Melaka) Sdn Bhd(4)
  - SFSB Services (Melaka) Sdn Bhd
- RHBF Sdn Bhd
  - KYF Sdn Bhd(4)
- RHB Venture Capital Sdn Bhd
- RHB Kawal Sdn Bhd

Notes:

The subsidiary companies are wholly-owned unless otherwise stated.

Dormant company · Jointly Controlled Entity · Associate company

(1) With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.

(2) The company has ceased operations from the close of business on 10 December 2001.

(3) The company has commenced members' voluntary winding-up on 16 February 2011.

(4) The company has commenced members' voluntary winding-up on 28 March 2012.

(5) Held by: (i) OSKIB; (ii) OSK Nominees (Tempatan) Sdn. Bhd. (iii) OSK Nominees (Asing) Sdn. Bhd. and (iv) OSK Futures and Options Sdn. Bhd. with direct shareholdings of 20.00% each.

Country of incorporation is Malaysia unless otherwise indicated in italics

Standing from left to right:

LEONG KENG YUEN
Independent Non-Executive Director

DR. NGO GET PING
Independent Non-Executive Director

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF
Non-Independent Non-Executive Director

FOO SAN KAN
Senior Independent Non-Executive Director/Chairman

TAN SRI ONG LEONG HUAT @ WONG JOO HWA

Non-Independent Non-Executive Director

U CHEN HOCK

Chief Executive Officer/ Executive Director

DATO' ABDUL MAJIT BIN AHMAD KHAN

Independent Non-Executive Director

Foo San Kan

(64 years of age – Malaysian)
Senior Independent Non-Executive Director/Chairman

Foo San Kan (Mr. Foo) was appointed to the Board of OSK Investment Bank Berhad (OSKIB or the Bank) on 29 January 2007 as the Senior Independent Non-Executive Director. He was re-designated as the Chairman of OSKIB with effect from 29 January 2012, succeeding Dr. Choong Tuck Yew. He is also the Chairman of the Nominating Committee and a member of the Audit Committee, Risk Management Committee and Credit Lending Committee – Connected Parties of the Company.

Mr. Foo was the Country Managing Partner of Ernst & Young Malaysia from 1997 to 2002 before he retired as a practicing accountant. He has 34 years of experience in the accounting profession, the first 4 years in the U.K. and the other 30 years were spent in various positions in Ernst & Young offices in East and West Malaysia. He is a Chartered Accountant of the Malaysian Institute of Accountants. He is also a member of the Malaysian Institute of Certified Public Accountants, a Fellow of the Institute of Chartered Accountants in England and Wales as well as the Chartered Tax Institute of Malaysia.

Mr. Foo is a Director of OSK Holdings Berhad, OSK Ventures International Berhad, Symphony House Berhad, Allianz Malaysia Berhad, Allianz Life Insurance Malaysia Berhad, Allianz General Insurance Company (Malaysia) Berhad, OSK Trustees Berhad, Malaysian Trustees Berhad and OSK Property Holdings Berhad.

U Chen Hock

(56 years of age – Malaysian)

Chief Executive Officer/Executive Director

U Chen Hock (Mr. U) was appointed as the Chief Executive Officer (CEO)/Executive Director of OSK Investment Bank Berhad (OSKIB or the Bank) on 18 January 2011 and succeeded Tan Sri Ong Leong Huat, formerly the Group Managing Director/CEO of the Bank. Mr. U is also a member of the Credit Lending Committee - Connected Parties of the Bank.

Prior to his appointment as CEO, Mr. U was a member of the senior management team of the Bank, holding the position as Director of Banking. He joined OSKIB in August 2010 after an illustrious career with HSBC Bank (HSBC) in Malaysia, Taiwan and Hong Kong.

Mr. U graduated from the National University of Malaysia (UKM) with a Bachelor of Economics (Honours) degree in 1980. He started his career in banking in 1980 when he joined HSBC as a Management Trainee. In the 30 years that followed, he had assumed numerous positions and responsibilities in the region and acquired a broad base experience in the areas of corporate, commercial and consumer banking.

Tan Sri Ong Leong Huat @ Wong Joo Hwa

(68 years of age – Malaysian)
Non-Independent Non-Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa (Tan Sri Ong) is a Non-Independent Non-Executive Director of OSK Investment Bank Berhad (OSKIB or the Bank). He was appointed to the Board on 9 May 1991. He was re-designated to his current position with effect from 18 January 2011 when he retired as Group Managing Director/Chief Executive Officer (CEO) in accordance with regulatory requirements. He is a member of the Nominating Committee, Remuneration Committee and Credit Lending Committee – Connected Parties of the Bank.

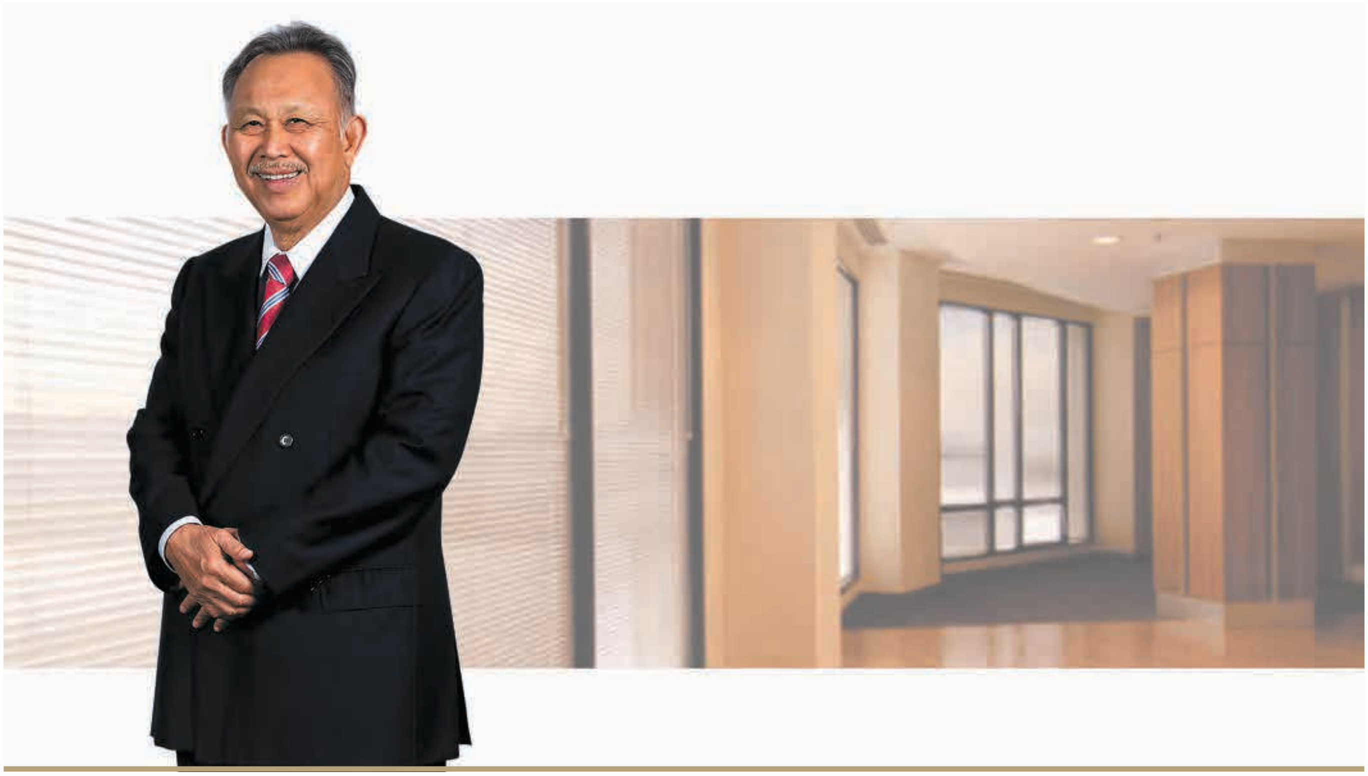
He holds a Capital Markets and Services Representative's licence issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities. Tan Sri Ong was a Director of MESDAQ from July 1999 to March 2002, a member of the Capital Market Advisory Council appointed by the Securities Commission in 2004 to advise on issues relating to the implementation of the Capital Market Master Plan. He was previously a member of the Securities Market Consultative Panel of Bursa Malaysia.

For over 17 years since 1969, he was attached to a leading financial institution where he last held the position of Senior General Manager. He was the Managing Director/CEO of OSKIB from July 1985 to January 2007 and thereafter appointed as the Group Managing Director/CEO of the Bank. He was then re-designated as a Non-Independent Non-Executive Director of the Bank, a position which he still holds.

Tan Sri Ong is the Group Managing Director/CEO of OSK Holdings Berhad and Executive Director of OSK Property Holdings Berhad. He is also a Chairman of RHB Investment Bank Berhad and a Director of RHB Bank Berhad, Bursa Malaysia Berhad and KE-ZAN Holdings Berhad.

Dato' Nik Mohamed Din Bin Datuk Nik Yusoff

(70 years of age – Malaysian)
Non-Independent Non-Executive Director



Dato' Nik Mohamed Din bin Datuk Nik Yusoff (Dato' Nik Mohamed Din) was appointed to the Board of OSK Investment Bank Berhad (OSKIB or the Bank) on 29 January 2007 as a Non-Independent Non-Executive Director. He is a member of the Nominating Committee of the Bank.

Dato' Nik Mohamed Din is a lawyer by profession. He read law at Lincoln's Inn, London and was admitted to the English Bar in 1968. He then served as a Magistrate for the Malaysian Judicial Services in 1969. Thereafter, he joined private legal practice at Mah, Kok and Din as a lawyer for 13 years. In 1984, he left legal practice to join the stockbroking business and assumed the position of the Executive Chairman as well as a shareholder of O.S.K. & Partners Sendirian Berhad (now known as OSKIB).

In 1985, Dato' Nik Mohamed Din was elected Chairman and in 1988 appointed by the Minister of Finance as the first Executive Chairman of the Kuala Lumpur Stock Exchange (KLSE) (now known as Bursa Malaysia Securities Berhad) and he held this position for 12 years. Upon expiry of his 3rd term of appointment as Executive Chairman of the KLSE, Dato' Nik Mohamed Din returned to the OSK group as the Executive Chairman of OSK Holdings Berhad and thereafter was re-designated as the Non-Independent Non-Executive Chairman on 28 December 2009.

Dato' Nik Mohamed Din is the Executive Chairman of OSK Ventures International Berhad and OSK Property Holdings Berhad and the Chairman of OSK Holdings Berhad, Jerasia Capital Berhad and QBE Insurance (Malaysia) Berhad. He is also a Director of RHB Capital Berhad, OSK Trustees Berhad, Malaysian Trustees Berhad, OSK-UOB Investment Management Berhad, Federation of Public Listed Companies Bhd and Datin Seri Ting Sui Ngit Foundation.

Dato' Abdul Majit Bin Ahmad Khan

(67 years of age – Malaysian)
Independent Non-Executive Director

Dato' Abdul Majit bin Ahmad Khan (Dato' Abdul Majit) was appointed to the Board of OSK Investment Bank Berhad (OSKIB or the Bank) on 29 January 2007 as an Independent Non-Executive Director. He is the Chairman of the Credit Lending Committee – Connected Parties and Remuneration Committee and a member of the Audit Committee and Nominating Committee of the Bank.

Dato' Abdul Majit holds a Bachelor of Economics (Honours) from Universiti Malaya. He served with the government for 34 years and held various positions in the Prime Minister's Department and the Ministry of Foreign Affairs of Malaysia. His positions provided him with wide exposures in the various countries that he has served, such as Laos, Vietnam, USA, Nigeria, Ghana, Cote de Ivoire, Sierra Leone and Cameroon, the Democratic People's Republic of Korea and the People's Republic of China.

In his capacity as the Under Secretary of West Asia and the OIC, he participated in several Ministerial and Prime Ministerial visits to West Asian Countries and OIC Meetings. He was the Director General of the Association of Southeast Asian Nations (ASEAN) Division of the Ministry of Foreign Affairs, from 1996 until 1998. As Director General of ASEAN Division, he actively participated in the organisation of the 30th ASEAN Ministerial Meeting held in Kuala Lumpur as well as the ASEAN Heads of Summit and the 10+3 Summit Meetings in Malaysia.

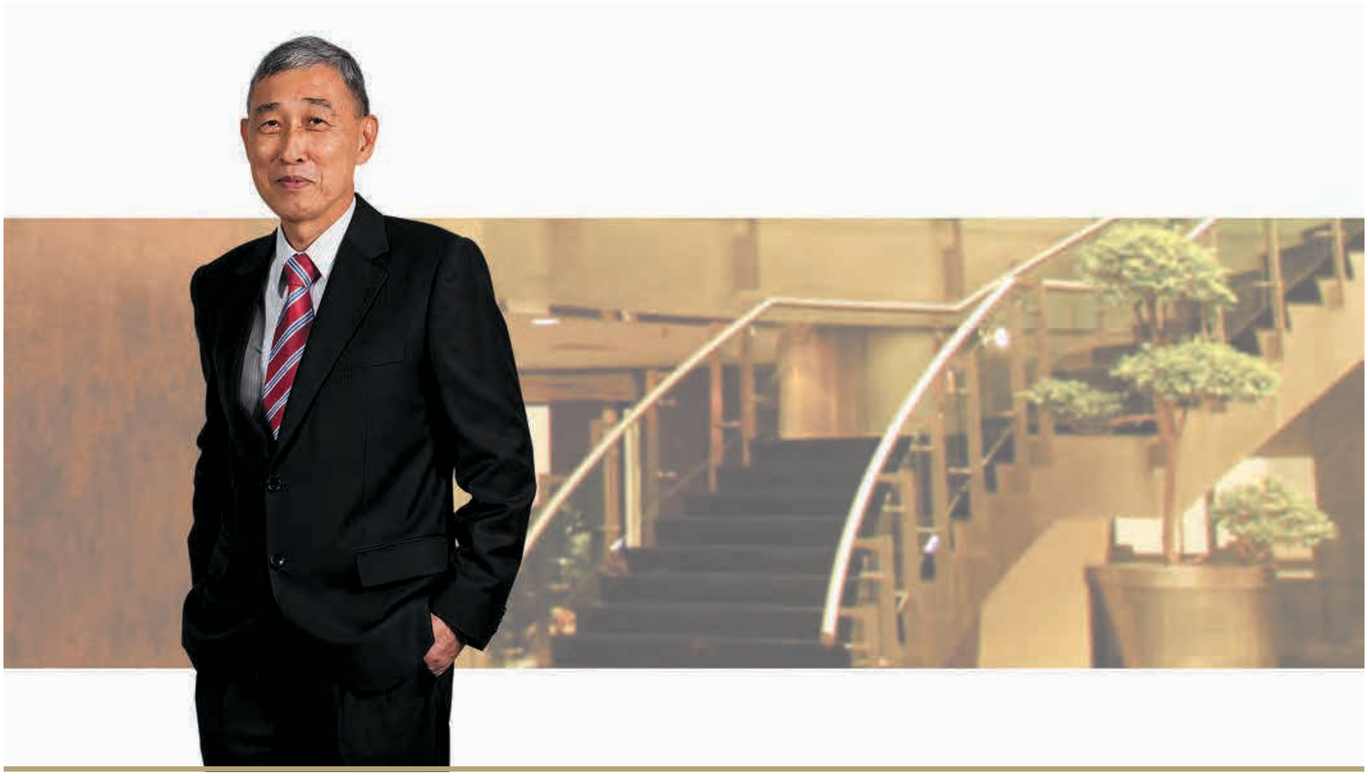
In 1998, Dato' Abdul Majit was appointed as the Ambassador of Malaysia to the People's Republic of China until his retirement on 2 January 2005.

Currently, he is a Director of OSK Holdings Berhad, Malaysia Trustees Berhad, Hong Leong Islamic Bank Berhad, Hong Leong Asset Management Berhad and Zecon Berhad.

Leong Keng Yuen

(62 years of age – Malaysian)

Independent Non-Executive Director



Leong Keng Yuen (Mr. Leong) was appointed to the Board of OSK Investment Bank Berhad (OSKIB or the Bank) on 29 January 2007 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee and a member of the Risk Management Committee and Nominating Committee of OSKIB.

Mr. Leong retired as a partner of Ernst & Young Malaysia at the end of 2005. He has over 30 years involvement in the accounting profession.

Mr. Leong is a Chartered Accountant and a member of the Malaysian Institute of Accountants. He is also a Fellow of the Association of Chartered Certified Accountants. Mr. Leong holds a Master of Science in Management from Massachusetts Institute of Technology and a Bachelor of Engineering (First Class Honours) from University of Queensland, Australia.

Mr. Leong is currently a Director of Hexza Corporation Berhad, The Perak Chinese Welfare Association, The Perak Chinese Maternity Association and Datin Seri Ting Sui Ngit Foundation. He is also the company secretary for a number of public listed companies.

Dr. Ngo Get Ping

(54 years of age – Malaysian)
Independent Non-Executive Director

Dr. Ngo Get Ping (Dr. Ngo) was appointed to the Board of OSK Investment Bank Berhad (OSKIB or the Bank) on 6 September 2010 as an Independent Non-Executive Director. He is the Chairman of the Risk Management Committee and a member of Remuneration Committee and Nominating Committee of the Bank.

Dr. Ngo graduated from University of Oxford (UK) with a DPhil in Metallurgy in 1984. He was given the best student award by the Institute of Civil Engineer, UK, in 1980.

He was the contract manager for Intraco (S) Pte Ltd, a soil specialist construction company in 1985 and thereafter joined GIC (Singapore) Pte Ltd as an Investment Officer in 1986. He was an Associate Director with James Capel Asia Pte Ltd from 1988 to 1993 and a Senior Vice President with Nomura Securities Singapore Pte Ltd from 1994 to 1996. Prior to his retirement in 2006, he was the Head of Sales and Deputy Country Head with CLSA Singapore Pte Ltd for a period of ten (10) years.

Dr. Ngo is a Director of OSK Holdings Berhad, Tiong Nam Logistics Holdings Berhad, OSK Property Holdings Berhad and OSK Ventures International Berhad.

CORPORATE FINANCE

The Corporate Finance Division offers innovative and effective solutions as well as value-added advisory services from a pool of resources to assist corporations, private companies and individuals to achieve their financial and corporate goals. We are a licensed capital market advisor and currently have offices in Malaysia, Singapore, Hong Kong, Indonesia and Cambodia.

Our range of services include advising and preparing companies for floatation on the Main Market and ACE Market of Bursa Securities; Identifying potential merger partners and take-over targets for clients and advising on mergers & acquisitions and take-over transactions; Devising and executing strategies for capital raising activities through placement of securities, secondary issues of securities, special issues, convertible loans and other capital market instruments; Performing share placement exercises; Providing advice from corporate restructuring exercises to restructure a company's gearing or business operations; Offering independent evaluation of corporate transactions and valuation of companies/ businesses/securities and assets.

DEBT CAPITAL MARKETS

Debt Capital Markets and Corporate Loans was established to provide our corporate clients with our expertise in structuring cost-effective Islamic and conventional debt solutions. Our core services include advising, arranging, placement and underwriting the issuance of private debt securities. To date, we have helped our local and foreign clients to issue a wide range of innovative debt instruments denominated in MYR and USD, some of which incorporate hybrid solutions with convertible and exchangeable features.

To complement OSK Investment Bank's (OSKIB) corporate advisory services, we also provide bridging term loans to selected clients to meet their short term funding requirements. We are also able to provide arrangement services for syndicated loans.

EQUITY CAPITAL MARKETS

The Equity Capital Markets department manages OSKIB's activities in both the primary and secondary equity and equity-linked markets.

Equity Capital Markets assists companies to access the equity capital market for their fundraising requirements. Services include underwriting and acting as global coordinator, book runner or lead manager for equity or equity-linked transactions, encompassing both primary issues (initial public offerings (IPO), private placements and rights issues) as well as secondary placements (shareholder sell-downs). This involves originating, structuring, pricing, distribution and underwriting of equity and equity-linked issues by companies.

The department also assists clients with price stabilisation activities for IPOs and managing investor relations, both prior to and after an equity fund raising transaction.

INSTITUTIONAL EQUITIES

Our Institutional Equities division provides high-quality equities investment advice and execution services to fund managers locally and abroad. We have highly qualified institutional sales teams that complement our strong Research franchise to provide sound investment advice to our institutional clients. In addition, we have dedicated operations staff providing efficient support services for this select group of clients.

Our institutional sales teams can provide and facilitate cross border trading services as we have offices in most major ASEAN markets as well as Hong Kong and Shanghai.

TREASURY

The Treasury Department was established with the primary objective of soliciting deposits from our clients which include institutional investors, corporations and high net worth individuals to grow our existing Fixed Income Securities business. Subsequently, in the same year, we also started Foreign Exchange Fund Transfer business to support our foreign equity business and our products have grown in accordance with our presence regionally.

OSKIB's Treasury activities include wholesale deposit-taking, foreign exchange, bond trading and investments, money markets, interest rate and foreign currency derivatives. We have an Islamic Banking window that conducts Shariah-compliant Treasury and other financial services. The Treasury Department is an active participant and investor in Malaysian credits, USD Asian credits as well as local currency paper in ASEAN markets. We are also the only stand-alone investment bank in Malaysia to have successfully issued Tier-2 sub-debt.

DERIVATIVES AND STRUCTURED PRODUCTS

OSKIB is a market leader in the issuance and market-making of Structured Warrants in Malaysia. The Derivatives and Structured Products department's main business activities are issuance of Structured Warrants and Structured Products linked to various asset classes including equities, commodities and currencies, as well as market making of Exchange-Traded Funds (ETFs) listed on Bursa Malaysia.

The products that we have issued include 'Structured Call Warrants issued over stocks, indexes and ETFs listed on Bursa Malaysia, SGX, HKEX, NYSE and NASDAQ'; 'Structured Put Warrants issued over stocks and indexes listed on Bursa Malaysia and HKEX'; 'Structured Products linked to commodities (single commodity and basket)'; 'Dual Currency Investments (DCI) linked to currency pairs of major currencies (USD, AUD, GBP, NZD, EUR, etc.) and Ringgit' and 'Bull Equity-linked to stocks listed on Bursa Malaysia, SGX, HKEX, NYSE and NASDAQ'.

FUTURES AND OPTIONS

OSKIB is an authorised Capital Markets Services license holder for Dealing in Derivatives in Malaysia. OSKIB is also a Trading Participant of Bursa Malaysia Derivatives Berhad and a Clearing Participant of Bursa Derivatives Clearing Berhad. We are one of the pioneers in the Malaysian derivatives markets offering full-fledged execution and clearing services. We also offer execution and clearing services in Singapore, Thailand and Hong Kong through our regional offices.

ISLAMIC BANKING

The Islamic Banking division (SPI) facilitates the Bank's involvement in the Islamic banking and capital markets. Armed with a team of dynamic and experienced professionals, OSKIB's Islamic banking division offers a spectrum of innovative Shariah-compliant products and value-added advisory services to corporations, private companies and individuals to achieve their financial and corporate goals.

The Division structures products and services based on various Islamic principles including Mudharabah (Trustee Profit Sharing), Musharakah (Joint Venture Profit Sharing), Murabaha (Cost Plus Profit Sale), Wakalah (Agency), Wa'ad (Promise) and Tawarruq (Cash Procurement). All the Division's banking products and services have been approved by both Bank Negara Malaysia and the Securities Commission.

Our products and services include Mudharabah Deposits; Commodity Murabahah Deposits-i (CMD-i); Wakalah Placement-i; Tawarruq Financing; Shariah Advisory services and a wide range of Islamic financing facilities and programmes via Islamic debt securities.

OSK RESEARCH

The OSK Investment Research team is one of the largest equity research teams in Malaysia with regional teams in Singapore, Hong Kong, Thailand and Indonesia undertaking independent investment research on companies listed in the respective markets. The research teams cover more than 300 stocks in the region and have the largest small-mid cap coverage of the ASEAN market. In Malaysia, the team covers 120 stocks listed on Bursa Malaysia.

The OSK Research team has won numerous accolades over the last few years for their research work, which include the prestigious Asiamoney Polls, Starmine Awards and The Asian Wall Street Journal Best Analyst Awards. The research teams in Malaysia and Singapore were ranked No. 1 for small cap research by Asiamoney in 2012. Some of the key products produced by the team includes 'Global/ASEAN Economic Updates'; 'Regional/Local Sector Outlook'; 'Company Updates'; 'Company Results Review'; Technical Outlook' and 'OSK-DMG Top Small Cap Companies – 50 Jewels'.

WEALTH MANAGEMENT & PRIVATE BANKING

The Wealth Management & Private Banking department actively cultivates long term partnerships with high net worth and affluent clients, who are both individuals and corporations. The department's dedicated Wealth Managers are backed by a team of Product Specialists, support staff and regional investment research teams based in Malaysia, Singapore, Hong Kong, Thailand and Indonesia. We provide personalised solutions that address the financial and protection needs of an individual customer in different life stages as well as corporate clients.

We offer regional equity and futures trading platform and advisory; primary IPO; primary placements and secondary placements; share margin financing; derivatives and structured products; discretionary asset management; private trust and wills; equity and bond funds; local and foreign currency deposits; wholesale cash management fund; global retail bond papers and bancassurance. We are also able to assess risk profiling and customise an investment portfolio with the aim to maximise returns. Our Private Banking platform offers an umbrella account under the nominees trust model to facilitate many of our products and services as well as providing a consolidated statement.

OSK-UOB INVESTMENT MANAGEMENT

OSK-UOB Investment Management Berhad (OSKIM) is a holder of a Capital Markets Services Licence for fund management activities and dealing in securities under the Capital Markets and Services Act 2007. Incorporated on 16 August 1995, OSKIM is consistently ranked amongst the top 10 leaders* in the unit trust fund management business and has over RM6.73 billion of funds under its management as at 31 December 2012.

In its fund management, the company is well known for providing competitive investment performance and has won many awards from the Edge Lipper Malaysian Unit Trust Fund Awards, Standard & Poor's Investment Funds Awards and Asian Investor Investment Performance Awards. From 1996 to 2012 the company has won in total 33 fund awards.

OSKIM has a variety of funds under their stable, many of which are award-winning funds with good performance track records. Each fund is managed on the basis of specific objectives and follows a well-defined, disciplined and consistent strategy. These funds are grouped under different categories based on their investment mandates and cater to the low-risk appetite investors to the very high-risk appetite investors as well.

Its stable of funds both Islamic and conventional, with exposure in Asia, US and globally, are diversified into categories like equities, bonds, fixed income, mixed assets, funds structured with embedded options, feeder funds, fund-of-funds, and capital protected funds, amongst others.

**Source: Lipper*

OSK TRUSTEES

OSK Trustees Berhad was incorporated in Malaysia under the Companies Act, 1965 on 6 March 2002. It is registered as a trust company under the Trust Companies Act, 1949 and is also registered with the Securities Commission to conduct unit trust, private retirement scheme and private debt securities business.

The principal activities of the company are to provide professional retail trustee services such as estate planning services (which include will writing and private trust services) as well as corporate trustee services for collective investment schemes including REITs.

Introduction

"Boards and management must be mindful of their duty to direct their efforts and resources towards the best interest of the company and its shareholders while ensuring that the interests of other stakeholders are not compromised. Disclosure and transparency are essential for informed decision-making. The timely availability of quality and accurate information including the reporting of financial performance are key facets of investor protection and market confidence."

Foreword, Chairman, Securities Commission Malaysia
Malaysian Code on Corporate Governance 2012 (MCCG 2012)

The Board of Directors of OSK Investment Bank Berhad (OSKIB or the Bank) recognises and subscribes to the importance of the principles and recommendations set out in the Malaysian Code on Corporate Governance (Code) and Bank Negara Malaysia Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1). With the revised Code 2012, the Board is taking the necessary steps to apply and implement all the principles and the recommendations in the Code 2012 that suits the Bank's circumstances. The Board remains committed in ensuring the standards of corporate governance in the Bank are duly complied to and will strive to continuously improve on its governance process and structure towards enhancing long-term shareholder value.

The Board views corporate governance as synonymous with four key concepts: namely transparency, integrity, accountability as well as corporate performance.

The Board is pleased to provide the following statement, which outlines the main corporate governance principles and recommendations that have been in place throughout the financial year.

A. THE BOARD OF DIRECTORS (BOARD)

◆ Duties and Responsibilities of the Board

The Board is responsible for the stewardship of the business and affairs of the Bank on behalf of the shareholders with a view of enhancing their long-term value. The Board is responsible for establishing corporate goals and providing the strategic direction for the Bank. The Board also plays the critical role in ensuring that sound and prudent policies and practices are in place and performs the oversight role on the management of the Bank's businesses.

The Terms of Reference (TOR) of the Board sets out the Board's strategic intent and outlines the Board's role and responsibilities. The TOR regulates how the Board members discharge their responsibilities according to the principles of good governance and aims to ensure that the Board members understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct.

Some of the major responsibilities of the Board as outlined in its TOR are as follows:

- review and approve strategies, business plans and policies;
- establish key performance indicators;
- ensure competent management;
- ensure establishment of risk management infrastructure and policies;
- establish procedures governing self-serving practices and conflicts of interest;
- establish Board Committees, whenever necessary; and
- ensuring that the Bank's activities are conducive and beneficial to the community.

The details of the Board Committees which have been established by the Board are set out on pages 4 to 5 of the Annual Report.

The Board reserves certain powers for itself and delegates certain matters, such as the day-to-day management of the Bank to the Executive Committee, the Chief Executive Officer (CEO) and the Deputy CEO. These delegated matters are subject to strict approving authority limits and they are matters pertaining to:

- capital expenditures
- recurring revenue expenditures (within ordinary course of business)
- other non-recurring expenditures

The Executive Committee is empowered to exercise the powers and duties of the Board between Board meetings to implement the policy decisions of the Board.

The Board will continue to ensure that the Bank's activities are conducive towards promoting the economic well-being of its community and in line with Government's economic objectives.

Composition of the Board

Good corporate governance practice requires the positions of the Chairman and the CEO to be held by different individuals, and the position of the Chairman to be held by a non-executive member of the Board.

Separation of the positions of the Chairman and the CEO promotes accountability and facilitates division of responsibilities between them. The responsibilities of the Chairman include leading the Board in the oversight of management, while the CEO focuses on the business and day-to-day management of the Bank.

On 29 January 2012, Mr. Foo San Kan, the Senior Independent Non-Executive Director, was appointed Chairman of the Bank in place of Dr. Choong Tuck Yew who retired as the Chairman and a Director of the Bank.

After the above change, the Board comprises one (1) Senior Independent Non-Executive Director/ Chairman, one (1) Executive Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The Board is represented by:

Mr. Foo San Kan,
Senior Independent Non-Executive Director/Chairman
Mr. U Chen Hock,
Chief Executive Officer/Executive Director
Dato' Nik Mohamed Din bin Datuk Nik Yusoff,
Non-Independent Non-Executive Director
Tan Sri Ong Leong Huat @ Wong Joo Hwa,
Non-Independent Non-Executive Director
Dato' Abdul Majit bin Ahmad Khan,
Independent Non-Executive Director
Mr. Leong Keng Yuen,
Independent Non-Executive Director
Dr. Ngo Get Ping,
Independent Non-Executive Director

The current Board composition is appropriate in terms of its membership and size. There is a good mix of skills and core competencies in the current Board membership and the Board is well represented by individuals with diverse professional backgrounds and experience in areas such as finance, accounting, economics, law and capital markets services.

There is a Board balance between the Executive and Non-Executive Directors. The number of Independent Directors, which make up more than half of the membership of the Board, is ideal to provide the necessary check and balance to the Board in its decision-making process. The Independent Non-Executive Directors have fulfilled their role during the year through their objective participation in Board deliberations and the exercise of independent judgment.

In ensuring that each of the Directors possesses good integrity and character, there is a mechanism in place to ensure that each of the Directors meets the Fit and Proper standards. A yearly assessment is carried out to ensure that each of the Directors continues to meet the Fit and Proper criteria as set out in the Revised BNM/GP1 Guidelines and Section 56 of the Banking and Financial Institutions Act, 1989.

The profile of the Board is set out in the Directors' Profiles appearing on pages 18 to 24 of the Annual Report.

Code Of Ethics

The Board has adopted a Code of Ethics for Company Directors (Code of Ethics). The Code of Ethics was formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following objectives:

– To establish a standard of ethical behaviour for directors based on trustworthiness and values that can be accepted, held or upheld by any one person.
– To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administrating a company.

The Board will also continue to adhere to the code of ethics as set out in the BNM/GP7, Part 1 Code of Conduct: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry.

Supply of Information

In monitoring the Bank's performance against its strategic objectives, the Board is supplied with both financial and non-financial information, which include the following:

- monthly performance reports of the Group;
- market share and market responses to the Group's strategies;
- new investments, acquisitions and disposal of assets;
- major operational and financial issues;
- risks related to its investments and businesses and major non-compliance issues;
- internal restructuring exercise; and
- manpower and human resource issues.

To ensure that the Board receives information in a timely manner, the notices of meetings are sent to the Directors at least seven (7) days in advance and the meeting papers delivered at least three (3) days before the meeting. This provides the Board with sufficient time to go through the meeting papers and to raise important issues during the meeting. All proceedings of meetings are properly minuted and kept by the Company Secretary.

The Board is given unrestricted access to the Bank's information and receives regular information updates from the management.

Board members are given complete and unhindered access to the Senior Management and Company Secretary at any time. Senior Management officers are invited to attend Board meetings to report to the Board on matters relating to their areas of responsibility, and also to brief and provide details to the Directors on recommendations or reports submitted to the Board. The Board may consult with other OSKIB Group employees and seek additional information where appropriate. Likewise, the Directors have access to independent professional advice whenever such services are needed to assist them in carrying out their duties.

The Board may conduct or direct any investigation to fulfill its responsibilities and may retain, at the Bank's expense (where appropriate), any legal, accounting or other services that it considers necessary to perform its duties.

Board Meetings

The Board meetings for each financial year are scheduled before the end of the preceding financial year. This is to enable the Directors to organise their plans and activities ahead to ensure that they are able to attend the Board meetings which have been scheduled for the following year.

During the financial year under review, eight (8) Board meetings were held and the Directors' attendance are as follows:

Directors	Attendance
Mr. Foo San Kan	8/8
Mr. U Chen Hock	8/8
Dato' Nik Mohamed Din Bin Datuk Nik Yusoff	8/8
Tan Sri Ong Leong Huat @ Wong Joo Hwa	8/8
Dato' Abdul Majit Bin Ahmad Khan	8/8
Mr. Leong Keng Yuen	8/8
Dr. Ngo Get Ping	8/8
Dr. Choong Tuck Yew *(Retired on 28 January 2012)*	1/8

All Directors have complied with the minimum requirement on attendance at Board meetings as stipulated in the Revised BNM/GP1 (minimum 75% attendance).

All the Directors have participated fully in the discussions during the Board meetings. Directors who are unable to attend the Board meeting physically are allowed to participate in the deliberations and discussions via telephone conferencing. There is no Board dominance by any individual and the Directors are free to express their views and opinions during the Board meetings. In arriving at board decisions, the will of the majority prevails at all times.

The Directors also observe the requirement that they do not participate in the deliberations on matters in which they have a material personal interest, and abstain from voting on such matters.

The Directors are aware that they must notify the other Board members of their interest in contracts and/or transactions by disclosing the nature and extent of that interest during the Board meetings.

Board decisions are recorded accurately in the minutes of meetings and the draft minutes are made available to all Board members for their review and comments before the final minutes are tabled for confirmation at the next Board meeting (where possible).

Appointment of Directors

The Nominating Committee recommends suitable candidates to the Board for appointment as Directors, and filling the vacant seats of Board Committees.

The Nominating Committee has a formal assessment mechanism to assess the effectiveness of the Board as a whole and the contribution of each individual Director, including the Independent Non-Executive Directors.

The tenure of an independent director, as recommended in the revised Code 2012, should not exceed a cumulative term of nine (9) years. All the Independent Non-Executive Directors of the Bank have not exceeded the recommended tenure.

The Nominating Committee has conducted the annual review of the Board's effectiveness as a whole, the performance of the Board Committees and the performance assessment of each individual Director. The Nominating Committee concluded that the Board as a whole and the Board Committees have functioned effectively throughout the year. Each individual Director has properly discharged his responsibilities and duties.

The Nominating Committee is being represented by six (6) Non-Executive Directors, the majority of whom are Independent Directors. The details are set out on pages 40 to 41 of the Annual Report.

Formal Assessment of the Effectiveness of the Board and Individual Director

(i) Evaluation of the Board

The areas covered under the Board's performance review during the year include the following:

a. Analysis of the Board's structure and composition, makeup of its various committees, the tenure and performance of individual Board members.

b. The Board's roles and responsibilities, frequency and quality of information flow and presentation, frequency of Board meetings, decision making processes of the Board, its reporting to the shareholders and stakeholders.

c. Results of strategy and performance objectives and their attainment issues related to succession planning and remuneration of Senior Management and its responsibility of the overall Bank's performance which include:

- strategies, business plan and policies;
- evaluates the performance of the CEO and gives guidance where necessary;
- prudent operations;
- risk management infrastructure and policies; and
- procedures governing self-serving practices and conflict of interest.

(ii) Evaluation of Individual Directors - Self/Peer Assessment

The performance of each individual Director was assessed during the year based on some of the following criteria:

- awareness of the OSKIB Group's operating environment;
- diligence in undertaking his duty and avoiding conflict of interest;
- ability to exercise independent judgment in decision making and provide sound and objective advice to the Board;
- assisting the management on specific issues where the OSKIB Group would benefit from his reputation and standing;
- ability to devote adequate time and attention to discharge his duty and responsibilities effectively; and
- ability to participate and contribute effectively to the functions of the Board.

(iii) Evaluation of CEO

The performance of the CEO during the year has been assessed based on some of the following criteria:

- strategic direction and corporate policies are implemented effectively;
- Board's decisions are implemented and enquiries from the Board are responded to;
- implementation of short and long term business plans;
- providing strong leadership, effectively communicating a vision, management philosophy and business strategy to the employees;
- keeping the Board fully informed of all important aspects of the OSKIB Group's operations and ensuring efficient information is distributed to the Board members;
- ensuring the day-to-day business affairs of the OSKIB Group are effectively managed; and
- OSKIB Group's financial performance.

◆ Retirement and Re-election of Directors

The Articles of Association of the Bank (Articles) provide that all Directors who have been appointed by the Board are subject to re-election by shareholders at the next Annual General Meeting (AGM). The Articles also provide that one-third (1/3) (or the number nearest to one-third, if the number is not three or multiple of three) of the Directors shall retire by rotation at every AGM.

In addition to the above, the re-appointment of the Directors is subject to the approval by Bank Negara Malaysia (BNM) under the revised BNM/GP1 Guidelines.

◆ Remuneration of Directors

The Remuneration Committee is responsible for developing a formal and transparent policy and framework on the remuneration of the Directors for recommendation and approval by the Board of Directors. In determining the level and make-up of the Directors' remuneration, the Remuneration Committee will consider, amongst others, the following:

- a remuneration framework that supports the OSKIB Group's objectives, culture and strategies;
- OSKIB Group's performance for the year;
- the individual's performance against established criteria and performance related elements, responsibility and accountability;
- for Non-Executive Directors, the remuneration is in line with the level of contribution and taking into account, factors such as efforts and time spent and the responsibilities entrusted upon them;
- the level of expertise, knowledge and experience; and
- OSKIB Group's policy with regard to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind and termination/retirement benefits.

The Executive Director does not participate in the decision regarding his own remuneration.

The remuneration packages for the Directors are determined by the Board as a whole, with the Directors concerned abstaining from discussions on their own remuneration.

The Remuneration Committee comprises entirely of Non-Executive Directors and the details are set out on pages 39 to 40 of the Annual Report.

Continuing Education of Directors

All the Directors have attended training during the year. The training programmes, seminars and forums attended by the Directors are as follows:

Directors	Training Programmes
Foo San Kan	Chief Executive Officer Conference 2012
	Data Protection in Malaysia
	Goods & Services Tax Briefing
	Competition Act 2010
	The Malaysian Code on Corporate Governance 2012 Seminar
	National Marketing Convention 2012 – Allianz News Channel
	ICAA-MICPA Audit Forum: Corporate Governance in Insurance Companies – The Role of Audit Committee
	Malaysian Institute of Accountants – Compliance: Are you Meeting the Requirements? Directors & Officers' Guide on Liability, Duties & Obligations
	Sustainability Training for Directors and Practitioners
U Chen Hock	Chief Executive Officer Conference 2012
	Data Protection in Malaysia
	OSK Regional Management
	Competition Act 2010
	The Asian-Pacific Association of Banking Institutes (APABI) Conference 2012
	The Malaysian Code on Corporate Governance 2012 Seminar
	Foreign Account Tax Compliance Act (FATCA) for Senior Management
	Breakfast Talk – Human Capital Management in the Boardroom
	ICAAP Project – Session with Board of Directors
	FIDE Forum – Roundtable Discussion – Banking Industry
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	Chief Executive Officer Conference 2012
	Data Protection in Malaysia
	Competition Act 2010
	The Malaysian Code on Corporate Governance 2012 Seminar
	ICAAP – Session with Board of Directors

Directors	Training Programmes
Tan Sri Ong Leong Huat @ Wong Joo Hwa	Chief Executive Officer Conference 2012
	23rd Palm & Lauric Oils Conference
	Data Protection in Malaysia
	OSK Regional Management
	Competition Act 2010
	The Malaysian Code on Corporate Governance 2012 Seminar
	Invest Malaysia 2012
	Understanding Bank Negara Malaysia's New Liquidity Framework (NLF)
	FIDE Forum
	Directors' Duties, Defences, Bursa Malaysia and Judicial Review
	Competition Law: How It May Impact the Way We Do Business
	Breakfast Talk – Human Capital Management in the Boardroom
	ICAAP Project – Session with Board of Directors
	Application of Equity Valuation Methods
Dato' Abdul Majit bin Ahmad Khan	Chief Executive Officer Conference 2012
	OSK Regional Management
	Competition Act 2010
	The Malaysian Code on Corporate Governance 2012 Seminar
	FIDE Forum – Roundtable Discussion – Banking Industry
Leong Keng Yuen	Chief Executive Officer Conference 2012
	CPE – Hedging Strategies with Futures & Options
	Accounting for MFRS: Simplifying the Approach
	Data Protection in Malaysia
	Competition Act 2010
	2013 Budget Seminar
Dr. Ngo Get Ping	Chief Executive Officer Conference 2012
	The Director's Legal Tool-Kit
	Data Protection in Malaysia
	Competition Act 2010
	The Malaysian Code on Corporate Governance 2012 Seminar
	FIDE Forum
	4th Asian Investors Corporate Governance Conference

B. ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board is responsible for presenting a balanced, clear and meaningful assessment of the OSKIB Group's financial positions and prospects to shareholders, investors and regulatory authorities. The quarterly results and annual financial statements are reviewed by the Audit Committee and recommended to the Board for approval. The Board recognises the value of an effective Audit Committee in ensuring the Bank's financial statement is a reliable source of financial information.

The details of the financial statements of the Bank are set out on pages 51 to 282 of the Annual Report.

b) Internal Control

The Board acknowledges its responsibilities for setting up and maintaining an effective system in ensuring a proper risk management environment. In achieving this, the Board has ensured that the system of internal control has taken into account the process of identifying key risks, the likelihood of occurrence and materiality. The Board has also considered the adequacy of internal controls in addressing these risks.

The Board recognises that risks cannot be eliminated completely. Nevertheless, with the implementation of a proper system of internal control, the Directors and Senior Management of the OSKIB Group aim to provide reasonable assurance against material misstatements, losses and fraud.

In order to ensure that the system of internal control remains effective and efficient, the Group Internal Audit (GIA) Department, which is independent from the operating departments, performs regular reviews and examinations of the Bank's activities in accordance with compliance and risk management requirements. The GIA Department reports directly to the Audit Committee.

The Group Compliance Department and Risk Management Department review, on a regular basis, compliance to regulatory requirements and the effectiveness of risk policies.

The profiles of officers who are responsible for managing internal controls, legal affairs and regulatory compliance are as follows:

Internal Audit Function

Mr. Lee Kah Kim, aged 60, a Malaysian, is the Director/Head of Group Internal Audit. He is a member of the Malaysian Institute of Certified Public Accountants and member of the Malaysian Institute of Accountants. He qualified as a CPA while working as an articled student in KPMG, Kuala Lumpur. He has served the UMW Group of Companies for about 24 years. His last position in UMW was the General Manager, Group Internal Audit.

Legal Affairs

Ms. Shanti Anne Sankey, aged 47, a Malaysian, is the Associate Director/Group Corporate & Legal Affairs. She holds a Bachelor of Laws (Honours) from the University of East Anglia (UK) and is a Barrister-of-Law of Lincoln's Inn.

She was admitted as an advocate and solicitor of the High Court of Malaya in May 1993 and was in private practice specialising in commercial and banking litigation. She was later admitted as an advocate and solicitor of the Supreme Court of Singapore in August 2000. In April 2001, she joined the legal department of HSBC Bank Malaysia Berhad and subsequently joined the Bank in August 2004. She has nearly 20 years of working experience in the legal and financial industry.

Risk Management

Ms. Grace Lim Wooi Teen, aged 50, a Malaysian, is the Director/Head of Risk Management. She holds a Master of Business Administration degree conferred by University of Western Sydney, Australia in 2005, a Bachelor of Arts degree from University of Malaya, Kuala Lumpur in 1984 and is a Certified Financial Planner registered with Financial Planning Association of Malaysia since 2005.

Prior to joining the Bank in 2007, she has over 22 years of management experience in the fields of banking, financial services and securities industries covering areas of corporate banking, business banking, credit risk management and administration, structured finance, debt capital fund raising and corporate finance activities.

Compliance

Ms. Chin Pik Yuen, aged 48, a Malaysian, is the Associate Director/Head of Group Compliance. She is a Chartered Accountant by profession and a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants, the Institute of Internal Auditors, the Financial Planning Association Malaysia and the Institute of Bankers Malaysia. She is also a Certified Financial Planner.

Ms. Chin has over 25 years of working experience in the financial industry. She has held positions in various capacities, with specialisation in audit, risk management and compliance, and includes business process and outsourcing, systems and methods as well as human resources management. In the various capacities that she held, her coverage included related companies within the Asian region.

c) Relationship with Auditors

The Board has established formal and transparent relationships with both the internal and external auditors through the Audit Committee. The Audit Committee assesses the suitability and independence of external auditors and meets with both the internal and external auditors to discuss the audit plan, audit findings and the Group's financial statements. The external auditors also meet the Audit Committee of the Bank at least twice a year without the presence of the Management.

The Audit Committee takes responsibility to ensure that adequate resources are allocated and provided to the internal auditors to carry out their duties according to the annual audit plan. The details of audit/non-audit fees paid/payable to the external auditors are set out below:

2012	**Group (RM)**	**Bank (RM)**
Audit fees paid to external auditors		
Statutory audit		
– Malaysia	**310,000**	**208,000**
– Overseas	**846,000**	**–**
Limited review	**256,900**	**242,000**
Total	**1,412,900**	**450,000**
Non-audit fees paid to external auditors		
– Malaysia	**62,000**	**62,000**

Details of the non-audit assignments carried out by the former external auditors are as follows:

*Non-audit fees	Group (RM)	Bank (RM)
– Review of abridged financial statements	7,000	7,000
– Independent review for collective impairment assessment methodology in accordance with MFRS 139	55,000	55,000

In view of the change of ownership of OSKIB to RHB Capital Berhad (RHBC) and to be in line with RHBC's primary external auditors, Messrs PricewaterhouseCoopers (PwC) were appointed the external auditors of the Bank, in place of Messrs Ernst & Young who had voluntarily resigned as external auditors, during the 4th quarter of 2012 (16 November 2012). The external auditors, PwC and other auditors of the subsidiaries, who perform the statutory audit function for the Group, are independent.

d) Whistle-Blowing Policy

The Bank's Whistle-Blowing policy sets out the principle and grievance procedures for employees to raise genuine concerns of possible improprieties perpetrated within the OSKIB Group, in matters of financial reporting, compliance and other malpractices at the earliest opportunity and in an appropriate way. The policy is to encourage the reporting of such matters in good faith, with the confidentiality of the person making such reports being protected from reprisal, in the best possible manner. All reports or complaints shall be filed in accordance with the Reporting Procedures as set out in the policy.

C. BOARD COMMITTEES

The Board delegates certain responsibilities to the Board Committees that function within clearly defined Terms of Reference.

The details of the Board Committees of the Bank are listed below:

◆ Credit Lending Committee – Connected Parties

The Credit Lending Committee – Connected Parties comprises a mix of Executive and Non-Executive Directors, of whom at least two must be Non-Executive Directors and Management personnel.

The membership and composition of the Credit Lending Committee – Connected Parties are set out on page 4 of the Annual Report.

Terms of Reference

The Credit Lending Committee – Connected Parties is established by the Board to review and approve credit transactions with connected parties. Under the Terms of Reference, connected party refers to definitions as outlined in the Bank's operational manual, relevant guideline(s) or Act(s) issued by Bank Negara Malaysia and/or other regulatory authority(ies).

Functions and Responsibilities

1. To exercise and execute the authority as granted by the Board of Directors;

2. To review and recommend the Bank's credit strategies, key procedures and guidelines for effective management of credit risk exposure to connected parties;

3. To review and approve credit transactions with connected parties which are beyond the individual discretionary powers of senior officers as stated in the Approving Authority Limits of the Bank; and

4. To report to the Board of Directors on matters that require their attention and approval on credit exposure to connected parties.

Frequency of Meeting

The Credit Lending Committee – Connected Parties shall meet as and when required, at least once a year to deliberate on the above responsibilities.

There was one (1) meeting held by the Credit Lending Committee – Connected Parties during the financial year to review, assess and approved credit facilities to connected parties.

Audit Committee

The particulars of the Audit Committee are set out on pages 47 to 49 of the Annual Report.

Remuneration Committee

The Remuneration Committee comprises entirely of Non-Executive Directors, the majority of whom are Independent Directors.

The membership and composition of the Remuneration Committee are set out on page 4 of the Annual Report.

Terms of Reference

The Remuneration Committee is established by the Board to provide a formal and transparent procedure for developing the remuneration policy and framework for Directors, CEO and key Senior Management. The Remuneration Committee shall ensure that compensation is competitive and consistent with the remuneration and employment conditions of the industry as well as the Bank's culture, objectives and strategy.

Functions and Responsibilities

1. Remuneration Framework

    a. To recommend a framework of remuneration for Directors, CEO and key Senior Management officers for the Board's approval;

    b. The remuneration framework shall support the Bank's culture, objectives and strategy and shall reflect the responsibility and commitment, which goes with board membership and responsibilities of the CEO and Senior Management officers;

    c. There shall be a balance in determining the remuneration package, which shall be sufficient to attract and retain Directors of calibre, and yet not excessive to the extent the Bank's funds are used to subsidise the excessive remuneration packages; and

    d. The framework shall cover all aspect of remuneration including Director's fees, salaries, allowance, bonuses, options, benefits-in-kind and termination benefits.

2. Remuneration Packages

    a. To recommend specific remuneration packages for Executive Directors and the CEO;

    b. The remuneration package shall be structured such that it is competitive and consistent with the Bank's culture, objectives and strategy;

    c. Salary scales drawn up shall be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking; and

    d. The remuneration of each Board member may differ based on their level of expertise, knowledge and experience. As for Non-Executive Directors and Independent Directors, the level of remuneration shall be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.

Frequency of Meeting

The full Remuneration Committee shall meet at least once a year to review the remuneration packages of the Directors, CEO and key Senior Management officers.

There were three (3) meetings held by the Remuneration Committee during the year to recommend the following matters to the Board of Directors for approval:

- Directors' fees for the year 2011;
- Bonus and Salary of the CEO/Executive Director for the year 2012; and
- Allowance of Director.

Nominating Committee

The Nominating Committee comprises entirely of Non-Executive Directors, the majority of whom are Independent Directors. The chairman of the Nominating Committee is the Senior Independent Director of the Bank.

The membership and composition of the Nominating Committee are set out on page 5 of the Annual Report.

Terms of Reference

The Nominating Committee is established to provide a formal and transparent procedure for the appointment of Directors and CEO as well as assessment of effectiveness of individual Directors, the Board and performance of the CEO and key Senior Management officers.

Functions and Responsibilities

1. Establishment of Minimum Requirement for the Board and CEO

    a. To establish minimum requirement for the Board, i.e. required mix of skills, experience, qualification and other core competencies required of a Director;

    b. To establish minimum requirements for the CEO; and

    c. The requirements and criteria shall be approved by the Board.

2. Establishment of Assessment Mechanism

    a. To establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO and other key Senior Management officers; and

    b. To conduct annual assessment based on an objective performance criterion and the performance criteria approved by the Board.

3. Recommendation and Assessment

    a. To recommend and assess the nominees for directorship, board committee members as well as nominees for the CEO;

    b. To assess Directors for reappointment, before an application for approval is submitted to the Bank Negara Malaysia;

    c. The actual decision as to who shall be nominated shall be the responsibility of the Board;

    d. To assess, on an annual basis, and to ensure that the Directors and key Senior Management officers are not disqualified under section 56 of the Banking and Financial Institutions Act 1989 (BAFIA);

    e. To recommend to the Board the removal of a Director/CEO from the Board/management if the Director/CEO is ineffective, errant and negligent in discharging his responsibilities; and

    f. To recommend to the Board the removal of key Senior Management officers if they are ineffective, errant and negligent in discharging their responsibilities.

4. Overseeing the Board and Key Management

    a. To oversee the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;

    b. To oversee the appointment, management succession planning and performance evaluation of key Senior Management officers; and

    c. To ensure that all Directors receive an appropriate continuous training program in order to keep abreast with the latest development in the industry.

Frequency of Meeting

The full Nominating Committee shall meet, as and when required, at least once a year to deliberate on the above responsibilities.

There were two (2) meetings held by the Nominating Committee during the year.

Some of the matters deliberated by the Nominating Committee were as follows:

- to assess the effectiveness of the Board as a whole and the contribution of the various Board Committees;
- to review and assess the performance of the Non-Executive Chairman, Non-Executive Directors and CEO;
- to assess the overall composition of the Board in terms of its appropriate size, mix of skills, experience, core competencies and the balance between Non-Executive Directors and Independent Directors;
- to ascertain the fit and proper criteria of each of the Directors;
- to review the training programmes attended by Directors during the financial year; and
- to discuss the appointment of Company Director.

◆ Risk Management Committee

The particulars of the Risk Management Committee are set out on pages 293 to 344 of the Annual Report.

◆ Shariah Committee

The particulars of the Shariah Committee are set out on pages 5 of the Annual Report.

All relevant information on corporate and financial developments is posted on the Bank's website at www.oskgroup.com

This Statement on Corporate Governance was approved by the Board of Directors of the Bank.

INTRODUCTION

The Board of Directors (Board) recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and safeguard shareholder's interests as well as the assets of OSK Investment Bank Berhad (the Bank) and its subsidiaries. The system of risk management and internal control that we have in place facilitates our business operations and enables us to manage the Bank and its subsidiaries in an effective and efficient manner with sound financial reporting as well as compliance with relevant laws and regulations, and internal procedures.

Although the Bank is not a listed company on the Bursa Malaysia Securities Berhad, being the former major subsidiary of OSK Holdings Berhad, the Board feels that it is a good practice to prepare a Statement on Risk Management and Internal Control in accordance with the guidelines as set out in the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers".

On 9 November 2012, the Bank became a wholly owned subsidiary of RHB Capital Berhad after RHB Capital Berhad completed the acquisition of 100% equity interest in the Bank.

RESPONSIBILITY

The Board acknowledges its responsibility for reviewing the adequacy and effectiveness of the Bank's and its subsidiaries' systems of risk management and internal control. The responsibilities of the Board for the governance of risks and controls include, amongst others, reviewing the risk management framework, processes, and responsibilities and assessing whether they provide reasonable assurance that risks are managed within the Bank's and its subsidiaries' defined risk appetite and tolerance.

Management continuously assists the Board in the implementation of approved policies and procedures on risk management and control for application and adherence across the Bank and its subsidiaries as well as ensuring that such policies and procedures are being continuously reviewed in order to meet the changing financial landscape.

The risk management and control framework established in the Bank and its subsidiaries to manage risk includes an ongoing process for identifying, evaluating, managing and reporting of significant risks that may affect the achievement of the Bank's and its subsidiaries' business objectives and strategies. This covers the period throughout the financial year under review and up to the date of approval of this report.

Management is accountable to the Board for implementing and monitoring the system of risk management and internal control and for providing assurance to the Board that it has done so. In this regard, the Board acknowledged that it has received assurance from the Chief Executive Officer and Head of Corporate Strategy & Finance that the Bank's and its subsidiaries' risk management and internal control systems are operating adequately and effectively.

TYPES OF RISKS

The principal activities of the Bank and its subsidiaries are stockbroking, futures and options broking, corporate advisory, underwriting services, debt securities, interbank market activities, foreign exchange, corporate loans, deposit-taking, derivatives and structured products, commercial banking, Islamic banking, unit trusts, nominee services, trustee services, and asset management services.

Generally, the business risks can be broadly divided into three (3) types of risks, namely market risk; credit risk; and operational risk. The reason for categorising the various risks is to facilitate a more effective and efficient management of these risks. Each risk category consists of many but related risk components. Certain risk components are categorised together because they share a common source or require similar control procedures.

Market Risk – Market risk is the risk of potential losses due to unfavourable changes in the market value of financial or non-financial assets held by the Bank and its subsidiaries. Market risk normally arises from equities, fixed-income securities, commodities, liquidity, foreign currencies exchange and derivative and structured products offered. The Bank and its subsidiaries are exposed to market risk from market-making activities, proprietary position-taking activities and investments activities both locally and overseas.

Credit Risk – Credit risk is the risk of economic loss due to the failure of counterparty to fulfill its obligations under a contractual agreement with the Bank and its subsidiaries. The credit risk of the Bank and its subsidiaries includes settlement risk, margin financing default risk, loan default risk, credit concentration risk and credit assessment risk.

Operational Risk – Operational risk is the risk of opportunity cost or economic loss due to inadequate procedures and policies, system failure, human error, lack of basic internal control, liquidity problem, non-compliance with the regulatory requirements, management failure, unauthorised activities and frauds.

RISK MANAGEMENT AND CONTROL FRAMEWORK

A sound framework of risk management and internal control is fundamental to good corporate governance. The key elements implemented by the Board and Management for maintaining a sound system of risk management and internal control encompass the following:

◆ Risk Management Framework

The risk management governance structure of the Bank begins with the Board and is supported by the Board Risk Management Committee (BRMC), which comprises independent non-executive directors appointed by the Board. The BRMC determines the Bank's risk policies, ensures that the risk management infrastructure is in place, and oversees the risk profile of the Bank. The day-to-day responsibility for risk management is primarily supported by the Risk Management Department and dedicated sub-committees, namely, the Executive Committee (EXCO), the Asset and Liability Management Committee (ALCO), the Management Risk Committee (MRC), the Investment Committee (IC), the Credit Lending Committee (CLC) and the IT Steering Committee. These sub-committees have been delegated specific responsibilities which are clearly defined in each of their terms of references. Lastly, the Audit Committee, through Group Internal Audit Department (GIA) is to provide an independent assessment of the adequacy, and reliability of the risk management process and compliance with risk policies and regulatory guidelines.

- **Board of Directors**

  The Board is fully responsible for the risk management of the Bank and its subsidiaries and to determine the Bank's and its subsidiaries' risk appetite and level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Bank's and its subsidiaries' assets.

  The Board has carried out its duties by having regular Board meetings to review and approve business strategies, risk management policies and business performance of the Bank and its subsidiaries.

- **The Committees**

  Various committees have been established to review the adequacy and effectiveness of risk management and internal control of the Bank and its subsidiaries. Specific responsibilities have been delegated to these Committees, all of which have written terms of references. These committees have the authority to examine and/or consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if such is required.

The Audit Committee's main role is to review, on behalf of the Board, the system of internal controls necessary to manage the key risks inherent in the business and to present its findings to the Board. The Audit Committee assumes its roles and responsibilities via the GIA.

In addition, the BRMC plays a significant role in contributing to the establishment of a more conducive risk management environment. The BRMC meets regularly to oversee the development of general risk policies and procedures to monitor and evaluate the numerous risks that may arise from the various business activities in the Bank and its subsidiaries.

The other committees set up in the Bank to manage specific areas of risks are the EXCO, ALCO, MRC, IC, the IT Steering Committee, CLC, the Human Resources Committee and the Shariah Committee.

- **The Middle Office Management**

  The key function of Middle Office Management is to ensure implementation and compliance of the Bank's operational policies and procedures as well as regulatory requirements. GIA, which reports directly to the Audit Committee, evaluates the adequacy and effectiveness of the Bank's and its subsidiaries' risk management and internal control systems. To ensure that risks are managed effectively, risk based auditing approach which begins with risk identification, risk evaluation and mapping of controls has been introduced and implemented. In addition, the Risk Management Department jointly with risk owners develops and maintains sound risk management policies and procedures for the respective business units, and ensures that risk exposures are being measured and monitored. The Group Compliance Department which operates under the regulated environment plays a vital role in ensuring compliance with the relevant rules and regulations.

- **The Back Office Management**

  The Back Office Management plays an important role in ensuring that the above risk management process is being carried out on an ongoing basis. These include the Corporate Credit Department and Credit Control and Supervision Department which is primarily responsible for managing credit risk related activities and the Operations Department which is primarily in charge of managing settlement risk. The supervision of funding and liquidity risk activities is performed by the Group Finance and Accounts Department and Treasury Operations Department.

- **The Front Office Management**

  Risk originating divisions such as stockbroking, futures and options broking, corporate advisory, debt securities, interbank market activities, corporate loans, deposit-taking, derivatives and structured products, commercial banking, Islamic banking, unit trusts, nominee services and trustee services operate their daily activities within the policies, procedures and limits set up by the Management.

Internal Control Systems

The key elements of the Bank's and its subsidiaries' internal control systems, that are regularly reviewed by the Board and are in accordance with the Guidelines, are described below:-

- Establishment of a conducive control environment in respect of the overall attitude, awareness and actions of Directors and Management regarding the internal control systems and its importance to the Bank and its subsidiaries;

- Recruitment of experienced, skilled and professional staff with the necessary calibre to fulfill the respective responsibilities and ensuring that adequate controls are in place;

- Clear group structure, reporting lines of responsibilities and appropriate levels of delegation;

- Clearly defined delegation of specific responsibilities to committees of the Board and to Management, which is delegated as and when the Board deems fit to do so. These committees or Management have the authority to examine all matters within their scope and report back to the Board with their recommendations;

- Documented policies, procedures and limits of Approving Authorities (AA) for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision-making at the appropriate level in the organisation's hierarchy. Such AA list is subject to periodic review either via BRMC or as and when there are changes due to special circumstances;

- Establishment of specific structure limits for managing market, credit and operational risks such as single security, single client, single product, proprietary position, individual trader, business unit and stop loss limit etc. Procedures for authorising limit excesses are established and serious breaches reported to the supervisory board. These limits are also being reviewed and revised regularly;

- Establishment of an effective segregation of duties via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses;

- Disaster recovery backup plan to provide business continuity has been established in the key business activities. There are also offline procedures for branches to implement in case of system failure at branches. These disaster recovery plans are tested from time to time and enhanced whenever required;

- Regular and comprehensive management reports to the Board from various lines of operations and business units, on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget;

- GIA independently reviews the risk identification procedures and control processes implemented by Management, and reports to the Audit Committee on regular basis. The GIA provides assurance over the operation and validity of the system of internal controls in relation to the level of risk involved using risk based auditing methodology;

- The Audit Committee regularly convenes meetings to deliberate on the findings and recommendations for improvement by GIA, external auditors as well as regulatory authorities. The Audit Committee reviews the actions taken to rectify the findings in a timely manner, and to evaluate the effectiveness and adequacy of the Bank's and its subsidiaries' internal control systems.

ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Reviewing the effectiveness of the risk management and internal control systems is an essential part of the Board's responsibility. The Board has, through its BRMC and Audit Committee, assessed the adequacy and effectiveness of the Bank's and its subsidiaries' risk management and internal control systems. Based on the outcome of these reviews as well as the assurance it has received from Management, the Board is of the view that the Bank's and its subsidiaries' risk management and internal control systems are operating adequately and effectively for the financial year under review and up to the date of approval of this report.

This Statement does not cover the following associated companies, namely UOB-OSK Asset Management Sdn Bhd, iFAST-OSK Sdn Bhd, iFast Capital Sdn Bhd, iFast Nominees Sdn Bhd, FA Corporate And Compliance Consultancy Sdn Bhd and jointly controlled operation of OSK GC-Millennium Capital Pte Ltd.

Board meetings are held at least once every two (2) months. Prior to each Board meeting, an agenda is forwarded to each Director before the scheduled meeting to enable the Directors to obtain further clarification or explanation, where necessary, in order to be adequately reviewed before the meeting. However, urgent matters could still be tabled at the Board meeting subsequent to the expiry of the submission timeline. The Board has full access to all information pertaining to the OSKIB Group's businesses and affairs to enable it to discharge its duties effectively.

The Directors monitor the status and follow-up action on issues raised at Board meetings vide Matters Arising and minutes of meetings. Minutes of each Board meeting are circulated to all Directors for their perusal and comments before the commencement of the following Board meeting.

The Board is briefed on information pertaining to the business, operations, risk management, business propositions and corporate proposals and financial information of the Bank necessary for the Directors to effectively discharge their duties under the law and in accordance with the relevant corporate governance guidelines. The Chairman of the Audit Committee would inform the Directors at Board meetings, of any salient matters noted by the Audit Committee which are required to be highlighted to the Board.

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

MEMBERSHIP

The Audit Committee (Committee) consists of the following members:-

Chairman – Leong Keng Yuen
Independent Non-Executive Director
(Appointed as Chairman of Audit Committee on 29 January 2012)

Members – Foo San Kan
Senior Independent Non-Executive Director
(Redesignated as a Member of Audit Committee on 29 January 2012)

Dato' Abdul Majit Bin Ahmad Khan
Independent Non-Executive Director
(Appointed as a Member of Audit Committee on 29 January 2012)

Dr Choong Tuck Yew
Independent Non-Executive Director
(Retired as a Member of Audit Committee on 28 January 2012)

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2012, the Committee held a total of eight (8) meetings. The details of attendance of the Committee members are as follows:-

Members	Attendance
Leong Keng Yuen	8 / 8
Foo San Kan	8 / 8
Dato' Abdul Majit Bin Ahmad Khan	7 / 7
Dr Choong Tuck Yew	1 / 1

COMPOSITION AND TERMS OF REFERENCE

Composition

The Committee shall be appointed by the Board from amongst the Directors of the Bank and comprise only non-executive directors with at least three (3) members, of which the majority shall be independent directors. At least one (1) member of the Committee:-

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and
  - he must have passed the examinations specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
  - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967; or
- fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The Committee shall be chaired by an independent director. No alternate director is to be appointed as a member of the Committee. The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years. In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirement, the vacancy must be filled within three (3) months.

Frequency of Meetings

The Committee shall preferably meet on a quarterly basis, but in any event, no less than four (4) times a year, or whenever deemed necessary.

Head of Group Internal Audit (GIA), Head of Corporate Strategy & Finance and the representatives of the external auditors, are invited to attend the Committee meetings.

The Company Secretary shall be the Secretary to the Committee.

Quorum

The quorum of meetings of the Committee shall be two (2) members and the majority of members present must be independent directors.

Authority

The Committee shall within its terms of reference:-

1. have the authority to investigate any activity within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information as required to perform their duties;
4. be able to obtain independent professional or other advice;
5. be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Bank, and with other external parties, whenever deemed necessary;
6. have the authority to form management/sub-committee(s) if deemed necessary and fit; and
7. have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit.

Summary of Main Duties and Responsibilities

1. To oversee the functions of the GIA and ensure compliance with relevant regulatory requirements;
2. To review the internal audit programme, processes, the results of the internal audit activities or investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit;
3. To review the effectiveness of internal controls and risk management processes;
4. To review the appointment of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board;
5. To review with the external auditors, their evaluation of the system of internal controls and their audit report;
6. To review the audit findings raised by the external auditors and ensure that issues are being managed and rectified appropriately and in a timely manner;
7. To ensure fair and transparent reporting and prompt publication of the financial accounts;
8. To review and report to the Board of Director on the quarterly results and year-end financial statements, prior to approval by the Board of Director, focusing particularly on:-
   – any change in or implementation of accounting policies and practices;
   – significant adjustments arising from the audit;
   – the going concern assumption;
   – significant and unusual events; and
   – compliance with accounting standards and other regulatory requirements.
9. To review any related party transactions and conflict of interest situation that may arise within the Bank and its subsidiaries including any transaction, procedure or course of conduct that raises questions of management integrity.

SUMMARY OF ACTIVITIES

During the year under review, the following were the activities of the Committee:-

Internal Audit

1. Reviewed the staffing requirements as well as succession planning of the GIA to ensure that the GIA is adequately staffed by employees with the relevant skills, knowledge and experience to enable the GIA to perform its role including the provision of training;
2. Reviewed the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
3. Reviewed the performance of the Head of GIA;
4. Reviewed and discussed the internal audit reports and ensure that corrective actions had been taken to rectify the weaknesses highlighted in the reports;
5. Reviewed the independent assessment of the internal audit function conducted by the Risk Management Department; and
6. Met with the Head of GIA without the presence of the Management and there was no private issue.

Financial Reporting

1. Reviewed the quarterly results and year-end financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on:-

   – any change in or implementation of accounting policies and practices;
   – significant adjustments arising from the audit, if any;
   – the going concern assumption;
   – significant and unusual events; and
   – compliance with accounting standards and other regulatory requirements.

External Audit

1. Reviewed the Limited Review Reports accompanying the Group's six months unaudited condensed financial statements performed by the external auditors;
2. Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for approval; and
3. Reviewed and discussed the observations, recommendations and the Management's comments in respect of the issues raised by the external auditors on their evaluation of the system of internal controls.
4. Evaluated the performance of the external auditors.

The Committee had met with the external auditors twice without the presence of the Management and there was no private issue.

Related Party Transactions

1. Reviewed the related party transactions and conflict of interest situation that may arise within the Bank and its subsidiaries including any transaction, procedure or course of conduct that raises questions of management integrity.

INTERNAL AUDIT FUNCTION

The Board recognises the importance of the internal audit function and the independent status required for it to carry out its functions effectively. The internal audit function is performed by the GIA of the Bank. The GIA has introduced risk based auditing approach with risks focused audit programme in order to ensure that the principal risks are being identified and mapped with the existing systems of internal control. The GIA carries out its duties according to the audit plan, and areas of concern which need further improvement as highlighted in the audit reports are discussed in the Committee meetings. The Board has via the Committee evaluated the effectiveness of the GIA by reviewing the results of its work in the Committee meetings.

The total costs incurred for the internal audit function for the financial year amounted to RM2.74 million.

OSK INVESTMENT BANK

Alpha Southeast Asia Best Financial Institution Awards

- Best Mid-cap Corporate Finance House in Malaysia
- Best Mid-cap Corporate Finance House in Singapore

Alpha Southeast Asia Deals & Solutions Awards

- **Most Innovative Islamic Finance Deal of the Year in Southeast Asia**

  First Resources Limited RM600 million (USD196 million) Sukuk Musharakah

  Joint Lead Manager and Joint Bookrunner

  (Joint with RHBIB)
- **Best Dual-Listed IPO of the Year in Southeast Asia**

  IHH Healthcare Berhad RM6.7 billion Initial Public Offering

  Joint Underwriter for the Malaysia Offering

  (Joint with RHBIB)
- **Best IPO Deal of the Year in Southeast Asia & Best Deal of the Year in Southeast Asia for Minority Shareholders**

  Felda Global Ventures Holdings Berhad USD3.1 billion Initial Public Offering

  Joint Underwriter for the Retail Offering

  (Joint with RHBIB)

RAM Ratings

- **RAM Award of Distinction**

  Blueprint Award – Most Innovative Deal of the Year

  RM3.29 billion Senior Sukuk Murabahah Under Tawarrug by Tanjung Bin Energy Issuer Berhad

  Joint Lead Manager

  (Joint with RHBIB)

OSK RESEARCH SDN BHD

Asiamoney Brokers Poll 2012

Malaysia

- Best Small Caps Coverage
- 3rd Best Food, Beverages & Tobacco Coverage
- 3rd Best Local Brokerage
- 3rd Most Improved Brokerage
- 3rd Most Independent Research Brokerage

Singapore

- Best Small Caps Coverage
- Best Consumer Services Coverage
- Most Improved Brokerage
- 2nd Most Independent Research Brokerage
- 3rd Best for Overall Country Research

StarMine Analyst Awards 2012

Asia

- Best Telecommunications Stock Picker
- 2nd Best Consumer Stock Picker
- 2nd Best Healthcare Stock Picker
- 3rd Best Overall Stock Picker

Singapore

- 3rd Most Productive Broker

Wall Street Journal Asia's Best Analysts 2012

Asia

- 2nd Best Analyst in Malaysia: Alvin Tai Siew Shen

The Edge Brokers Poll

Malaysia

- Best Call on Consumer
- Best Call on Education

OSK-UOB INVESTMENT MANAGEMENT BERHAD

The Edge-Lipper Malaysian Unit Trust Fund Awards

- OSK-UOB Kidsave Fund – Best Mixed Asset MYR Balanced Fund (10 Years)

Financial Statements

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

PRINCIPAL ACTIVITIES

The Bank is principally engaged in stockbroking, futures broking, corporate advisory, debt securities, interbank market activities, corporate loans, wholesale deposit, Islamic banking and other related activities. The principal activities of the subsidiary companies, associated companies and a jointly controlled entity are described in Note 45 and changes in composition of the Group are disclosed in Note 46 to the financial statements. There have been no significant changes in the nature of these activities during the financial year, other than as disclosed in Notes 45 and 46.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit/(loss) attributable to:		
Owner of the Bank	14,629	(24,465)
Non-controlling interests	15,048	–
	29,677	(24,465)

RESERVES AND PROVISIONS

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

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the year were not substantially affected by any item, transaction or event of a material and unusual nature other than events disclosed in the Notes 46 and 47 to the financial statements.

DIVIDEND

No dividend has been paid or declared by the Bank since the end of the previous year.

The Board of Directors does not propose any dividend for the year ended 31 December 2012.

DIRECTORS

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are:

Foo San Kan
U Chen Hock
Tan Sri Ong Leong Huat @ Wong Joo Hwa
Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Dato' Abdul Majit bin Ahmad Khan
Leong Keng Yuen
Dr. Ngo Get Ping

DIRECTORS' BENEFITS

Neither at the end of the year, nor at any time during the year, did there subsist any arrangement to which the Bank was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than as may arise from the share options granted pursuant to the Executive Share Option Scheme of the former holding company, OSK Holdings Berhad, has become void and of no effect upon completion of the acquisition of the Bank by RHB Capital Berhad.

Since the end of the previous year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Bank as shown in Note 34 and 40(j) to the financial statements and the financial statements 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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 40 to the financial statements in relation to significant related party disclosures.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, none of the Directors in office at the end of the year has any interest in the ordinary share capital of the Bank, except for Tan Sri Ong Leong Huat @ Wong Joo Hwa who is deemed to have an interest in the shares of the Bank and all the other related companies by virtue of his indirect shareholdings in the holding company, RHB Capital Berhad, as follows:

Holding company, RHB Capital Berhad

	Number of ordinary shares of RM1 each			
	1.1.2012	Acquired	Disposed	31.12.2012
Tan Sri Ong Leong Huat @ Wong Joo Hwa				
Indirect interest	–	1,100^	–	**1,100**
Indirect interest	–	245,000,000*	–	**245,000,000**

^ The interest is held through family member.

* Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in OSK Holdings Berhad.

DIRECTORS' INTERESTS (CONTINUED)

Holding company, RHB Capital Berhad (continued)

Pursuant to Section 134(3) of the Companies Act, 1965, Dato' Nik Mohamed Din bin Datuk Nik Yusoff, being a director in office at the end of the year who is also a director of the holding company, is deemed to have disclosed his interest in the shares of the holding company and related companies, with his interests disclosed in the Directors' Report of the holding company.

According to the Register of Directors' shareholdings, the other directors in office at the end of the year do not have any interest in shares of the holding company during the year.

ISSUE OF SHARES AND DEBENTURES

The Bank did not issue any shares or debentures during the year.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
  (ii) the value attributed to the current assets in the financial statements of the Group and of the Bank misleading.

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

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

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

  (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the year which secures the liabilities of any other person; or
  (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the year, other than those arising in the normal course of business of the Group and of the Bank.

OTHER STATUTORY INFORMATION (CONTINUED)

(f) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report other than as disclosed in Note 47 to the financial statements which is likely to affect substantially the results of the operations of the Group or of the Bank for the year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 46 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 47 to the financial statements.

RESPONSIBILITY STATEMENT BY THE DIRECTORS

In the course of preparing the annual financial statements of the Group and of the Bank, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

It is the responsibility of the Directors to ensure that the financial statements of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 31 December 2012.

As highlighted in Note 2 on basis of preparation of financial statements, the financial statements are prepared on the basis that the Group and the Bank have ceased to be a going concern due to the proposed merger as disclosed in Note 47 to the financial statements. The Directors have ensured that proper accounting records are kept, appropriate accounting policies are applied on a consistent basis and accounting estimates made are reasonable and fair so as to enable the preparation of the financial statements of the Group and the Bank with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and of the Bank to be properly safeguarded and to prevent and detect fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 57 of the financial statements.

HOLDING COMPANY

OSK Holdings Berhad ceased to be the Bank's holding company upon completion of the acquisition of the Bank by RHB Capital Berhad on 9 November 2012. Thereafter, the Directors regards RHB Capital Berhad, a listed company in Malaysia, as the holding company.

AUDITORS

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 February 2013.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

U Chen Hock

28 February 2013

Statement By Directors

Pursuant To Section 169(15) Of The Companies Act, 1965

We, Dato' Nik Mohamed Din bin Datuk Nik Yusoff and U Chen Hock, being two of the Directors of OSK Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 60 to 282 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 and of the results and the cash flows of the Group and of the Bank for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 February 2013.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

U Chen Hock

Kuala Lumpur, Malaysia
28 February 2013

Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act, 1965

I, Woon Chong Boon, being the officer primarily responsible for the financial management of OSK Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 60 to 282 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Woon Chong Boon at Kuala Lumpur
in the Federal Territory on 28 February 2013

Woon Chong Boon

Before me,
Commissioner for Oaths
Kuala Lumpur, Malaysia

Independent Auditors' Report

To The Member Of OSK Investment Bank Berhad

(Company No. 14152-V) (Incorporated In Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of OSK Investment Bank Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Bank, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 60 to 282.

Directors' responsibility for the financial statements

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2012 and of their financial performances and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 45 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comments made under Section 174(3) of the Act.

OTHER MATTERS

(a) As stated in Note 2 to the financial statements, the Bank adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Bank for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

(b) This report is made solely to the member 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.

PricewaterhouseCoopers
(AF 1146)
Chartered Accountants

Sridharan Nair
(No. 2656/05/14(J))
Chartered Accountant

Kuala Lumpur, Malaysia
28 February 2013

Statements of Financial Position

As At 31 December 2012

DISCONTINUED OPERATIONS	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
ASSETS				
Cash and short term funds	5	**793,328**	1,366,966	672,886
Deposits and placements with banks	6	**42,864**	50,547	–
Securities purchased under resale agreements	7	**–**	–	111,486
Securities portfolio				
– Securities held-for-trading	8(a)	**811,335**	288,656	584,969
– Securities held-to-maturity	8(b)	**461,509**	645,998	668,278
– Securities available-for-sale	8(c)	**3,903,223**	3,247,015	2,811,550
		5,176,067	4,181,669	4,064,797
Derivative financial assets	9	**5,713**	8,843	95,217
Loans, advances and financing	10	**1,960,011**	1,425,405	1,101,708
Trade receivables	11	**2,718,708**	1,523,131	2,042,213
Tax recoverable		**32,558**	6,162	936
Other assets	12	**202,288**	78,125	56,170
Statutory and reserve deposits with Central Banks	13	**244,481**	213,334	69,678
Deferred tax assets	14(a)	**3,401**	10,183	481
Investments in associated companies and a jointly controlled entity	16	**25,775**	23,587	21,339
Equipment	17	**65,792**	71,524	58,963
Intangible assets	18	**33,852**	181,627	173,625
TOTAL ASSETS		**11,304,838**	9,141,103	8,469,499

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

DISCONTINUED OPERATIONS	Note	Group		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
LIABILITIES				
Deposits from customers	19	**5,571,859**	4,774,156	3,951,905
Deposits and placements of banks and other financial institutions	20	**1,090,476**	659,042	669,913
Obligation on securities sold under repurchase agreements	21	**240,010**	291,083	–
Obligation on securities borrowed	22	**119,905**	–	–
Derivative financial liabilities	23	**27,448**	105,592	153,477
Trade payables	24	**2,470,232**	1,346,392	1,791,827
Other liabilities	25	**182,828**	169,212	178,236
Tax payable		**13,136**	10,527	21,811
Deferred tax liabilities	14(b)	**5,382**	3,638	2,426
Borrowings	26	**112,384**	20,975	116,365
Subordinated notes	27	**407,171**	407,280	306,197
TOTAL LIABILITIES		**10,240,831**	7,787,897	7,192,157
EQUITY				
Share capital	28	**660,000**	660,000	660,000
Reserves	29	**187,431**	389,081	371,583
Equity attributable to owner of the Bank		**847,431**	1,049,081	1,031,583
Non-controlling interests		**216,576**	304,125	245,759
TOTAL EQUITY		**1,064,007**	1,353,206	1,277,342
TOTAL LIABILITIES AND EQUITY		**11,304,838**	9,141,103	8,469,499
COMMITMENTS AND CONTINGENCIES	49	**4,413,136**	3,960,859	3,335,622

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

DISCONTINUED OPERATIONS	Note	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
ASSETS				
Cash and short term funds	5	**358,316**	820,421	374,731
Deposits and placements with banks	6	**55,624**	50,547	–
Securities purchased under resale agreements	7	**–**	–	59,886
Securities portfolio				
– Securities held-for-trading	8(a)	**719,797**	252,720	571,219
– Securities held-to-maturity	8(b)	**461,509**	645,964	668,278
– Securities available-for-sale	8(c)	**3,868,665**	3,218,600	2,801,811
		5,049,971	4,117,284	4,041,308
Derivative financial assets	9	**5,713**	8,843	95,206
Loans, advances and financing	10	**1,377,776**	1,005,031	818,472
Trade receivables	11	**866,663**	768,207	746,182
Tax recoverable		**30,821**	4,471	–
Other assets	12	**166,032**	41,912	31,385
Statutory deposits with Central Bank	13	**196,640**	179,610	45,210
Deferred tax assets	14(a)	**–**	8,556	–
Investments in subsidiary companies	15	**857,629**	701,801	455,488
Investments in associated companies	16	**21,878**	21,178	19,178
Equipment	17	**25,433**	32,289	29,021
Intangible assets	18	**28,174**	117,751	111,482
TOTAL ASSETS		**9,040,670**	7,877,901	6,827,549

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

DISCONTINUED OPERATIONS	Note	Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
LIABILITIES				
Deposits from customers	19	**5,425,691**	4,698,637	3,953,520
Deposits and placements of banks and other financial institutions	20	**1,036,559**	603,041	669,519
Obligation on securities sold under repurchase agreements	21	**240,010**	291,083	–
Obligation on securities borrowed	22	**119,905**	–	–
Derivative financial liabilities	23	**27,448**	105,592	153,469
Trade payables	24	**821,401**	700,954	662,257
Other liabilities	25	**104,817**	116,225	129,659
Tax payable		–	–	3,029
Deferred tax liabilities	14(b)	**1,098**	–	2,182
Subordinated notes	27	**407,171**	407,280	306,197
TOTAL LIABILITIES		**8,184,100**	6,922,812	5,879,832
EQUITY				
Share capital	28	**660,000**	660,000	660,000
Reserves	29	**196,570**	295,089	287,717
TOTAL EQUITY		**856,570**	955,089	947,717
TOTAL LIABILITIES AND EQUITY		**9,040,670**	7,877,901	6,827,549
COMMITMENTS AND CONTINGENCIES	49	**3,275,148**	2,691,175	2,397,895

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

Income Statements
For The Year Ended 31 December 2012

DISCONTINUED OPERATIONS	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
Revenue	3(j)	**1,036,650**	1,016,194
Interest income	31	**310,936**	282,570
Interest expense	32	**(201,768)**	(192,508)
Net interest income		**109,168**	90,062
Net income from Islamic banking operations	50(b)	**10,143**	10,273
Non-interest income	33	**679,925**	693,358
Other operating expenses	34	**(698,756)**	(668,165)
Allowance for impairment losses on loans, advances and financing	35	**(27,428)**	(1,951)
Allowance for impairment losses on trade and other receivables	36	**(1,822)**	(2,587)
Allowance for impairment losses on investments	37	**(25,235)**	(70,083)
Share of results after tax of associated companies		**3,036**	2,802
Profit before tax		**49,031**	53,709
Income tax expense and zakat	38	**(19,354)**	(16,270)
Profit after tax for the year		**29,677**	37,439
Profit attributable to:			
Owner of the Bank		**14,629**	16,689
Non-controlling interests		**15,048**	20,750
		29,677	37,439
Earnings per share attributable to owner of the Bank (sen) Basic and diluted	39	**2.22**	2.53

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

DISCONTINUED OPERATIONS	Note	Bank	
		31.12.2012 RM'000	31.12.2011 RM'000
Revenue	3(j)	**634,616**	644,386
Interest income	31	**245,269**	224,513
Interest expense	32	**(194,415)**	(186,043)
Net interest income		**50,854**	38,470
Net income from Islamic banking operations	50(b)	**10,143**	10,273
Non-interest income	33	**343,558**	379,607
Other operating expenses	34	**(321,406)**	(327,942)
Allowance for impairment losses on loans, advances and financing	35	**(26,684)**	(925)
Write back of/(allowance for) impairment losses on trade and other receivables	36	**187**	(871)
Allowance for impairment losses on investments	37	**(68,466)**	(70,083)
(Loss)/profit before tax		**(11,814)**	28,529
Income tax expense and zakat	38	**(12,651)**	(6,417)
(Loss)/profit after tax for the year		**(24,465)**	22,112

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

Statements of Comprehensive Income
For The Year Ended 31 December 2012

DISCONTINUED OPERATIONS	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
Profit after tax for the year	**29,677**	37,439
Other comprehensive (loss)/income:		
Foreign currency translation (loss)/gain	**(17,301)**	12,358
Reversal of available-for-sale gain upon disposal	**(3,836)**	(6,020)
Unrealised net gain on revaluation of securities available-for-sale	**39,663**	2,307
Share of other reserves in associated group	**(213)**	(846)
Actuarial losses on defined benefit plan in subsidiary companies	**(1,022)**	-
Income tax relating to components of other comprehensive (income)/loss	**(8,723)**	1,935
Other comprehensive income for the year, net of tax	**8,568**	9,734
Total comprehensive income for the year, net of tax	**38,245**	47,173
Total comprehensive income attributable to:		
Owner of the Bank	**27,969**	15,670
Non-controlling interests	**10,276**	31,503
	38,245	47,173

DISCONTINUED OPERATIONS	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
(Loss)/profit after tax for the year	**(24,465)**	22,112
Other comprehensive income/(loss) :		
Reversal of available-for-sale gain upon disposal	**(3,836)**	(6,020)
Unrealised net gain/(loss) on revaluation of securities available-for-sale	**37,120**	(13,633)
Income tax relating to components of other comprehensive (income)/loss	**(8,321)**	4,913
Other comprehensive income/(loss) for the year, net of tax	**24,963**	(14,740)
Total comprehensive income for the year, net of tax	**498**	7,372

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

Group DISCONTINUED OPERATIONS	Share capital (Note 28) RM'000	Statutory reserves (Note 29) RM'000	Foreign exchange reserves (Note 29) RM'000	Available-for-sale reserves (Note 29) RM'000	Other reserve (Note 29) RM'000	Retained profits / (Accumulated losses) (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to owner of the Bank								
At 1 January 2012									
As previously reported	660,000	239,537	(9,735)	(9,902)	(846)	162,421	1,041,475	304,125	1,345,600
Prior year adjustments (Note 55)	–	–	–	–	–	7,606	7,606	–	7,606
As restated	660,000	239,537	(9,735)	(9,902)	(846)	170,027	1,049,081	304,125	1,353,206
Total comprehensive (loss)/income	–	–	(13,101)	26,991	(213)	14,292	27,969	10,276	38,245
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(9,565)	(9,565)
Accretion on deemed disposal of interest in associated group (Note 46(b))	–	–	–	–	–	265	265	–	265
Accretion on subscription of shares in associated group (Note 46(b))	–	–	–	–	–	(346)	(346)	–	(346)
Acquisition of shares from non-controlling interests (Note 46(c) & (i))	–	–	–	–	–	(69,965)	(69,965)	(88,260)	(158,225)
Impairment of goodwill and intangibles for proposed merger (Note 18)	–	–	–	–	–	(159,573)	(159,573)	–	(159,573)
Transfer to statutory reserves	–	23,443	–	–	–	(23,443)	–	–	–
Total transactions with owner	–	23,443	–	–	–	(253,062)	(229,619)	(97,825)	(327,444)
At 31 December 2012	660,000	262,980	(22,836)	17,089	(1,059)	(68,743)	847,431	216,576	1,064,007

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

Group DISCONTINUED OPERATIONS	Attributable to owner of the Bank								
	Share capital (Note 28) RM'000	Statutory reserves (Note 29) RM'000	Foreign exchange reserves (Note 29) RM'000	Available-for-sale reserves (Note 29) RM'000	Other reserve (Note 29) RM'000	Retained profits (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2011									
As previously reported	660,000	228,992	(17,859)	(1,605)	–	155,771	1,025,299	245,759	1,271,058
Prior year adjustments (Note 55)	–	–	–	–	–	6,284	6,284	–	6,284
As restated	660,000	228,992	(17,859)	(1,605)	–	162,055	1,031,583	245,759	1,277,342
Total comprehensive income/(loss)	–	–	8,124	(8,297)	(846)	16,689	15,670	31,503	47,173
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(12,436)	(12,436)
Accretion on deemed disposal of interest in associated group	–	–	–	–	–	1,666	1,666	–	1,666
Accretion on additional interest in a subsidiary company	–	–	–	–	–	162	162	(162)	–
Share options exercised by non-controlling interests in a subsidiary company	–	–	–	–	–	–	–	25	25
Acquisition of subsidiary companies	–	–	–	–	–	–	–	105,894	105,894
Accretion on acquisition of a subsidiary company	–	–	–	–	–	–	–	(43)	(43)
Acquisition of additional shares from non-controlling interests	–	–	–	–	–	–	–	(98,487)	(98,487)
Dilution of interests from subscription of additional shares in a subsidiary company by non-controlling interests	–	–	–	–	–	–	–	22	22
Transfer to statutory reserve	–	10,545	–	–	–	(10,545)	–	–	–
Capital repayment from a subsidiary company in members' voluntary liquidation	–	–	–	–	–	–	–	(10)	(10)
Loss on members' voluntary winding up of a subsidiary company	–	–	–	–	–	–	–	(10)	(10)
Subscription of additional shares in subsidiary companies by non-controlling interests	–	–	–	–	–	–	–	32,070	32,070
Total transactions with owner	–	10,545	–	–	–	(8,717)	1,828	26,863	28,691
At 31 December 2011	660,000	239,537	(9,735)	(9,902)	(846)	170,027	1,049,081	304,125	1,353,206

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

Bank
DISCONTINUED OPERATIONS

	Non-Distributable			Distributable	
	Share capital (Note 28) RM'000	Statutory reserve (Note 29) RM'000	Available-for-sale reserve (Note 29) RM'000	Retained profits / (Accumulated losses) (Note 29) RM'000	Total RM'000
At 1 January 2012					
As previously reported	**660,000**	**239,387**	**(16,345)**	**64,441**	**947,483**
Prior year adjustments (Note 55)	**–**	**–**	**–**	**7,606**	**7,606**
As restated	**660,000**	**239,387**	**(16,345)**	**72,047**	**955,089**
Total comprehensive income/(loss)	**–**	**–**	**24,963**	**(24,465)**	**498**
Impairment of goodwill and intangibles for proposed merger (Note 18)	**–**	**–**	**–**	**(99,017)**	**(99,017)**
Transfer to statutory reserve	**–**	**23,443**	**–**	**(23,443)**	**–**
Total transactions with owner	**–**	**23,443**	**–**	**(122,460)**	**(99,017)**
At 31 December 2012	**660,000**	**262,830**	**8,618**	**(74,878)**	**856,570**
At 1 January 2011					
As previously reported	660,000	228,992	(1,605)	54,046	941,433
Prior year adjustments (Note 55)	–	–	–	6,284	6,284
As restated	660,000	228,992	(1,605)	60,330	947,717
Total comprehensive (loss)/income	–	–	(14,740)	22,112	7,372
Transfer to statutory reserve	–	10,395	–	(10,395)	–
Total transactions with owner	–	10,395	–	(10,395)	–
At 31 December 2011	660,000	239,387	(16,345)	72,047	955,089

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

Statements of Cash Flows
For The Year Ended 31 December 2012

DISCONTINUED OPERATIONS	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		**49,031**	53,709	**(11,814)**	28,529
Adjustments for:					
Depreciation	34(c)	**22,458**	15,801	**11,912**	7,732
Amortisation	34(c)	**5,635**	3,236	**4,896**	2,782
Accretion of discount less amortisation of premium	31	**(9,743)**	(25,772)	**(9,743)**	(25,772)
Gross dividend income	33(c)	**(2,610)**	(2,402)	**(13,377)**	(24,634)
Allowance for/(write back of) impairment losses on:					
– loans, advances and financing	35	**27,428**	5	**26,684**	925
– trade and other receivables	36	**1,630**	2,389	**(170)**	796
Bad debts written off	35, 36	**209**	2,184	**–**	77
Net loss/(gain) on disposals of equipment	34	**578**	23	**4**	(126)
Gain on disposal of intangible asset	33(g)	**–**	(2,197)	**–**	–
Net gain arising from sales of securities and derivatives	33(b)	**(67,022)**	(85,141)	**(63,900)**	(85,877)
Unrealised gain on revaluation of trading securities and derivatives	33(d)	**(37,425)**	(16,343)	**(34,769)**	(17,419)
Unrealised loss on derivatives	33(e)	**29,100**	50,792	**29,100**	50,792
Allowance for impairment losses on investments and intangibles	37	**25,235**	70,083	**68,466**	70,083
Unrealised loss on foreign exchange translations	33(f)	**11,866**	27,154	**11,945**	26,835
Equipment written off	34	**21**	19	**–**	–
Balance carried forward		**56,391**	93,540	**19,234**	34,723

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

DISCONTINUED OPERATIONS	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Balance brought forward		**56,391**	93,540	**19,234**	34,723
Reversal of interest cost and judgment sum		**–**	(1,016)	**–**	(1,016)
Dilution of interests from subscription of additional shares in a subsidiary company by non-controlling interests		**–**	22	**–**	–
Loss on members' voluntary winding up of subsidiary companies	33(g)	**–**	565	**–**	78
Negative goodwill on acquisition of a subsidiary company	33(g)	**–**	(87)	**–**	–
Share of results after tax of associated companies		**(3,036)**	(2,802)	**–**	–
Operating profit before working capital changes		**53,355**	90,222	**19,234**	33,785
(Increase)/decrease in operating assets:					
Cash held in segregated accounts		**669**	(869)	**669**	(869)
Securities purchased under resale agreements		**–**	111,486	**–**	59,886
Securities held-for-trading		**(496,075)**	316,378	**(446,231)**	320,067
Securities available-for-sale		**(612,091)**	(369,552)	**(608,043)**	(375,242)
Securities held-to-maturity		**155,526**	(20,313)	**155,233**	(20,278)
Derivative financial assets		**18,001**	105,818	**18,001**	105,808
Loans, advances and financing		**(562,034)**	(325,686)	**(399,429)**	(187,484)
Trade receivables		**(1,197,416)**	621,602	**(98,286)**	(22,898)
Other assets		**(115,189)**	(99,702)	**(117,626)**	(89,885)
Deposits and placements with banks		**7,683**	(50,547)	**(5,077)**	(50,547)
Amount due from subsidiary companies		**–**	–	**2,212**	(2,060)
Balance carried forward		**(2,747,571)**	378,837	**(1,479,343)**	(229,717)

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

DISCONTINUED OPERATIONS	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Balance brought forward		**(2,747,571)**	378,837	**(1,479,343)**	(229,717)
Security deposits and statutory funds		**(164)**	732	**(29)**	–
Statutory and reserve deposits with Central Banks		**(31,147)**	(143,656)	**(17,030)**	(134,400)
Increase/(decrease) in operating liabilities:					
Deposits from customers, banks and other financial institutions		**1,227,844**	811,379	**1,159,279**	678,638
Obligations on securities sold under repurchase agreements		**(51,073)**	291,083	**(51,073)**	291,083
Obligations on securities borrowed		**119,905**	–	**119,905**	–
Derivative financial liabilities		**(58,629)**	(24,776)	**(58,629)**	(24,718)
Trade payables		**1,123,840**	(457,214)	**120,447**	38,698
Other liabilities		**19,267**	(16,979)	**(3,623)**	(18,778)
Amount due to:					
– holding company		**472**	–	**–**	–
– former holding company		**(3)**	(1,508)	**–**	(1,518)
– subsidiary companies		**–**	–	**(23)**	1,172
– an associated company		**623**	(759)	**–**	–
– related companies		**(7,871)**	7,756	**(7,871)**	7,785
Cash flows (used in)/generated from operations		**(404,507)**	844,895	**(217,990)**	608,245
Income tax paid		**(43,078)**	(40,334)	**(37,491)**	(17,118)
Net cash (used in)/generated from operating activities		**(447,585)**	804,561	**(255,481)**	591,127

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

DISCONTINUED OPERATIONS	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash outflow from members' voluntary winding up of subsidiary companies		**–**	(8)	**–**	–
Net cash outflow from acquisition of subsidiary companies		**–**	(18,360)	**–**	–
Additional investment in existing subsidiary companies		**–**	–	**–**	(37,407)
Acquisition of shares from non-controlling interests	46(h),(i)	**(158,225)**	(98,487)	**–**	(98,399)
Investments in subsidiary companies	46(d),(e),(h),(i)	**–**	–	**(199,059)**	(110,595)
Investment in a jointly controlled entity		**–**	(10)	**–**	–
Additional investment in an associated company	46(b)	**(700)**	(2,000)	**(700)**	(2,000)
Subscription of shares in subsidiary company by non-controlling interests		**–**	25	**–**	–
Capital repayment from a subsidiary company		**–**	–	**–**	10
Dividends received		**3,752**	5,560	**13,199**	22,011
Proceeds from sale/transfer of equipment		**757**	629	**603**	216
Proceeds from sale of intangible assets		**(25)**	2,962	**–**	–
Purchase of:					
– equipment	17	**(18,929)**	(28,355)	**(5,663)**	(11,091)
– software licences	18(f)	**(17,487)**	(9,217)	**(14,335)**	(9,051)
Net cash used in investing activities		**(190,857)**	(147,261)	**(205,955)**	(246,306)

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

DISCONTINUED OPERATIONS	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to non-controlling interests		**(9,565)**	(12,436)	**–**	–
Drawdown/(Repayment) of short term loans		**91,530**	(95,511)	**–**	–
Proceeds from issuance of subordinated notes		**–**	100,000	**–**	100,000
Proceeds from subscription of shares by non-controlling interests		**–**	32,070	**–**	–
Capital repayment by a subsidiary to non-controlling interests		**–**	(10)	**–**	–
Net cash generated from financing activities		**81,965**	24,113	**–**	100,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(556,477)**	681,413	**(461,436)**	444,821
EFFECT OF EXCHANGE RATE CHANGES		**(16,371)**	11,677	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,323,286**	630,196	**776,862**	332,041
CASH AND CASH EQUIVALENTS AT END OF YEAR		**750,438**	1,323,286	**315,426**	776,862
Cash and cash equivalents at end of year comprised:					
Cash, bank balances and deposit – General accounts	5(a)	**419,113**	542,461	**61,596**	49,926
Bank overdraft	26	**–**	(121)	**–**	–
Money at call and deposit placements with maturities within one month	5(c)	**331,325**	780,946	**253,830**	726,936
		750,438	1,323,286	**315,426**	776,862

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

1. GENERAL INFORMATION

The Bank is a public company limited by shares, incorporated under the Companies Act, 1965 and domiciled in Malaysia. The registered office of the Bank is located at 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur. The Bank is also a Participating Organisation of Bursa Malaysia Securities Berhad (Bursa Securities).

The Bank is principally engaged in stockbroking, futures broking, corporate advisory, debt securities, interbank market activities, corporate loans, wholesale deposit, Islamic banking and other related activities. The principal activities of the subsidiaries, associated companies and a jointly controlled entity are described in Note 45 and changes to the composition of the Group are disclosed in Note 46 to the financial statements. There have been no significant changes in the nature of these activities during the financial year, other than as disclosed in Notes 45 and 46.

The financial statements were authorised for approval and issue by the Board of Directors in accordance with a resolution on 28 February 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

As disclosed in Note 47 to the financial statements, the Bank shall transfer and vest its entire business including all assets and liabilities to RHB Investment Bank Berhad (RHBIB). On 8 February 2013, the Bank had entered into a Business Transfer Agreement (BTA) with RHBIB for the proposed transfer of the Bank's entire business including all assets and liabilities as defined in the BTA to RHBIB (the "Proposed Merger"). The Proposed Merger is expected to be completed in April 2013.

Accordingly, the financial statements of the Group and the Bank have been prepared on the basis the Group and the Bank have ceased to be a going concern.

The financial statements of the Group and of the Bank are stated on the historical costs basis unless otherwise indicated in the accounting policies below. The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), except when otherwise indicated.

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965.

The Malaysian Accounting Standards Board (MASB) has announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new IFRS compliant framework, MFRS, for financial year commencing on or after 1 January 2012.

The Group and the Bank revised its accounting policies on 1 January 2012 to enable the preparation of financial statements that comply with MFRS. This financial statements is the Group's and Bank's first financial statements prepared in accordance with MFRS and MFRS 1: 'First Time Adoption of MFRS' (MFRS 1), and has been applied retrospectively as if the requirements of MFRSs have always been applied by the Group and the Bank from the transition date of 1 January 2011 and throughout all years presented, as if these policies had always been in effect. Comparative figures for financial year 2011 and 2010 in these financial statements have been restated to take effects of these changes. The Group and the Bank does not take advantage of certain mandatory exceptions and optional exceptions provided in MFRS 1 for first time adoption of MFRS, except those disclosed in Note 55 on transition from Financial Reporting Standards (FRS) to MFRS.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

(a) Statement of compliance (continued)

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS require the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses reported during the financial year. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity are disclosed in section (d) of this note.

(b) Adoption of MFRSs, Amendments to MFRSs, Issues Committee (IC) Interpretations and Technical Releases (TR) for the Financial Year

The relevant new accounting standards, amendments and improvements to published standards and interpretations to the existing standards that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2012 are as follows:

- MFRS 1 'First Time Adoption of MFRS'
- MFRS 139 'Financial Instruments: Recognition and Measurement'
- Revised MFRS 124 'Related Party Disclosures'
- Amendment to MFRS 112 'Income Taxes'
- Amendment to MFRS 1 'First Time Adoption on Fixed Dates and Hyperinflation'
- Amendment to MFRS 7 'Financial Instruments: Disclosures on Transfers of Financial Assets'
- Amendment to MFRS 101 'Presentation of Items of Other Comprehensive Income'
- IC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'
- FRSIC 18 'Monies Held in Trust by Participating Organisation of Bursa Malaysia Securities Berhad'

The adoption of the above standards, amendments to published standards and interpretations to existing standards does not give rise to any material financial impact to the Group and the Bank, except for the adoption of MFRS 139 and FRSIC 18 as set out in Note 55.

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

(i) Financial year beginning on/after 1 January 2013

MFRS 10 'Consolidated financial statements' (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 'Consolidated and separate financial statements' and IC Interpretation 112 'Consolidation – special purpose entities'

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

(i) Financial year beginning on/after 1 January 2013 (continued)

MFRS 11 'Joint arrangements' (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

MFRS 12 'Disclosures of interests in other entities' (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 'Investments in associates'. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

MFRS 13 'Fair value measurement' (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

The revised MFRS 127 'Separate financial statements' (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

The revised MFRS 128 'Investments in associates and joint ventures' (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

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Amendment to MFRS 101 'Presentation of items of other comprehensive income' (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

Amendment to MFRS 7 'Financial instruments: Disclosures' (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

(ii) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 'Financial instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial year beginning on/after 1 January 2015

MFRS 9 'Financial instruments – classification and measurement of financial assets and financial liabilities' (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (FVTPL). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the new standards and the amendments to published standards are not expected to have a material impact on the financial results of the Group and the Bank except that the Bank is in the process of reviewing the requirements of MFRS 9 and expects this review to be completed prior to the effective date on 1 January 2015.

(d) Significant accounting judgements and estimates

The preparation of financial statements in accordance with MFRS requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experiences, reasonable expectations of future events and other factors.

(i) Key sources of estimation uncertainty

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Bank's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

(d) Significant accounting judgements and estimates (continued)

(i) Key sources of estimation uncertainty (continued)

Assumptions and other sources of estimation at the reporting date that potentially pose a risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next twelve months from 31 December 2012 are discussed below:

Impairment assessment of goodwill and other intangible assets

The Group and the Bank determines whether goodwill and other intangible assets are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill and other intangible assets are allocated. Estimating the value-in-use requires the Group and the Bank to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The assessment of impairment of goodwill and other intangible assets are disclosed in Note 18.

Fair value estimation of unquoted investments

The fair value of securities and derivatives that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to Bond Pricing Agency prices, bond trading history and traded prices, bond rating and outlook, independent dealer quotes for over-the-counter options and discounted cash flow method.

Allowance for impairment losses

The Group and the Bank review their individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans, and the estimation of realisation amount and timing of future cash flows from the doubtful loans when determining the level of impairment loss required.

The Group and the Bank have adopted certain criteria in the identification of impaired loans, which include classifying loans as impaired when repayments are in arrears for more than three (3) months or when the value of the collateral shares has fallen below 130% of the outstanding balances for share margin financing. Individual impairment assesment are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sales value, as appropriate and conform with BNM guidelines.

Impairment of securities AFS and securities HTM

The Group and the Bank reviews its debt securities classified as securities AFS and securities HTM at least on a quarterly basis to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loan and advances. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment recognised.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

(d) Significant accounting judgements and estimates (continued)

(i) Key sources of estimation uncertainty (continued)

Expected duration of subordinated notes with callable feature for the purpose of measuring financial cost under the effective interest rate method

As disclosed in Note 27, subordinated notes of the Bank have callable dates that are earlier than their respective maturity dates. In accordance with the terms of the subordinated notes, coupon interest rate before the respective callable dates are lower as compared to those after the callable dates until the maturity dates. MFRS 139 "Financial instruments: Recognition and Measurement" (MFRS 139) requires finance costs of borrowings to be allocated over the expected duration using the effective interest rate method, which is a constant rate of return over the expected duration of the subordinated notes.

For the purpose of allocating interest expense of the subordinated notes over the expected duration of the borrowings for the current financial year, the expected duration of the subordinated notes is until the callable date at the lower coupon interest rate. As the subordinated notes still have remaining duration of 0.5 to 3.5 years from the reporting date, the Bank will continue to review its assumption over the expected duration.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiary companies

The consolidated financial statements include the financial statements of the Bank and all of its subsidiary companies. Appropriate group adjustments are made to conform with the Group accounting policies where required. Subsidiary companies are those companies in which the Group has a long term equity interest, where it has power to exercise control over the financial and operating policies or controls the composition of the Board of Directors so as to obtain benefits therefrom.

The carrying amount of the Bank's investments in subsidiary companies, all intragroup balances and transactions and unrealised profits are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from intragroup transactions are eliminated unless such losses cannot be recovered.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the newly acquired subsidiary companies are measured at their fair values at the date of acquisition. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Any excess of the aggregate of the fair value of consideration transferred in the business combination, the amount of non-controlling interest in the acquired subsidiary companies (if any), and the fair value of the Group's previously held equity interest in the acquired subsidiary companies (if any), over the net fair value of the acquired subsidiary companies' identifiable assets and liabilities is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy stated in Note 3(d). In instances where the latter amount exceeds the former, the excess is recognised as a gain from a bargain purchase in the income statement on the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Associated companies

Associated companies are those entities in which the Group hold a long term equity interest, have representation on the Board of Directors and are in a position to exercise significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting based on the audited or management financial statements of the associated companies. The equity method of accounting involves recognition of the Group's share of the results of associated companies in the consolidated income statement. The Group's investments in associated companies are carried in the consolidated statements of financial position at an amount that reflects its share of net assets of the associated companies and goodwill on acquisition. Goodwill is not amortised.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated companies.

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless costs cannot be recovered.

(iii) Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financing and operating decisions.

The Group's share of the profit or loss and other comprehensive income of the joint ventures on an equity-accounted basis are disclosed in the notes to these financial statements. When the Group's share of losses and other comprehensive income exceeds its interest in the joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture investee.

Investments in joint ventures are stated in the Group's statements of financial position at cost (including transaction costs) less accumulated impairment losses.

(iv) Transactions with non-controlling interests

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Equipment and depreciation

Equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Subsequent to recognition, equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Office equipment and furniture	20%
Renovation	10% – 20%
Computer equipment and software	20% – 33⅓%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

During the year, the Group and the Bank have changed the estimated useful life of equipments to conform with the estimated useful life of equipments adopted by the holding company, RHB Capital Berhad. The effect of these changes on depreciation expense, recognised in other operating expense, is an increase in depreciation charge of RM3,974,960 for the financial year ended 31 December 2012 and an increase in annual depreciation charge of RM9,015,749 for future years.

(c) Investments in subsidiary companies, associated companies and jointly controlled entity

Investments in subsidiary companies, associated companies and jointly controlled entity are stated at cost less any impairment losses. Impairment loss is recognised in the income statement of the Bank.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(d) Intangible assets

(i) Goodwill on consolidation and purchased goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(i) Goodwill on consolidation and purchased goodwill (continued)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3(i).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Bank and are recorded in RM at the rates prevailing as at the date of acquisition.

(ii) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(ii) Other intangible assets (continued)

- **Trading rights and memberships**

  The trading rights and memberships are recognised as intangible assets in the statements of financial position. Trading rights and memberships have indefinite useful lives and are stated at cost less any accumulated impairment losses.

  Trading rights are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in the income statement.

- **Banking and stockbroking licences**

  Merchant banking licence represents contribution to Bank Negara Malaysia (BNM) to transform from Universal Broker into an Investment Bank. Merchant bank licence has indefinite useful life and is stated at cost less any accumulated impairment losses.

  Commercial banking and stockbroking licences represent professional fees incurred by the Group for submission and obtaining the regulatory approvals of licences in Cambodia.

  Banking and broking licences are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in the income statement.

- **Software licences**

  The Group has developed the following criteria to identify computers software or licence to be classified either as equipment or intangible asset:

  – Software or licence that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as equipment; and

  – Application software that is being used on a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible asset.

  Software licences acquired separately are recognised at cost. Following initial recognition, software licences are carried at cost less any accumulated amortisation and any accumulated impairment losses. Due to the risk of technological changes, the useful lives of all software licences are generally assessed as finite and are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the software licences may be impaired. The amortisation period and the amortisation method for software licences are reviewed at each reporting date. The useful economic life of software licences classified as intangible assets is 5 years.

  During the year, the Group and the Bank have changed the estimated useful life of software licences to conform the estimated useful life of software licences adopted by the holding company, RHB Capital Berhad. The effect of these changes on depreciation expense, recognised in other operating expense, is an increase in depreciation charge of RM58,502 for the financial year ended 31 December 2012 and an increase in annual depreciation charge of RM3,371,187 for future years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Bank make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and it's value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units (CGU)).

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are first allocated to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in the subsequent period.

(f) Statement of cash flows and cash and cash equivalents

Statement of cash flows is prepared using the indirect method. Changes in cash and cash equivalents are classified into operating, investing and financing activities.

Cash and cash equivalents comprise of cash on hand and at banks inclusive of money at call and deposit placements with maturities within one month and highly liquid investments which have an insignificant risk of changes in value less bank overdrafts, excluding bank balances, placements and deposits under segregated accounts held in trust.

(g) Leases

(i) As lessee

Finance leases, which transfer to the Group and the Bank substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases (continued)

(i) As lessee (continued)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Bank will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group and the Bank retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3 (k)(xii).

(h) Provisions for liabilities

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency"). The financial statements of the Group and of the Bank are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(ii) Transactions in foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign currencies (continued)

(ii) Transactions in foreign currencies (continued)

Exchange differences arising on the settlement of monetary items and on the translation of monetary items, are included as profit or loss in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised as profit or loss in the income statement.

Where the Group has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items are recognised in equity in the consolidated financial statements, irrespective of the currency of the monetary item.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Translation of foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations treated as assets and liabilities of the foreign operations are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiary companies before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(j) Operating revenue

Operating revenue of the Group comprises all types of revenue derived from stock and futures broking, investment banking, commercial banking, Islamic banking, interest income, management of unit trust, sales of unit trust and trustee services, but excluding all related companies transactions.

Operating revenue of the Bank comprises revenue derived from stock and futures broking, investment banking, Islamic banking, interest income and other operating revenue or a pre-determined minimum fee.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Recognition of revenue and other income

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Income from the various business activities of the Group and the Bank are recognised using the following bases:

(i) Interest income from clients is generally recognised for all interest bearing assets on an accrual basis using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts. Interest income from impaired accounts will be recognised based on the discounted present recoverable value (net of any impairment losses) at the effective interest rate of the impaired accounts over the remaining period expected to recover the principal. For impaired margin accounts with insufficient collateral surplus, interest will not be recognised until the margin account is reclassified as non-impaired account. Classification as impaired accounts relating to the margin financing business is dealt with in accordance with the relevant rules of Bursa Securities.

Interest income on loans is accounted for on an accrual basis using the effective interest rate method by reference to the rest periods as stipulated in the loan agreements. Where an account classified as impaired, interest accrued and recognised as income prior to the date that the loan is classified as impaired is included in periodic impairment assessment. Thereafter, interest on the impaired loan is recognised based on the discounted present recoverable value (net of any impairment loss) at the effective interest rate of the impaired accounts over the remaining period expected to recover the principal.

Income from the Islamic Banking Scheme business is recognised on the accrual basis in compliance with Bank Negara Malaysia Guidelines.

Interest income from fixed income instruments, short-term placements and fixed deposits with licensed financial institutions, including amortisation of premium and accretion of discount, are accrued on a time-apportioned basis. Interest income on securities are recognised on an effective yield basis.

(ii) Brokerage commission is recognised on an accrual basis upon the execution of trade on behalf of the clients, computed based on a pre-determined percentage of the contract value.

(iii) Arrangement fees, agency fees, placement fees and underwriting commission are recognised as income based on the terms of contractual arrangements.

(iv) Commitment fees are recognised as income based on time apportionment.

(v) Fees from advisory and corporate finance activities are recognised on completion of each stage of the assignment.

(vi) Service charges from the sale of unit trusts are recognised upon the allotment of units, net of cost of units sold.

(vii) Fees earned from the management of unit trust funds are recognised on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Recognition of revenue and other income (continued)

(viii) Will writing fees, custodial and service charges on trustee and nominees services are recognised on an accrual basis upon the performance of services.

(ix) Gain or loss on disposal of investments is recognised upon the transfer of risks and rewards of ownership.

(x) Gain or loss on call warrants offered is recognised upon the exercise or expiry of the call warrants in accordance with the terms of the call warrants.

(xi) Dividend income is recognised when the right to receive payment is established.

(xii) Rental income is recognised on an accrual basis rateable over the tenancy period.

(xiii) Other revenue are recognised on an accrual basis.

(l) Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group and the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia and Singapore makes contributions to the respective statutory pension schemes, the Employees Provident Fund (EPF) and the Central Provident Fund (CPF) respectively. The Hong Kong subsidiary companies made contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinances. Such contributions are recognised as an expense in the income statement as incurred.

The Thailand subsidiary company and it's employees has jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the subsidiary company contribute to the fund monthly at the rate of 3% - 6% of basic salary. The fund is managed by a local asset management company.

(iii) Share-based compensation

The former parent company, OSK Holdings Berhad Group adopts an equity-settled, share-based compensation scheme, Executive Share Option Scheme (ESOS) as disclosed in its financial statements. The fair value of the share options issued by the former holding company to the Group's employees is recognised as an expense in the income statement at the grant date which is also the vesting date.

The total amount to be recognised as compensation expense is determined by reference to the fair value of share options at the date of the grant and the number of share options granted or the incremental fair value before and after modification of the terms of the ESOS. The fair value of the share option is computed using a binomial model.

The ESOS has become void and of no effect upon completion of the acquisition of the Bank by RHB Capital Berhad.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in income statement except to the extent that the tax relates to items recognised outside income statement, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences arising at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiary companies, associated companies and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities can be offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(n) Financial assets

Financial assets are recognised in the statements of financial position when the Group and the Bank have become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

All regular way purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

(i) Transferable golf club memberships and admission fee

The transferable golf club memberships and Guarantee Fund and Admission Fee paid to the Hong Kong Securities Clearing Company Limited (HKSCC) are stated at cost less any impairment losses.

(ii) Securities portfolio

The Group and the Bank have classified and accounted for its securities portfolio as follows:

- **Securities held-for-trading (HFT)**

  Financial assets are classified as financial assets at fair value through profit or loss if they are held-for-trading or are designated as such upon initial recognition. Financial assets held-for-trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near future.

  Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in income statement. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in income statement as part of other losses or other income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial assets (continued)

(ii) Securities portfolio (continued)

- **Securities held-to-maturity (HTM)**

  Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Bank have the positive intention and ability to hold the investment to maturity.

  Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

- **Loans and receivables**

  Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are recognised initially at fair value plus any directly attributable transaction cost.

  Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income statement when the loan and receivables are derecognised or impaired. Financial assets classified in this category include cash and short term funds, trade receivables and other assets.

- **Securities available-for-sale (AFS)**

  Available-for-sale are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

  After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset is recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest rate method is recognised in income statement. Dividends on an available-for-sale equity instrument are recognised in income statement when the Group and the Bank's right to receive payment is established.

  Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment.

- **Statutory deposits with Bank Negara Malaysia and National Bank of Cambodia and placements with/of banks and financial institutions and deposits from customers**

  These deposits and placements are stated at placement values and adjusted for accrued interest.

  A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial assets (continued)

(iii) Impairment of financial assets

Securities HTM, loan and receivables

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence that impairment on a financial asset has been incurred, the Group and the Bank consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment is recognised in the income statement.

The carrying amount of the financial asset is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

The Group and the Bank have adopted certain criteria in identification of impaired loans, which include classifying loans as impaired when repayments are in arrears for more than three months, or when the value of the collateral shares has fallen below 130% of the outstanding balances for shares margin financing.

A collective impairment assessment is made against incurred losses which are not specifically identified. An asset that has been individually assessed for impairment based on incurred loss approach and found not to be individually impaired is included in a collective assessment of impairment. When performing a collective assessment of impairment, the Group and the Bank pool assets by similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Contractual cash flows historical loss experience and available peer credit data provide the basis for estimating expected cash flows. Historical loss rates are adjusted on the basis of relevant observable data that reflect current economic conditions. Collective assessment of impairment is made on any shortfall where comparing the discounted cash flows with the carrying value of the asset.

Impaired loans, advances and financing is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of management, there is no prospect of recovery.

The policy on allowances for impaired loans of the Group is in conformity with the minimum requirements of BNM's Guidelines "Classification and Impairment Provisions for Loans/Financing" for the Bank; and in conformity with the minimum regulatory requirements of the National Bank of Cambodia for the Cambodian banking subsidiary.

For regulatory reporting purpose, the policies on identification of impaired accounts, specific allowance for bad and doubtful debts and suspension of interest of Malaysia broking receivables are in accordance with the Rule 1104 of Bursa Malaysia Securities Berhad.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial assets (continued)

(iii) Impairment of financial assets (continued)

Change in accounting policies

Previously, the Group and the Bank applied the Amendment to FRS 139 'Financial Instruments: Recognition and Measurement', which included an additional transitional arrangement for financial sectors, whereby Bank Negara Malaysia (BNM) prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement was prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions were required to maintain a collective allowance of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions of the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective assessment of loan impairment to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loans, advances and financing is deemed impaired, the Group and the Bank reversed out the interest income recognised in the income statement and set off against the interest receivable in the statement of financial position.

Upon the adoption of MFRS 139, with effect from 1 January 2012, once a collectively assessed loans, advances and financing has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the income statement.

The financial impact arising on the adoption of MFRS 139 is set out in Note 55 to the financial statements.

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Securities AFS

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment previously recognised in income statement, is transferred from equity to income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial assets (continued)

(iii) Impairment of financial assets (continued)

Securities AFS (continued)

Impairment on available-for-sale equity investments are not reversed in the income statement in the subsequent periods. Increase in fair value, if any, subsequent to impairment is recognised in other comprehensive income. For available-for-sale debt investments, impairment is subsequently reversed in the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment in the income statement.

(o) Derivative Financial Instruments and Hedge Accounting

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits on day one.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group and the Bank document, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also document its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Derivative Financial Instruments and Hedge Accounting (continued)

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(p) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held-for-trading include derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

The Group's and the Bank's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest rate method.

For other financial liabilities, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process if applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial liabilities (continued)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Trade payables in respect of the stock broking business represent contra gains owing to non-margin clients and outstanding sale contracts of the Group and of the Bank which were entered into on behalf of clients where settlement has yet to be made. The credit term for trade settlement of the stock broking business is determined by the regulatory authorities in the market in which the Group and the Banks operates.

(q) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in the income statement over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Bank, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(r) Borrowing costs

All other borrowing costs are recognised in income statement in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Bank incurred in connection with the borrowing of funds.

(s) Repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank have purchased with commitments to resell at future dates. The commitments to resell the securities are reflected as an asset on the statements of financial position and is measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statement.

Obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with commitments to repurchase at future dates and are reflected as a liability on the statements of financial position. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the statements of financial position.

(t) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as 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.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is reponsible for allocating resources to and assessing performance of the operating segments of an entity. The Group has determined its Board of Directors as its chief operating decision-maker.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policies were established to ensure adequate financial resources are available for business development and manage its credit, liquidity, cash flow, market, interest rate, currency and operational risks. The Group manages and allocates its capital resources centrally to ensure that all business units of the Group maintain the required level of capital and prudent level of liquidity at all times. The Group operates within clearly defined guidelines that are approved by the Board of Directors and within the guidelines imposed by the relevant authorities in respect of firewall restrictions for the Bank.

The Group's stockbroking business in Malaysia is supervised by the Securities Commission (SC) and Bursa Securities. The Bank is required to maintain the Risk Weighted Capital Ratio in accordance with the rules of Bank Negara Malaysia. The Group's stockbroking business in Singapore, Hong Kong, Indonesia, Thailand and Cambodia and the Group's banking business in Cambodia are supervised by their respective authority bodies.

The Group's futures broking business in Malaysia is required to comply with the business rules of Bursa Malaysia Derivatives Berhad (Bursa Derivatives) and Bursa Malaysia Derivatives Clearing Berhad and operational and financial requirements of Bursa Derivatives. The Group's unit trust business in Malaysia are supervised by SC and are required to adhere to the guidelines issued by the SC. The Group's policies in respect of the major areas of financial risk activities are set out as follows:

(a) Credit risk

Credit risk is the potential loss arising from the failure by a counterparty to fulfil its obligations under a contractual agreement and include settlement/clearing risk, concentration risk, credit assessment risk, recovery risk and credit-related liquidity risk. The Group conservatively manages its credit risk by controlling the granting of credit approvals, revision in limits and other monitoring procedures.

The Group authorises the credit approval authorities of its subsidiary companies in Cambodia, Hong Kong, Indonesia, Singapore and Thailand and monitors these subsidiary companies through regular group-wide reporting procedures. Credit risk is minimised via emphasising the Group's associations with business partners of high creditworthiness and enforcement of margin call, force selling and other daily monitoring procedures. A credit approval authority limit structure approved by the Board of Directors is in place for the granting of credit facilities of the Group. Loans, advances and financing, trade and other receivables are monitored on a timely and ongoing basis via group-wide management reporting procedures involving the respective business unit heads, Credit Control and Supervision Department, Credit Lending Committee, Executive Committee and the Board of Directors.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Provision for impairment losses, allowances for bad and doubtful debts are made and interest income is recognised in accordance with the relevant rules of the respective jurisdictions or when deemed necessary based on estimates of possible losses that may arise from non-collection of debts for the commercial banking, corporate lending and stockbroking businesses. Write-off of debts against specific allowances are made only when avenues of recovery have been exhausted and the loans are deemed to be irrecoverable in the foreseeable future.

Exposure in credit risk also arises from financial transactions with risk of default with counter parties in debt instruments, foreign exchange and money market activities. The exposure of such risk is mitigated via preventive risk management measures in limiting the activities within pre-set exposure limit in accordance with the Group's overall risk appetite and the periodic monitoring of credit exposures.

The Group's lending activities are guided by internal credit policies and guidelines that are approved by the Board of Directors, which has been established to ensure that the overall objectives in the area of lending are achieved. Impairment on receivables and interest income recognition are made in accordance with MFRS and applicable Prakas issued by the National Bank of Cambodia for a banking subsidiary company.

(b) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulties in maintaining and raising funds to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity risk is primarily managed through the Bank Negara Malaysia New Liquidity Framework which takes into consideration the contractual and behavioural cash flows of assets, liabilities and off-balance sheet commitments, and also the realisable cash value of liquefiable assets. Liquidity risk management is supplemented by internal liquidity risk management policy.

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets and a flexible, cost-effective borrowing structure. The Group's policy seeks to ensure that all projected net borrowing needs are covered by committed facilities. In addition, debt maturities are closely monitored to ensure that the Group is able to meet its obligations as and when they fall due and any refinancing needs are met.

The Group manages the funding needs and allocates funds in such manner that all business units maintain optimum levels of liquidity which are sufficient for their operations.

The Group Assets and Liabilities Management Committee is the primary party responsible for liquidity management based on guidelines approved by the Group Risk Management Committee. The management of the Group's liquidity risk is aligned to the New Liquidity Framework issued by Bank Negara Malaysia supplemented by liquidity risk management control and limits and a liquidity stress testing program. Liquidity limits are set for cash flow mismatches. In addition, liquidity trigger limits and concentration ratios are in place to serve as liquidity early warning indicators. Liquidity stress test programs are used to analyse the cash flow liquidity under "Systemic Wide Problem" and "Institutional Specific Problem" scenarios.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Cash flow risk

Cash flow risk is the risk that the future cash flows associated with a monetary financial instrument will fluctuate in amount. Cash flow forecasts are prepared taking into account all major transactions. Any excess funds from operating cash cycles, which are temporary in nature, are invested in short term placements and fixed deposits as and when available with a wide array of approved licensed financial institutions at the most competitive interest rates obtainable.

(d) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices. The risk of loss in value is minimised via adherence of qualifying criteria before making the investments and by continuous monitoring of the performance and market risk of the investment. The Group participates in arbitrage activities involving derivatives. Appropriate hedging strategies in relation to derivative products approved by the Investment Committee and/or the Board of Directors are employed.

Management continually evaluates risk arising from adverse movements in market prices or rates that impact both the trading and banking book. Market risk profiles are regularly reported to the various levels of management, the Asset and Liability Management Committee, the Management Risk Committee, the Investment Committee, the Credit Lending Committee and the Executive Committee.

The Group invests in marketable securities, unquoted fixed income securities and unquoted derivative financial assets in Malaysia, Hong Kong/China, the United States of America, Singapore, Indonesia, Thailand and Korea. External circumstances such as global and domestic economic conditions that are generally unpredictable and uncontrollable may affect the overall performance of the Group.

(e) Interest rate risk

Interest rate risk is the risk that the value or yield of a financial instrument will fluctuate due to changes in market interest rate. A mix of short and medium term floating rate deposits from customers, bank and other financial institutions based on the Bank's cost of funds are monitored by the Group. The floating rate borrowings are monitored and repriced according to changes in the interest rates to ensure that the Group benefits from enjoying the lowest possible finance cost. The Group also has some loans and investments in financial instruments where the value or yield will change in accordance to market interest rate. The Group may hedge against interest rate risk through the use of medium-term financial instruments and derivatives should its use results in cost savings or risk management.

(f) Currency risk

The currency risk is the risk that the value of a financial instrument including derivatives will fluctuate due to changes in foreign exchange rates. Other than performing trading and settlement of transactions for clients mainly denominated in Hong Kong Dollar, Indonesian Rupiah, United States Dollar, Singapore Dollar, Khmer Riel and Thai Baht, investing in investments and derivative financial instruments mainly denominated in Hong Kong Dollar, Singapore Dollar and United States Dollar and the offer of foreign exchange spot, forward and swap contracts in major foreign currencies, the Group is not exposed to any other significant foreign exchange risk arising from foreign currency transactions that may affect the overall activities of the Group.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Currency risk (continued)

Currency risks relating to operating activities in the ordinary course of business of the Group are not significant and hedged through operational course of business. Currency exposures arising from the holding of monetary assets and liabilities denominated in foreign currencies, mainly held-for-trading and available-for-sale investments, derivative financial assets/liabilities, bank balances and deposits with/of financial institutions are deemed insignificant in relation to the Group's activities.

Foreign exchange translation differences arising on the consolidation of subsidiary companies with Hong Kong Dollar, Indonesian Rupiah, United States Dollar, Singapore Dollar and Thai Baht as functional currencies are recorded and disclosed as foreign exchange reserve as part of shareholder's equity of the Group. The Group does not hedge the value of its foreign currency denominated investments in subsidiary companies.

Overseas businesses, by its nature, are subject to risks including, but not limited to changing economic conditions, changes in global political scenes, changes in financial and trade regulations and foreign exchange rate volatility. Overall, the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation.

(g) Operational risk

The operational risk arises from the daily functions of the Group and of the Bank which includes legal risk, credit risk, reputation risk and risks associated to daily operational activities.

Such risks are monitored and mitigated through levels of approval limits, clear reporting structure, segregation of duties, implementation and adherence to policies and procedures and periodic management meetings.

The Directors recognise that effective risk management is an integral part of good business practice and governance. The Directors acknowledge that the Group's and the Bank's activities involve some degree of risks and it should be noted that the system can only provide a reasonable but not an absolute assurance against any misstatement or loss.

The Directors pursue an on-going process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies.

5. CASH AND SHORT TERM FUNDS

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
(a) General accounts				
Cash and bank balances with banks and other financial institutions		**333,066**	397,843	294,086
Current accounts with:				
– Bank Negara Malaysia		**1,813**	7,870	5,341
– National Bank of Cambodia		**13,118**	23,802	3,447
Deposits with:				
– licensed banks		**71,116**	112,446	19,309
– licensed investment banks		**–**	500	2,040
		419,113	542,461	324,223
(b) Segregated accounts	(i)			
Deposits with licensed banks		**42,890**	43,559	42,690
(c) Money at call and deposit placements with maturities within one month				
Licensed banks		**281,925**	508,246	252,973
Licensed investment banks		**49,400**	84,700	20,000
Bank Negara Malaysia		**–**	188,000	33,000
		331,325	780,946	305,973
		793,328	1,366,966	672,886

	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
(a) General accounts			
Cash and bank balances with banks and other financial institutions	**57,203**	39,966	51,064
Current accounts with:			
– Bank Negara Malaysia	**1,813**	7,870	5,341
Deposits with:			
– licensed banks	**2,580**	2,090	–
– licensed investment banks	**–**	–	2,040
	61,596	49,926	58,445

5. CASH AND SHORT TERM FUNDS (CONTINUED)

	Note	Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(b) Segregated accounts	(i)			
Deposits with licensed banks		**42,890**	43,559	42,690
(c) Money at call and deposit placements with maturities within one month				
Licensed banks		**204,430**	454,236	220,596
Licensed investment banks		**49,400**	84,700	20,000
Bank Negara Malaysia		**–**	188,000	33,000
		253,830	726,936	273,596
		358,316	820,421	374,731

(i) Segregated accounts represents remisier's deposit held.

6. DEPOSITS AND PLACEMENTS WITH BANKS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Money at call and deposit placements with remaining maturities of more than one month:			
Licensed banks	**42,864**	–	–
Licensed investment bank	**–**	50,547	–
	42,864	50,547	–

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Money at call and deposit placements with remaining maturities of more than one month:			
Licensed banks	**55,624**	–	–
Licensed investment bank	**–**	50,547	–
	55,624	50,547	–

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
The underlying securities purchased under resale agreements are as follows:			
Malaysian Government Securities	–	–	59,886
Quoted shares outside Malaysia	–	–	51,600
	–	–	111,486

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
The underlying securities purchased under resale agreements are as follows:			
Malaysian Government Securities	–	–	59,886

8. SECURITIES PORTFOLIO

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) Securities held-for-trading			
At fair value			
Money market instruments:			
Malaysian Government Investment Issue	**50,598**	41,203	–
Malaysian Government Securities	**30,473**	30,795	–
	81,071	71,998	–
Quoted securities:			
Shares, exchange traded funds and warrants			
– in Malaysia	**58,319**	159,734	174,217
– outside Malaysia	**52,698**	10,640	57,294
	111,017	170,374	231,511
Trust units:			
– in Malaysia	**2,027**	1,918	1,049
– outside Malaysia	**25,033**	10,324	–
	27,060	12,242	1,049
Private debt securities	**–**	9,075	–
	138,077	191,691	232,560
Unquoted securities:			
Private debt securities			
– in Malaysia	**125,493**	–	41,512
– outside Malaysia	**466,694**	24,967	310,897
	592,187	24,967	352,409
	811,335	288,656	584,969

8. SECURITIES PORTFOLIO (CONTINUED)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) Securities held-for-trading (continued)			
At fair value			
Money market instruments:			
Malaysian Government Investment Issue	**50,598**	41,203	–
Malaysian Government Securities	**30,473**	30,795	–
	81,071	71,998	–
Quoted securities:			
Shares, exchange traded funds and warrants			
– in Malaysia	**58,319**	159,734	174,217
– outside Malaysia	**20,855**	8,413	44,593
	79,174	168,147	218,810
Unquoted securities:			
Private debt securities			
– in Malaysia	**125,493**	–	41,512
– outside Malaysia	**434,059**	12,575	310,897
	559,552	12,575	352,409
	719,797	252,720	571,219

8. SECURITIES PORTFOLIO (CONTINUED)

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(b) Securities held-to-maturity			
At amortised cost			
Money market instruments:			
Bankers' acceptance and Islamic accepted bills	**–**	–	9,789
Cagamas bonds	**–**	5,045	5,068
Malaysian Government Investment Issue	**101,103**	141,509	187,937
Negotiable instruments of deposit	**–**	70,292	110,311
	101,103	216,846	313,105
Unquoted securities:			
Private and Islamic debt securities			
– in Malaysia	**412,621**	342,877	349,136
– outside Malaysia	**31,348**	139,734	12,881
	443,969	482,611	362,017
Less: Accumulated impairment losses			
At beginning of year	**(53,459)**	(6,844)	–
Impairment loss recognised in income statements	**(30,104)**	(46,615)	(6,844)
At end of year	**(83,563)**	(53,459)	(6,844)
	360,406	429,152	355,173
	461,509	645,998	668,278

8. SECURITIES PORTFOLIO (CONTINUED)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(b) Securities held-to-maturity (continued)			
At amortised cost			
Money market instruments:			
Bankers' acceptance and Islamic accepted bills	**–**	–	9,789
Cagamas bonds	**–**	5,045	5,068
Malaysian Government Investment Issue	**101,103**	141,509	187,937
Negotiable instruments of deposit	**–**	70,292	110,311
	101,103	216,846	313,105
Unquoted securities:			
Private and Islamic debt securities			
– in Malaysia	**412,621**	342,877	349,136
– outside Malaysia	**31,348**	139,700	12,881
	443,969	482,577	362,017
Less: Accumulated impairment losses			
At beginning of year	**(53,459)**	(6,844)	-
Impairment loss recognised in income statements	**(30,104)**	(46,615)	(6,844)
At end of year	**(83,563)**	(53,459)	(6,844)
	360,406	429,118	355,173
	461,509	645,964	668,278

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(c) Securities available-for-sale			
At fair value			
Money market instruments:			
Bankers' acceptance and Islamic accepted bills	**507,382**	300,132	431,730
Cagamas bonds	**–**	5,025	7,078
Malaysian Government Investment Issue	**517,064**	411,468	162,396
Malaysian Government Securities	**202,889**	436,352	610,456
Bank Negara Malaysia Monetary Notes	**205,859**	–	–
Negotiable instruments of deposit	**459,878**	159,719	80,362
	1,893,072	1,312,696	1,292,022

8. SECURITIES PORTFOLIO (CONTINUED)

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(c) Securities available-for-sale (continued)			
At fair value			
Quoted securities:			
Shares and warrants:			
– in Malaysia	**362**	690	940
– outside Malaysia	**1,197**	960	6,511
	1,559	1,650	7,451
Trust units:			
– in Malaysia	**5,247**	2,645	–
– outside Malaysia	**20,197**	17,427	9,200
	25,444	20,072	9,200
	27,003	21,722	16,651
Unquoted securities:			
Shares			
– in Malaysia	**5,315**	5,315	2,690
– outside Malaysia	**20,382**	19,816	3,228
	25,697	25,131	5,918
Private and Islamic debt securities			
– in Malaysia	**1,011,752**	927,843	1,056,543
– outside Malaysia	**1,029,089**	1,047,882	505,207
	2,040,841	1,975,725	1,561,750
Less: Accumulated impairment losses			
At beginning of year	**(88,259)**	(64,791)	(24,086)
Impairment loss recognised in income statements	**–**	(23,468)	(40,705)
Write back of impairment loss	**4,869**	–	–
At end of year	**(83,390)**	(88,259)	(64,791)
	1,957,451	1,887,466	1,496,959
	1,983,148	1,912,597	1,502,877
	3,903,223	3,247,015	2,811,550
Total Securities Portfolio	**5,176,067**	4,181,669	4,064,797

8. SECURITIES PORTFOLIO (CONTINUED)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(c) Securities available-for-sale (continued)			
At fair value			
Money market instruments:			
Bankers' acceptance and Islamic accepted bills	**507,382**	300,132	431,730
Cagamas bonds	**–**	5,025	7,078
Malaysian Government Investment Issue	**517,064**	411,468	162,396
Malaysian Government Securities	**202,889**	436,352	610,456
Bank Negara Malaysia Monetary Notes	**205,859**	–	–
Negotiable instruments of deposit	**459,878**	159,719	80,362
	1,893,072	1,312,696	1,292,022
Quoted securities:			
Shares and warrants:			
– in Malaysia	**323**	653	940
Trust units:			
– outside Malaysia	**15,295**	15,692	9,200
	15,618	16,345	10,140
Unquoted securities:			
Shares			
– in Malaysia	**2,690**	2,690	2,690
Private and Islamic debt securities			
– in Malaysia	**1,011,752**	927,843	1,056,543
– outside Malaysia	**1,028,923**	1,047,285	505,207
	2,040,675	1,975,128	1,561,750
Less: Accumulated impairment losses			
At beginning of year	**(88,259)**	(64,791)	(24,086)
Impairment loss recognised in income statements	**–**	(23,468)	(40,705)
Write back of impairment loss	**4,869**	–	–
At end of year	**(83,390)**	(88,259)	(64,791)
	1,957,285	1,886,869	1,496,959
	1,959,975	1,889,559	1,499,649
	3,868,665	3,218,600	2,801,811
Total Securities Portfolio	**5,049,971**	4,117,284	4,041,308

8. SECURITIES PORTFOLIO (CONTINUED)

(c) Securities available-for-sale (continued)

Included in securities available-for-sale are securities sold under repurchase agreements as disclosed in Note 21:

	Group and Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Private debts securities outside Malaysia	**239,126**	351,361	–

The reclassification of securities in previous financial years is disclosed in Note 51 to the financial statements.

9. DERIVATIVE FINANCIAL ASSETS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At fair value			
Equity related contracts – Options	**16**	131	50,707
Commodities related contracts – Futures	**–**	–	11
Structured products	**40**	–	–
Interest rate swap contracts	**2,592**	3,178	358
Foreign currency forward and swap contracts	**3,065**	5,534	44,141
	5,713	8,843	95,217
Contract/Notional amount			
Equity related contracts – Options	**22,680**	1,500	52,723
Commodities related contracts – Futures	**–**	–	56
Structured products	**16,039**	–	–
Interest rate swap contracts	**530,000**	410,000	210,000
Foreign currency forward and swap contracts	**464,544**	257,113	1,199,912

9. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

	Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At fair value			
Equity related contracts – Options	**16**	131	50,707
Structured products	**40**	–	–
Interest rate swap contracts	**2,592**	3,178	358
Foreign currency forward and swap contracts	**3,065**	5,534	44,141
	5,713	8,843	95,206
Contract/Notional amount			
Equity related contracts – Options	**22,680**	1,500	52,723
Structured products	**16,039**	–	–
Interest rate swap contracts	**530,000**	410,000	210,000
Foreign currency forward and swap contracts	**464,544**	257,113	1,199,912

10. LOANS, ADVANCES AND FINANCING

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Overdrafts	**53,129**	39,197	16,787
Term loans	**1,290,156**	765,037	411,487
Shares margin financing	**646,774**	566,541	628,934
Revolving credits	**–**	56,872	44,536
Staff loans	**1,078**	1,543	1,766
Gross loans, advances and financing	**1,991,137**	1,429,190	1,103,510
Allowances for impairment losses:			
– collective assessment	**(7,716)**	(3,510)	(1,582)
– individual assessment	**(23,410)**	(275)	(220)
Net loans, advances and financing	**1,960,011**	1,425,405	1,101,708

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Term loans	**1,047,555**	621,138	342,414
Shares margin financing	**307,785**	316,819	399,587
Revolving credits	**49,726**	67,215	75,464
Staff loans	**1,078**	1,543	1,766
Gross loans, advances and financing	**1,406,144**	1,006,715	819,231
Allowances for impairment losses:			
– collective assessment	**(4,971)**	(1,684)	(759)
– individual assessment	**(23,397)**	–	–
Net loans, advances and financing	**1,377,776**	1,005,031	818,472

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(a) Analysis of gross loans, advances and financing

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
(i) By type of customers			
Domestic small and medium enterprises	**1,132,595**	799,659	558,956
Foreign entities	**221,066**	157,232	99,716
Individuals	**637,476**	472,299	444,838
	1,991,137	1,429,190	1,103,510
(ii) By interest/profit rate sensitivity			
Fixed rate	**1,409,042**	1,218,386	976,020
Variable rate			
– Cost plus	**79,518**	38,585	60,262
– Base lending rate plus	**173,378**	22,762	–
– Other variable rates	**329,199**	149,457	67,228
	1,991,137	1,429,190	1,103,510
(iii) By economic purpose			
Purchase of securities	**1,477,677**	1,080,743	907,711
Purchase of transport vehicles	**439**	673	929
Purchase of landed properties			
– residential	**23,659**	19,680	6,354
– non-residential	**62,644**	1,282	721
Personal use	**540**	622	–
Constuction	**16,474**	8,906	1,838
Working capital	**182,360**	202,808	88,655
Mergers and acquisitions	**81,690**	–	1,456
Others	**145,654**	114,476	95,846
	1,991,137	1,429,190	1,103,510

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(a) Analysis of gross loans, advances and financing (continued)

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(iv) By geographical distribution			
Malaysia	**1,356,418**	996,371	788,302
Singapore	**200,348**	150,191	121,180
Hong Kong	**100,444**	38,585	60,245
Indonesia	**18,275**	38,185	47,923
Cambodia	**274,804**	183,096	85,860
Thailand	**40,848**	22,762	–
	1,991,137	1,429,190	1,103,510
(v) By maturity structure			
Up to 3 months	**609,832**	469,759	530,964
3-12 months	**548,572**	581,617	241,632
1-5 years	**646,758**	265,418	285,760
Over 5 years	**185,975**	112,396	45,154
	1,991,137	1,429,190	1,103,510
(vi) By sectors			
Manufacturing	**77,340**	104,301	132,174
Construction	**150,571**	28,350	1,273
Real estate	**2,289**	2,972	–
Wholesale & retail and restaurants and hotels	**241,761**	191,406	193,616
Transport, storage and communication	**24,407**	66,674	14,192
Finance, insurance and business activities	**997,310**	631,370	374,372
Household	**484,411**	364,254	380,514
Mining and quarrying	**287**	9,944	7,369
Agriculture, hunting, forestry and fishing	**12,102**	666	–
Electricity, gas and water supply	**659**	29,253	–
	1,991,137	1,429,190	1,103,510

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(a) Analysis of gross loans, advances and financing (continued)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(i) By type of customers			
Domestic small and medium enterprises	**1,132,595**	799,659	558,956
Foreign entities	**49,726**	13,175	38,515
Individuals	**223,823**	193,881	221,760
	1,406,144	1,006,715	819,231
(ii) By interest/profit rate sensitivity			
Fixed rate	**1,191,926**	1,006,715	819,231
Variable rate			
– Base lending rate plus	**132,529**	–	–
– Other variable rates	**81,689**	–	–
	1,406,144	1,006,715	819,231
(iii) By economic purpose			
Purchase of securities	**1,117,762**	831,022	678,346
Purchase of transport vehicles	**439**	673	929
Purchase of landed properties			
– residential	**639**	870	837
– non-residential	**56,000**	–	–
Working capital	**109,342**	124,849	79,497
Mergers and acquisitions	**81,690**	–	1,456
Others	**40,272**	49,301	58,166
	1,406,144	1,006,715	819,231

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(a) Analysis of gross loans, advances and financing (continued)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(iv) By geographical distribution			
Malaysia	**1,356,418**	996,371	819,231
Hong Kong	**45,896**	–	–
Indonesia	**3,830**	10,344	–
	1,406,144	1,006,715	819,231
(v) By maturity structure			
Up to 3 months	**438,078**	347,347	399,587
3-12 months	**460,868**	476,967	215,161
1-5 years	**500,965**	181,531	203,646
Over 5 years	**6,233**	870	837
	1,406,144	1,006,715	819,231
(vi) By sectors			
Manufacturing	**45,000**	104,301	118,171
Construction	**142,407**	28,214	2
Wholesale & retail and restaurants and hotels	**79,616**	134,189	148,584
Transport, storage and communication	**12,682**	13,416	14,192
Finance, insurance and business activities	**896,735**	525,405	309,153
Household	**223,823**	193,882	221,760
Mining and quarrying	**287**	7,308	7,369
Agriculture, hunting, forestry and fishing	**5,594**	–	–
	1,406,144	1,006,715	819,231

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(b) Analysis of impaired loans, advances and financing

(i) Movement in impaired loans, advances and financing

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
At beginning of year	**576**	355
Amount arising from acquisition of a subsidiary company	**–**	2,024
Classified as impaired	**247,189**	576
Reclassified as non-impaired	**(27)**	(340)
Recovered	**(529)**	(63)
Written off	**–**	(1,986)
Exchange differences	**(20)**	10
At end of year	**247,189**	576
Allowance for impairment losses:		
– individual assessment	**(23,410)**	(275)
Net impaired loans, advances and financing	**223,779**	301
Ratio of net impaired loans, advances and financing to net loans, advances and financing	**11.42%**	0.02%

	Bank	
	31.12.2012 RM'000	**31.12.2011 RM'000**
At beginning of year	**27**	–
Classified as impaired	**247,189**	27
Reclassified as non-impaired	**(27)**	–
At end of year	**247,189**	27
Allowance for impairment losses:		
– individual assessment	**(23,397)**	–
Net impaired loans, advances and financing	**223,792**	27
Ratio of net impaired loans, advances and financing to net loans, advances and financing	**16.24%**	0.00%

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(b) Analysis of impaired loans, advances and financing (continued)

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

Analysis of impaired loans, advances and financing:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
• by geographical distribution			
Malaysia	**247,189**	27	–
Hong Kong	**–**	–	25
Indonesia	**–**	–	38
Cambodia	**–**	549	292
	247,189	576	355
• by economic purpose			
Purchase of securities	**247,189**	27	61
Others	**–**	549	294
	247,189	576	355

	Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
• by geographical distribution			
Malaysia	**247,189**	27	–
• by economic purpose			
Purchase of securities	**247,189**	27	–

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(b) Analysis of impaired loans, advances and financing (continued)

(ii) Movement in the allowances for impaired loans, advances and financing

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
Collective assessment		
At beginning of year, as previously reported	**(16,970)**	(13,138)
Adoption of MFRS 139 (Note 55)	**13,460**	11,556
As restated	**(3,510)**	(1,582)
Made (Note 35)	**(4,285)**	(1,868)
Exchange differences	**79**	(60)
At end of year	**(7,716)**	(3,510)
As % of gross loans, advances and financing less allowance for impairment losses – individual assessment	**0.39%**	0.25%

	Bank	
	31.12.2012 RM'000	31.12.2011 RM'000
Collective assessment		
At beginning of year, as previously reported	**(15,144)**	(12,315)
Adoption of MFRS 139 (Note 55)	**13,460**	11,556
As restated	**(1,684)**	(759)
Made (Note 35)	**(3,287)**	(925)
At end of year	**(4,971)**	(1,684)
As % of gross loans, advances and financing less allowance for impairment losses – individual assessment	**0.36%**	0.17%

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(b) Analysis of impaired loans, advances and financing (continued)

(ii) Movement in the allowances for impaired loans, advances and financing (continued)

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
Individual assessment		
At beginning of year	**(275)**	(220)
Amount arising from acquisition of a subsidiary company	**–**	(1,986)
Made (Note 35)	**(23,410)**	(264)
Written back (Note 35)	**267**	2,127
Written off	**–**	38
Recovered	**–**	38
Exchange differences	**8**	(8)
At end of year	**(23,410)**	(275)

	Bank	
	31.12.2012 RM'000	31.12.2011 RM'000
Individual assessment		
At beginning of year	**–**	–
Made (Note 35)	**(23,397)**	–
At end of year	**(23,397)**	–

The trade credit term for the shares margin clients of Malaysian stockbroking business shall be for a maximum term of 3 months, subject to review for rollover. Treatment of interest-in-suspense and impairment loss on receivables of the Malaysian stockbroking business have been made in accordance with the requirements of the Rules of Bursa Securities. The Group has no significant concentration of credit risk that may arise from exposures to a single client or to a group of loan receivables.

Included in the revolving credits at the Bank level represents amount due from subsidiary companies, PT OSK Nusadana Securities Indonesia and OSK Holdings Hong Kong Limited, amounting to RM3,830,043 (2011: RM10,343,541) and RM45,896,333 (2011: Nil) respectively.

The Bank performs individual impairment assessment based on certain obligatory and judgemental triggers that may indicate potential impairment. All impaired accounts as defined in Note 3(n)(iii) are selected for individual impairment assessment on a monthly basis, of which mostly are share margin financing and limited corporate loans.

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(b) Analysis of impaired loans, advances and financing (continued)

(iii) Allowances for impaired loans, advances and financing by economic purpose:

Individual assessment for impaired loans, advances and financing according to economic purpose, are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Purchase of securities	**(23,397)**	–	–
Others	**(13)**	(275)	(220)
	(23,410)	(275)	(220)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Purchase of securities	**(23,397)**	–	–

(c) Collateral of loans, advances and financing

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

(a) Fixed deposits and cash deposits/margin
(b) Land and buildings
(c) Automobiles
(d) Quoted shares, warrants and unquoted securities
(e) Other tangible business assets, such as inventory and equipment

The Group also accepts non-tangible securities such as guarantees from individual and corporates and debenture, which are subject to internal guidelines on eligibility.

The loans, advances and financing of the Group and the Bank amounting to RM1,991,136,745 (2011: RM1,429,189,725 and 2010: RM1,103,509,732) and RM1,356,418,305 (2011: RM996,372,456 and 2010: RM788,302,088) respectively are fully collateralised.

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(d) Credit quality of loans, advances and financing

The Group assesses credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

Internal ratings	Description
– Investment Grade	Strong('est) credit quality which is associated with general standards of investment grade as defined by the international rating agency, Standard and Poor's (S&P).
– Lower Investment	Lower credit quality which is associated with general standards of investments grade as defined by the international rating agency, Standard and Poor's (S&P).
– Non-investment	Weaker credit quality which is associated with general standards of non-investment grade as defined by the international rating agency, Standard and Poor's (S&P).

The above internal ratings have been aligned with the corresponding general standards of S&P in the current financial year.

Loans, advances and financing are summarised as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Neither past due nor impaired	**1,743,948**	1,428,614	1,103,155
Past due but not impaired	**–**	–	–
Individually impaired	**247,189**	576	355
Gross loans, advances and financing	**1,991,137**	1,429,190	1,103,510
Less: Collective impairment allowance	**(7,716)**	(3,510)	(1,582)
Individual impairment allowance	**(23,410)**	(275)	(220)
Net loans, advances and financing	**1,960,011**	1,425,405	1,101,708

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(d) Credit quality of loans, advances and financing (continued)

Loans, advances and financing are summarised as follows (continued):

	Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Neither past due nor impaired	**1,158,955**	1,006,688	819,231
Past due but not impaired	**–**	–	–
Individually impaired	**247,189**	27	–
Gross loans, advances and financing	**1,406,144**	1,006,715	819,231
Less: Collective impairment allowance	**(4,971)**	(1,684)	(759)
Individual impairment allowance	**(23,397)**	–	–
Net loans, advances and financing	**1,377,776**	1,005,031	818,472

(i) Loans, advances and financing neither past due nor impaired

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

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Investment Grade	**263,125**	–	–
Lower Investment Grade	**587,020**	–	–
Non Investment Grade	**584,993**	860,530	472,455
Non-rated	**308,810**	568,084	630,700
Neither past due nor impaired	**1,743,948**	1,428,614	1,103,155

Loans, advances and financing classified as non-rated mainly comprise of loans under the standardised approach for credit risk, including share margin financing and staff loans.

10. LOANS, ADVANCES AND FINANCING (CONTINUED)

(d) Credit quality of loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired (continued)

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

	Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Investment Grade	**263,125**	–	–
Lower Investment Grade	**587,020**	–	–
Non Investment Grade	**–**	688,326	417,878
Non-rated	**308,810**	318,362	401,353
Neither past due nor impaired	**1,158,955**	1,006,688	819,231

Loans, advances and financing classified as non-rated mainly comprise of loans under the standardised approach for credit risk, including share margin financing and staff loans.

(ii) Loans, advances and financing that are individually determined to be impaired are as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Individually impaired loans	**247,189**	576	355

	Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Individually impaired loans	**247,189**	27	–

11. TRADE RECEIVABLES

	Note	Group		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amount owing by clients		**1,105,028**	840,746	983,128
Allowance for impairment losses				
– individual assessment	(a)	**(10,213)**	(11,421)	(11,035)
– collective assessment	(b)	**(182)**	(186)	(280)
		1,094,633	829,139	971,813
Amount owing by:				
– brokers		**989,219**	304,365	371,627
– domestic derivatives clearing house		**120,112**	50,710	43,862
– foreign derivatives clearing houses		**24,701**	5,755	8,552
– foreign securities clearing houses and stock exchanges		**458,020**	307,705	624,860
Unit trust receivables		**25,821**	19,107	16,973
Others		**6,202**	6,350	4,526
		2,718,708	1,523,131	2,042,213

	Note	Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amount owing by clients		**657,979**	617,681	594,257
Allowance for impairment losses				
– individual assessment	(a)	**(3,791)**	(6,849)	(7,932)
– collective assessment	(b)	**(182)**	(186)	(280)
		654,006	610,646	586,045
Amount owing by:				
– brokers		**86,086**	100,408	111,467
– domestic derivatives clearing house		**120,112**	50,710	43,862
– foreign derivatives clearing houses		**380**	92	346
Others		**6,079**	6,351	4,462
		866,663	768,207	746,182

11. TRADE RECEIVABLES (CONTINUED)

Securities trading of the Bank are settled in 3 market days in accordance with the Fixed Delivery and Settlement Trading Rules of Bursa Securities; in 3 market days for the Singapore, Indonesia and Thailand subsidiary companies; and in 2 market days for the Hong Kong subsidiary company.

Fixed income instruments trading related receivables of the Bank are settled either on the same trading day, in 1 market day or in 2 market days.

Unit trust funds related receivables are normally settled within 10 (2011: 10) market days.

The treatment of interest-in-suspense and impairment loss on receivables of the Malaysian stockbroking business have been made in accordance with the Rules of Bursa Securities.

Segregated funds for clients arising from their open positions and unsegregated funds of the Bank earned interest of 2.11% (2011: 2.11%) per annum from Bursa Malaysia Derivatives Clearing Berhad.

The Group and the Bank have no significant concentration of credit risk that may arise from exposures to a client or to a group of receivables.

Ageing analysis of trade receivables

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Neither past due nor impaired	**2,573,046**	1,431,143	1,948,091
1 to 30 days past due but not impaired	**135,639**	72,112	87,939
31 to 60 days past due but not impaired	**336**	395	1,645
61 to 90 days past due but not impaired	**625**	447	24
91 to 120 days past due but not impaired	**374**	163	221
More than 121 days past due but not impaired	**3,238**	3,209	1,652
	140,212	76,326	91,481
Impaired	**5,450**	15,662	2,641
	2,718,708	1,523,131	2,042,213

11. TRADE RECEIVABLES (CONTINUED)

Ageing analysis of trade receivables (continued)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Neither past due nor impaired	**854,813**	755,695	743,199
1 to 30 days past due but not impaired	**5,809**	4,977	238
31 to 60 days past due but not impaired	**239**	212	168
61 to 90 days past due but not impaired	**544**	323	20
91 to 120 days past due but not impaired	**369**	72	50
More than 121 days past due but not impaired	**1,227**	972	1,146
	8,188	6,556	1,622
Impaired	**3,662**	5,956	1,361
	866,663	768,207	746,182

Receivables that are neither past due nor impaired

The Group and the Bank have trade and other receivables amounting to RM2,573,046,143 (2011: RM1,431,142,701 and 2010: RM1,948,091,302) and RM854,812,852 (2011: RM755,694,779 and 2010: RM743,199,259) respectively that are neither past due nor impaired, consisting of creditworthy debtors with good repayment records with the Group and the Bank.

None of the Group's and the Bank's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Bank have trade receivables amounting to RM140,211,886 (2011: RM76,325,551 and 2010: RM91,480,958) and RM8,188,482 (2011: RM6,555,559 and 2010: RM1,622,034) respectively that are past due as at the reporting date but not impaired, due to the availability of sufficient cash or shares as collateral, or repaid subsequent to the reporting date.

11. TRADE RECEIVABLES (CONTINUED)

Receivables that are impaired

The Group's and the Bank's trade receivables that are impaired as at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Note	Group		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Gross trade receivables		**15,663**	27,083	13,676
Less: Allowance for impairment losses				
– individual assessment	**(a)**	**(10,213)**	(11,421)	(11,035)
		5,450	15,662	2,641

	Note	Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Gross trade receivables		**7,453**	12,805	9,293
Less: Allowance for impairment losses				
– individual assessment	**(a)**	**(3,791)**	(6,849)	(7,932)
		3,662	5,956	1,361

11. TRADE RECEIVABLES (CONTINUED)

(a) Movement in the allowance for impaired trade and other receivables:

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
Individual assessment		
At beginning of year	**(11,421)**	(11,035)
Amount arising from acquisition of a subsidiary company	**–**	(243)
Made	**(7,113)**	(6,607)
Written back	**5,479**	3,966
Written off	**2,935**	2,574
Exchange differences	**(93)**	(76)
At end of year	**(10,213)**	(11,421)

	Bank	
	31.12.2012 RM'000	31.12.2011 RM'000
Individual assessment		
At beginning of year	**(6,849)**	(7,932)
Made	**(4,412)**	(4,690)
Written back	**4,578**	3,758
Written off	**2,892**	2,015
At end of year	**(3,791)**	(6,849)

11. TRADE RECEIVABLES (CONTINUED)

(b) Movement in the allowance for impaired trade and other receivables:

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
Collective assessment		
At beginning of year, as previously reported	**–**	–
Adoption of MFRS 139 (Note 55)	**(186)**	(280)
As restated	**(186)**	(280)
Made	**(13)**	–
Written back	**17**	94
At end of year	**(182)**	(186)

	Bank	
	31.12.2012 RM'000	31.12.2011 RM'000
Collective assessment		
At beginning of year, as previously reported	**–**	–
Adoption of MFRS 139 (Note 55)	**(186)**	(280)
As restated	**(186)**	(280)
Made	**(13)**	–
Written back	**17**	94
At end of year	**(182)**	(186)

The Bank has complied with Rule 1104.1 of Bursa Securities and the guidelines set out in Schedule 7 Paragraph 23 of the Rules of Bursa Securities.

The credit risk of financial assets of the Group and the Bank is mitigated by the collateral held against the financial assets. All impaired loan, advances and financing, trade or other receivables are subject to individual impairment assessment as at the current and previous financial year end. The collateral mitigates credit risk and would reduce the extent of impairment allowance for the assets subject to impairment assessment.

For trade receivables, individual impairment assessment of the Group and the Bank as at the date of the statement of financial position would have been higher by approximately RM43,992 (2011: RM950,799), without the collateral held.

The Group and the Bank would take possession of the collateral charged which is held as security against trade or other receivables when defaults occur. Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised in other assets on the statement of financial position. The Group and the Bank does not occupy repossessed properties for its business use. For the financial years ended 31 December 2012 and 31 December 2011, there was no collateral repossessed.

12. OTHER ASSETS

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
Security deposits and statutory funds	(a)	**11,506**	11,343	8,870
Other receivables, deposits and prepayments	(b)	**69,143**	66,450	47,012
Amount due from reverse repo transactions		**121,309**	–	–
Amounts due from former holding company	(c)	**–**	–	17
Transferable memberships		**330**	332	271
		202,288	78,125	56,170

	Note	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
Security deposits and statutory funds	(a)	**1,539**	1,510	1,510
Other receivables, deposits and prepayments	(b)	**39,952**	34,958	26,491
Amount due from reverse repo transactions		**121,309**	–	–
Amounts due from former holding company	(c)	**2,961**	5,173	3,113
Transferable memberships		**271**	271	271
		166,032	41,912	31,385

12. OTHER ASSETS (CONTINUED)

(a) Security deposits and statutory funds

	Note	Group		
		31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Security deposit and clearing fund with				
– Bursa Malaysia Derivatives Clearing Bhd (the Derivatives Clearing)	(i)	**1,529**	1,500	1,500
– Bursa Malaysia Securities Clearing Sdn. Bhd. (the Securities Clearing)	(i)	**10**	10	10
Reserve fund deposit with the Hong Kong Futures Exchange Clearing Corp. Limited	(ii)	**1,009**	613	1,452
Reserve fund deposit with the SEHK Options Clearing House Limited	(ii)	**622**	728	1,222
Stamp duty deposit with The Stock Exchange of Hong Kong Limited	(ii)	**59**	237	237
Fidelity fund and compensation fund with The Stock Exchange of Hong Kong Limited	(ii)	**98**	98	98
Admission fee paid to The Hong Kong Securities Clearing Company Limited	(ii)	**49**	49	49
Contributions in cash to a guarantee fund with The Hong Kong Securities Clearing Company Limited	(ii)	**67**	74	76
Securities dealers' deposits with Securities and Futures Commission of Hong Kong	(ii)	**–**	–	49
Capital reserve with Securities Exchange Commission of Cambodia	(iii)	**3,062**	3,146	3,043
Guarantee clearing fund with PT Kliring Penjaminan Efek Indonesia	(iv)	**1,450**	1,515	1,419
Fidelity fund and compensation fund with Thailand Securities Depository Co. Limited	(v)	**2,289**	2,167	–
Reserve fund deposit with the Thailand Clearing House Company Limited	(v)	**1,091**	1,062	–
Trust deposits	(vi)	**200**	200	100
Exchange differences		**(29)**	(56)	(385)
		11,506	11,343	8,870

12. OTHER ASSETS (CONTINUED)

(a) Security deposits and statutory funds (continued)

	Note	Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Security deposit and clearing fund with:				
– Bursa Malaysia Derivatives Clearing Bhd (the Derivatives Clearing)	(i)	**1,529**	1,500	1,500
– Bursa Malaysia Securities Clearing Sdn. Bhd. (the Securities Clearing)	(i)	**10**	10	10
		1,539	1,510	1,510

(i) These represent security deposits and fund contributions paid by the Bank to the Securities Clearing and the Derivatives Clearing respectively.

(ii) These represent security deposits and fund contributions paid by Hong Kong stockbroking and futures subsidiary companies to the Hong Kong securities and derivatives clearing house and securities exchange.

(iii) This represents the capital reserve for OSK Indochina Securities Limited, a wholly-owned subsidiary company of the Bank as required by Securities Exchange Commission of Cambodia (SECC) to maintain a deposit of KHR4.0 billion with the SECC's account at National Bank of Cambodia.

(iv) This represents guarantee clearing fund paid by PT OSK Nusadana Securities Indonesia, a subsidiary company of the Bank to PT Kliring Penjaminan Efek Indonesia.

(v) These represent security deposits and fund contributions paid by OSK Securities (Thailand) Public Company Limited, a subsidiary company of the Bank to Thailand securities and derivative clearing house.

(vi) These represent security deposits paid by subsidiary companies, OSK Trustees Berhad and Malaysian Trustees Berhad to the Accountant General of Malaysia as required under Section (3) of the Trust Companies Act, 1949 upon registration as trust companies.

12. OTHER ASSETS (CONTINUED)

(b) Other receivables, deposits and prepayments

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Other receivables	**37,313**	24,197	16,857
Less: Allowance for impairment losses			
– individual assessment	**(606)**	(646)	(607)
	36,707	23,551	16,250
Deposits with:			
– Related companies	**–**	3,151	2,907
– Related parties	**3,152**	–	–
– Others	**17,063**	21,303	11,543
Prepayments	**12,221**	18,445	16,312
	69,143	66,450	47,012

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Other receivables	**29,493**	18,448	11,048
Less: Allowance for impairment losses			
– individual assessment	**(234)**	(234)	(234)
	29,259	18,214	10,814
Deposits with:			
– Related companies	**–**	2,726	2,595
– Related parties	**2,726**	–	–
– Others	**2,208**	2,113	1,905
Prepayments	**5,759**	11,905	11,177
	39,952	34,958	26,491

(c) The amounts due from former holding company and subsidiary companies are unsecured, interest-free and are repayable on demand.

13. STATUTORY AND RESERVE DEPOSITS WITH CENTRAL BANKS

	Note	Group		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Statutory deposit with Bank Negara Malaysia	(a)	**196,640**	179,610	45,210
Statutory deposit with National Bank of Cambodia	(b)	**15,903**	12,708	12,334
Reserve deposit with National Bank of Cambodia	(c)	**31,938**	21,016	12,134
		244,481	213,334	69,678

	Note	Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Statutory deposit with Bank Negara Malaysia	(a)	**196,640**	179,610	45,210

(a) The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2011. The amounts are based on 4% (2011: 4%) of total eligible liabilities of the Bank.

(b) A banking subsidiary company, OSK Indochina Bank Limited (OSKIBL), is required to maintain a statutory deposit amounting to 10% of its registered capital as capital guarantee under Prakas B7-01-136 dated 15 October 2001. This deposit bears interest of 0.18% (2011: 0.10% to 0.11%) per annum and is not available for use in OSKIBL's day-to-day operations but it is refundable when OSKIBL voluntarily ceases to operate its banking business in Cambodia.

(c) OSKIBL is required to maintain a certain cash reserve as reserve requirement with the National Bank of Cambodia in the form of compulsory deposits, computed at 8% and 12.5% (2011: 8% and 12%) of customer deposits in KHR and in foreign currencies, respectively.

14. DEFERRED TAXATION

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
(a) Deferred tax assets			
At beginning of year, as previously reported		**11,957**	481
Prior year adjustments (Note 55)		**1,545**	–
Adoption of MFRS 139 (Note 55)		**(3,319)**	–
As restated		**10,183**	481
– income statements	38	**(1,515)**	4,255
– AFS reserve		**(5,448)**	5,448
– Other reserve		**340**	–
Exchange differences		**(159)**	(1)
At end of year		**3,401**	10,183

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
The deferred tax assets mainly relate to temporary differences arising from:			
Excess of capital allowance over depreciation	**(60)**	(6,801)	–
Provisions	**818**	10,151	–
Fair values on securities:			
– HFT	**–**	99	176
– AFS	**–**	5,448	–
Other temporary differences	**2,643**	1,286	305
	3,401	10,183	481

14. DEFERRED TAXATION (CONTINUED)

	Note	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
(a) Deferred tax assets (continued)			
At beginning of year, as previously reported		**10,330**	–
Prior year adjustments (Note 55)		**1,545**	–
Adoption of MFRS 139 (Note 55)		**(3,319)**	–
As restated		**8,556**	–
– income statements	38	**(3,108)**	3,108
– AFS reserve		**(5,448)**	5,448
At end of year		**–**	8,556

	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
The deferred tax assets mainly relate to temporary differences arising from:			
Excess of capital allowance over depreciation	**–**	(7,043)	–
Provisions	**–**	10,151	–
Fair values on securities:			
– HFT	**–**	–	–
– AFS	**–**	5,448	–
	–	8,556	–

14. DEFERRED TAXATION (CONTINUED)

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
(b) Deferred tax liabilities			
At beginning of year, as previously reported		**3,638**	663
Prior year adjustment (Note 55)		**–**	(1,056)
Adoption of MFRS 139 (Note 55)		**–**	2,819
As restated		**3,638**	2,426
Amount arising from acquisition of a subsidiary company		**–**	31
Recognised in:			
– income statements	38	**(1,411)**	(2,337)
– AFS reserve		**3,070**	3,513
Exchange differences		**85**	5
At end of year		**5,382**	3,638

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
The deferred tax liabilities mainly relate to temporary differences arising from:			
Excess of capital allowances over depreciation	**9,350**	229	5,346
Provisions	**(8,545)**	–	(1,348)
Fair values on securities:			
– HFT	**(3)**	5	(89)
– AFS	**6,552**	3,403	(1,485)
Other temporary differences	**(1,972)**	1	2
	5,382	3,638	2,426

14. DEFERRED TAXATION (CONTINUED)

	Note	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
(b) Deferred tax liabilities (continued)			
At beginning of year, as previously reported		**–**	419
Prior year adjustments (Note 55)		**–**	(1,056)
Adoption of MFRS 139 (Note 55)		**–**	2,819
		–	2,182
Recognised in:			
– income statements	38	**(1,775)**	(2,717)
– AFS reserve		**2,873**	535
At end of year		**1,098**	–

	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
The deferred tax liabilities mainly relate to temporary differences arising from:			
Excess of capital allowances over depreciation	**8,741**	–	5,101
Provisions	**(10,516)**	–	(1,348)
Fair values on securities:			
– HFT	**–**	–	(86)
– AFS	**2,873**	–	(1,485)
	1,098	–	2,182

15. INVESTMENTS IN SUBSIDIARY COMPANIES

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At cost:			
Unquoted shares in Malaysia	**34,736**	34,736	28,314
Unquoted shares outside Malaysia	**866,806**	667,747	427,856
	901,542	702,483	456,170
Accumulated impairment loss			
At beginning of year	**(682)**	(682)	(682)
Impairment loss for the year	**(43,231)**	–	–
At end of year	**(43,913)**	(682)	(682)
	857,629	701,801	455,488

The particulars of the subsidiary companies and changes in the composition of the Group are disclosed in Note 45 and Note 46 respectively.

16. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At cost:			
Associated companies			
Unquoted shares in Malaysia	**21,878**	21,178	19,178
Less: Accumulated impairment loss	**(2,650)**	(2,650)	(2,650)
	19,228	18,528	16,528
Jointly controlled entity			
Unquoted shares outside Malaysia	**10**	10	–
	19,238	18,538	16,528
Share of reserves	**6,537**	5,049	4,811
	25,775	23,587	21,339

16. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONTINUED)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At cost:			
Associated companies			
Unquoted shares in Malaysia	**21,878**	21,178	19,178

The proportion of voting power held is equivalent to the proportion of ownership interest in the associated companies and the particulars of the associated companies are disclosed in Note 45(k).

The details of the jointly controlled entity held by the Group is disclosed in Note 45(l).

The summarised financial information of the associated companies and the jointly controlled entity are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Aggregated assets and liabilities as at reporting date (100%)			
Total assets	**79,440**	73,195	68,342
Total liabilities	**5,618**	6,252	7,039
Aggregated results (100%)			
Revenue	**32,721**	30,177	29,778
Profit after tax for the year	**9,525**	9,676	10,487

The details of goodwill included within the Group's carrying amount of investment in associated companies are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Goodwill on acquisition:			
Costs	**2,650**	2,650	2,650
Less: Impairment loss	**(2,650)**	(2,650)	(2,650)
	–	–	–

17. EQUIPMENT

GROUP

	As at 1.1.2012 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	Reclassification adjustment RM'000	Foreign exchange difference RM'000	As at 31.12.2012 RM'000
At cost							
Furniture and fittings	26,637	1,600	(1,708)	(143)	2,972	(21)	**29,337**
Renovations	52,469	8,077	(466)	–	(3,716)	(643)	**55,721**
Motor vehicles	9,720	1,414	(1,126)	–	(23)	(128)	**9,857**
Office equipments	99,661	7,838	(2,050)	(549)	705	(681)	**104,924**
	188,487	18,929	(5,350)	(692)	(62)	(1,473)	**199,839**

	As at 1.1.2012 RM'000	Depreciation charge RM'000 (Note 34)	Reversal for Disposals RM'000	Write off RM'000	Reclassification adjustment RM'000	Foreign exchange difference RM'000	As at 31.12.2012 RM'000
Accumulated depreciation							
Furniture and fittings	15,912	4,084	(1,537)	(126)	(2)	(54)	**18,277**
Renovations	24,499	4,762	(124)	–	(1)	(256)	**28,880**
Motor vehicles	5,346	1,427	(522)	–	–	(107)	**6,144**
Office equipments	71,206	12,185	(1,835)	(545)	(2)	(263)	**80,746**
	116,963	22,458	(4,018)	(671)	(5)	(680)	**134,047**

17. EQUIPMENT (CONTINUED)

GROUP

	As at 1.1.2011 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	Acquisitions of subsidiary companies RM'000	Reclassification adjustment RM'000	Foreign exchange difference RM'000	As at 31.12.2011 RM'000
At cost								
Furniture and fittings	19,572	6,206	(1,311)	(105)	2,195	–	80	**26,637**
Renovations	52,434	9,203	(9,777)	(75)	75	–	609	**52,469**
Motor vehicles	8,703	1,416	(1,015)	–	607	(64)	73	**9,720**
Office equipments	94,145	11,530	(9,624)	(151)	4,119	(1,087)	729	**99,661**
	174,854	28,355	(21,727)	(331)	6,996	(1,151)	1,491	**188,487**

	As at 1.1.2011 RM'000	Depreciation charge RM'000	Reversal for Disposals RM'000	Write off RM'000	Acquisitions of subsidiary companies RM'000	Reclassification adjustment RM'000	Foreign exchange difference RM'000	As at 31.12.2011 RM'000
		(Note 34)						
Accumulated depreciation								
Furniture and fittings	13,463	1,637	(1,220)	(89)	2,087	–	34	**15,912**
Renovations	29,827	4,094	(9,698)	(72)	70	–	278	**24,499**
Motor vehicles	4,392	1,448	(691)	–	301	(126)	22	**5,346**
Office equipments	68,209	8,622	(9,466)	(151)	3,936	(404)	460	**71,206**
	115,891	15,801	(21,075)	(312)	6,394	(530)	794	**116,963**

	Net carrying value		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Furniture and fittings	**11,060**	10,725	6,109
Renovations	**26,841**	27,970	22,607
Motor vehicles	**3,713**	4,374	4,311
Office equipments	**24,178**	28,455	25,936
	65,792	71,524	58,963

17. EQUIPMENT (CONTINUED)

BANK

	As at 1.1.2012 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	As at 31.12.2012 RM'000
At cost					
Furniture and fittings	15,635	83	(55)	–	**15,663**
Renovations	32,475	4,009	(18)	–	**36,466**
Motor vehicles	4,400	44	(897)	–	**3,547**
Office equipments	63,950	1,527	(396)	(36)	**65,045**
	116,460	5,663	(1,366)	(36)	**120,721**

	As at 1.1.2012 RM'000	Depreciation charge RM'000	Reversal for Disposals RM'000	Write off RM'000	As at 31.12.2012 RM'000
		(Note 34)			
Accumulated depreciation					
Furniture and fittings	11,519	2,529	(14)	–	**14,034**
Renovations	19,437	2,338	(4)	–	**21,771**
Motor vehicles	2,976	465	(359)	–	**3,082**
Office equipments	50,239	6,580	(382)	(36)	**56,401**
	84,171	11,912	(759)	(36)	**95,288**

17. EQUIPMENT (CONTINUED)

BANK

	As at 1.1.2011 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	As at 31.12.2011 RM'000
At cost					
Furniture and fittings	14,815	882	–	(62)	**15,635**
Renovations	27,815	4,660	–	–	**32,475**
Motor vehicles	4,412	515	(527)	–	**4,400**
Office equipments	59,317	5,034	(323)	(78)	**63,950**
	106,359	11,091	(850)	(140)	**116,460**

	As at 1.1.2011 RM'000	Depreciation charge RM'000 (Note 34)	Reversal for Disposals RM'000	Write off RM'000	As at 31.12.2011 RM'000
Accumulated depreciation					
Furniture and fittings	10,728	853	–	(62)	**11,519**
Renovations	17,426	2,011	–	–	**19,437**
Motor vehicles	2,909	516	(449)	–	**2,976**
Office equipments	46,275	4,352	(310)	(78)	**50,239**
	77,338	7,732	(759)	(140)	**84,171**

	Net carrying value 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Furniture and fittings	**1,629**	4,116	4,087
Renovations	**14,695**	13,038	10,389
Motor vehicles	**465**	1,424	1,503
Office equipments	**8,644**	13,711	13,042
	25,433	32,289	29,021

18. INTANGIBLE ASSETS

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
Goodwill on consolidation	(a)	**–**	47,767	46,373
Purchased goodwill	(b)	**–**	46,516	46,516
Trading rights and memberships	(c)	**1,109**	1,093	980
Merchant bank licence	(d)	**–**	52,500	52,500
Cambodian commercial banking licence and stockbroking licence	(e)	**–**	12,790	12,562
Software licences	(f)	**32,743**	20,961	14,694
		33,852	181,627	173,625

	Note	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
Purchased goodwill	(b)	**–**	46,516	46,516
Merchant bank licence	(d)	**–**	52,500	52,500
Software licences	(f)	**28,174**	18,735	12,466
		28,174	117,751	111,482

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
(a) Goodwill on consolidation			
At cost			
At beginning of year		**47,889**	46,491
Acquisition of a subsidiary company		**–**	1,835
Liquidation of subsidiary companies		**–**	(571)
Foreign exchange difference		**–**	134
At end of year		**47,889**	47,889
Accumulated impairment loss			
At beginning of year		**(122)**	(118)
Impairment loss recognised in equity	(g)	**(47,767)**	–
Foreign exchange difference		**–**	(4)
At end of year		**(47,889)**	(122)
Net carrying value		**–**	47,767

18. INTANGIBLE ASSETS (CONTINUED)

	Note	Group and Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(b) Purchased goodwill				
At cost		**59,892**	59,892	59,892
Accumulated amortisation – set off in accordance with MFRS 3		**(13,376)**	(13,376)	(13,376)
		46,516	46,516	46,516
Accumulated impairment loss				
At beginning of year		**–**	–	–
Impairment loss recognised in equity	(g)	**(46,516)**	–	–
At end of year		**(46,516)**	–	–
Net carrying value		**–**	46,516	46,516

The purchased goodwill represents the excess of the total cash consideration paid by the Bank over the fair value of the attributable net assets of the stockbroking business and the trading licence of Premier Capital Securities Sdn. Bhd. that was acquired on 19 June 2000.

18. INTANGIBLE ASSETS (CONTINUED)

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
(c) Trading rights and memberships		
At cost		
At beginning of year	**2,136**	1,266
Amount arising from acquisition of a subsidiary company	**–**	1,659
Incurred during the year	**25**	–
Disposal	**–**	(821)
Foreign exchange differences	**(20)**	32
At end of year	**2,141**	2,136
Accumulated amortisation		
At beginning of year	**(748)**	–
Amount arising from acquisition of a subsidiary company	**–**	(917)
Reversal of amortisation for the year (Note 34)	**–**	165
Foreign exchange differences	**1**	4
At end of year	**(747)**	(748)
Accumulated impairment loss		
At beginning of year	**(295)**	(286)
Foreign exchange differences	**10**	(9)
At end of year	**(285)**	(295)
Net carrying value	**1,109**	1,093

18. INTANGIBLE ASSETS (CONTINUED)

	Note	Group and Bank	
		31.12.2012 RM'000	31.12.2011 RM'000
(d) Merchant bank licence			
At cost			
At beginning/end of year		**52,500**	52,500
Accumulated impairment loss			
At beginning of year		**–**	–
Impairment loss recognised in equity	(g)	**(52,500)**	–
At end of year		**(52,500)**	–
Net carrying value		**–**	52,500

This represents contribution to Bank Negara Malaysia for a merchant bank licence to transform the Bank from a Universal Broker into an Investment Bank and is considered to have indefinite useful life, which is not amortised and is assessed for impairment annually.

	Note	Group	
		31.12.2012 RM'000	31.12.2011 RM'000
(e) Cambodian commercial banking licence and stockbroking licence			
At cost			
At beginning of year		**12,790**	12,562
Foreign exchange differences		**–**	228
At end of year		**12,790**	12,790
Accumulated impairment loss			
At beginning of year		**–**	–
Impairment loss recognised in equity	(g)	**(12,790)**	–
At end of year		**(12,790)**	–
Net carrying value		**–**	12,790
Analysed by:			
Commercial banking licence		**–**	9,601
Stockbroking licence		**–**	3,189
		–	12,790

The above represents the professional fees incurred by the Group for its commercial banking licence and stockbroking licence in Cambodia for its subsidiary companies. The licences are considered to have indefinite useful life, which are not amortised and are assessed for impairment annually.

18. INTANGIBLE ASSETS (CONTINUED)

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
(f) Software licences		
At cost		
At beginning of year	**28,527**	17,132
Additions	**17,487**	9,217
Transfer from office equipment	**–**	459
Amount arising from acquisition of a subsidiary company	**–**	1,637
Reclassification	**(309)**	–
Foreign exchange differences	**(144)**	82
At end of year	**45,561**	28,527
Accumulated amortisation		
At beginning of year	**(7,566)**	(2,438)
Amortisation (Note 34)	**(5,635)**	(3,401)
Transfer from office equipment	**–**	(159)
Amount arising from acquisition of a subsidiary company	**–**	(1,533)
Reclassification	**309**	–
Foreign exchange differences	**74**	(35)
At end of year	**(12,818)**	(7,566)
Net carrying value	**32,743**	20,961

	Bank	
	31.12.2012 RM'000	31.12.2011 RM'000
At cost		
At beginning of year	**23,095**	14,044
Additions	**14,335**	9,051
At end of year	**37,430**	23,095
Accumulated amortisation		
At beginning of year	**(4,360)**	(1,578)
Amortisation (Note 34)	**(4,896)**	(2,782)
At end of year	**(9,256)**	(4,360)
Net carrying value	**28,174**	18,735

18. INTANGIBLE ASSETS (CONTINUED)

(g) Impairment testing of goodwill and intangibles with indefinite lives

In 2011, goodwill and trading rights have been allocated to six of the individually material cash-generating units (CGU), which are reportable segments, for impairment testing as follows:

- **Malaysian stockbroking and related activities CGU**

  The recoverable amount of the Malaysian stockbroking and related activities CGU has been determined based on a value-in-use calculation using cash flow projections based on financial projections approved by senior management covering a 4-year period. The discount rate applied to cash flow projections is 8% and cash flows beyond the 4-year period are estimated as a terminal value computed by discounting future cash flows to present value.

  Purchased goodwill is attributable to one of the three stockbroking trading licences purchased by the Bank. The recoverable amount of this CGU is compared to the total carrying amount of the 3 trading licences, including two stockbroking trading licences that were purchased by and assessed for impairment by the former holding company, OSK Holdings Berhad.

- **Singaporean stockbroking CGU**

  The recoverable amount of the Singaporean stockbroking CGU has been determined based on a value-in-use calculation using 4-year cash flow projections based on financial projections approved by management covering a five-year period and a discount rate of 8% is applied. The cash flows beyond the 4-year period are estimated as a terminal value computed by discounting future cash flows to present value.

- **Hong Kong stockbroking CGU**

  The recoverable amount of the Hong Kong stockbroking CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budget approved by management covering a 4-year period and a discount rate of 5% is applied. The cash flows beyond the 4-year period are estimated as a terminal value computed by discounting future cash flows to present value.

- **Indonesian stockbroking CGU**

  The recoverable amount of the Indonesian stockbroking CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budget approved by management covering a 4-year period and a discount rate of 8% is applied. The cash flows beyond the 4-year period are estimated as a terminal value computed by discounting future cash flows to present value.

- **Cambodian commercial banking CGU**

  The recoverable amount of the Cambodian commercial banking CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budget approved by management covering a 4-year period and a discount rate of 8% is applied. The cash flows beyond the 4-year period are estimated as a terminal value computed by discounting future cash flows to present value.

18. INTANGIBLE ASSETS (CONTINUED)

(g) Impairment testing of goodwill and intangibles with indefinite lives (continued)

Carrying amount of goodwill allocated to each of the material CGUs as at 31 December 2012 are as follows:

	Goodwill on consolidation [Note 18(a)] RM'000	Purchased goodwill [Note 18(b)] RM'000	Total RM'000
31.12.2011			
Malaysian stockbroking CGU	–	46,516	46,516
Singaporean stockbroking CGU	29,542	–	29,542
Hong Kong stockbroking CGU	631	–	631
Indonesian stockbroking CGU	15,302	–	15,302
Other CGUs*	2,292	–	2,292
	47,767	46,516	94,283

* Included subsidiary companies in the business of wills and trustee services and management of unit trust funds.

The financial statements for the financial year ended 31 December 2012 were prepared on the basis that the Bank has ceased to be a going concern as a result of the proposed merger as detailed in Note 47. Hence, the goodwill on consolidation, purchased goodwill, merchant bank licence and Cambodian commercial banking licence and stockbroking licence have been fully impaired as at 31 December 2012 as there were no future cash flows from the business to support the above mentioned goodwill and intangibles. As the proposed merger was directed by the parent, RHB Capital Berhad, the impairment of goodwill and intangibles have been recognised in equity as transactions with owner-equity distribution to reflect the substance of the transaction.

Key assumptions used in 2011 in value-in-use calculation of Malaysian stockbroking and related activities CGU:

The purchased goodwill attributable to the Malaysian stockbroking CGU comprises a trading licence acquired from Premier Capital Securities Sdn. Bhd. that had enabled the Bank to be eligible for its Investment Banking status.

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill attributable to this CGU include:

- Budgeted gross brokerage rate – The basis used to determine the value assigned to the budgeted gross brokerage rate is comparable to the year immediately before the budgeted year.

- Budgeted margin interest rate – The basis used to determine the value assigned to the budgeted margin interest rate is comparable to the average margin interest rate achieved in the year immediately before the budgeted year.

- Operational costs – Other operational costs are expected to increase in line with expected inflation or expansion of the investment banking business.

18. INTANGIBLE ASSETS (CONTINUED)

(g) Impairment testing of goodwill and intangibles with indefinite lives (continued)

Key assumptions used in 2011 in value-in-use calculation of Singaporean stockbroking CGU (DMG):

- Budgeted gross brokerage rate – The budgeted gross brokerage rate is comparable to the average gross margin achieved in the year immediately before the budgeted year.
- Budgeted margin interest rate – The basis used to determine the value assigned to the budgeted margin interest rate is comparable to the average margin interest rate achieved in the year immediately before the budgeted year.
- Operational costs – Other operational costs are expected to increase in line with expected inflation.

Key assumptions used in 2011 in value-in-use calculation of Hong Kong stockbroking CGU (OSKHhk):

- Budgeted gross margin rate – This is determined based on the CGU's past performance and management's expectation for the market development.
- Operational costs – Other operational costs are expected to increase in line with expected inflation.

Key assumptions used in 2011 in value-in-use calculation of Indonesian stockbroking CGU:

- Budgeted gross margin rate – This is determined based on the CGU's past performance and management's expectation for the market development.
- Operational costs – Other operational costs are expected to increase in line with expected inflation.

Key assumptions used in 2011 in value-in-use calculation of Cambodian banking CGU:

- Budgeted gross margin rate – This is determined based on management's expectation for the market development.
- Operational costs – Other operational costs are expected to increase in line with expected inflation.

19. DEPOSITS FROM CUSTOMERS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Mudharabah Fund			
Demand deposits	**14,141**	43,741	8,856
Savings deposits	**32,524**	18,452	12,415
Fixed deposits	**3,078,423**	2,338,759	2,205,578
Short term deposits	**1,013,178**	874,348	769,196
Negotiable instruments of deposit	**81,293**	309,743	124,162
Others	**22,270**	66	299
	4,241,829	3,585,109	3,120,506
Mudharabah Fund			
General investment deposits	**1,330,030**	1,189,047	831,399
	5,571,859	4,774,156	3,951,905

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Mudharabah Fund			
Demand deposits	**–**	2,015	–
Fixed deposits	**3,098,484**	2,353,539	2,221,298
Short term deposits	**893,160**	844,293	776,661
Negotiable instruments of deposit	**82,193**	309,743	124,162
Others	**21,824**	–	–
	4,095,661	3,509,590	3,122,121
Mudharabah Fund			
General investment deposits	**1,330,030**	1,189,047	831,399
	5,425,691	4,698,637	3,953,520

19. DEPOSITS FROM CUSTOMERS (CONTINUED)

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
(a) By type of customer			
Local government and statutory bodies	**971,153**	912,671	568,232
Domestic non-bank financial institutions*	**3,232,613**	2,694,410	1,938,639
Business enterprises	**968,656**	850,512	1,296,274
Individuals	**140,014**	138,933	137,124
Foreign customers	**258,635**	177,334	11,339
Others	**788**	296	297
	5,571,859	4,774,156	3,951,905

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
(b) By maturity structure			
Up to 3 months	**3,921,116**	3,590,487	3,313,245
3-12 months	**1,608,756**	1,129,059	616,665
1-5 years	**41,987**	54,610	21,995
	5,571,859	4,774,156	3,951,905

19. DEPOSITS FROM CUSTOMERS (CONTINUED)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) By type of customer			
Local government and statutory bodies	**971,152**	912,671	568,232
Domestic non-bank financial institutions*	**3,232,613**	2,694,410	1,938,639
Business enterprises	**1,077,885**	946,958	1,350,898
Individuals	**140,014**	138,933	95,126
Foreign customers	**4,027**	5,665	625
	5,425,691	4,698,637	3,953,520

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(b) By maturity structure			
Up to 3 months	**3,873,266**	3,590,749	3,344,710
3-12 months	**1,510,819**	1,060,903	588,092
1-5 years	**41,606**	46,985	20,718
	5,425,691	4,698,637	3,953,520

* Domestic non-bank financial institutions include fund management/asset management companies, trust funds, insurance companies, broker companies and trustee companies.

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Mudharabah Fund			
Licensed banks	**333,831**	521,294	280,337
Licensed investment banks	**150,000**	80,000	170,000
Bank Negara Malaysia	**306,980**	–	–
Other financial institutions	**234,676**	41,860	219,576
	1,025,487	643,154	669,913
Mudharabah Fund			
Licensed banks	**64,989**	15,888	–
	1,090,476	**659,042**	**669,913**

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-Mudharabah Fund			
Licensed banks	**279,914**	465,293	279,943
Licensed investment banks	**150,000**	80,000	170,000
Bank Negara Malaysia	**306,980**	–	–
Other financial institutions	**234,676**	41,860	219,576
	971,570	587,153	669,519
Mudharabah Fund			
Licensed banks	**64,989**	15,888	–
	1,036,559	603,041	669,519

21. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	Group and Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Private debt securities outside Malaysia	**240,010**	291,083	–

The underlying securities for the repurchase agreements are as disclosed in Note 8(c).

22. OBLIGATIONS ON SECURITIES BORROWED

	Group and Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Treasury bills outside Malaysia	**119,905**	–	–

23. DERIVATIVE FINANCIAL LIABILITIES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At fair value			
Equity related contracts			
– Futures	**–**	–	45
Commodities related contracts			
– Futures	**–**	–	8
Structured warrants	**14,352**	66,392	141,452
Structured products	**–**	11,380	6,504
Interest rate swap contracts	**3,648**	6,776	–
Foreign currency forward and swap contracts	**9,448**	21,044	5,468
	27,448	105,592	153,477
Contract/Notional amount			
Equity related contracts			
– Futures	**–**	–	5,427
Commodities related contracts			
– Futures	**–**	–	28
Structured warrants	**60,464**	41,369	80,338
Structured products	**–**	11,278	6,410
Interest rate swap contracts	**815,000**	700,000	–
Foreign currency forward and swap contracts	**725,703**	877,816	210,789

23. DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At fair value			
Equity related contracts			
– Futures	**–**	–	45
Structured warrants	**14,352**	66,392	141,452
Structured products	**–**	11,380	6,504
Interest rate swap contracts	**3,648**	6,776	–
Foreign currency forward and swap contracts	**9,448**	21,044	5,468
	27,448	105,592	153,469
Contract/Notional amount			
Equity related contracts			
– Futures	**–**	–	5,427
Structured warrants	**60,464**	41,369	80,338
Structured products	**–**	11,278	6,410
Interest rate swap contracts	**815,000**	700,000	–
Foreign currency forward and swap contracts	**725,703**	877,816	210,789

24. TRADE PAYABLES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amount due to:			
– clients	**978,699**	774,494	870,005
– brokers	**1,433,952**	520,132	822,338
– foreign securities clearing houses and stock exchanges	**32,368**	46,888	92,476
Unit trust payables	**25,213**	4,878	7,008
	2,470,232	1,346,392	1,791,827

24. TRADE PAYABLES (CONTINUED)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amount due to:			
– clients	**722,778**	663,594	581,456
– brokers	**98,623**	37,360	80,801
	821,401	700,954	662,257

The trade credit term for securities trading of the Bank is 3 market days in accordance with the Fixed Delivery and Settlement Trading Rules of Bursa Securities; 3 market days for the Singapore, Indonesia and Thailand subsidiary companies and 2 market days for the Hong Kong subsidiary company.

The trade credit term for fixed income instruments trading of the Bank generally ranges from the same trading day to 2 (2011: 2) market days.

The normal trade credit term for unit trust funds are normally settled in 10 (2011: 10) market days.

25. OTHER LIABILITIES

	Note	Group		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Other payables, deposits and accruals	(a)	**179,428**	159,033	173,529
Amounts due to:				
– holding company	(b)	**472**	–	–
– former holding company	(b)	**–**	3	1,528
– related companies	(b)	**–**	7,871	115
– associated company	(c)	**2,928**	2,305	3,064
		182,828	169,212	178,236

	Note	Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Other payables, deposits and accruals	(a)	**103,587**	107,101	127,974
Amounts due to:				
– former holding company	(b)	**–**	–	1,518
– subsidiary companies	(b)	**1,230**	1,253	81
– related companies	(b)	**–**	7,871	86
		104,817	116,225	129,659

25. OTHER LIABILITIES (CONTINUED)

(a) Other payables, deposits and accruals

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Other payables	**42,077**	25,155	30,013
Trading deposits from dealers/futures broker representatives	**42,893**	43,562	42,693
Other accruals and provisions	**52,801**	46,116	60,839
Short-term employee benefits	**41,657**	44,200	39,984
	179,428	159,033	173,529

	Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Other payables	**14,084**	17,756	24,882
Trading deposits from dealers/futures broker representatives	**42,893**	43,562	42,693
Other accruals and provisions	**19,172**	19,423	30,213
Short-term employee benefits	**27,438**	26,360	30,186
	103,587	107,101	127,974

(b) Amounts due to holding company, former holding company, subsidiary and related companies

The amounts due to holding company, former holding company, subsidiary and related companies are trade in nature and are in relation to transactions conducted in the ordinary course of business.

(c) Amount due to an associated company

The amount due to an associated company, UOB-OSK Asset Management Sdn. Bhd., relates to management fee payable and is unsecured, interest free and the normal credit term is 90 days (2011: 90 days).

26. BORROWINGS

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
Unsecured:				
Bank overdraft	(a)	**–**	121	–
Short-term loans	(b)	**112,384**	20,854	116,365
		112,384	20,975	116,365

(a) The bank overdraft represents credit bank balance of a subsidiary company.

(b) Short-term loans

The short-term loans of subsidiary companies are denominated in the following foreign currencies:

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
Singapore Dollar	**69,833**	–	23,888
Hong Kong Dollar	**42,551**	20,854	43,973
Indonesian Rupiah	**–**	–	48,504
	112,384	20,854	116,365

The short-term bank loans are secured by corporate guarantees issued by the former holding company, OSK Holdings Berhad. The short-term bank loans are repayable within one year and bear interest at rates ranging from 0.99% to 2.20% (2011: 1.92%) per annum. The corporate guarantees is pending transfer to RHB Capital Berhad, the holding company.

27. SUBORDINATED NOTES

	Group and Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
First tranche:			
RM100 million 7.50% due on 13 July 2018, callable in 2013	**103,420**	103,493	103,493
Second tranche:			
RM125 million 7.25% due on 6 April 2020, callable in 2015	**127,110**	127,160	127,160
Third tranche:			
RM75 million 7.15% due on 25 May 2020, callable in 2015	**75,529**	75,544	75,544
Fourth tranche:			
RM100 million 5.20% due on 15 April 2021 callable, in 2016	**101,112**	101,083	–
	407,171	407,280	306,197

On 28 April 2008, the Securities Commission granted approval to the Bank on its 12-Year Callable 5 Years Subordinated Medium Term Notes (Subordinated Notes) Programme of up to RM400 million. The Subordinated Notes qualify as Tier II Capital for the purpose of determining the capital adequacy ratios of the Bank.

The proceeds raised from the Subordinated Notes shall be utilised for general business and corporate purpose. The Programme has a tenure of up to 12 years from the date of the first issuance, 14 July 2008. The Bank shall have the option to issue Subordinated Notes with a maturity of 10 years from the issue date, and callable in whole or in part, subject to the prior consent of Bank Negara Malaysia, after a minimum period of five years from the date of the issue (Call Date"), and every coupon payment date thereafter at 100% of the nominal value outstanding, together with accrued coupon payment. Interest is payable semi-annually in arrears. The Subordinated Notes issued under the MTN Programme are issued at par.

On 24 March 2011, the Note holders consented the extension of the Programme tenure from 12 years to 14 years from the first issuance date. With all relevant agreements and approvals, the expiry date of the Programme thereby extended from 14 July 2020 to 14 July 2022.

On 14 July 2008, the Bank issued RM100 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 13 July 2018 and callable after a minimum period of 5 years from the issue date (i.e. on 13 July 2013) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.50% per annum and a coupon rate of 7.50% per annum. There will be a step-up coupon from 7.50% per annum to 8.50% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

On 5 April 2010, the Bank issued RM125 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 6 April 2020 and callable after a minimum period of 5 years from the issue date (i.e. on 6 April 2015) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.25% per annum and a coupon rate of 7.25% per annum. There will be a step-up coupon from 7.25% per annum to 8.25% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

27. SUBORDINATED NOTES (CONTINUED)

On 24 May 2010, the Bank issued RM75 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 25 May 2020 and callable after a minimum period of 5 years from the issue date (i.e. on 25 May 2015) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.15% per annum and a coupon rate of 7.15% per annum. There will be a step-up coupon from 7.15% per annum to 8.15% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

On 15 April 2011, the Bank issued RM100 million of Subordinated Notes via private placement. The tenure of issue is 10 years maturing on 15 April 2021 and callable after a minimum period of 5 years from the issue date (i.e. on 15 April 2016) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 5.20% per annum and a coupon rate of 5.20% per annum. There will be a step-up coupon from 5.20% per annum to 5.25% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

28. SHARE CAPITAL

	Group and Bank Number of ordinary shares ('000)/ Amount (RM'000)		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised			
Ordinary shares of RM1 each			
At beginning/end of year	**1,000,000**	1,000,000	1,000,000
Issued and fully paid			
Ordinary shares of RM1 each			
At beginning of year	**660,000**	660,000	630,000
Issuance of shares	**–**	–	30,000
At end of year	**660,000**	660,000	660,000

29. RESERVES

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
Statutory reserves	(a)	**262,980**	239,537	228,992
Foreign exchange reserves	(b)	**(22,836)**	(9,735)	(17,859)
AFS reserves	(c)	**17,089**	(9,902)	(1,605)
Other reserve	(d)	**(1,059)**	(846)	–
		256,174	219,054	209,528
(Accumulated losses)/Retained profits		**(68,743)**	170,027	162,055
		187,431	389,081	371,583

	Note	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
Statutory reserves	(a)	**262,830**	239,387	228,992
AFS reserves	(b)	**8,618**	(16,345)	(1,605)
		271,448	223,042	227,387
(Accumulated losses)/Retained profits		**(74,878)**	72,047	60,330
		196,570	295,089	287,717

(a) Statutory reserves

The statutory reserve of the Bank is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

The statutory reserve of the Group included an amount of RM150,846 (2011: RM150,846) in relation to a subsidiary company, OSK Securities (Thailand) Public Company Limited (OSKST), which is maintained in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand, OSKST is required to set aside a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered share capital and the statutory reserve could not use for dividend payment.

(b) Foreign exchange reserves

The foreign exchange reserves comprise all foreign exchange differences from the translation of the financial statements of foreign subsidiairies.

(c) AFS reserves

The AFS reserves represent unrealised gains and losses arising from revaluation of securities AFS held as at the reporting date in accordance with the requirements of MFRS 139.

(d) Other reserve

The other reserve represents share of other reserves of an associated group.

30. MONIES HELD IN TRUST AND CORRESPONDING LIABILITIES IN ACCORDANCE WITH FRSIC CONSENSUS 18

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Bank balances for clients' accounts	**1,115,980**	1,011,968	853,786
Other payable	**(1)**	(148)	–
Deposits from customers	**–**	29,762	11,583
Deposits received from remisiers	**(501)**	–	–
Amounts due to clients' in trust	**(1,115,478)**	(1,041,582)	(865,369)
	–	–	–

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Bank balances for clients' accounts	**673,199**	707,950	508,838
Amounts due to clients' in trust	**(673,199)**	(707,950)	(508,838)
	–	–	–

31. INTEREST INCOME

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Loans, advances and financing	**133,696**	104,243	**91,656**	68,668
Deposits and placements with financial institutions	**28,733**	35,594	**19,270**	24,577
Securities HFT	**15,970**	9,286	**11,134**	5,075
Securities HTM	**11,401**	11,422	**11,401**	11,422
Securities AFS	**97,312**	86,908	**97,310**	86,811
Stockbroking and futures broking business	**10,729**	8,370	**2,286**	1,619
Others	**3,352**	975	**2,469**	569
	301,193	256,798	**235,526**	198,741
Accretion of discount less amortisation of premium				
(i) Non-impaired				
– Securities HFT	**(707)**	(190)	**(707)**	(190)
– Securities HTM	**981**	3,790	**981**	3,790
– Securities AFS	**9,469**	21,940	**9,469**	21,940
(ii) Impaired				
– Securities HTM	**–**	232	**–**	232
	9,743	25,772	**9,743**	25,772
	310,936	282,570	**245,269**	224,513

32. INTEREST EXPENSE

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Deposits from customers	**162,507**	148,059	**158,702**	146,320
Deposits and placements of financial institutions	**9,773**	14,569	**8,514**	14,080
Subordinated notes	**27,199**	25,643	**27,199**	25,643
Borrowings	**2,225**	4,213	**–**	–
Others	**64**	24	**–**	–
	201,768	192,508	**194,415**	186,043

33. NON-INTEREST INCOME

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
(a) Fee and commission				
Advisory, agency, arrangement and referral fees	**69,991**	47,095	**38,962**	28,642
Commission	**12,695**	16,061	**7,101**	7,861
Fees earned from management of unit trust funds	**58,471**	53,199	**–**	–
Gross brokerage fees	**335,930**	409,542	**182,586**	225,231
Loan processing, facility and commitment fees and carrying charges	**9,054**	11,869	**6,246**	9,049
Service charges on sale of trust units	**69,394**	48,952	**–**	–
Trustee and will writing fees	**12,913**	8,965	**–**	–
Others	**6,129**	3,958	**2,888**	235
	574,577	599,641	**237,783**	271,018

33. NON-INTEREST INCOME (CONTINUED)

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
(b) Net gain arising from sales/redemption of securities and derivatives				
Securities HFT	**46,664**	(21,870)	**43,561**	(21,185)
Securities HTM	**161**	–	**161**	–
Securities AFS	**14,453**	8,849	**14,434**	8,849
Derivative financial instruments	**5,744**	98,162	**5,744**	98,213
	67,022	85,141	**63,900**	85,877
(c) Gross dividend income				
Securities HFT	**2,406**	1,908	**2,223**	1,720
Securities AFS	**204**	494	**148**	490
Unquoted subsidiary company				
– in Malaysia	**–**	–	**471**	9,833
– outside Malaysia	**–**	–	**9,214**	9,142
Unquoted associated companies in Malaysia	**–**	–	**1,321**	3,449
	2,610	2,402	**13,377**	24,634
(d) Unrealised gain on revaluation of trading securities and derivatives				
Securities HFT	**(19,353)**	21,867	**(22,009)**	22,943
Derivative financial instruments	**56,778**	(5,524)	**56,778**	(5,524)
	37,425	16,343	**34,769**	17,419

33. NON-INTEREST INCOME (CONTINUED)

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
(e) Unrealised loss on derivatives				
Unexpired structured warrants	**(29,100)**	(50,792)	**(29,100)**	(50,792)
(f) Unrealised loss on foreign exchange translations	**(11,866)**	(27,154)	**(11,945)**	(26,835)
(g) Other income				
Net gain/(loss) on disposals of equipment	**53**	165	**(4)**	126
Gain on disposals of intangible assets	**–**	2,197	**–**	–
Realised gain on foreign exchange	**31,437**	56,979	**29,496**	53,764
Rental income	**2**	–	**229**	193
Loss on members' voluntary winding up of subsidiary companies	**–**	(565)	**–**	(78)
Negative goodwill on an acquisition of a subsidiary company	**–**	87	**–**	–
Others	**7,765**	8,914	**5,053**	4,281
	39,257	67,777	**34,774**	58,286
Total non-interest income	**679,925**	693,358	**343,558**	379,607

34. OTHER OPERATING EXPENSES

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
(a) Personnel costs				
Salaries, allowances, bonuses and gratuity	**263,659**	248,601	**131,938**	131,612
Pension costs – defined contribution plan	**20,235**	18,047	**13,901**	12,154
Others	**14,931**	15,206	**9,941**	10,930
	298,825	281,854	**155,780**	154,696
(b) Promotional, marketing and trading expenses				
Advertisement and promotion	**6,530**	5,718	**3,744**	2,430
Commission	**180,409**	183,042	**56,065**	68,709
Fees and charges	**55,976**	61,340	**28,816**	36,719
Others	**5,567**	6,438	**4,911**	5,670
	248,482	256,538	**93,536**	113,528
(c) Establishment costs				
Depreciation	**22,458**	15,801	**11,912**	7,732
Amortisation of intangible assets	**5,635**	3,236	**4,896**	2,782
Insurance	**2,622**	2,188	**842**	773
Rental of equipment	**5,239**	4,999	**2,650**	2,647
Rental of premises	**33,397**	31,614	**13,401**	13,130
Repair and maintenance	**10,665**	8,315	**6,820**	5,722
Utility expenses	**5,488**	5,168	**3,485**	3,288
Others	**6,596**	5,281	**228**	552
	92,100	76,602	**44,234**	36,626
(d) General administrative expenses				
Communication expenses	**17,157**	14,592	**10,753**	8,947
Legal and professional fees	**6,994**	8,856	**2,333**	2,585
Printing and stationery	**5,966**	6,320	**2,147**	2,343
Administrative expenses	**26,074**	22,997	**10,149**	9,583
Others	**3,158**	406	**2,474**	(366)
	59,349	53,171	**27,856**	23,092
Total other operating expenses	**698,756**	668,165	**321,406**	327,942

34. OTHER OPERATING EXPENSES (CONTINUED)

Included in the income statements are the following:

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Auditors's remunation					
(i) Audit:					
Statutory audit					
– Malaysia		**310**	277	**208**	187
– Overseas		**846**	904	**–**	–
Limited review		**257**	–	**242**	–
(ii) Non-Audit:					
– Malaysia		**62**	18	**62**	18
Directors' remuneration	40(j)				
(i) Fees		**736**	811	**688**	780
(ii) Other emoluments		**2,166**	23,146	**2,166**	23,146
		2,902	23,957	**2,854**	23,926
Rental income	33(g)	**(2)**	–	**(229)**	(193)
Reversal of amortisation for trading rights	18(c)	**–**	(165)	**–**	–
Net loss/(gain) on disposal of equipment		**578**	23	**4**	(126)
Equipment written off	17	**21**	19	**–**	–

35. ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Individual assessment				
– Made (Note 10(b)(ii))	**(23,410)**	(264)	**(23,397)**	–
– Written back (Note 10(b)(ii))	**267**	2,127	**–**	–
Collective assessment (net)				
– Made (Note 10(b)(ii))	**(4,285)**	(1,868)	**(3,287)**	(925)
	(27,428)	(5)	**(26,684)**	(925)
Bad debts				
– Recovered	**–**	38	**–**	–
– Written off	**–**	(1,984)	**–**	–
	(27,428)	(1,951)	**(26,684)**	(925)

36. (ALLOWANCE FOR)/WRITE BACK OF IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Individual assessment				
– Made	**(7,113)**	(6,566)	**(4,412)**	(4,648)
– Written back	**5,479**	4,080	**4,578**	3,758
Collective assessment				
– Written back	**4**	97	**4**	94
	(1,630)	(2,389)	**170**	(796)
Bad debts				
– Recovered	**17**	2	**17**	2
– Written off	**(209)**	(200)	**–**	(77)
	(1,822)	(2,587)	**187**	(871)

37. ALLOWANCE FOR IMPAIRMENT LOSSES ON INVESTMENTS

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Securities HTM	**(30,104)**	(46,615)	**(30,104)**	(46,615)
Securities AFS	**4,869**	(23,468)	**4,869**	(23,468)
Subsidiary companies	**–**	–	**(43,231)**	–
	(25,235)	(70,083)	**(68,466)**	(70,083)

38. INCOME TAX EXPENSE AND ZAKAT

	Note	Group		Bank	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
In respect of current year					
– Malaysian income tax		**(18,288)**	(6,545)	**(12,714)**	(3,953)
– Foreign income tax		**(5,248)**	(7,942)	**(266)**	–
		(23,536)	(14,487)	**(12,980)**	(3,953
Over/(under) provision in respect of prior year:					
– Malaysian income tax		**1,746**	(8,430)	**1,793**	(8,284)
– Foreign income tax		**2,671**	60	**–**	–
		4,417	(8,370)	**1,793**	(8,284)
Deferred taxation:					
Deferred tax assets	**14(a)**	**(1,515)**	4,255	**(3,108)**	3,108
Deferred tax liabilities	**14(b)**	**1,411**	2,337	**1,775**	2,717
		(104)	6,592	**(1,333)**	5,825
Income tax expense		**(19,223)**	(16,265)	**(12,520)**	(6,412)
Zakat		**(131)**	(5)	**(131)**	(5)
		(19,354)	(16,270)	**(12,651)**	(6,417)
Movement in deferred taxation is analysed as follows:					
Origination and reversal of temporary differences		**347**	(2,897)	**(305)**	(3,439)
(Under)/over provision in prior year		**(451)**	9,489	**(1,028)**	9,264
		(104)	6,592	**(1,333)**	5,825

38. INCOME TAX EXPENSE AND ZAKAT (CONTINUED)

Income tax expense is calculated based on the respective jurisdiction statutory income tax rates of the estimated taxable profits for the year as follows:

Country	2012	2011
Malaysia	**25.00%**	25.00%
Cambodia	**#**	#
Hong Kong	**16.50%**	16.50%
Indonesia	**25.00%**	25.00%
Singapore	**17.00%**	17.00%
Thailand	**25.00%**	25.00%

\# higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover.

The reconciliation between the tax at statutory tax rate of 25% (2011: 25%) on the profit before taxation and the tax expense is as follows:

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Profit/(loss) before tax (PBT/(LBT))	**49,031**	53,709	**(11,814)**	28,529
Tax at Malaysian statutory tax rate on PBT/(LBT)	**12,258**	13,427	**(2,954)**	7,132
Effect of:				
– different tax rates in foreign jurisdictions/ other authorities	**337**	46	**–**	–
– non-taxable income	**(2,889)**	(4,909)	**(738)**	(1,248)
– non-deductible expenses	**10,100**	6,356	**17,108**	1,513
Effect of income subject to tax pursuant to section 60(F) of Income Tax Act 1967	**64**	–	**–**	–
(Over)/under provision of tax in prior years	**(4,417)**	8,370	**(1,793)**	8,284
Under/(over) provision of deferred tax in prior years	**451**	(9,489)	**1,028**	(9,264)
Utilisation of tax losses and capital allowances not recognised in prior year	**(573)**	2	**–**	–
Deferred tax asset not recognised previously	**4,023**	2,467	**–**	–
	19,354	16,270	**12,651**	6,417

38. INCOME TAX EXPENSE AND ZAKAT (CONTINUED)

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (single tier system). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the credit balance under Section 108 of the Income Tax Act 1967 (S.108 balance) and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the S.108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank did not elect for the irrevocable option to disregard the S.108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the S.108 balance as at 31 December 2012 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. During the transitional period, the Bank can utilise the balance in the Section 108 account as at the reporting date to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the payment of dividend out of its entire retained profits as at the reporting date.

The unused tax losses and unused capital allowances carried forward of the Group are as below:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unused tax losses carried forward	**85,020**	67,568	41,677
Unused capital allowances carried forward	**104**	622	477

Deferred tax assets have not been recognised in respect of unused tax losses of certain subsidiary companies and unused capital allowances as they have arisen in subsidiary companies that have a recent history of losses.

Unused tax losses carried forward of US$3,007,669 (equivalent to RM9,198,354) (2011: US$3,885,390, equivalent to RM12,343,884) arising from foreign subsidiary companies in Cambodia are available for offset against taxable profit arising within five (5) years subsequent to the year in which the loss was incurred.

39. EARNINGS PER SHARE

The earnings per share has been calculated by dividing the consolidated profit for the year attributable to owner of the Bank of RM14,629,000 (2011: RM16,689,000) over the weighted average number of ordinary shares in issue of 660,000,000 (2011: 660,000,000) during the year.

40. SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

The related parties and their relationships with the Bank are as follows:

Related parties	Relationship
Employees Provident Fund (EPF)	Major shareholder of holding company, a fund body that is significantly influenced by government
RHB Capital Berhad	Holding company with effect from 9 November 2012
Subsidiary companies of RHB Capital Berhad as disclosed in its financial statements	Subsidiary companies of holding company with effect from 9 November 2012
OSK Holdings Berhad	Former holding company prior to 9 November 2012
Subsidiary companies of OSK Holdings Berhad as disclosed in its financial statements	Subsidiary companies of former holding company prior to 9 November 2012

(a) Major shareholder of holding company

		Group		Bank	
Identities	Nature of transactions	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Employees Provident Fund	Interest expense on placements	182	–	182	–

Identities	Amount due to				
Employees Provident Fund	Deposits from Customers	(200,000)	–	(200,000)	–

(b) Holding company

		Group		Bank	
Identities	Nature of transactions	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
RHB Capital Bhd	Interest income	(77)	–	(77)	–

Identities	Amount due to				
RHB Capital Bhd	Securities available-for-sale	9,278	–	9,278	–

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Subsidiary companies of RHB Capital Berhad

Identities	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
RHB Bank Berhad	Interest income	(1,189)	–	(977)	–
	Commission and trailer fee	376	–	–	–
	Fee expense on placement	4	–	–	–
RHB Islamic Berhad	Interest income	(38)	–	(38)	–
RHB Investment Bank Berhad	Placement fee income	(28)	–	(28)	–

Identities	Amount due from/(to)	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
RHB Bank Berhad	Cash and short term funds	69,784	–	69,784	–
	Securities available-for-sale	145,544	–	145,544	–
	Securities held-for-trading	27,646	–	27,646	–
	Derivative financial liabilities	(588)	–	(588)	–
	Other liabilities	(2,132)	–	(2,132)	–
RHB Islamic Berhad	Cash and short term funds	193	–	193	–

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(d) Subsidiary companies

Identities	Nature of transactions	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
OSK-UOB Investment Management Berhad	Commission income	**(2,280)**	(2,369)
	Dividend income	**–**	(9,333)
	Rental income	**(197)**	(181)
	Interest expense on placements	**1,693**	1,688
OSK-UOB Islamic Fund Management Berhad	Interest expense on placements	**222**	315
OSK Research Sdn. Bhd.	Research cost	**6,386**	6,504
OSK Trustees Berhad	Commission income	**(284)**	(291)
	Support service fee income	**(283)**	(100)
	Interest expense on placements	**177**	149
OSK Futures And Options Sdn. Bhd.	Interest expense on placements	**258**	257
OSK Nominees (Asing) Sdn. Berhad	Service and custodian fee	**95**	102
Malaysian Trustees Berhad	Dividend income	**(471)**	(500)
DMG & Partners Securities Pte Ltd	Dividend income	**(9,214)**	(9,142)
	Referral fee income	**(181)**	(312)
OSK Securities Hong Kong Limited	Referral fee income	**(78)**	(176)
PT OSK Nusadana Securities Indonesia	Interest income on financing	**(274)**	(739)
	Referral fee income	**(136)**	(111)
OSK Securities (Thailand) Public Company Limited	Support service fee income	**(1,028)**	(750)

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(d) Subsidiary companies (continued)

Identities	Amount due from/(to)	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
OSK-UOB Islamic Fund Management Berhad	Deposits from Customers	**(9,363)**	(10,690)
OSK-UOB Investment Management Berhad	Deposits from Customers	**(53,579)**	(43,777)
OSK Research Sdn. Bhd.	Deposits from Customers	**(900)**	(700)
OSK Trustees Berhad	Deposits from Customers	**(6,100)**	(5,000)
	Other liabilities	**(5)**	(10)
OSK Futures And Options Sdn. Bhd.	Deposits from Customers	**(8,150)**	(7,450)
	Other liabilities	**(4)**	(8)
OSK Nominees (Asing) Sdn. Berhad	Deposits from Customers	**(710)**	–
Malaysian Trustees Berhad	Deposits from Customers	**(2,600)**	–
DMG & Partners Securities Pte Ltd	Other liabilities	**(487)**	(307)
OSK Securities Hong Kong Limited	Loan, advances and financing	**45,896**	–
	Trade receivables	**–**	1,448
	Other liabilities	**(584)**	(813)
PT OSK Nusadana Securities Indonesia	Loan, advances and financing	**3,830**	10,344
OSK Securities (Thailand) Public Company Limited	Other liabilities	**(21)**	–

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(e) Associated companies

Identities	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Finexasia.com Sdn. Bhd	Dividend income	**–**	–	**(1,057)**	(3,185)
	Support service fee income	**(119)**	(119)	**(119)**	(119)
	Online trading access fee expense	**8,244**	7,607	**8,054**	7,607
	Annual maintenance fee expense	**820**	820	**820**	820
	Corporate website development fee and hosting fee expenses	**168**	124	**151**	100
	Interest expense on placements	**573**	465	**573**	465
UOB-OSK Asset Management Sdn. Bhd.	Dividend income	**–**	–	**(264)**	(264)
	Fund management fee expense	**13,465**	11,966	**–**	–

Identities	Amount due to	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Finexasia.com Sdn. Bhd.	Deposits from customers	**(17,482)**	(15,377)	**(17,482)**	(15,377)

(f) Related companies

Identities	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
OSK Investment Bank (Labuan) Limited	Interest expense on placement	**10**	138	**10**	138

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(g) Related parties/former related companies

Identities	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
KE-ZAN Holdings Berhad	Support service fee income	**(188)**	(135)	**(188)**	(135)
	Rental expense	**11,002**	11,309	**9,474**	9,757
OSK Capital Sdn. Bhd.	Service and custodian fee income	**(147)**	(199)	**–**	–
	Support service fee income	**(198)**	(174)	**(198)**	(174)
Identity	**Amount due from**				
KE-ZAN Holdings Berhad	Other assets	**3,152**	3,151	**2,726**	2,726

(h) Other related parties

(i) Certain directors/major shareholders of Dindings Consolidated Sdn. Bhd. are the family members of Director of the Bank, Tan Sri Ong Leong Huat @ Wong Joo Hwa.

Identities	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
DC Services Sdn. Bhd.	Insurance premium paid	**54**	73	**54**	44
Dinding Risks Management Services Sdn. Bhd.	Insurance premium paid	**224**	546	**126**	501
Dindings Life Agency Sdn. Bhd.	Insurance premium paid	**1,971**	139	**1,545**	—

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(h) Other related parties (continued)

(ii) Certain directors of OSK Property Holdings Berhad are the common Directors of the Bank.

Identity	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
OSK Property Holdings Berhad	Advisory fee income	**(250)**	(203)	**(250)**	(203)
	Interest expense on placement	**207**	148	**207**	148

Identity	Amount due to	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
OSK Property Holdings Berhad	Deposits from customers	**(5,942)**	(6,754)	**(5,942)**	(6,754)

(iii) A director of Pulai Springs Berhad is the common Director of the Bank.

Identity	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Pulai Springs Berhad	Interest income	**(717)**	(469)	**(717)**	(469)

Identity	Amount due from	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Pulai Springs Berhad	Loan, advances and finacing	**9,616**	7,213	**9,616**	7,213

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(h) Other related parties (continued)

(iv) A director of Symphony House Berhad is the common Director of the Bank.

Identity	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Symphony Share Registrars Sdn Bhd	Maintenance fee for structure warrant	**250**	485	**250**	485

(v) A director of Allianz Life Insurance Malaysia Berhad is the common Director of the Bank.

Identity	Nature of transactions	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Allianz Life Insurance Malaysia Berhad	Insurance purchased via DC Services Sdn. Bhd.	**4**	1,347	**4**	1,190

The above transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned and are not more favourable than those arranged with independent third parties.

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(i) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, including any director (whether executive or otherwise). The key management personnel compensation is as follows:

	Group		Bank	
Directors	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Executive				
Remunerations				
– salaries, allowances and bonus	**1,865**	968	**1,865**	968
– benefits-in-kind	**32**	26	**32**	26
Total short-term employee benefits	**1,897**	994	**1,897**	994
Post employment benefits				
– defined contribution plan	**269**	146	**269**	146
	2,166	1,140	**2,166**	1,140
Non-executive				
Fee	**736**	811	**688**	780
Remunerations				
– salaries, allowances and bonus	**–**	21,105	**–**	21,105
– benefits-in-kind	**–**	41	**–**	41
Total short-term employee benefits	**736**	21,957	**688**	21,926
Post employment benefits				
– defined contribution plan	**–**	860	**–**	860
	736	22,817	**688**	22,786
Total for Directors	**2,902**	23,957	**2,854**	23,926
Other key management personnel				
Short-term employee benefits	**46,042**	35,933	**16,124**	15,617
Post-employment benefits				
– defined contribution plan	**3,035**	2,621	**2,271**	2,114
	49,077	38,554	**18,395**	17,731
Total key management personnel including directors	**51,979**	62,511	**21,249**	41,657

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(j) Directors' remuneration

The Directors' remuneration included in other operating expenses as disclosed in Note 34 is paid/payable to the following Directors of the Bank:

2012

Executive Director
U Chen Hock

Non-Executive Directors
Foo San Kan
Tan Sri Ong Leong Huat @ Wong Joo Hwa
Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Dato' Abdul Majit bin Ahmad Khan
Leong Keng Yuen
Dr. Ngo Get Ping

2011

Executive Director
U Chen Hock

Non-Executive Directors
Foo San Kan
Tan Sri Ong Leong Huat @ Wong Joo Hwa
Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Dato' Abdul Majit bin Ahmad Khan
Dr. Choong Tuck Yew
Leong Keng Yuen
Dr. Ngo Get Ping

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(j) Directors' remuneration (continued)

Included in the remuneration of the Executive Director is the remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounting to RM2,166,668 (2011: RM1,139,648). The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

2012 RM'000	Remuneration from the Bank						Remuneration from subsidiary companies						
	Fees	Salary	Bonus	Other emolu-ments	Estimated money value of benefits-in-kind	Total	Fees	Salary	Bonus	Other emolu-ments	Estimated money value of benefits-in-kind	Total	Grand total
Executive Director													
U Chen Hock	–	1,140	725	269	32	2,166	–	–	–	–	–	–	2,166
Non Executive Directors													
Foo San Kan	129	–	–	–	–	129	16	–	–	–	–	16	145
Tan Sri Ong Leong Huat @ Wong Joo Hwa	100	–	–	–	–	100	–	–	–	–	–	–	100
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	100	–	–	–	–	100	–	–	–	–	–	–	100
Leong Keng Yuen	120	–	–	–	–	120	–	–	–	–	–	–	120
Dato' Abdul Majit bin Ahmad Khan	119	–	–	–	–	119	11	–	–	–	–	11	130
Dr Ngo Get Ping	109	–	–	–	–	109	3	–	–	–	–	3	112
Dr. Choong Tuck Yew	11	–	–	–	–	11	18	–	–	–	–	18	29
	688	–	–	–	–	688	48	–	–	–	–	48	736
Total Directors' Remuneration	688	1,140	725	269	32	2,854	48	–	–	–	–	48	2,902

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(j) Directors' remuneration (continued)

2011 RM'000	Remuneration from the Bank						Remuneration from subsidiary companies						
	Fees	Salary	Bonus	Other emolu-ments	Estimated money value of benefits-in-kind	Total	Fees	Salary	Bonus	Other emolu-ments	Estimated money value of benefits-in-kind	Total	Grand total
Executive Director													
U Chen Hock	–	802	160	152	26	1,140	–	–	–	–	–	–	1,140
Non-Executive Directors													
Foo San Kan	120	–	–	–	–	120	10	–	–	–	–	10	130
Tan Sri Ong Leong Huat @ Wong Joo Hwa	100	151	5,225	16,589	41	22,106	–	–	–	–	–	–	22,106
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	100	–	–	–	–	100	–	–	–	–	–	–	100
Leong Keng Yuen	120	–	–	–	–	120	–	–	–	–	–	–	120
Dato' Abdul Majit bin Ahmad Khan	101	–	–	–	–	101	6	–	–	–	–	6	107
Dr. Choong Tuck Yew	130	–	–	–	–	130	12	–	–	–	–	12	142
Dr. Ngo Get Ping	109	–	–	–	–	109	3	–	–	–	–	3	112
	780	151	5,225	16,589	41	22,786	31	–	–	–	–	31	22,817
Total Directors' Remuneration	780	953	5,385	16,741	67	23,926	31	–	–	–	–	31	23,957

41. UNRECOGNISED CONTRACTUAL COMMITMENTS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) Capital commitments			
Contracted but not provided for:			
– Acquisition of equipments	**11,781**	3,260	8,585
(b) Non-cancellable operating lease commitments			
Future minimum rental payables:			
– not later than one year	**17,340**	18,413	13,225
– later than one year and not later than five years	**29,987**	40,923	44,976
– more than five years	**1,895**	2,983	7,179
	61,003	65,579	73,965

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) Capital commitments			
Contracted but not provided for:			
– Acquisition of equipments	**1,845**	3,260	8,585

Banking related commitments and contingencies are disclosed in Note 49.

42. CONTINGENT LIABILITIES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unsecured			
Bank guarantee in favour of Bursa Malaysia Clearing Sdn. Bhd. provided by the Bank	**946**	922	956
Bank guarantee in favour of HKFE Clearing Corporation Limited provided by OSK Futures Hong Kong Limited	**1,973**	2,045	1,981
Bank guarantee in favour of PT. Kliring Penjaminan Efek Indonesia provided by PT OSK Nusadana Securities Indonesia	**31,700**	17,350	17,200
Bank guarantee in favour of The Central Depository Pte Ltd provided by DMG & Partners Securities Pte Ltd	**–**	–	4,772
Bank guarantee for lease of premises provided by DMG & Partners Securities Pte Ltd	**1,490**	1,454	1,234
	36,109	21,771	26,143

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Bank guarantee in favour of Bursa Malaysia Clearing Sdn. Bhd. provided by the Bank	**946**	922	956

43. SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is organised into the following major business segments based on products and services, which are regularly provided to and reviewed by the chief operating decision makers:

Investment Banking	–	Equities and Debt Capital Market, Derivatives and Structured Products, Corporate Advisory, Treasury and Islamic Banking.
Loans & Financing	–	Corporate Loans, Share Margin Financing and Commercial Banking Services.
Equities and Futures	–	Stockbroking & Futures Broking, Nominee Services and related services.
Wealth Management	–	Unit Trust Fund Management, Islamic Funds Services and Asset Management.
Holding Entities	–	Investment Holding Companies.
Others	–	Not significant to be separately disclosed.

Segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the segments concerned and are not more favourable than those arranged with independent third parties and have been eliminated to arrive at the Group's results.

43. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

For the year ended 31 December 2012	Investment Banking RM'000	Loans & Financing RM'000	Equities & Futures RM'000	Wealth Manage-ment RM'000	Holding Entities RM'000	Others RM'000	Total RM'000	Elimina-tions RM'000	Consolidated RM'000
Revenue									
External parties	336,427	167,631	379,407	150,069	(341)	3,457	1,036,650	–	1,036,650
Inter segments	1,610	625	5,377	2,366	14,250	–	24,228	(24,228)	–
Total	338,037	168,256	384,784	152,435	13,909	3,457	1,060,878	(24,228)	1,036,650
Results									
Profit/(loss) from operations with external parties	189,101	98,530	(41,775)	12,262	(14,494)	(119)	243,505	4,258	247,763
Add: Inter-segment revenue	1,610	625	5,377	2,366	14,250	–	24,228	(24,228)	–
Less: Inter-segment expenses	(2,702)	–	(10,206)	(3,378)	(357)	–	(16,643)	16,643	–
Profit/(loss) before funding costs	188,009	99,155	(46,604)	11,250	(601)	(119)	251,090	(3,327)	247,763
Less: funding costs	(136,974)	(57,279)	(10,289)	(17)	(494)	(42)	(205,095)	3,327	(201,768)
Segment profit/(loss)	51,035	41,876	(56,893)	11,233	(1,095)	(161)	45,995	–	45,995
Share of results after tax of associated companies	–	–	–	1,133	–	1,903	3,036	–	3,036
Profit/(loss) before tax and zakat	51,035	41,876	(56,893)	12,366	(1,095)	1,742	49,031	–	49,031
Income tax expense and zakat									(19,354)
Profit after tax and zakat									29,677
Non-controlling interests									(15,048)
Profit attributable to owner of the Bank									14,629

43. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

As at 31 December 2012	Investment Banking, Equities & Futures and Loans & Financing RM'000	Commercial Banking RM'000	Wealth Management RM'000	Holding Entities RM'000	Others RM'000	Consolidated RM'000
Assets						
Tangible assets	10,663,502	450,977	58,209	2,014	34,550	11,209,252
Intangible assets	32,283	1,164	222	–	183	33,852
	10,695,785	452,141	58,431	2,014	34,733	11,243,104
Investments in associated companies and a jointly controlled entity	–	–	18,402	–	7,373	25,775
Segment assets	10,695,785	452,141	76,833	2,014	42,106	11,268,879
Unallocated assets						35,959
Consolidated total assets						11,304,838
Liabilities						
Segment liabilities	9,881,024	294,212	39,320	44	7,713	10,222,313
Unallocated liabilities						18,518
Consolidated total liabilities						10,240,831
Other information						
Capital expenditure	34,697	545	498	618	58	36,416

43. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

For the year ended 31 December 2011	Investment Banking RM'000	Loans & Financing RM'000	Equities & Futures RM'000	Wealth Manage-ment RM'000	Holding Entities RM'000	Others RM'000	Total RM'000	Elimina-tions RM'000	Consolidated RM'000
Revenue									
External parties	308,809	138,300	442,010	119,876	4,653	2,546	1,016,194	–	1,016,194
Inter segments	–	740	7,053	2,230	21,925	–	31,948	(31,948)	–
Total	308,809	139,040	449,063	122,106	26,578	2,546	1,048,142	(31,948)	1,016,194
Results									
Profit/(loss) from operations with external parties	142,099	84,478	15,176	6,235	(21,322)	2,767	229,433	13,982	243,415
Add: Inter-segment revenue	–	740	7,053	2,230	21,925	–	31,948	(31,948)	–
Less: Inter-segment expenses	(2,552)	–	(8,229)	(3,811)	–	–	(14,592)	14,592	–
Profit before funding costs	139,547	85,218	14,000	4,654	603	2,767	246,789	(3,374)	243,415
Less: funding costs	(152,510)	(29,295)	(13,716)	–	(358)	(3)	(195,882)	3,374	(192,508)
Segment (loss)/profit	(12,963)	55,923	284	4,654	245	2,764	50,907	–	50,907
Share of results after tax of associated companies	–	–	–	883	–	1,919	2,802	–	2,802
(Loss)/profit before tax and zakat	(12,963)	55,923	284	5,537	245	4,683	53,709	–	53,709
Income tax expense and zakat									(16,270)
Profit after tax and zakat									37,439
Non-controlling interests									(20,750)
Profit attributable to owner of the Bank									16,689

43. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

As at 31 December 2011	Investment Banking, Equities & Futures and Loans & Financing RM'000	Commercial Banking RM'000	Wealth Management RM'000	Holding Entities RM'000	Others RM'000	Consolidated RM'000
Assets						
Tangible assets	8,553,315	317,462	30,690	2,935	15,142	8,919,544
Intangible assets	164,505	14,152	657	142	2,171	181,627
	8,717,820	331,614	31,347	3,077	17,313	9,101,171
Investments in associated companies and a jointly controlled entity	–	–	17,060	–	6,527	23,587
Segment assets	8,717,820	331,614	48,407	3,077	23,840	9,124,758
Unallocated assets						16,345
Consolidated total assets						9,141,103
Liabilities						
Segment liabilities	7,547,359	206,592	15,238	48	4,495	7,773,732
Unallocated liabilities						14,165
Consolidated total liabilities						7,787,897
Other information						
Capital expenditure	36,346	334	612	24	256	37,572

43. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The Group operates in six geographical locations: Malaysia (Domestic), Singapore, China and Hong Kong, Indonesia, Cambodia and Thailand. Revenue is based on geographical locations of business operations. Non-current assets are presented based on geographical location of assets, which consist of investments in associated companies and a jointly controlled entity, equipment and intangible assets.

	Domestic	Foreign Countries						
	Malaysia RM'000	Singapore RM'000	Hong Kong and China RM'000	Indonesia RM'000	Cambodia RM'000	Thailand RM'000	Sub-total RM'000	Grand total RM'000
2012								
Revenue	**754,697**	**145,433**	**35,260**	**51,853**	**24,563**	**24,844**	**281,953**	**1,036,650**
Profit/(loss) before tax	**48,636**	**20,912**	**(13,282)**	**(1,397)**	**2,743**	**(8,581)**	**395**	**49,031**
Capital expenditure	**20,548**	**3,691**	**1,286**	**1,924**	**580**	**8,387**	**15,868**	**36,416**
Non-current assets	**81,152**	**12,252**	**3,730**	**4,892**	**13,207**	**10,186**	**44,267**	**125,419**
2011								
Revenue	728,756	146,178	52,287	63,596	15,853	9,524	287,438	1,016,194
Profit/(loss) before tax	31,857	30,063	(11,037)	5,970	(3,827)	683	21,852	53,709
Capital expenditure	20,908	10,258	526	2,944	889	2,047	16,664	37,572
Non-current assets	235,813	11,288	4,453	6,235	15,750	3,199	40,925	276,738

44. MATERIAL LITIGATIONS

Kamal, Lokman & Mustakim Holdings Sdn. Bhd. (Chargor) and Ahmad Azari bin Mohd. Daud (Azari) (collectively referred to as the “Plaintiffs”) vs. OSK Capital Sdn. Bhd. (OSKC) and OSK Nominees (Tempatan) Sdn. Bhd. (OSKNT) and Another (collectively referred to as the “Defendants”) (Seremban High Court Suit No. 22-216-2003).

The Plaintiffs commenced an action against the Defendants on 14 November 2003 seeking, inter-alia, a declaration that a charge registered in favour of OSKC is void, damages in the sum of RM20 million, general damages, interest and costs and claiming against OSKC/OSKNT for negligence, breach of duty, fiduciary duty and unjust enrichment in relation to a facility of RM13 million granted to Azari by OSKC. OSKC and OSKNT have filed their defence on 17 February 2004.

OSKC and OSKNT have also filed an application to strike out the Plaintiffs’ Writ of Summons and Statement of Claim on the basis that the filing of the action by the Plaintiffs was frivolous and vexatious. The Court has on 13 March 2008 struck out with costs the Plaintiffs’ Writ of Summons and Statement of Claim. The Chargor filed a Notice of Appeal against the said decision. On 5 May 2009, the High Court has dismissed the Plaintiffs’ appeal. On 4 June 2009, the Plaintiffs have filed an appeal to the Court of Appeal against the High Court’s decision. On 1st August 2011, Azari withdrew his Appeal against the Defendants.

The Chargor’s Appeal was heard on 22 February 2012 and was dismissed with costs.

45. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY

The subsidiary, associated companies and a jointly controlled entity of the Group that have the same year end as the Bank are as follows:

Name of companies	Country of incorporation	Principal activities	Proportion of Ownership Interest 2012 %	Proportion of Ownership Interest 2011 %
(a) Subsidiary companies of the Bank:				
OSK Nominees (Tempatan) Sdn. Berhad	Malaysia	To act as attorneys, nominees’ agents, trustees and related activities for local beneficial shareholders	**100.00**	100.00
OSK Nominees (Asing) Sdn. Berhad	Malaysia	To act as attorneys, nominees’ agents, trustees and related activities for foreign beneficial shareholders	**100.00**	100.00
TCL Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominees’ agents, trustees and related activities for local beneficial shareholders (inactive)	**100.00**	100.00

45. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONTINUED)

The subsidiary, associated companies and a jointly controlled entity of the Group that have the same year end as the Bank are as follows (continued):

Name of companies	Country of incorporation	Principal activities	Proportion of Ownership Interest 2012 %	2011 %
(a) Subsidiary companies of the Bank (continued):				
TCL Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders (inactive)	**100.00**	100.00
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for local beneficial shareholders (inactive)	**100.00**	100.00
KE-ZAN Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders (inactive)	**100.00**	100.00
OSK Research Sdn. Bhd.	Malaysia	Investment research services	**100.00**	100.00
OSK-UOB Investment Management Berhad	Malaysia	Management of unit trust funds	**70.00**	70.00
OSK Futures And Options Sdn. Bhd.	Malaysia	Inactive	**100.00**	100.00
DMG & Partners Securities Pte Ltd*	Singapore	Provision of stock and share broking services and corporate finance advisory services	**51.00**	51.00
OSK Holdings Hong Kong Limited*	Hong Kong	Investment holding	**93.50**	93.50
OSK Indochina Bank Limited*	Cambodia	Commercial Bank	**100.00 Note 46(d)**	100.00
OSK International Investments Pte Ltd*	Singapore	Investment holding	**100.00 Note 46(e)**	100.00
PT OSK Nusadana Securities Indonesia*	Indonesia	Provision of stock and share broking service	**99.00 Note 46(i)**	51.00
OSK International Asset Management Sdn. Bhd.	Malaysia	Fund management	**100.00**	100.00

45. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONTINUED)

The subsidiary, associated companies and a jointly controlled entity of the Group that have the same year end as the Bank are as follows (continued):

Name of companies	Country of incorporation	Principal activities	Proportion of Ownership Interest 2012 %	Proportion of Ownership Interest 2011 %
(a) Subsidiary companies of the Bank (continued):				
OSK Securities (Thailand) Public Company Limited*	Thailand	Provision of stock and share broking services	**97.41 Note 46(c)**	97.34
OSK Nusadana Indonesian Dynamic Resources Plus Fund*	Indonesia	Invest in equity securities of entities operating in diversified industries	**98.00**	–
OSK Resources Fund*	Hong Kong	Invest in equity and equity related securities of entities operating in substantially related to natural resources industries	**97.00**	–
(b) Subsidiary companies of the Group:				
OSK Trustees Berhad	Malaysia	Professional wills and trustee services	**80.00**	80.00
The shareholdings in OSK Trustees Berhad are held by:				
(i) The Bank			**20.00**	20.00
(ii) OSK Nominees (Tempatan) Sdn. Berhad			**20.00**	20.00
(iii) OSK Nominees (Asing) Sdn. Berhad			**20.00**	20.00
(v) OSK Futures and Options Sdn. Bhd.			**20.00**	20.00
			80.00	80.00
Malaysian Trustees Berhad	Malaysia	Professional wills and trustee services	**80.00**	80.00
The shareholdings in Malaysian Trustees Berhad are held by:				
(i) The Bank			**20.00**	20.00
(ii) OSK Nominees (Tempatan) Sdn. Berhad			**20.00**	20.00
(iii) OSK Nominees (Asing) Sdn. Berhad; and			**20.00**	20.00
(iv) OSK Futures And Options Sdn. Bhd.			**20.00**	20.00
			80.00	80.00

45. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONTINUED)

The subsidiary, associated companies and a jointly controlled entity of the Group that have the same year end as the Bank are as follows (continued):

Name of companies	Country of incorporation	Principal activities	Proportion of Ownership Interest 2012 %	Proportion of Ownership Interest 2011 %
(c) Subsidiary company of OSK-UOB Investment Management Berhad and the interests held by the said subsidiary:				
OSK-UOB Islamic Fund Management Berhad	Malaysia	Offer Islamic fund management services	**70.00**	70.00
(d) Subsidiary companies of DMG & Partners Securities Pte Ltd and the interests held by the said subsidiary:				
DMG & Partners Nominees Pte Ltd*	Singapore	Nominee services	**100.00**	100.00
Summit Nominees Pte Ltd*	Singapore	Nominee services	**100.00**	100.00
DMG & Partners Research Pte Ltd *	Singapore	Financial advisory services	**100.00**	100.00
(e) Subsidiary companies of OSK Holdings Hong Kong Limited and the interests held by the said subsidiary:				
OSK Futures Hong Kong Limited*	Hong Kong	Dealing in futures contracts	**100.00**	100.00
OSK Securities Hong Kong Limited*	Hong Kong	Securities dealing and provision of securities margin financing	**100.00**	100.00
OSK Finance Hong Kong Limited*	Hong Kong	Money lending	**100.00**	100.00
OSK Capital Hong Kong Limited*	Hong Kong	Provision of corporate finance advisory services	**100.00**	100.00
OSK Precious Metals Hong Kong Limited*	Hong Kong	Trading of precious metals	**100.00**	100.00
OSK International Investments Hong Kong Limited*	Hong Kong	Dealing in securities, advising on securities and provision of asset management services	**100.00**	100.00
OSK (China) Investment Advisory Company Limited*+	People's Republic of China	Provision of investment and business advisory and related services	**100.00**	100.00
OSK Wealth Management Hong Kong Limited*	Hong Kong	Negotiating or arranging contracts of insurance	**100.00**	100.00

45. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONTINUED)

The subsidiary, associated companies and a jointly controlled entity of the Group that have the same year end as the Bank are as follows (continued):

Name of companies	Country of incorporation	Principal activities	Proportion of Ownership Interest 2012 %	Proportion of Ownership Interest 2011 %
(f) Subsidiary company of OSK Securities Hong Kong Limited and the interests held by the said subsidiary:				
OSK Nominees Hong Kong Limited*+	Hong Kong	To act as attorneys, nominees' agents, trustees and related activities for beneficial shareholders	**100.00**	100.00
(g) Subsidiary company of OSK International Investment Hong Kong Limited and the interests held by the said subsidiary:				
OSK Fideus Asia and Emerging Market Value Fund Limited*	Hong Kong	Invest in equity securities of entities operating in diversified industries	**51.00 Note 46 (a)**	–
(h) Subsidiary company of OSK International Investments Pte Ltd and the interests held by the said subsidiary:				
OSK International Asset Management Pte Ltd (OSKIAML)*	Singapore	Fund management	**100.00 Note 46 (f)**	100.00
(i) Subsidiary company of PT OSK Nusadana Securities Indonesia and the interests held by the said subsidiary:				
PT OSK Nusadana Asset Management *	Indonesia	Investment manager	**99.62**	99.62
(j) Subsidiary company of OSK Indochina Bank Limited and the interests held by the said subsidiary:				
OSK Indochina Securities Limited*	Cambodia	Securities dealing and provision of securities margin financing	**100.00 Note 46 (g)**	100.00

45. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONTINUED)

The subsidiary, associated companies and a jointly controlled entity of the Group that have the same year end as the Bank are as follows (continued):

	Name of companies	Country of incorporation	Principal activities	Proportion of Ownership Interest 2012 %	Proportion of Ownership Interest 2011 %
(k)	**Associated companies of the Bank:**				
	Finexasia.com Sdn. Bhd.	Malaysia	Development and provision of internet financial solutions and related activities	**40.05**	40.05
	iFast-OSK Sdn. Bhd.*	Malaysia	Investment holding	**38.27** **Note 46 (b)**	38.05
	UOB-OSK Asset Management Sdn. Bhd.*	Malaysia	Provision of investment management and related services	**30.00**	30.00
(l)	**Jointly controlled entity of OSKIAML:**				
	OSK GC-Millennium Capital Pte. Ltd.*	Singapore	Management of business operation and administration of the approved funds	**40.00**	40.00

* Audited by firms of Chartered Accountants other than members firm of PricewaterhouseCoopers International Limited.

\+ These subsidiary companies have not commenced operations as at 31 December 2012.

46. CHANGES IN COMPOSITION OF THE GROUP

(a) Subscription of 51% interest by OSK International Investment Hong Kong Limited (OSKIIhk) in OSK Fideus Asia and Emerging Markets Value Fund Ltd (OSK Fideus)

On 24 February 2012, OSKIIhk, a wholly-owned subsidiary of OSK Holdings Hong Kong Limited, which in turn is 93.50% owned by OSKIB, which in turn is a wholly-owned subsidiary of the Bank, has subscribed for 51 Management Shares or 51% amounting to USD51 (equivalent to approximately RM154) in a fund company, OSK Fideus, out of the total issued and paid-up capital of USD100 divided into 100 Management Shares, thus making OSK Fideus an indirect subsidiary of the Bank. The remaining 49% is being held by Alpheus Advisor (Alpheus).

OSK Fideus was incorporated on 25 November 2011 as an exempted company with limited liability in the Cayman Islands and registered under the Companies Law (2011) of Cayman Islands, with a business strategy of investing in Asia and emerging market equities. The authorised capital of OSK Fideus is USD50,000 divided into 100 Management Shares (with voting rights) at par value of USD1.00 each and 4,990,000 Participating Shares (without voting rights) at par value of USD0.01 each.

Alpheus, a company incorporated in 2002 under the laws of Greece, is an affiliate of the Alpheus Group Ltd. (registered in Bermuda) (Alpheus Group), which is engaged in the securities investment management services and the provision of family office services. Alpheus Group operates family offices in Athens, London and Zurich with significant allocation to fund strategies. Alpheus Group is also involved in managing The Gale Invest II (Cayman) Fund, an open-ended series of unit trusts established under the laws of the Cayman Islands in 2006, where one of the funds is also focused on Asian and emerging markets.

(b) Dilution of equity interest in iFast-OSK Sdn. Bhd.

iFast-OSK Sdn. Bhd., an associated company of the Bank had increased its issued and paid-up ordinary share capital as follows for working capital purposes:

– 29 February 2012, from RM22.0 million to RM23.0 million by issuance of 1 million ordinary shares of RM1.00 each.
– 21 September 2012, from RM23.0 million to RM23.7 million by issuance of 700,000 ordinary shares of RM1.00 each.

The Bank only subscribed 700,000 ordinary shares in iFast-OSK Sdn. Bhd. on 21 September 2012 and did not partake in the other issues. Consequently, the Bank's equity interest in iFast-OSK Sdn. Bhd. was increased from 38.05% to 38.27%.

(c) Acquisition of additional shares by OSKIB in OSK Securities (Thailand) Public Company Limited

Between 1 January 2012 and 21 May 2012, the Bank acquired additional 580,600 ordinary shares in OSKST from the open market for a total consideration of THB1,433,618 (approximately RM141,942), thereby increasing its equity interest in OSKST from 97.34% to 97.41%. The difference between the consideration paid and the relevant share of the carrying value of net assets of OSKST of RM5,775 is credited to equity.

(d) Subscription of shares in OSK Indochina Bank Limited (OSKIBL)

On 26 June 2012, OSKIBL, a wholly-owned Cambodian banking subsidiary of the Bank, received approval from National Bank of Cambodia to increase its paid-up capital by USD12 million (equivalent to RM38.319 million). Subsequent to the approval, OSKIBL increased its issued and paid-up capital from USD40 million to USD52 million through the issuance of 12 million new ordinary shares of USD1.00 each which was fully subscribed by OSKIB on 28 June 2012. The equity interest held by the Bank in OSKIBL remained at 100%.

46. CHANGES IN COMPOSITION OF THE GROUP (CONTINUED)

(e) Subscription of SGD1,000,000 ordinary shares in OSK International Investments Pte Ltd (OSKIIL)

On 16 July 2012, the Bank subscribed for SGD1,000,000 new ordinary shares in OSKIIL. The issued and paid-up share capital of OSKIIL increased from SGD4,000,000 to SGD5,000,000. The rationale for the increase is to facilitate the subscription of additional shares in OSK International Asset Management Pte Ltd as disclosed in Note 46(f).

(f) Subscription of SGD1,250,000 ordinary shares in OSK International Asset Management Pte Ltd (OSKIAML) by OSKIIL

On 16 July 2012, OSKIIL subscribed for SGD1,250,000 new ordinary shares in OSKIAML for additional working capital purpose. The issued and paid-up share capital of OSKIIL increased from SGD3,850,000 to SGD5,100,000.

OSKIAML is a wholly-owned subsidiary company of OSKIIL which in turn is a wholly-owned subsidiary company of the Bank. Upon completion of the subscription, the equity interest held by OSKIIL in OSKIAML remains the same.

(g) Subscription of USD1,5000,000 ordinary shares in OSK Indochina Securities Limited (OSKISL) by OSK Indochina Bank Limited (OSKIBL)

On 25 October 2012, OSKIBL subscribed for USD1,500,000 new ordinary shares in OSKISL for additional working capital purpose. The issued and paid-up share capital of OSKISL increased from USD10,000,000 to USD11,500,000.

(h) Acquisition and Assignment of Ascend Integrated Investment (L) Berhad's (AIIB) Irrevocable Option in PT OSK Nusadana Securities Indonesia (OSKNSI) (of which PT Ascend Unity Capital is the Registered Holder)

On 28 May 2012, the Bank, entered into a conditional sale, purchase and assignment of option agreement with AIIB for the proposed sale and assignment of AIIB's irrevocable option to acquire 84,000 ordinary shares of IDR1 million each in OSKNSI held by PT Ascend Unity Capital (PTAUC Share(s)) (the Option) to the Bank for a cash consideration of IDR343,280 million (which is equivalent to approximately RM109 million). The PTAUC Shares under the Option is worth IDR132,090 million which is equivalent to approximately RM42 million.

The Option acquisition was completed on 14 November 2012.

(i) Acquisition of additional 48% equity interest in OSKNSI

On 29 May 2012, the Bank entered into a conditional share purchase agreement to acquire a 48% equity interest in OSKNSI not already held by the Bank from the following parties:

(a) PT Ascend Unity Capital for its 84,000 ordinary shares of IDR1 million each in OSKNSI (representing approximately 41.16% of the issued and paid-up share capital of OSKNSI) for a cash consideration of IDR132,090 million which is equivalent to approximately RM42 million; and

(b) PT Multidana Assetama for its 13,960 ordinary shares of IDR1 million each in OSKNSI (representing approximately 6.84% of the issued and paid-up share capital of OSKNSI) for a cash consideration of IDR21,950 million which is equivalent to approximately RM7 million.

The acquisition was completed on 14 November 2012. The difference between the consideration paid and the relevant share of the carrying value of net assets of OSKNSI of RM69,970,680 is deducted from equity.

46. CHANGES IN COMPOSITION OF THE GROUP (CONTINUED)

(j) Members' Voluntary Winding Up of OSK Wealth Planners Sdn. Bhd. (OSKWP)

On 29 January 2010, OSKWP commenced Members' Voluntary Winding Up pursuant to Section 254(1)(b) of the Companies Act, 1965 (the Act) and that Mr. Chin Kim Chung and Mr. Roy Thean Chong of Russell Bedford Malaysia Business Advisory Sdn. Bhd. of 10th Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur have been appointed as the Joint and Several Liquidators of OSKWP pursuant to Section 258(1) of the Act. OSKWP is a wholly-owned subsidiary company of OSK-UOB Investment Management Berhad (formerly known as OSK-UOB Unit Trust Management Berhad) which in turn is a 70%-owned subsidiary company of the Bank.

The winding-up of OSKWP was initiated as the company ceased its operations in financial planning upon the expiry of its Capital Markets Services Licence on 26 August 2009. OSKWP was incorporated on 22 April 2004 with an issued share capital of RM2.15 million comprising 2.15 million ordinary shares of RM1.00 each. The winding up of OSKWP will not have any impact on the earnings and net assets of the Group.

On 10 October 2011, the Liquidators of OSKWP made a first interim and a second and final returns of surplus of assets of RM8,000 and RM6,462 respectively to the shareholders of OSKWP, representing a total of RM0.0067 per ordinary share of RM1.00 each.

On 25 November 2011, OSKWP held its final meeting for the Members' Voluntary Winding-Up. Pursuant to Section 272(5) of the Act, OSKWP was dissolved on 25 February 2012.

47. SUBSEQUENT EVENTS

On 9 November 2012, RHB Capital Berhad (RHBC) completed its acquisition of OSK Holdings Berhad's (OSKH) entire equity interest in OSK Investment Bank Berhad (the Bank) upon completion of the Share Purchase Agreement dated 28 May 2012 entered into between RHBC and OSKH. Upon completion of the acquisition, the Bank shall transfer and vest its entire business including all assets and liabilities to RHB Investment Bank Berhad (RHBIB).

On 8 February 2013, the Bank entered into a Business Transfer Agreement (BTA) with RHBIB to transfer its entire business including all assets and liabilities to RHBIB, in accordance with the terms of the BTA.

On 27 February 2013, the High Court of Malaya granted a Vesting Order for the transfer of the entire business including all assets and liabilities of the Bank to RHBIB with effect from 13 April 2013 (the Proposed Merger). The Bank will cease operations subsequent to the Proposed Merger.

48. FINANCIAL RISK MANAGEMENT

(a) Operational risk

The operational risk arises from the daily function of the Group and the Bank which includes legal risk, credit risk, reputation risk and risks associated to daily running operational activities.

Such risks are mitigated through proper levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the Directors recognises that effective risk management is an integral part of good business practice. The Directors acknowledges that the Group's and the Bank's activities may involve some degree of risks and it should be noted that the system could only provide a reasonable and not absolute assurance against any misstatement or loss.

The Directors will pursue an on-going process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies.

(b) Financial instruments by category

Group As at 31.12.2012	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
ASSETS					
Cash and short term funds	793,328	–	–	–	793,328
Deposits and placements with banks	42,864	–	–	–	42,864
Securities held-for-trading	–	811,335	–	–	811,335
Securities held-to-maturity	–	–	–	461,509	461,509
Securities available-for-sale	–	–	3,903,223	–	3,903,223
Derivative financial assets	–	5,713	–	–	5,713
Loans, advances and financing	1,960,011	–	–	–	1,960,011
Trade receivables	2,718,708	–	–	–	2,718,708
Other financial assets	186,645	–	–	–	186,645
Total Assets	5,701,556	817,048	3,903,223	461,509	10,883,336

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group As at 31.12.2012	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	5,571,859	5,571,859
Deposits and placements of banks and other financial institutions	–	1,090,476	1,090,476
Obligations on securities sold under repurchase agreements	–	240,010	240,010
Obligations on securities borrowed	–	119,905	119,905
Derivative financial liabilities	27,448	–	27,448
Trade payables	–	2,470,232	2,470,232
Other financial liabilities	–	181,951	181,951
Borrowings	–	112,384	112,384
Subordinated notes	–	407,171	407,171
Total Liabilities	27,448	10,193,988	10,221,436

Bank As at 31.12.2012	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
ASSETS					
Cash and short term funds	358,316	–	–	–	358,316
Deposits and placements with banks	55,624	–	–	–	55,624
Securities held-for-trading	–	719,797	–	–	719,797
Securities held-to-maturity	–	–	–	461,509	461,509
Securities available-for-sale	–	–	3,868,665	–	3,868,665
Derivative financial assets	–	5,713	–	–	5,713
Loans, advances and financing	1,377,776	–	–	–	1,377,776
Trade receivables	866,663	–	–	–	866,663
Other financial assets	156,572	–	–	–	156,572
Total Assets	2,814,951	725,510	3,868,665	461,509	7,870,635

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank As at 31.12.2012	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	5,425,691	5,425,691
Deposits and placements of banks and other financial institutions	–	1,036,559	1,036,559
Obligations on securities sold under repurchase agreements	–	240,010	240,010
Obligation on securities borrowed	–	119,905	119,905
Derivative financial liabilities	27,448	–	27,448
Trade payables	–	821,401	821,401
Other financial liabilities	–	97,068	97,068
Subordinated notes	–	407,171	407,171
Total Liabilities	**27,448**	**8,147,805**	**8,175,253**

Group As at 31.12.2011	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
ASSETS					
Cash and short term funds	1,366,966	–	–	–	1,366,966
Deposits and placements with banks	50,547	–	–	–	50,547
Securities held-for-trading	–	288,656	–	–	288,656
Securities held-to-maturity	–	–	–	645,998	645,998
Securities available-for-sale	–	–	3,247,015	–	3,247,015
Derivative financial assets	–	8,843	–	–	8,843
Loans, advances and financing	1,425,405	–	–	–	1,425,405
Trade receivables	1,523,131	–	–	–	1,523,131
Other financial assets	57,039	–	–	–	57,039
Total Assets	4,423,088	297,499	3,247,015	645,998	8,613,600

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group As at 31.12.2011	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	4,774,156	4,774,156
Deposits and placements of banks and other financial institutions	–	659,042	659,042
Obligations on securities sold under repurchase agreements	–	291,083	291,083
Derivative financial liabilities	105,592	–	105,592
Trade payables	–	1,346,392	1,346,392
Other financial liabilities	–	133,878	133,878
Borrowings	–	20,975	20,975
Subordinated notes	–	407,280	407,280
Total Liabilities	105,592	7,632,806	7,738,398

Bank As at 31.12.2011	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
ASSETS					
Cash and short term funds	820,421	–	–	–	820,421
Deposits and placements with banks	50,547	–	–	–	50,547
Securities held-for-trading	–	252,720	–	–	252,720
Securities held-to-maturity	–	–	–	645,964	645,964
Securities available-for-sale	–	–	3,218,600	–	3,218,600
Derivative financial assets	–	8,843	–	–	8,843
Loans, advances and financing	1,005,031	–	–	–	1,005,031
Trade receivables	768,207	–	–	–	768,207
Other financial assets	23,768	–	–	–	23,768
Total Assets	2,667,974	261,563	3,218,600	645,964	6,794,101

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank As at 31.12.2011	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	4,698,637	4,698,637
Deposits and placements of banks and other financial institutions	–	603,041	603,041
Obligations on securities sold under repurchase agreements	–	291,083	291,083
Derivative financial liabilities	105,592	–	105,592
Trade payables	–	700,954	700,954
Other financial liabilities	–	107,583	107,583
Subordinated notes	–	407,280	407,280
Total Liabilities	105,592	6,808,578	6,914,170

Group As at 1.1.2011	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
ASSETS					
Cash and short term funds	672,886	–	–	–	672,886
Securities purchased under resale agreements	111,486	–	–	–	111,486
Securities held-for-trading	–	584,969	–	–	584,969
Securities held-to-maturity	–	–	–	668,278	668,278
Securities available-for-sale	–	–	2,811,550	–	2,811,550
Derivative financial assets	–	95,217	–	–	95,217
Loans, advances and financing	1,101,708	–	–	–	1,101,708
Trade receivables	2,042,213	–	–	–	2,042,213
Other financial assets	38,112	–	–	–	38,112
Total Assets	3,966,405	680,186	2,811,550	668,278	8,126,419

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group As at 1.1.2011	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	3,951,905	3,951,905
Deposits and placements of banks and other financial institutions	–	669,913	669,913
Derivative financial liabilities	153,477	–	153,477
Trade payables	–	1,791,827	1,791,827
Other financial liabilities	–	133,446	133,446
Borrowings	–	116,365	116,365
Subordinated notes	–	306,197	306,197
Total Liabilities	153,477	6,969,653	7,123,130

Bank As at 1.1.2011	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
ASSETS					
Cash and short term funds	374,731	–	–	–	374,731
Securities purchased under resale agreements	59,886	–	–	–	59,886
Securities held-for-trading	–	571,219	–	–	571,219
Securities held-to-maturity	–	–	–	668,278	668,278
Securities available-for-sale	–	–	2,801,811	–	2,801,811
Derivative financial assets	–	95,206	–	–	95,206
Loans, advances and financing	818,472	–	–	–	818,472
Trade receivables	746,182	–	–	–	746,182
Other financial assets	16,788	–	–	–	16,788
Total Assets	2,016,059	666,425	2,801,811	668,278	6,152,573

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank As at 1.1.2011	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	3,953,520	3,953,520
Deposits and placements of banks and other financial institutions	–	669,519	669,519
Derivative financial liabilities	153,469	–	153,469
Trade payables	–	662,257	662,257
Other financial liabilities	–	115,495	115,495
Subordinated notes	–	306,197	306,197
Total Liabilities	153,469	5,706,988	5,860,457

(c) Fair Values

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value is set out below:

	Note	Group					
		31.12.2012		31.12.2011		1.1.2011	
		Carrying Amounts RM'000	Fair Values RM'000	Carrying Amounts RM'000	Fair Values RM'000	Carrying Amounts RM'000	Fair Values RM'000
(i) Financial assets							
Securities held-to-maturity							
– bankers' acceptance and Islamic accepted bills	8(b)	**–**	**–**	–	–	9,789	9,791
– Cagamas bonds	8(b)	**–**	**–**	5,045	5,026	5,068	5,053
– Malaysian Government Investment Issue	8(b)	**101,103**	**101,474**	141,509	141,759	187,937	185,941
– Negotiable instruments of deposit	8(b)	**–**	**–**	70,292	70,004	110,311	110,008
– Private and Islamic debt securities	8(b)	**360,406**	**344,185**	429,152	498,999	355,173	355,111
(ii) Financial liabilities							
Subordinated notes	27	**407,171**	**426,408**	407,280	424,305	306,197	317,793

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value is set out below (continued):

	Note	Bank					
		31.12.2012		31.12.2011		1.1.2011	
		Carrying Amounts RM'000	Fair Values RM'000	Carrying Amounts RM'000	Fair Values RM'000	Carrying Amounts RM'000	Fair Values RM'000
(i) Financial assets							
Securities held-to-maturity							
– bankers' acceptance and Islamic accepted bills	8(b)	–	–	–	–	9,789	9,791
– Cagamas bonds	8(b)	–	–	5,045	5,026	5,068	5,053
– Malaysian Government Investment Issue	8(b)	**101,103**	**101,474**	141,509	141,759	187,937	185,941
– Negotiable instruments of deposit	8(b)	–	–	70,292	70,004	110,311	110,008
– Private and Islamic debt securities	8(b)	**360,406**	**344,185**	429,118	498,965	355,173	355,111
(ii) Financial liabilities							
Subordinated notes	27	**407,171**	**426,408**	407,280	424,305	306,197	317,793

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Securities held-to-maturity

The fair value of securities held-to-maturity are valued using models that use both observable and non-observable data. The non-observable inputs to the models include assumptions made by Bond Pricing Agency regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

(ii) Subordinated notes

The fair value of subordinated notes is estimated based on ask price quoted by Bond Pricing Agency on the reporting date.

(iii) Trade and other receivables/payables, cash and cash equivalents and short term borrowings

The carrying amounts are reasonable approximation of their fair values due to the relatively short term maturity in the nature of these financial instruments.

Other than as disclosed in Notes 48(e) and (f), the Group and the Bank did not enter into any contract involving financial instruments with off-balance sheet risk as at the reporting date.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly;

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the analysis of financial instruments recorded at their fair values by level of hierarchy:

Group 31.12.2012	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Securities held-for-trading	8(a)				
– Malaysian Government Investment Issue		–	50,598	–	50,598
– Malaysian Government Securities		–	30,473	–	30,473
– Quoted shares and exchange traded funds		111,017	–	–	111,017
– Trust units in Malaysia		2,027	–	–	2,027
– Trust units outside Malaysia		25,033	–	–	25,033
– Unquoted private debt securities		–	592,187	–	592,187
		138,077	673,258	–	811,335

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy (continued)

Group 31.12.2012	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets (continued)					
Securities available-for-sale	8(c)				
– Bankers' acceptance and Islamic accepted bills		–	507,382	–	507,382
– Malaysian Government Investment Issue		–	517,064	–	517,064
– Malaysian Government Securities		–	202,889	–	202,889
– Bank Negara Malaysia Monetary Notes		–	205,859	–	205,859
– Negotiable instruments of deposit		–	459,878	–	459,878
– Quoted shares and warrants		1,559	–	–	1,559
– Trust units in Malaysia		5,247	–	–	5,247
– Trust units outside Malaysia		20,197	–	–	20,197
– Unquoted securities		–	–	25,697	25,697
– Unquoted private debt securities		–	1,944,785	12,666	1,957,451
		27,003	3,837,857	38,363	3,903,223
Derivatives financial assets	9				
– Equity related contracts		–	16	–	16
– Structured products		–	40	–	40
– Interest rate swaps		–	2,592	–	2,592
– Foreign currency forward and swap contracts		–	3,065	–	3,065
		–	5,713	–	5,713
Financial liabilities					
Derivatives financial liabilities	23				
– Structured warrants		14,352	–	–	14,352
– Interest rate swaps		–	3,648	–	3,648
– Foreign currency swap contracts		–	9,448	–	9,448
		14,352	13,096	–	27,448

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy (continued)

Bank 31.12.2012	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Securities held-for-trading	8(a)				
– Malaysian Government Investment Issue		–	50,598	–	50,598
– Malaysian Government Securities		–	30,473	–	30,473
– Quoted shares, exchange traded funds and warrants		79,174	–	–	79,174
– Unquoted private debt securities		–	559,552	–	559,552
		79,174	640,623	–	719,797
Securities available-for-sale	8(c)				
– Bankers' acceptance and Islamic accepted bills		–	507,382	–	507,382
– Malaysian Government Investment Issue		–	517,064	–	517,064
– Malaysian Government Securities		–	202,889	–	202,889
– Bank Negara Malaysia Monetary Notes		–	205,859	–	205,859
– Negotiable instruments of deposit		–	459,878	–	459,878
– Quoted shares and warrants		323	–	–	323
– Trust units outside Malaysia		15,295	–	–	15,295
– Unquoted securities		–	–	2,690	2,690
– Unquoted private debt securities		–	1,944,619	12,666	1,957,285
		15,618	3,837,691	15,356	3,868,665

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy (continued)

Bank 31.12.2012	**Note**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets (continued)					
Derivatives financial assets	9				
– Equity related contracts		–	16	–	16
– Structured products		–	40	–	40
– Interest rate swaps		–	2,592	–	2,592
– Foreign currency forward and swap contracts		–	3,065	–	3,065
		–	5,713	–	5,713
Financial liabilities					
Derivatives financial liabilities	23				
– Structured warrants		14,352	–	–	14,352
– Interest rate swaps		–	3,648	–	3,648
– Foreign currency swap contracts		–	9,448	–	9,448
		14,352	13,096	–	27,448

Group 31.12.2011					
Financial assets					
Securities held-for-trading	8(a)				
– Malaysian Government Investment Issue		–	41,203	–	41,203
– Malaysian Government Securities		–	30,795	–	30,795
– Quoted shares and exchange traded funds		170,374	–	–	170,374
– Quoted private debt securities		9,075	–	–	9,075
– Trust units in Malaysia		1,918	–	–	1,918
– Trust units outside Malaysia		10,324	–	–	10,324
– Unquoted private debt securities		–	24,967	–	24,967
		191,691	96,965	–	288,656

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy (continued)

Group 31.12.2011	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets (continued)					
Securities available-for-sale	8(c)				
– Bankers' acceptance and Islamic accepted bills		–	300,132	–	300,132
– Cagamas bonds		–	5,025	–	5,025
– Malaysian Government Investment Issue		–	411,468	–	411,468
– Malaysian Government Securities		–	436,352	–	436,352
– Negotiable instruments of deposit		–	159,719	–	159,719
– Quoted shares and warrants		1,650	–	–	1,650
– Trust units in Malaysia		2,645	–	–	2,645
– Trust units outside Malaysia		17,427	–	–	17,427
– Unquoted securities		–	–	25,131	25,131
– Unquoted private debt securities		–	1,862,358	25,108	1,887,466
		21,722	3,175,054	50,239	3,247,015
Derivatives financial assets	9				
– Equity related contracts		–	131	–	131
– Interest rate swaps		–	3,178	–	3,178
– Foreign currency forward and swap contracts		–	5,534	–	5,534
		–	8,843	–	8,843
Financial liabilities					
Derivatives financial liabilities	23				
– Structured warrants		66,392	–	–	66,392
– Structured products		–	11,380	–	11,380
– Interest rate swaps		–	6,776	–	6,776
– Foreign currency swap contracts		–	21,044	–	21,044
		66,392	39,200	–	105,592

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy (continued)

Bank 31.12.2011	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Securities held-for-trading	8(a)				
– Malaysian Government Investment Issue		–	41,203	–	41,203
– Malaysian Government Securities		–	30,795	–	30,795
– Quoted shares, exchange traded funds and warrants		168,147	–	–	168,147
– Unquoted private debt securities		–	12,575	–	12,575
		168,147	84,573	–	252,720
Securities available-for-sale	8(c)				
– Bankers' acceptance and Islamic accepted bills		–	300,132	–	300,132
– Cagamas bonds		–	5,025	–	5,025
– Malaysian Government Investment Issue		–	411,468	–	411,468
– Malaysian Government Securities		–	436,352	–	436,352
– Negotiable instruments of deposit		–	159,719	–	159,719
– Quoted shares and warrants		653	–	–	653
– Trust units outside Malaysia		15,692	–	–	15,692
– Unquoted securities		–	–	2,690	2,690
– Unquoted private debt securities		–	1,861,761	25,108	1,886,869
		16,345	3,174,457	27,798	3,218,600
Derivatives financial assets	9				
– Equity related contracts		–	131	–	131
– Interest rate swaps		–	3,178	–	3,178
– Foreign currency forward and swap contracts		–	5,534	–	5,534
		–	8,843	–	8,843
Financial liabilities					
Derivatives financial liabilities	23				
– Structured warrants		66,392	–	–	66,392
– Structured products		–	11,380	–	11,380
– Interest rate swaps		–	6,776	–	6,776
– Foreign currency swap contracts		–	21,044	–	21,044
		66,392	39,200	–	105,592

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy (continued)

Group 1.1.2011	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Securities purchased under resale agreements	7				
– Malaysian Government Securities		–	59,886	–	59,886
– Quoted shares		51,600	–	–	51,600
		51,600	59,886	–	111,486
Securities held-for-trading	8(a)				
– Quoted shares, exchange traded funds and warrants		231,511	–	–	231,511
– Trust units in Malaysia		1,049	–	–	1,049
– Unquoted private debt securities		–	352,409	–	352,409
		232,560	352,409	–	584,969
Securities available-for-sale	8(c)				
– Bankers' acceptance and Islamic accepted bills		–	431,730	–	431,730
– Cagamas bonds		–	7,078	–	7,078
– Malaysian Government Investment Issue		–	162,396	–	162,396
– Malaysian Government Securities		–	610,456	–	610,456
– Negotiable instruments of deposit		–	80,362	–	80,362
– Quoted shares and warrants		7,451	–	–	7,451
– Trust units outside Malaysia		9,200	–	–	9,200
– Unquoted securities		–	–	5,918	5,918
– Unquoted private debt securities		–	1,462,485	34,474	1,496,959
		16,651	2,754,507	40,392	2,811,550
Derivatives financial assets	9				
– Equity related contracts		–	50,707	–	50,707
– Commodities related contracts		11	–	–	11
– Interest rate swaps		–	358	–	358
– Foreign currency forward and swap contracts		–	44,141	–	44,141
		11	95,206	–	95,217

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy (continued)

Group 1.1.2011	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liabilities					
Derivatives financial liabilities	23				
– Equity related contracts		45	–	–	45
– Commodities related contracts		8	–	–	8
– Structured warrants		141,452	–	–	141,452
– Structured products		–	6,504	–	6,504
– Foreign currency swap contracts		–	5,468	–	5,468
		141,505	11,972	–	153,477

Bank 1.1.2011	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Securities purchased under resale agreements	7				
– Malaysian Government Securities		–	59,886	–	59,886
Securities held-for-trading	8(a)				
– Quoted shares, exchange traded funds and warrants		218,810	–	–	218,810
– Unquoted private debt securities		–	352,409	–	352,409
		218,810	352,409	–	571,219
Securities available-for-sale	8(c)				
– Bankers' acceptance and Islamic accepted bills		–	431,730	–	431,730
– Cagamas bonds		–	7,078	–	7,078
– Malaysian Government Investment Issue		–	162,396	–	162,396
– Malaysian Government Securities		–	610,456	–	610,456
– Negotiable instruments of deposit		–	80,362	–	80,362
– Quoted shares and warrants		940	–	–	940
– Trust units outside Malaysia		9,200	–	–	9,200
– Unquoted securities		–	–	2,690	2,690
– Unquoted private debt securities		–	1,462,485	34,474	1,496,959
		10,140	2,754,507	37,164	2,801,811

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Determination of fair value and fair value hierarchy (continued)

Bank 1.1.2011	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets (continued)					
Derivatives financial assets	9				
– Equity related contracts		–	50,707	–	50,707
– Interest rate swaps		–	358	–	358
– Foreign currency forward and swap contracts		–	44,141	–	44,141
		–	95,206	–	95,206
Financial liabilities					
Derivatives financial liabilities	23				
– Equity related contracts		45	–	–	45
– Structured warrants		141,452	–	–	141,452
– Structured products		–	6,504	–	6,504
– Foreign currency swap contracts		–	5,468	–	5,468
		141,497	11,972	–	153,469

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy as follows:

	Group		Bank	
Securities available-for-sale	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
At beginning of year	**50,239**	40,392	**27,798**	37,164
Total gains or losses recognised in other comprehensive income	**–**	16,288	**–**	(23)
Additions	**87**	16,950	**–**	14,125
Settlements	**(17,312)**	–	**(17,312)**	–
Reversal of impairment losses	**4,870**	(23,468)	**4,870**	(23,468)
Exchange difference	**479**	77	**–**	–
At end of year	**38,363**	50,239	**15,356**	27,798

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair Values (continued)

Financial instruments recorded at fair value

The following is the description on how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives financial instruments

Derivative product valued using a valuation technique with significant market observable inputs are mainly interest rate swaps, over-the-counter equity related option contracts, currency swaps, forward exchange contracts and structured investments. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations and recomputation of indicative prices based on the formula stated in term sheets of structured products. The models incorporate various inputs including the credit quality of counterparties, foreign exchange and forward rates, interest rate curves and observable market prices of quoted equity securities.

Financial investments - securities purchased under resale agreements, securities held-for-trading and available-for-sale

Money market or fixed income instruments classified as securities purchased under resale agreements, securities held-for-trading or available-for-sale are valued using models that use both observable and non-observable data. The non-observable inputs to the models include assumptions by Bond Pricing Agency regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee to protect total net interest income from changes in market interest rates.

The table below summarises the Group's and the Bank's exposure to interest rate risk. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

	Non-trading book							
Group **As at 31.12.2012**	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS								
Cash and short term funds	253,833	–	–	–	–	539,495	–	793,328
Deposits and placements with banks	–	42,864	–	–	–	–	–	42,864
Securities held-for-trading	–	–	–	–	–	–	811,335	811,335
Securities held-to-maturity	2,501	20,009	57,063	265,422	112,213	4,301	–	461,509
Securities available-for-sale	795,988	463,196	222,021	1,414,913	923,972	83,133	–	3,903,223
Derivative financial assets	–	–	–	–	–	–	5,713	5,713
Loans, advances and financing								
– Non-impaired	675,710	73,068	402,614	405,049	186,314	772	–	1,743,527
– Impaired	–	–	–	–	–	216,484	–	216,484
Trade receivables	124,416	–	–	–	–	2,594,292	–	2,718,708
Statutory and reserve deposits with Central Banks	–	–	–	–	47,367	197,114	–	244,481
Other assets	–	–	–	–	–	202,288	–	202,288
Other non-interest sensitive assets	–	–	–	–		161,378	–	161,378
Total Assets	**1,852,448**	**599,137**	**681,698**	**2,085,384**	**1,269,866**	**3,999,257**	**817,048**	**11,304,838**

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

Group As at 31.12.2012	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES								
Deposits from customers	2,910,021	973,172	1,612,204	41,622	–	34,840	–	5,571,859
Deposits and placements of banks and other financial institutions	1,003,533	60,583	20,116	6,117	–	127	–	1,090,476
Obligations on securities sold under repurchase agreements	143,550	68,030	27,546	–	–	884	–	240,010
Obligation on securities borrowed	–	–	–	–	–	119,905	–	119,905
Derivative financial liabilities	–	–	–	–	–	–	27,448	27,448
Trade payables	–	–	–	–	–	2,470,232	–	2,470,232
Borrowings	112,384	–	–	–	–	–	–	112,384
Subordinated notes	–	–	100,000	300,000	–	7,171	–	407,171
Other non-interest sensitive liabilities	–	–	–	–	–	201,346	–	201,346
Total Liabilities	4,169,488	1,101,785	1,759,866	347,739	–	2,834,505	27,448	10,240,831
On-balance sheet interest sensitivity gap	(2,317,040)	(502,648)	(1,078,168)	1,737,645	1,269,866	100,745	789,600	–
Off-balance sheet interest sensitivity gap	–	300,000	160,000	885,000	–	–	–	1,345,000
Total Interest Sensitivity Gap	(2,317,040)	(202,648)	(918,168)	2,622,645	1,269,866	100,745	789,600	1,345,000
Cumulative interest rate sensitivity gap	(2,317,040)	(2,519,688)	(3,437,856)	(815,211)	454,655	555,400	1,345,000	1,345,000

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

Group As at 31.12.2011	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS								
Cash and short term funds	944,141	–	–	–	–	422,825	–	1,366,966
Deposits and placements with a bank	–	50,000	–	–	–	547	–	50,547
Securities held-for-trading	–	–	–	–	–	–	288,656	288,656
Securities held-to-maturity	–	89,514	67,491	236,965	245,926	6,102	–	645,998
Securities available-for-sale	168,196	318,801	231,790	1,270,137	1,186,471	71,620	–	3,247,015
Derivative financial assets	–	–	–	–	–	–	8,843	8,843
Loans, advances and financing								
– Non-impaired	447,206	20,873	580,664	271,338	105,022	–	–	1,425,103
– Impaired	–	–	–	–	–	302	–	302
Trade receivables	33,512	–	–	–	–	1,489,619	–	1,523,131
Statutory and reserve deposits with Central Banks	–	–	–	–	33,724	179,610	–	213,334
Other assets	–	–	–	–	–	78,125	–	78,125
Other non-interest sensitive assets	–	–	–	–		293,083	–	293,083
Total Assets	1,593,055	479,188	879,945	1,778,440	1,571,143	2,541,833	297,499	9,141,103
LIABILITIES								
Deposits from customers	2,859,115	685,679	1,109,726	47,832	–	71,804	–	4,774,156
Deposits and placements of banks and other financial institutions	271,768	333,187	53,794	–	–	293	–	659,042
Obligations on securities sold under repurchase agreements	147,253	17,980	125,850	–	–	–	–	291,083
Derivative financial liabilities	–	–	–	–	–	–	105,592	105,592
Trade payables	–	–	–	–	–	1,346,392	–	1,346,392
Borrowings	20,854	–	121	–	–	–	–	20,975
Subordinated notes	–	–	–	400,000	–	7,280	–	407,280
Other non-interest sensitive liabilities	–	–	–	–	–	183,377	–	183,377
Total Liabilities	3,298,990	1,036,846	1,289,491	447,832	–	1,609,146	105,592	7,787,897
On-balance sheet interest sensitivity gap	(1,705,935)	(557,658)	(409,546)	1,330,608	1,571,143	(420,519)	191,907	–
Off-balance sheet interest sensitivity gap	–	–	585,000	525,000	–	–	–	1,110,000
Total Interest Sensitivity Gap	(1,705,935)	(557,658)	175,454	1,855,608	1,571,143	(420,519)	191,907	1,110,000
Cumulative interest rate sensitivity gap	(1,705,935)	(2,263,593)	(2,088,139)	(232,531)	1,338,612	918,093	1,110,000	1,110,000

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

Group As at 1.1.2011	Non-trading book Up to 1 month RM'000	 >1-3 months RM'000	 >3-12 months RM'000	 >1-5 years RM'000	 Over 5 years RM'000	 Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS								
Cash and short term funds	434,252	–	–	–	–	238,634	–	672,886
Securities purchased under resale agreements	59,886	–	–	–	–	51,600	–	111,486
Securities held-for-trading	–	–	–	–	–	–	584,969	584,969
Securities held-to-maturity	60,000	59,789	108,634	306,795	127,209	5,851	–	668,278
Securities available-for-sale	315,069	245,107	387,851	1,449,709	368,694	45,120	–	2,811,550
Derivative financial assets	–	–	–	–	–	–	95,217	95,217
Loans, advances and financing								
– Non-impaired	527,058	2,756	241,515	285,557	44,589	–	–	1,101,475
– Impaired	–	–	–	–	–	233	–	233
Trade receivables	31,374	–	–	–	–	2,010,839	–	2,042,213
Statutory and reserve deposits with Central Banks	–	–	–	–	24,468	45,210	–	69,678
Other assets	–	–	–	–	–	56,170	–	56,170
Other non-interest sensitive assets	–	–	–	–		255,344	–	255,344
Total Assets	1,427,639	307,652	738,000	2,042,061	564,960	2,709,001	680,186	8,469,499
LIABILITIES								
Deposits from customers	2,248,917	1,034,555	616,665	21,995	–	29,773	–	3,951,905
Deposits and placements of banks and other financial institutions	304,357	145,193	220,136	–	–	227	–	669,913
Derivative financial liabilities	–	–	–	–	–	–	153,477	153,477
Trade payables	–	–	–	–	–	1,791,827	–	1,791,827
Borrowings	43,973	–	72,392	–	–	–		116,365
Subordinated notes	–	–	–	100,000	200,000	6,197	–	306,197
Other non-interest sensitive liabilities	–	–	–	–	–	202,473	–	202,473
Total Liabilities	2,597,247	1,179,748	909,193	121,995	200,000	2,030,497	153,477	7,192,157
On-balance sheet interest sensitivity gap	(1,169,608)	(872,096)	(171,193)	1,920,066	364,960	(598,838)	526,709	–
Off-balance sheet interest sensitivity gap	–	–	505,145	289,940	53,961	–	–	849,046
Total Interest Sensitivity Gap	(1,169,608)	(872,096)	333,952	2,210,006	418,921	(598,838)	526,709	849,046
Cumulative interest rate sensitivity gap	(1,169,608)	(2,041,704)	(1,707,752)	502,254	921,175	322,337	849,046	849,046

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

Bank As at 31.12.2012	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS								
Cash and short term funds	253,833	–	–	–	–	104,483	–	358,316
Deposits and placements with banks	–	40,324	15,300	–	–	–	–	55,624
Securities held-for-trading	–	–	–	–	–	–	719,797	719,797
Securities held-to-maturity	2,501	20,009	57,063	265,422	112,213	4,301	–	461,509
Securities available-for-sale	795,988	463,196	222,020	1,414,913	923,972	48,576	–	3,868,665
Derivative financial assets	–	–	–	–	–	–	5,713	5,713
Loans, advances and financing*								
– Non-impaired	357,039	61,933	365,152	368,177	6,234	–	–	1,158,535
– Impaired	–	–	–	–	–	219,241	–	219,241
Trade receivables	124,416	–	–	–	–	742,247	–	866,663
Statutory deposits with Central Banks	–	–	–	–	–	196,640	–	196,640
Other non-interest sensitive assets	–	–	–	–	–	1,129,967	–	1,129,967
Total Assets	1,533,777	585,462	659,535	2,048,512	1,042,419	2,445,455	725,510	9,040,670

* This is arrived at after deducting the individual impairment from gross impaired loans, advances and financing.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

	Non-trading book							
Bank As at 31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES								
Deposits from customers	2,978,098	857,242	1,513,901	41,076	531	34,843	–	5,425,691
Deposits and placements of banks and other financial institutions	1,002,588	30,000	3,844	–	–	127	–	1,036,559
Obligations on securities sold under repurchase agreements	143,550	68,030	27,546	–	–	884	–	240,010
Obligation on securities borrowed	–	–	–	–	–	119,905	–	119,905
Derivative financial liabilities	–	–	–	–	–	27,448	–	27,448
Trade payables	–	–	–	–	–	821,401	–	821,401
Subordinated notes	–	–	100,000	300,000	–	7,171	–	407,171
Other non-interest sensitive liabilities	–	–	–	–	–	105,915	–	105,915
Total Liabilities	4,124,236	955,272	1,645,291	341,076	531	1,117,694	–	8,184,100
On-balance sheet interest sensitivity gap	(2,590,459)	(369,810)	(985,756)	1,707,436	1,041,888	471,191	725,510	–
Off-balance sheet interest sensitivity gap	–	300,000	160,000	885,000	–	–	–	1,345,000
Total Interest Sensitivity Gap	(2,590,459)	(69,810)	(825,756)	2,592,436	1,041,888	471,191	725,510	1,345,000
Cumulative interest rate sensitivity gap	(2,590,459)	(2,660,269)	(3,486,025)	(893,589)	148,299	619,490	1,345,000	1,345,000

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

Bank As at 31.12.2011	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS								
Cash and short term funds	772,486	–	–	–	–	47,935	–	820,421
Deposits and placements with a bank	–	50,000	–	–	–	547	–	50,547
Securities held-for-trading	–	–	–	–	–	–	252,720	252,720
Securities held-to-maturity	–	89,480	67,491	236,965	245,926	6,102	–	645,964
Securities available-for-sale	168,196	318,233	231,785	1,270,113	1,186,471	43,802	–	3,218,600
Derivative financial assets	–	–	–	–	–	–	8,843	8,843
Loans, advances and financing*								
– Non-impaired	346,718	–	475,907	181,508	871	–	–	1,005,004
– Impaired	–	–	–	–	–	27	–	27
Trade receivables	33,512	–	–	–	–	734,695	–	768,207
Statutory deposits with Central Banks	–	–	–	–	–	179,610	–	179,610
Other non-interest sensitive assets	–	–	–	–	–	927,958	–	927,958
Total Assets	1,320,912	457,713	775,183	1,688,586	1,433,268	1,940,676	261,563	7,877,901

* This is arrived at after deducting the individual impairment from gross impaired loans, advances and financing.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

Bank As at 31.12.2011	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES								
Deposits from customers	2,894,649	666,319	1,060,903	46,986	–	29,780	–	4,698,637
Deposits and placements of banks and other financial institutions	270,888	301,417	30,443	–	–	293	–	603,041
Obligations on securities sold under repurchase agreements	147,253	17,980	125,850	–	–	–	–	291,083
Derivative financial liabilities	–	–	–	–	–	–	105,592	105,592
Trade payables	–	–	–	–	–	700,954	–	700,954
Subordinated notes	–	–	–	400,000	–	7,280	–	407,280
Other non-interest sensitive liabilities	–	–	–	–	–	116,225	–	116,225
Total Liabilities	3,312,790	985,716	1,217,196	446,986	–	854,532	105,592	6,922,812
On-balance sheet interest sensitivity gap	(1,991,878)	(528,003)	(442,013)	1,241,600	1,433,268	131,055	155,971	–
Off-balance sheet interest sensitivity gap	–	–	585,000	525,000	–	–	–	1,110,000
Total Interest Sensitivity Gap	(1,991,878)	(528,003)	142,987	1,766,600	1,433,268	131,055	155,971	1,110,000
Cumulative interest rate sensitivity gap	(1,991,878)	(2,519,881)	(2,376,894)	(610,294)	822,974	954,029	1,110,000	1,110,000

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

Bank As at 1.1.2011	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS								
Cash and short term funds	318,230	–	–	–	–	56,501	–	374,731
Securities purchased under resale agreements	59,886	–	–	–	–	–	–	59,886
Securities held-for-trading	–	–	–	–	–	–	571,219	571,219
Securities held-to-maturity	60,000	59,789	108,634	306,795	127,209	5,851	–	668,278
Securities available-for-sale	315,069	245,107	387,851	1,449,709	368,694	35,381	–	2,801,811
Derivative financial assets	–	–	–	–	–	–	95,206	95,206
Loans, advances and financing								
– Non-impaired	398,828	–	215,161	203,646	837	–	–	818,472
Trade receivables	31,374	–	–	–	–	714,808		746,182
Statutory deposits with Central Banks	–	–	–	–	–	45,210	–	45,210
Other non-interest sensitive assets	–	–	–	–	–	646,554	–	646,554
Total Assets	1,183,387	304,896	711,646	1,960,150	496,740	1,504,305	666,425	6,827,549
LIABILITIES								
Deposits from customers	2,300,021	1,023,771	588,093	20,719	–	20,916	–	3,953,520
Deposits and placements of banks and other financial institutions	304,047	145,193	220,136	–	–	143	–	669,519
Derivative financial liabilities	–	–	–	–	–	–	153,469	153,469
Trade payables	–	–	–	–	–	662,257	–	662,257
Subordinated notes	–	–	–	100,000	200,000	6,197	–	306,197
Other non-interest sensitive liabilities	–	–	–	–	–	134,870	–	134,870
Total Liabilities	2,604,068	1,168,964	808,229	120,719	200,000	824,383	153,469	5,879,832
On-balance sheet interest sensitivity gap	(1,420,681)	(864,068)	(96,583)	1,839,431	296,740	(267,795)	512,956	–
Off-balance sheet interest sensitivity gap	–	–	505,145	289,940	53,961	–	–	849,046
Total Interest Sensitivity Gap	(1,420,681)	(864,068)	408,562	2,129,371	350,701	(267,795)	512,956	849,046
Cumulative interest rate sensitivity gap	(1,420,681)	(2,284,749)	(1,876,187)	253,184	603,885	336,090	849,046	849,046

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest/profit rate risk (continued)

Sensitivity analysis for interest rate risk

The following table shows the sensitivity of the Group's and the Bank's profit after tax and its equity to an immediate up and down +/- 100 basis points (bps) parallel shift in the interest rate.

	2012		2011		2010	
Group and Bank	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
+ 100 bps	**(25,582)**	**(102,589)**	(4,920)	(109,014)	(16,175)	(51,933)
– 100 bps	**27,253**	**108,667**	5,283	115,672	17,465	54,569

The results above represent financial assets and liabilities that have been prepared on the following basis:

Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps interest rate change impact. For assets and liabilities with non fix maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing assets and liabilities.

Impact on equity represents the changes in fair values of fixed income instruments held in the available-for-sale portfolio arising from the shift in the interest rate.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Foreign exchange risk

Foreign exchange risk is the risk of changes to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates. The banking activities of providing financial products and services to customers expose the Group and the Bank to foreign exchange risk. Foreign exchange risk is managed by treasury function. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign exchange exposures.

<u>Sensitivity analysis for foreign exchange risk</u>

The following table demonstrates the sensitivity of the profit after tax and equity of the Group and of the Bank to a reasonably possible change in the United States Dollar exchange rates against the respective functional currencies of the Group and of the Bank entities, with all other variables held constant:

	Group			Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Impact to profit after tax						
– United States Dollar strengthened by 10% against Ringgit Malaysia	**73,834**	105,665	54,381	**67,231**	92,812	35,714
– United States Dollar weakened by 10% against Ringgit Malaysia	**(73,834)**	(105,665)	(54,381)	**(67,231)**	(92,812)	(35,714)

The following table demonstrates the sensitivity of the profit after tax and equity of the Group and of the Bank to a reasonably possible change in the Singapore Dollar exchange rates against the respective functional currencies of the Group and of the Bank entities, with all other variables held constant:

	Group			Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Impact to profit after tax						
– Singapore Dollar strengthened by 5% against Ringgit Malaysia	**(22,905)**	13,092	24,351	**(22,931)**	7,236	8,915
– Singapore Dollar weakened by 5% against Ringgit Malaysia	**22,905**	(13,092)	(24,351)	**22,931**	(7,236)	(8,915)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk

Liquidity risk relates to the ability of the Group and the Bank to maintain sufficient liquid assets to meet financial commitments and obligations when they fall due at a reasonable cost. The Assets and Liabilities Management Committee is the primary party responsible for liquidity management based on the guidelines approved by the Management Risk Committee. The management of the Group's and the Bank's liquidity risk is aligned to the New Liquidity Framework issued by Bank Negara Malaysia supplemented by liquidity risk management control and limits and a liquidity stress testing program. Liquidity limits are set for cash flow mismatches. In addition, liquidity trigger limits and concentration ratios are in place to serve as liquidity early warning indicators. Liquidity stress test programs are used to analyse the cash flow liquidity under "Systemic Wide Problem" and "Institutional Specific Problem" scenarios.

The following tables analyses of the Group's and the Bank's carrying amount of assets and liabilities (including non-financial instruments) at the reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8. The maturity profile for loans and deposits that do not have maturity dates and fixed deposits that are frequently rolled-over, is estimated based on the behavioural patterns of the customers. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

Group As at 31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	793,328	–	–	–	–	–	793,328
Deposits and placements with a bank	–	42,864	–	–	–	–	42,864
Securities held-for-trading	387	1,503	2,252	386,269	282,847	138,077	811,335
Securities held-to-maturity	2,917	20,749	57,345	268,286	112,212	–	461,509
Securities available-for-sale	805,125	475,083	225,818	1,420,358	911,305	65,534	3,903,223
Derivative financial assets	560	2,051	1,126	1,976	–	–	5,713
Loans, advances and financing	676,064	73,068	495,812	516,858	183,771	14,438	1,960,011
Trade receivables	2,718,708	–	–	–	–	–	2,718,708
Others	–	–	5,484	–	148,653	454,010	608,147
Total Assets	4,997,089	615,318	787,837	2,593,747	1,638,788	672,059	11,304,838

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

Group As at 31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES							
Deposits from customers	**2,967,443**	**931,868**	**1,630,253**	**42,295**	**–**	**–**	**5,571,859**
Deposits and placements of banks and other financial institutions	**1,003,648**	**60,580**	**26,248**	**–**	**–**	**–**	**1,090,476**
Obligations on securities sold under repurchase agreements	**–**	**212,361**	**27,649**	**–**	**–**	**–**	**240,010**
Obligation on securities borrowed	**–**	**–**	**–**	**65,810**	**54,095**	**–**	**119,905**
Derivative financial liabilities	**17,845**	**4,338**	**1,857**	**3,408**	**–**	**–**	**27,448**
Trade payables	**2,470,232**	**–**	**–**	**–**	**–**	**–**	**2,470,232**
Borrowings	**112,384**	**–**	**–**	**–**	**–**	**–**	**112,384**
Subordinated notes	**3,463**	**–**	**103,708**	**300,000**	**–**	**–**	**407,171**
Others	**5,113**	**90,975**	**2,293**	**–**	**–**	**102,965**	**201,346**
Total Liabilities	**6,580,128**	**1,300,122**	**1,792,008**	**411,513**	**54,095**	**102,965**	**10,240,831**
NET LIQUIDITY GAP	**(1,583,039)**	**(684,804)**	**(1,004,171)**	**2,182,234**	**1,584,693**	**569,094**	**1,064,007**

Group As at 31.12.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	1,366,966	–	–	–	–	–	1,366,966
Deposits and placements with a bank	–	50,547	–	–	–	–	50,547
Securities held-for-trading	–	–	–	33,160	63,806	191,690	288,656
Securities held-to-maturity	–	79,485	68,192	240,080	247,858	10,383	645,998
Securities available-for-sale	156,472	319,220	233,784	1,284,655	1,193,709	59,175	3,247,015
Derivative financial assets	–	131	5,602	3,110	–	–	8,843
Loans, advances and financing	590,434	4,229	506,557	212,485	111,700	–	1,425,405
Trade receivables	1,523,131	–	–	–	–	–	1,523,131
Others	–	–	7,879	–	15,672	560,991	584,542
Total Assets	3,637,003	453,612	822,014	1,773,490	1,632,745	822,239	9,141,103

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

Group As at 31.12.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES							
Deposits from customers	2,909,200	688,809	1,133,084	43,063	–	–	4,774,156
Deposits and placements of banks and other financial institutions	271,520	333,523	53,999	–	–	–	659,042
Obligations on securities sold under repurchase agreements	147,254	17,980	125,849	–	–	–	291,083
Derivative financial liabilities	80,071	18,204	5,456	1,835	26	–	105,592
Trade payables	1,346,392	–	–	–	–	–	1,346,392
Borrowings	20,975	–	–	–	–	–	20,975
Subordinated notes	3,520	–	3,760	400,000	–	–	407,280
Others	11,939	74,227	4,139	–	–	93,072	183,377
Total Liabilities	4,790,871	1,132,743	1,326,287	444,898	26	93,072	7,787,897
NET LIQUIDITY GAP	(1,153,868)	(679,131)	(504,273)	1,328,592	1,632,719	729,167	1,353,206

Group As at 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	672,886	–	–	–	–	–	672,886
Securities purchased under resale agreements	59,886	–	–	–	–	51,600	111,486
Securities held-for-trading	–	–	–	126,369	226,040	232,560	584,969
Securities held-to-maturity	61,952	61,734	110,588	306,794	127,210	–	668,278
Securities available-for-sale	323,650	251,783	392,813	1,451,082	369,653	22,569	2,811,550
Derivative financial assets	–	10,453	77,130	5,875	1,759	–	95,217
Loans, advances and financing	633,251	2,317	225,777	196,371	43,992	–	1,101,708
Trade receivables	2,042,213	–	–	–	–	–	2,042,213
Others	–	–	5,571	–	9,651	365,970	381,192
Total Assets	3,793,838	326,287	811,879	2,086,491	778,305	672,699	8,469,499

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

Group As at 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES							
Deposits from customers	2,270,476	1,033,742	587,178	60,509	–	–	3,951,905
Deposits and placements of banks and other financial institutions	304,455	145,198	220,260	–	–	–	669,913
Derivative financial liabilities	155,989	2,367	(4,879)	–	–	–	153,477
Trade payables	1,791,827	–	–	–	–	–	1,791,827
Borrowings	92,477	–	23,888	–	–	–	116,365
Subordinated notes	3,516	–	2,681	300,000	–	–	306,197
Others	7,308	77,537	5,335	–	–	112,293	202,473
Total Liabilities	4,626,048	1,258,844	834,463	360,509	–	112,293	7,192,157
NET LIQUIDITY GAP	(832,210)	(932,557)	(22,584)	1,725,982	778,305	560,406	1,277,342

Bank As at 31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	**358,316**	**–**	**–**	**–**	**–**	**–**	**358,316**
Deposits and placements with a bank	**–**	**55,624**	**–**	**–**	**–**	**–**	**55,624**
Securities held-for-trading	**387**	**1,503**	**2,252**	**386,240**	**250,242**	**79,173**	**719,797**
Securities held-to-maturity	**2,917**	**20,749**	**57,345**	**268,286**	**112,212**	**–**	**461,509**
Securities available-for-sale	**805,125**	**475,083**	**225,818**	**1,420,358**	**911,305**	**30,976**	**3,868,665**
Derivative financial assets	**560**	**2,051**	**1,126**	**1,976**	**–**	**–**	**5,713**
Loans, advances and financing	**357,392**	**61,933**	**458,350**	**480,201**	**6,234**	**13,666**	**1,377,776**
Trade receivables	**866,663**	**–**	**–**	**–**	**–**	**–**	**866,663**
Others	**2,961**	**–**	**671**	**–**	**148,653**	**1,174,322**	**1,326,607**
Total Assets	**2,394,321**	**616,943**	**745,562**	**2,557,061**	**1,428,646**	**1,298,137**	**9,040,670**

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

Bank As at 31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES							
Deposits from customers	2,989,021	862,018	1,532,373	42,279	–	–	5,425,691
Deposits and placements of banks and other financial institutions	1,002,704	29,997	3,858	–	–	–	1,036,559
Obligations on securities sold under repurchase agreements	–	212,361	27,649	–	–	–	240,010
Obligation on securities borrowed	–	–	–	65,810	54,095	–	119,905
Derivative financial liabilities	17,845	4,338	1,857	3,408	–	–	27,448
Trade payables	821,401	–	–	–	–		821,401
Borrowings	–	–	–	–	–		–
Subordinated notes	3,463	–	103,708	300,000	–	–	407,171
Others	1,230	50,477	2,293	–	–	51,915	105,915
Total Liabilities	4,835,664	1,159,191	1,671,738	411,497	54,095	51,915	8,184,100
NET LIQUIDITY GAP	(2,441,343)	(542,248)	(926,176)	2,145,564	1,374,551	1,246,222	856,570

Bank As at 31.12.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	820,421	–	–	–	–	–	820,421
Deposits and placements with a bank	–	50,547	–	–	–	–	50,547
Securities held-for-trading	–	–	–	20,768	63,806	168,146	252,720
Securities held-to-maturity	–	79,485	68,192	240,080	247,859	10,348	645,964
Securities available-for-sale	156,472	319,220	233,784	1,284,655	1,193,710	30,759	3,218,600
Derivative financial assets	–	131	5,602	3,110	–	–	8,843
Loans, advances and financing	346,698	–	476,218	181,247	868	–	1,005,031
Trade receivables	768,207	–	–	–	–	–	768,207
Others	5,173	–	2,543	–	15,672	1,084,180	1,107,568
Total Assets	2,096,971	449,383	786,339	1,729,860	1,521,915	1,293,433	7,877,901

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

Bank As at 31.12.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES							
Deposits from customers	2,901,230	673,690	1,081,768	41,949	–	–	4,698,637
Deposits and placements of banks and other financial institutions	270,945	301,448	30,648	–	–	–	603,041
Obligations on securities sold under repurchase agreements	147,254	17,980	125,849	–	–	–	291,083
Derivative financial liabilities	80,071	18,204	5,456	1,835	26	–	105,592
Trade payables	700,954	–	–	–	–		700,954
Subordinated notes	3,520	–	3,760	400,000	–	–	407,280
Others	9,124	50,747	4,139	–	–	52,215	116,225
Total Liabilities	4,113,098	1,062,069	1,251,620	443,784	26	52,215	6,922,812
NET LIQUIDITY GAP	(2,016,127)	(612,686)	(465,281)	1,286,076	1,521,889	1,241,218	955,089

Bank As at 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	374,731	–	–	–	–	–	374,731
Securities purchased under resale agreements	59,886	–	–	–	–	–	59,886
Securities held-for-trading	–	–	–	126,369	226,039	218,811	571,219
Securities held-to-maturity	61,952	61,734	110,588	306,794	127,210	–	668,278
Securities available-for-sale	323,650	251,783	392,813	1,451,083	369,652	12,830	2,801,811
Derivative financial assets	–	10,453	77,119	5,875	1,759	–	95,206
Loans, advances and financing	399,587	–	214,772	203,278	835	–	818,472
Trade receivables	746,182	–	–	–	–	–	746,182
Others	3,113	–	1,163	–	9,650	677,838	691,764
Total Assets	1,969,101	323,970	796,455	2,093,399	735,145	909,479	6,827,549

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

Bank As at 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES							
Deposits from customers	2,312,059	1,027,149	555,079	59,233	–	–	3,953,520
Deposits and placements of banks and other financial institutions	304,063	145,198	220,258	–	–	–	669,519
Derivative financial liabilities	155,980	2,367	(4,878)	–	–	–	153,469
Trade payables	662,257	–	–	–	–	–	662,257
Subordinated notes	3,516	–	2,681	300,000	–	–	306,197
Others	1,685	65,209	5,335	–	–	62,641	134,870
Total Liabilities	3,439,560	1,239,923	778,475	359,233	–	62,641	5,879,832
NET LIQUIDITY GAP	(1,470,459)	(915,953)	17,980	1,734,166	735,145	846,838	947,717

The following table presents the cash outflows for the Group's and Bank's financial liabilities by remaining contractual maturities on undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Group As at 31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	**3,052,397**	**925,569**	**1,663,435**	**37,332**	**–**	**5,678,733**
Deposits and placements of banks and other financial institutions	**1,023,585**	**78,508**	**10,292**	**–**	**–**	**1,112,385**
Obligations on securities sold under repurchase agreements	**–**	**212,594**	**27,745**	**–**	**–**	**240,339**
Obligation on securities borrowed	**–**	**–**	**–**	**65,810**	**54,095**	**119,905**
Derivative financial liabilities	**14,086**	**(410)**	**403**	**1,403**	**–**	**15,482**
Trade payables	**2,470,232**	**–**	**–**	**–**	**–**	**2,470,232**
Borrowings	**112,392**	**–**	**–**	**–**	**–**	**112,392**
Subordinated notes	**3,740**	**–**	**123,325**	**334,585**	**–**	**461,650**
Other financial liabilities	**5,113**	**90,975**	**2,293**	**–**	**43,068**	**141,449**
TOTAL FINANCIAL LIABILITIES	**6,681,545**	**1,307,236**	**1,827,493**	**439,130**	**97,163**	**10,352,567**

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

The following table presents the cash outflows for the Group's and Bank's financial liabilities by remaining contractual maturities on undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

Group As at 31.12.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	2,912,206	692,829	1,153,853	46,236	–	4,805,124
Deposits and placements of banks and other financial institutions	272,160	334,981	55,777	–	–	662,918
Obligations on securities sold under repurchase agreements	147,380	17,995	123,090	2,760	–	291,225
Derivative financial liabilities	79,522	3,176	9,293	3,268	–	95,259
Trade payables	1,346,392	–	–	–	–	1,346,392
Borrowings	20,978	–	–	–	–	20,978
Subordinated notes	3,822	–	23,454	461,650	–	488,926
Other financial liabilities	11,939	74,227	4,139	–	43,573	133,878
TOTAL FINANCIAL LIABILITIES	4,794,399	1,123,208	1,369,606	513,914	43,573	7,844,700

Group As at 1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES						
Deposits from customers	2,276,611	1,038,378	590,614	61,741	–	3,967,344
Deposits and placements of banks and other financial institutions	304,895	145,878	229,540	–	–	680,313
Derivative financial liabilities	150,548	753	(1,553)	–	–	149,748
Trade payables	1,791,827	–	–	–	–	1,791,827
Borrowings	92,671	–	24,089	–	–	116,760
Subordinated notes	3,781	–	18,194	365,484	–	387,459
Other financial liabilities	7,308	77,537	5,335	–	43,266	133,446
TOTAL FINANCIAL LIABILITIES	4,627,641	1,262,546	866,219	427,225	43,266	7,226,897

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

The following table presents the cash outflows for the Group's and Bank's financial liabilities by remaining contractual maturities on undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued).

Bank As at 31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES						
Deposits from customers	**2,990,299**	**878,260**	**1,566,505**	**43,625**	**–**	**5,478,689**
Deposits and placements of banks and other financial institutions	**1,023,263**	**31,005**	**3,976**	**–**	**–**	**1,058,244**
Obligations on securities sold under repurchase agreements	**–**	**212,594**	**27,745**	**–**	**–**	**240,339**
Obligation on securities borrowed	**–**	**–**	**–**	**65,810**	**54,095**	**119,905**
Derivative financial liabilities	**14,086**	**(410)**	**403**	**1,403**	**–**	**15,482**
Trade payables	**821,401**	**–**	**–**	**–**	**–**	**821,401**
Subordinated notes	**3,740**	**–**	**123,325**	**334,585**	**–**	**461,650**
Other financial liabilities	**1,230**	**50,477**	**2,293**	**–**	**43,068**	**97,068**
TOTAL FINANCIAL LIABILITIES	**4,854,019**	**1,171,926**	**1,724,247**	**445,423**	**97,163**	**8,292,778**

Bank As at 31.12.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	2,903,958	676,904	1,100,278	44,974	–	4,726,114
Deposits and placements of banks and other financial institutions	271,579	302,700	31,590	–	–	605,869
Obligations on securities sold under repurchase agreements	147,380	17,995	123,090	2,760	–	291,225
Derivative financial liabilities	79,522	3,176	9,293	3,268	–	95,259
Trade payables	700,954	–	–	–	–	700,954
Subordinated notes	3,822	–	23,454	461,650	–	488,926
Other financial liabilities	9,124	50,747	4,139	–	43,573	107,583
TOTAL FINANCIAL LIABILITIES	4,116,339	1,051,522	1,291,844	512,652	43,573	7,015,930

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

The following table presents the cash outflows for the Group's and Bank's financial liabilities by remaining contractual maturities on undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued).

Bank **As at 1.1.2011**	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Deposits from customers	2,318,216	1,031,167	556,611	60,262	–	3,966,256
Deposits and placements of banks and other financial institutions	304,487	145,878	229,540	–	–	679,905
Derivative financial liabilities	150,548	753	(1,553)	–	–	149,748
Trade payables	662,257	–	–	–	–	662,257
Subordinated notes	3,781	–	18,194	365,484	–	387,459
Other financial liabilities	1,685	65,209	5,335	–	43,266	115,495
TOTAL FINANCIAL LIABILITIES	3,440,974	1,243,007	808,127	425,746	43,266	5,961,120

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies:

	Group			**Bank**		
	Less than 1 year RM'000	**More than 1 year RM'000**	**Total RM'000**	**Less than 1 year RM'000**	**More than 1 year RM'000**	**Total RM'000**
As at 31.12.2012						
Obligations under an on-going underwriting agreements	**21,971**	**–**	**21,971**	**21,971**	**–**	**21,971**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**1,719,724**	**93,052**	**1,812,776**	**581,736**	**93,052**	**674,788**
Commitments and contingencies	**1,741,695**	**93,052**	**1,834,747**	**603,707**	**93,052**	**696,759**
As at 31.12.2011						
Obligations under an on-going underwriting agreements	–	–	–	–	–	–
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,699,221	106,298	1,805,519	454,667	81,168	535,835
Commitments and contingencies	1,699,221	106,298	1,805,519	454,667	81,168	535,835

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies (continued):

	Group			Bank		
	Less than 1 year RM'000	More than 1 year RM'000	Total RM'000	Less than 1 year RM'000	More than 1 year RM'000	Total RM'000
As at 1.1.2011						
Obligations under an on-going underwriting agreements	24,731	–	24,731	24,731	–	24,731
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,352,610	133,640	1,486,250	426,491	122,032	548,523
Commitments and contingencies	1,377,341	133,640	1,510,981	451,222	122,032	573,254

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancelled by the Group and the Bank. The Group and the Bank except that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

(g) Market price risk

Sensitivity analysis for equity price risk

At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% (2011: 5%) higher/lower, with all other variables held constant, the Groups' profit after tax would have been approximately RM1,651,000 (2011: RM3,500,000) higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Malaysia and higher/lower gains on quoted structured warrants listed on Bursa Malaysia, and the Group's available-for-sale reserve would have been approximately RM14,000 (2011: RM25,000) higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities available-for-sale in Malaysia.

At the reporting date, if the Straits Times Index in Singapore had been 5% (2011: 5%) higher/lower, with all other variables held constant, the Groups' profit after tax would have been approximately RM1,062,000 (2011: RM290,000) higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Singapore, and the Group's available-for-sale reserve would have been approximately RM50,000 (2011: RM40,000) higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities available-for-sale in Singapore.

At the reporting date, if the Hang Seng Index in Hong Kong had been 5% (2011: 5%) higher/lower, with all other variables held constant, the Groups' profit after tax would have been approximately RM730,000 (2011: RM44,000) higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Hong Kong.

At the reporting date, if the NYSE Composite Index in the United States of America had been 5% (2011: 5%) higher/lower, with all other variables held constant, the Groups' profit after tax would have been approximately RM235,000 (2011: RM74,000) higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in the United States of America.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk for the Group and the Bank approximates the carrying amounts of the financial assets on the statement of financial position as disclosed in Note 48(b) with the exception of financial assets not subject to credit risk such as cash in hand and shares.

(ii) Collateral

There is no collateral to mitigate credit risk for the financial assets of the Group and the Bank apart from loans, advances and financing and trade receivables as disclosed in Notes 10 and 11 respectively.

(iii) Credit quality

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

– AAA to AA3
– A1 to A3
– BAA1 to BAA3
– P1 to P3

Short term-funds, deposits and placements with banks and other financial institutions, other financial assets and investments portfolios, derivative assets and other financial assets are summarised as follows:

Group As at 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
Neither past due nor impaired	825,515	673,258	3,837,857	441,201	186,645	5,713
Past due but not impaired	–	–	–	–	–	–
Impaired	–	–	96,055	103,871	–	–
	825,515	673,258	3,933,912	545,072	186,645	5,713
Less: Impairment allowance/losses	–	–	(83,389)	(83,563)	–	–
	825,515	673,258	3,850,523	461,509	186,645	5,713

The amount of short-term funds, deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Short term-funds, deposits and placements with banks and other financial institutions, other financial assets and investments portfolios, derivative assets and other financial assets are summarised as follows:

Group As at 31.12.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
Neither past due nor impaired	1,407,936	106,040	3,175,054	635,651	57,039	8,843
Past due but not impaired	–	–	–	–	–	–
Impaired	–	–	113,367	63,806	–	–
	1,407,936	106,040	3,288,421	699,457	57,039	8,843
Less: Impairment allowance/losses	–	–	(88,259)	(53,459)	–	–
	1,407,936	106,040	3,200,162	645,998	57,039	8,843

The amount of short-term funds, deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Short term-funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, other financial assets and investments portfolios, derivative assets and other financial assets are summarised as follows:

Group As at 1.1.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchase under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
Neither past due nor impaired	666,800	59,886	352,409	2,754,507	634,652	38,112	95,217
Past due but not impaired	–	–	–	–	–	–	–
Impaired	–	–	–	99,265	40,470	–	–
	666,800	59,886	352,409	2,853,772	675,122	38,112	95,217
Less: Impairment allowance/losses	–	–	–	(64,791)	(6,844)	–	–
	666,800	59,886	352,409	2,788,981	668,278	38,112	95,217

The amount of short-term funds, deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Short term-funds, deposits and placements with banks and other financial institutions, other financial assets and investments portfolios, derivative assets and other financial assets are summarised as follows:

Bank As at 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
Neither past due nor impaired	401,110	640,623	3,837,691	441,201	156,572	5,713
Past due but not impaired	–	–	–	–	–	–
Impaired	–	–	96,055	103,871	–	–
	401,110	640,623	3,933,746	545,072	156,572	5,713
Less: Impairment allowance/losses	–	–	(83,389)	(83,563)	–	–
	401,110	640,623	3,850,357	461,509	156,572	5,713

The amount of short-term funds, deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Short term-funds, deposits and placements with banks and other financial institutions, other financial assets and investments portfolios, derivative assets and other financial assets are summarised as follows:

Bank As at 31.12.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
Neither past due nor impaired	870,895	84,573	3,174,457	635,617	23,768	8,843
Past due but not impaired	–	–	–	–	–	–
Impaired	–	–	113,367	63,806	–	–
	870,895	84,573	3,287,824	699,423	23,768	8,843
Less: Impairment allowance/losses	–	–	(88,259)	(53,459)	–	–
	870,895	84,573	3,199,565	645,964	23,768	8,843

The amount of short-term funds, deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Short term-funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, other financial assets and investments portfolios, derivative assets and other financial assets are summarised as follows:

Bank As at 1.1.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchase under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
Neither past due nor impaired	374,665	59,886	352,409	2,754,507	634,652	16,788	95,206
Past due but not impaired	–	–	–	–	–	–	–
Impaired	–	–	–	99,265	40,470	–	–
	374,665	59,886	352,409	2,853,772	675,122	16,788	95,206
Less: Impairment allowance/losses	–	–	–	(64,791)	(6,844)	–	–
	374,665	59,886	352,409	2,788,981	668,278	16,788	95,206

The amount of short-term funds, deposits and placements with banks and other financial institutions and other financial assets that are past due but not impaired is not material.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, investments portfolios, financial assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows:

Group As at 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	–	447,960	924,679	256,038	–	–
A1 to A3	–	80,403	172,972	5,024	–	–
BAA1 to BAA3	–	11,528	–	–	–	–
P1 to P3	398,101	–	260,096	–	–	5,713
Non-rated	427,414	133,367	2,480,110	180,139	186,645	–
including:						
– Malaysian government securities	–	30,473	202,889	–	–	–
– Malaysian government investment issues	–	30,415	486,650	101,103	–	–
– Bank Negara Monetary Notes	1,813	–	205,859	–	–	–
– Private debt securities	–	72,479	1,077,248	79,036	–	–
– Bankers' Acceptance & Islamic accepted notes	–	–	507,382	–	–	–
– Others	425,601	–	82	–	186,645	–
	825,515	673,258	3,837,857	441,201	186,645	5,713

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, investments portfolios, financial assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows:

Group As at 31.12.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	–	–	1,154,043	170,961	–	–
A1 to A3	–	6,301	411,096	76,267	–	–
BAA1 to BAA3	–	6,274	234,327	110,960	–	–
P1 to P3	594,438	–	139,421	70,292	–	8,843
Non-rated	813,498	93,465	1,236,167	207,171	57,039	–
including:						
– Malaysian government securities	–	30,795	436,352	–	–	–
– Malaysian government investment issues	–	41,203	411,468	141,509	–	–
– Bank Negara Monetary Notes	195,870	–	–	–	–	–
– Private debt securities	–	21,467	83,190	60,617	–	–
– Bankers' Acceptance & Islamic accepted notes	–	–	300,132	–	–	–
– Others	617,628	–	5,025	5,045	57,039	–
	1,407,936	106,040	3,175,054	635,651	57,039	8,843

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, investments portfolios, financial assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows:

Group As at 1.1.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchase under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	–	–	136,170	888,915	180,229	–	–
A1 to A3	–	–	52,577	218,372	45,448	–	–
BAA1 to BAA3	–	–	90,169	251,845	49,924	–	–
P1 to P3	316,324	–	–	163,660	110,311	–	95,217
Non-rated	350,476	59,886	73,493	1,231,715	248,740	38,112	–
including:							
– Malaysian government securities	–	59,886	–	610,456	–	–	–
– Malaysian government investment issues	–	–	–	162,396	187,937	–	–
– Bank Negara Monetary Notes	38,341	–	–	–	–	–	–
– Private debt securities	–	–	73,493	20,055	45,946	–	–
– Bankers' Acceptance & Islamic accepted notes	–	–	–	431,730	9,789	–	–
– Others	312,135	–	–	7,078	5,068	38,112	–
	666,800	59,886	352,409	2,754,507	634,652	38,112	95,217

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, investments portfolios, financial assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows:

Bank As at 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	–	447,960	924,679	256,038	–	–
A1 to A3	–	80,403	172,972	5,024	–	–
BAA1 to BAA3	–	11,528	–	–	–	–
P1 to P3	398,101	–	260,096	–	–	5,713
Non-rated	3,009	100,732	2,479,944	180,139	156,572	–
including:						
– Malaysian government securities	–	30,473	202,889	–	–	–
– Malaysian government investment issues	–	30,415	486,650	101,103	–	–
– Bank Negara Monetary Notes	1,813	–	205,859	–	–	–
– Private debt securities	–	39,844	1,077,082	79,036	–	–
– Bankers' Acceptance & Islamic accepted notes	–	–	507,382	–	–	–
– Others	1,196	–	82	–	156,572	–
	401,110	640,623	3,837,691	441,201	156,572	5,713

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, investments portfolios, financial assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows:

Bank As at 31.12.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	–	–	1,154,043	170,961	–	–
A1 to A3	–	6,301	411,096	76,267	–	–
BAA1 to BAA3	–	6,274	234,327	110,960	–	–
P1 to P3	594,438		139,421	70,292	–	8,843
Non-rated	276,457	71,998	1,235,570	207,137	23,768	–
including:						
– Malaysian government securities	–	30,795	436,352	–	–	–
– Malaysian government investment issues	–	41,203	411,468	141,509	–	–
– Bank Negara Monetary Notes	195,870	–	–	–	–	–
– Private debt securities	–	–	82,593	60,583	–	–
– Bankers' Acceptance & Islamic accepted notes	–	–	300,132	–	–	–
– Others	80,587	–	5,025	5,045	23,768	–
	870,895	84,573	3,174,457	635,617	23,768	8,843

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Credit risk (continued)

(iii) Credit quality (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, investments portfolios, financial assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows:

Bank As at 1.1.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchase under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	–	–	136,170	888,915	180,229	–	–
A1 to A3	–	–	52,577	218,372	45,448	–	–
BAA1 to BAA3	–	–	90,169	251,845	49,924	–	–
P1 to P3	316,324	–	–	163,660	110,311	–	95,206
Non-rated	58,341	59,886	73,493	1,231,715	248,740	16,788	–
including:							
– Malaysian government securities	–	59,886	–	610,456	–	–	–
– Malaysian government investment issues	–	–	–	162,396	187,937	–	–
– Bank Negara Monetary Notes	38,341	–	–	–	–	–	–
– Private debt securities	–	–	73,493	20,055	45,946	–	–
– Bankers' Acceptance & Islamic accepted notes	–	–	–	431,730	9,789	–	–
– Others	20,000	–	–	7,078	5,068	16,788	–
	374,665	59,886	352,409	2,754,507	634,652	16,788	95,206

49. COMMITMENTS AND CONTINGENCIES

The risk-weighted exposures are as follows:

Group	31.12.2012			31.12.2011			1.1.2011		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000
Obligations under underwriting agreements	**21,971**	**10,986**	**10,986**	–	–	–	24,731	12,365	12,365
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	**38,719**	**2,305**	**538**	19,302	978	204	164,854	44,448	11,330
Irrevocable commitments to extend credit									
– maturity not exceeding one year	**1,719,724**	**85,292**	**85,292**	1,699,221	–	–	1,352,610	–	–
– maturity exceeding one year	**93,052**	**46,525**	**46,525**	106,298	53,149	53,149	133,640	66,820	66,820
Foreign exchange related contracts^									
– less than one year	**1,190,247**	**19,347**	**4,205**	166,916	48,813	9,762	771,882	358,683	71,736
Interest rate related contracts^									
– less than one year	**460,000**	**791**	**158**	–	–	–	–	–	–
– one year to less than five years	**885,000**	**13,326**	**2,665**	1,966,290	84,936	16,987	885,973	79,270	15,854
Equity rate related contracts^									
– less than one year	**4,423**	**4,423**	**4,423**	2,832	2,832	2,832	1,932	1,932	1,932
	4,413,136	**182,995**	**154,792**	3,960,859	190,708	82,934	3,335,622	563,518	180,037

^ These derivatives are revalued on gross position basis and the unrealised gains or losses have been reflected in Note 9 to the financial statements as derivative assets or Note 23 to the financial statements as derivative liabilities.

* The credit equivalent amount and risk weighted amount are arrived at using the credit evaluation conversion factors as per Bank Negara Malaysia's Guidelines.

The Bank has adopted the Standardised Approach for credit risk and market risk and the Basic Indicator approach for operation risk computation.

All outstanding derivative contracts are recognised on the statement of financial position.

49. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The risk-weighted exposures are as follows:

Bank	31.12.2012			31.12.2011			1.1.2011		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000
Obligations under underwriting agreements	**21,971**	**10,986**	**10,986**	–	–	–	24,731	12,365	12,365
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	**38,719**	**2,305**	**538**	19,302	978	204	164,854	44,448	11,330
Irrevocable commitments to extend credit									
– maturity not exceeding one year	**581,736**	**17,644**	**17,644**	454,667	–	–	426,491	–	–
– maturity exceeding one year	**93,052**	**46,525**	**46,525**	81,168	40,581	40,581	122,032	61,015	61,015
Foreign exchange related contracts^									
– less than one year	**1,190,247**	**19,347**	**4,205**	166,916	48,813	9,762	771,882	358,683	71,736
Interest rate related contracts^									
– less than one year	**460,000**	**791**	**158**	–	–	–	–	–	–
– one year to less than five years	**885,000**	**13,326**	**2,665**	1,966,290	84,936	16,987	885,973	79,270	15,854
Equity rate related contracts^									
– less than one year	**4,423**	**4,423**	**4,423**	2,832	2,832	2,832	1,932	1,932	1,932
	3,275,148	**115,347**	**87,144**	2,691,175	178,140	70,366	2,397,895	557,713	174,232

^ These derivatives are revalued on gross position basis and the unrealised gains or losses have been reflected in Note 9 to the financial statements as derivative assets or Note 23 to the financial statements as derivative liabilities.

* The credit equivalent amount and risk weighted amount are arrived at using the credit evaluation conversion factors as per Bank Negara Malaysia's Guidelines.

The Bank has adopted the Standardised Approach for credit risk and market risk and the Basic Indicator approach for operation risk computation.

All outstanding derivative contracts are recognised on the statement of financial position.

50. OPERATIONS OF ISLAMIC BANKING

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

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Cash and short term funds	(f)	**213,720**	395,263	233,595
Securities held-to-maturity	(g)	**297,917**	295,613	304,391
Securities available-for-sale	(h)	**964,358**	634,006	354,177
Other assets	(i)	**461**	–	765
Statutory deposit with Bank Negara Malaysia		**45,668**	–	–
Deferred tax assets		**54**	–	–
Equipment		**19**	18	18
Intangible assets		**1,909**	766	133
TOTAL ASSETS		**1,524,106**	1,325,666	893,079
LIABILITIES				
Deposits from customers	(j)	**1,330,030**	1,189,047	831,399
Deposits and placements of banks and other financial institutions	(k)	**64,989**	15,888	–
Other liabilities	(l)	**1,770**	22	96
Tax payable		**6,319**	4,405	2,578
Deferred tax liabilities		**–**	221	88
TOTAL LIABILITIES		**1,403,108**	1,209,583	834,161
ISLAMIC BANKING CAPITAL FUNDS				
Islamic banking funds		**100,000**	100,000	50,000
Reserves		**20,998**	16,083	8,918
TOTAL ISLAMIC BANKING CAPITAL FUNDS		**120,998**	116,083	58,918
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		**1,524,106**	1,325,666	893,079
COMMITMENTS AND CONTINGENCIES		**–**	–	–

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

50. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(b) INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000
Income derived from investment of depositors' funds and others	(m)	**43,448**	37,107
Gross and total attributable income		**43,448**	37,107
Income attributable to depositors	(n)	**(35,646)**	(29,993)
Income attributable to the Bank		**7,802**	7,114
Income derived from investment of Islamic banking funds		**2,341**	3,159
Total net income		**10,143**	10,273
Other operating expenses	(o)	**(2,429)**	(1,675)
Profit before tax expense and zakat		**7,714**	8,598
Income tax expense and zakat	(p)	**(1,974)**	(1,831)
Profit after tax expense and zakat		**5,740**	6,767
For amalgamation with the conventional operations, net income from Islamic banking operations comprises the following items:			
Income derived from investment of depositors' funds and others		**43,448**	37,107
Income attributable to depositors		**(35,646)**	(29,993)
Income derived from investment of Islamic banking funds		**2,341**	3,159
Net income from Islamic banking operations reported in Bank-wide income statement		**10,143**	10,273

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

50. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(c) STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	31.12.2012 RM'000	31.12.2011 RM'000
Profit after tax expense and zakat	**5,740**	6,767
Other comprehensive (loss)/income		
Reversal of available-for-sale gain upon disposal	**(750)**	(954)
Unrealised net (loss)/gain on revaluation of securities available-for-sale	**(350)**	1,485
Income tax relating to components of other comprehensive (loss)/income	**276**	(133)
Other comprehensive (loss)/income for the year, net of tax and zakat	**(824)**	398
Total comprehensive income for the year, net of tax and zakat	**4,916**	7,165
Total comprehensive income attributable to owner of the Bank	**4,916**	7,165

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

50. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(d) STATEMENTS OF CHANGES IN ISLAMIC BANKING FUND FOR THE YEAR ENDED 31 DECEMBER 2012

	Islamic Banking Fund RM'000	Available-for-sale reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2012	**100,000**	**661**	**13,136**	**113,797**
Prior year adjustment (Note 55)	**–**	**–**	**2,285**	**2,285**
Total comprehensive (loss)/income	**–**	**(824)**	**5,740**	**4,916**
At 31 December 2012	**100,000**	**(163)**	**21,161**	**120,998**
At 1 January 2011	50,000	263	7,659	57,922
Prior year adjustment (Note 55)	–	–	996	996
Total comprehensive income	–	398	6,767	7,165
Injection of funds	50,000	–	–	50,000
At 31 December 2011	100,000	661	15,422	116,083

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

50. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

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

	Note	31.12.2012 RM'000	31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax expense and zakat		**7,714**	8,598
Adjustment for:			
Depreciation and amortisation		**282**	62
Operating profit before working capital changes		**7,996**	8,660
(Increase)/decrease in operating assets:			
Securities available-for-sale		**(331,451)**	(279,298)
Securities held-to-maturity		**(2,304)**	8,778
Other assets		**(461)**	765
Statutory deposit with Bank Negara Malaysia		**(45,668)**	–
Increase in operating liabilities:			
Deposits from customers		**140,983**	357,648
Deposits and placements of banks and other financial institutions		**49,101**	15,888
Other liabilities		**1,748**	(74)
Cash (used in)/generated from operations		**(180,056)**	112,367
Zakat paid		**(59)**	(5)
Net cash (used in)/generated from operating activities		**(180,115)**	112,362
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		**(12)**	(4)
Purchase of intangible assets		**(1,416)**	(690)
Net cash used in investing activities		**(1,428)**	(694)
CASH FLOWS FROM FINANCING ACTIVITY			
Injection of funds for Islamic banking, representing net cash generated from financing activity		**–**	50,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(181,543)**	161,668
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**395,263**	233,595
CASH AND CASH EQUIVALENTS AT END OF YEAR	(f)	**213,720**	395,263

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

50. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(f) CASH AND SHORT TERM FUNDS

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Current account with Bank Negara Malaysia	**28**	26	36
Money at call and deposit placements maturity within one month:			
Licensed banks	**213,692**	315,237	220,559
Bank Negara Malaysia	**–**	80,000	13,000
	213,720	395,263	233,595

(g) SECURITIES HELD-TO-MATURITY

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At amortised cost			
Money market instruments:			
Cagamas bonds	**–**	5,045	5,068
Malaysian Government Investment Issue	**80,903**	121,274	167,666
	80,903	126,319	172,734
Unquoted debt securities:			
Islamic private debt securities in Malaysia	**217,014**	169,294	131,657
	297,917	295,613	304,391
The maturity structure of above securities are as follows:			
Within one year	**37,999**	52,722	58,623
Two to five years	**168,078**	177,332	207,040
More than five years	**91,840**	65,559	38,728
	297,917	295,613	304,391

50. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(h) SECURITIES AVAILABLE-FOR-SALE

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At fair value			
Money market instruments:			
Islamic accepted bills	**123,405**	139,027	64,526
Malaysian Government Investment Issue	**128,321**	89,587	25,559
Bank Negara Malaysia Monetary Notes	**205,859**	–	–
Negotiable instruments of deposit	**169,778**	129,520	49,926
	627,363	358,134	140,011
Unquoted debt securities:			
Private debt securities			
– in Malaysia	**316,859**	275,872	214,166
– outside Malaysia	**20,136**	–	–
	336,995	275,872	214,166
	964,358	634,006	354,177

(i) OTHER ASSETS

Other receivables	**461**	–	765

(j) DEPOSITS FROM CUSTOMERS

Mudharabah Fund			
General investment deposits	**1,330,030**	1,189,047	831,399
(i) By type of customer			
Government and statutory bodies	**437,696**	525,331	445,596
Domestic non-bank financial institutions*	**728,328**	444,053	281,891
Business enterprises	**164,006**	219,663	103,912
	1,330,030	1,189,047	831,399
(ii) By maturity structure			
Up to 3 months	**1,202,530**	775,183	729,124
3-12 months	**127,500**	194,626	102,275
1-5 years	**–**	219,238	–
	1,330,030	1,189,047	831,399

* Domestic non-bank financial institutions include unit trust companies, trust funds and insurance companies.

50. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(k) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Mudharabah Fund			
Licensed bank	**64,989**	15,888	–

(l) OTHER LIABILITIES

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Other payables	**1,770**	22	96

(m) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	31.12.2012 RM'000	31.12.2011 RM'000
Income from general investment deposits	**43,448**	37,107
Analysed as:		
Finance income and hibah		
Securities held-to-maturity	**12,650**	13,061
Securities available-for-sale	**17,908**	14,215
Deposit with financial institutions	**6,155**	6,830
(Amortisation of premium)/accretion of discount		
– Securities held-to-maturity	**(207)**	(498)
– Securities available-for-sale	**6,942**	3,499
	6,735	3,001
	43,448	37,107

(n) INCOME ATTRIBUTABLE TO DEPOSITORS

	31.12.2012 RM'000	31.12.2011 RM'000
Deposits from customers and financial institutions		
– Mudharabah Fund	**35,646**	29,993

50. OPERATIONS OF ISLAMIC BANKING (CONTINUED)

(o) OTHER OPERATING EXPENSES

	31.12.2012 RM'000	31.12.2011 RM'000
(i) Personnel costs		
Salaries, wages, allowances and bonus	**1,131**	882
Pension costs – defined contribution plan	**163**	123
Other staff related expenses	**36**	31
	1,330	1,036
(ii) Establishment costs		
Depreciation and amortisation	**282**	62
Rental	**41**	28
Insurance	**–**	10
Repairs and maintenance	**44**	3
Utility expenses	**5**	2
Others	**1**	3
	373	108
(iii) Marketing and trading expenses		
Advertisement and promotions	**–**	3
Fees and charges	**–**	45
Travelling expenses	**–**	16
Subscriptions	**–**	52
	–	116
(iv) Administration and general expenses		
Communication expenses	**6**	7
Printing and stationery	**5**	4
Administrative	**715**	404
	726	415
Total other operating expenses	**2,429**	1,675
Included in other operating expenses are:-		
Shariah Committee Members' fees and remuneration	**261**	215

(p) INCOME TAX EXPENSE & ZAKAT

Current year income tax expense	**(1,843)**	(1,826)
Zakat	**(131)**	(5)
	(1,974)	(1,831)

51. RECLASSIFICATION OF SECURITIES

In the prior financial years, the Bank had reclassified certain securities held-for-trading (HFT) to available-for-sale (AFS) category pursuant to the BNM Circular, "Reclassification of Securities under Specific Circumstances". The provisions for reclassification were introduced after taking into account the exceptional circumstances in the global financial markets and the changes to the international accounting standards in response to this development. The provisions in the Circular overrode the existing requirements of BNM GP8 in relation to the reclassification of securities into or out of the HFT category and were permissible from 1 July 2008 until 31 December 2009.

MFRS 139 allows for the reclassification of securities AFS to amortised cost category (i.e. securities held-to-maturity (HTM) or loan and receivables) if the entity has the intention and ability to hold the financial asset until maturity for the foreseeable future. MFRS 139 was also amended to allow reclassification out of HFT category in rare circumstances, subjects to the conditions stated in MFRS 139.

The Bank had reclassified certain securities AFS to HTM category and certain securities HFT to AFS category in prior years as shown below:

(a) Amounts reclassified

		RM'000
(i)	Securities AFS to securities HTM on 29 December 2008	256,924
(ii)	Securities HFT to securities AFS on 16 February 2009	61,160

(b) Carrying amounts and fair values

The carrying amount and fair value of securities reclassified (excluding reclassified investments that were disposed before the end of the year) are as follows:

		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(i)	Securities AFS reclassified to securities HTM			
	– Carrying value	**35,690**	73,899	126,256
	– Fair value	**43,038**	108,868	119,881
(ii)	Securities HFT reclassified to securities AFS			
	– Carrying value	**41,044**	41,840	42,312
	– Fair value	**41,044**	41,840	42,312

52. CAPITAL MANAGEMENT

Capital is equivalent to equity attributable to the owners of the Group and the Bank. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group and the Bank manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Bank may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012, 31 December 2011 and 31 December 2010.

The Group and the Bank maintains a capital base to cover risks inherent in the business. The adequacy of the Group's and the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) in respect of the Group and the Bank and those adopted by Bank Negara Malaysia in supervising the Bank.

As disclosed in Note 13(b), OSK Indochina Bank Limited (OSKIBL), a Cambodia banking subsidiary of the Bank is required by the National Bank of Cambodia to maintain a refundable statutory deposit of 10% of registered capital as capital guarantee, which is not available for use in OSKIBL's day-to-day operations. In addition, as disclosed in Note 53(a)(ii), OSKIBL is also required to maintain a minimum regulatory solvency ratio, which is the ratio of its net worth to its aggregate credit risk exposure, of not less than 15.0%. This externally imposed capital requirements have been complied with by OSKIBL for the financial years ended 31 December 2012 and 31 December 2011.

Capital and debts of the Group and the Bank are as follows:

		Group			Bank		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Borrowings	26	**112,384**	20,975	116,365	**–**	–	–
Subordinated notes	27	**407,171**	407,280	306,197	**407,171**	407,280	306,197
Total debts		**519,555**	428,255	422,562	**407,171**	407,280	306,197
Equity attributable to owner of the bank		**847,431**	1,049,081	1,031,583	**856,570**	955,089	947,717
Total capital		**847,431**	1,049,081	1,031,583	**856,570**	955,089	947,717
Capital and debts		**1,366,986**	1,477,336	1,454,145	**1,263,741**	1,362,369	1,253,914

53. CAPITAL ADEQUACY

The capital base and risk weighted assets (RWA), as set out below are disclosed in accordance with Risk Weighted Capital Adequacy Framework (RWCAF) (Basel II)–Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia.

As required by Risk Weighted Capital Adequacy Framework (Basel II)–Disclosure Requirements (Pillar 3), the RWCAF framework applies to the Bank, that is incorporated in Malaysia and offers Islamic financial services and is involved in Islamic banking operations.

For the purpose of consolidation for financial reporting, the Group has included results of the Bank and its subsidiary companies (as disclosed in Note 45). The subsidiary companies are fully consolidated in the Group's financial statements.

For the purpose of consolidation for regulatory reporting, the Group has also included results of the Bank and all its subsidiary companies (as disclosed in Note 45), including subsidiaries that are involved in securities or stockbroking firms, fund management companies, asset management companies and other similar business that must be included in consolidation for regulatory reporting.

Other than the need to obtain regulatory approval for any material injection of capital or advances to/from subsidiary companies in order to ensure capital adequacy of the Bank and certain banking and stockbroking subsidiary companies that are subject to local capital adequacy requirements, there is no restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

(a) Risk weighted capital ratios and Tier I and Tier II capital

(i) The capital adequacy ratios and capital base are as follows:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
Before deducting proposed dividends:			
Core capital ratio	**19.72%**	26.30%	28.71%
Risk weighted capital ratio	**27.25%**	34.67%	35.91%
After deducting proposed dividends:			
Core capital ratio	**19.72%**	26.30%	28.71%
Risk weighted capital ratio	**27.25%**	34.67%	35.91%

53. CAPITAL ADEQUACY (CONTINUED)

(a) Risk weighted capital ratios and Tier I and Tier II capital (continued)

(i) The capital adequacy ratios and capital base are as follows: (continued)

	Bank^		
	31.12.2012	31.12.2011	1.1.2011
Before deducting proposed dividends:			
Core capital ratio	**11.49%**	19.75%	25.12%
Risk weighted capital ratio	**11.49%**	19.75%	25.12%
After deducting proposed dividends:			
Core capital ratio	**11.49%**	19.75%	25.12%
Risk weighted capital ratio	**11.49%**	19.75%	25.12%

^ In accordance with Section 7.3 of the Guidelines on Risk Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by Bank Negara Malaysia, if the deduction from Total Capital (i.e investments in subsidiary companies of the Bank) is more than eligible Tier 2 capital, the core capital ratio will be equal to the risk weighted capital ratio.

In assessing the adequacy of its internal capital levels to support current and future activities, the Bank ensures that it complies with the minimum requirements of Bank Negara Malaysia of at least 8% in risk weighted capital ratio.

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Issued and fully paid share capital	**660,000**	660,000	660,000
(Accumulated losses)/retained profits	**(68,743)**	170,027	162,055
Statutory reserve	**262,980**	239,537	228,992
Tier 1 non-controlling interests	**216,576**	304,125	245,759
Tier I capital	**1,070,813**	1,373,689	1,296,806
Less: Goodwill	**–**	(94,283)	(92,889)
Deferred tax assets	**(3,401)**	(10,183)	(481)
Eligible Tier I capital	**1,067,412**	1,269,223	1,203,436
Collective impairment allowance	**7,898**	3,696	1,862
Maximum allowance subordinated debt capital	**400,000**	400,000	300,000
Eligible Tier II capital	**407,898**	403,696	301,862
Capital base	**1,475,310**	1,672,919	1,505,298

53. CAPITAL ADEQUACY (CONTINUED)

(a) Risk weighted capital ratios and Tier I and Tier II capital (continued)

(i) The capital adequacy ratios and capital base are as follows: (continued)

	Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Issued and fully paid share capital	**660,000**	660,000	660,000
(Accumulated losses)/retained profits	**(74,878)**	72,047	60,330
Statutory reserve	**262,830**	239,387	228,992
Tier I capital	**847,952**	971,434	949,322
Less: Goodwill	**–**	(46,516)	(46,516)
Deferred tax assets	**–**	(8,556)	–
Deductions in excess of Tier II capital:			
– Investments in subsidiary companies	**(452,476)**	(299,931)	(154,449)
Eligible Tier I capital	**395,476**	616,431	748,357
Collective impairment allowance	**5,153**	1,870	1,039
Maximum allowance subordinated debt capital	**400,000**	400,000	300,000
Tier II capital	**405,153**	401,870	301,039
Less: Investments in subsidiary companies	**(405,153)**	(401,870)	(301,039)
Eligible Tier II capital	**–**	–	–
Capital base	**395,476**	616,431	748,357

The capital adequacy ratios of the Group consist of capital base and RWA derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of capital base and RWA derived from the Bank.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with RWCAF-Basel II. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2011: 8.0%) for the risk weighted capital ratio.

53. CAPITAL ADEQUACY (CONTINUED)

(a) Risk weighted capital ratios and Tier I and Tier II capital (continued)

(ii) The capital adequacy ratios and capital base of the Cambodia banking subsidiary company of the Bank, OSK Indochina Bank Limited (OSKIBL), are as follows:

	OSKIBL		
	31.12.2012	31.12.2011	1.1.2011
Before deducting proposed dividends:			
Core capital ratio	**#**	#	#
Solvency ratio	**38.29%**	46.49%	93.30%
After deducting proposed dividends:			
Core capital ratio	**#**	#	#
Solvency ratio	**38.29%**	46.49%	93.30%

The Solvency Ratio of OSKIBL is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as OSKIBL's net worth divided by its risk weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15.0%.

No equivalent ratio in Cambodia.

54. CAPITAL ADEQUACY–ISLAMIC BANKING OF THE BANK

The capital base and risk weighted assets (RWA), as set out below are disclosed in accordance with Risk Weighted Capital Adequacy Framework (RWCAF) (Basel II)–Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia.

(i) Risk weighted capital ratios and Tier I and Tier II capital

	31.12.2012	31.12.2011	1.1.2011
Before deducting proposed dividends:			
Core capital ratio	**54.07%**	55.93%	40.02%
Risk weighted capital ratio	**54.07%**	55.93%	40.02%
After deducting proposed dividends:			
Core capital ratio	**54.07%**	55.93%	40.02%
Risk weighted capital ratio	**54.07%**	55.93%	40.02%

54. CAPITAL ADEQUACY–ISLAMIC BANKING OF THE BANK (CONTINUED)

(i) Risk weighted capital ratios and Tier I and Tier II capital (continued)

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Islamic banking funds	**100,000**	100,000	50,000
Retained profits	**21,161**	15,422	7,659
	121,161	115,422	57,659

The Bank is the only entity in the Group that has Islamic banking operations. The capital adequacy ratios of the Islamic banking operations of the Bank consist of capital base and risk weighted amounts derived from the Bank.

The capital adequacy ratios of the Islamic banking operations of the Bank is computed in accordance with RWCAF-Basel II. The Islamic banking operations of the Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2011: 8.0%) for the risk weighted capital ratio.

55. TRANSITION FROM FRS TO MFRS, CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Adoption of MFRS 1

The Group and the Bank have applied the following mandatory exceptions and optional exceptions provided in MFRS 1:

(i) MFRS 1 Mandatory exceptions

(a) Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(b) Hedge Accounting

Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 'Financial instruments: Recognition and measurement' at that date. Hedging relationships cannot be designated retrospectively.

(ii) MFRS 1 exemption options

(a) Exemption for business combinations

MFRS 1 provides the option to apply MFRS 3 'Business combinations' prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2012. Business combinations that occurred prior to 1 January 2012 have not been restated. In addition, the Group has also applied MFRS 127 'Consolidated and separate financial statements' from the same date.

The above transition from FRS to MFRS had no effect on the reported equity, total comprehensive income and cash flow for prior years. As such, no reconciliations to explain the effects of transition from FRS to MFRS are disclosed in these financial statements.

55. TRANSITION FROM FRS TO MFRS, CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Change in accounting policies and prior year adjustments

Changes in accounting policies

During the financial year, the Group and the Bank changed the following accounting policies upon adoption of the new accounting standards, amendments and improvements to published standards and interpretations:

(i) Impairment of financial assets (MFRS 139)

(ii) FRSIC 18: Monies held in trust by participating organisation of Bursa Malaysia Securities Berhad

Refer to summary of significant accounting policies for the details of the changes in accounting policies.

Prior year adjustments

During the financial year, the Bank has corrected the accounting for the following:

(i) Fees that are integral part of the effective interest rate (EIR) have been deferred and recognised as an adjustment to the effective interest rate. The said adjustment resulting in a debit of RM4,634,000 to retained profits.

(ii) Reversal of profit equalisation reserve of RM2,285,000 which does not meet the definition of a financial liability as there is no contractual obligation to the future depositors. The reversal resulting in a credit of RM2,285,000 to retained profits.

Restatement of comparatives

The Group and the Bank have reclassified interest receivables and interest payable previously classified under other assets and other liabilities to the respective financial assets and financial liabilities recognised at amortised cost. The reclassification have no impact to the financial results for the financial year ended 31 December 2012.

55. TRANSITION FROM FRS TO MFRS, CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Change in accounting policies and prior year adjustments (continued)

The impact of changes in accounting policies, prior year adjustments and restatement of comparatives on the financial statements of the Group and the Bank is as follows:

Group	As previously reported Debt/(Credit) RM'000	Effect of adoption of MFRS 139 Debt/(Credit) RM'000	Effect of adoption of FRSIC Consensus 18 Debt/(Credit) RM'000	Fee deferred and recognised as an adjustment to EIR Debt/(Credit) RM'000	Reversal of profit equalisation reserve Debt/(Credit) RM'000	Restatement of comparatives Debt/(Credit) RM'000	As restated Debt/(Credit) RM'000
Reconciliation of equity as at 1.1.2011							
Cash and short term funds	1,526,577	–	(853,786)	–	–	95	672,886
Securities portfolio							
– Securities held-for-trading	581,623	–	–	–	–	3,346	584,969
– Securities held-to-maturity	662,427	–	–	–	–	5,851	668,278
– Securities available-for-sale	2,788,999	–	–	–	–	22,551	2,811,550
Derivative financial assets	90,297	–	–	–	–	4,920	95,217
Loans, advances and financing	1,090,152	11,556	–	–	–	–	1,101,708
Trade receivables	2,042,493	(280)	–	–	–	–	2,042,213
Other assets	93,531	–	–	–	–	(37,361)	56,170
TOTAL ASSETS	**9,312,607**	**11,276**	**(853,786)**	**–**	**–**	**(598)**	**8,469,499**
Deposits from customers	(3,919,406)	–	(11,583)	–	–	(20,916)	(3,951,905)
Deposits and placements of banks and other financial institutions	(669,769)	–	–	–	–	(144)	(669,913)
Derivative financial liabilities	(149,749)	–	–	–	–	(3,728)	(153,477)
Trade payables	(2,657,196)	–	865,369	–	–	–	(1,791,827)
Other liabilities	(206,590)	–	–	(4,225)	996	31,583	(178,236)
Deferred tax liabilities	(663)	(2,819)	–	1,056	–	–	(2,426)
Subordinated notes	(300,000)	–	–	–	–	(6,197)	(306,197)
TOTAL LIABILITIES	**(8,041,549)**	**(2,819)**	**853,786**	**(3,169)**	**996**	**598**	**(7,192,157)**
Retained profits	(155,771)	(8,457)	–	3,169	(996)	–	(162,055)
Reserves	(365,299)	(8,457)	–	3,169	(996)	–	(371,583)
Equity attributable to owner of the Bank	(1,025,299)	(8,457)	–	3,169	(996)	–	(1,031,583)
TOTAL EQUITY	**(1,271,058)**	**(8,457)**	**–**	**3,169**	**(996)**	**–**	**(1,277,342)**

(b) Change in accounting policies and prior year adjustments (continued)

Bank	As previously reported Debt/(Credit) RM'000	Effect of adoption of MFRS 139 Debt/(Credit) RM'000	Effect of adoption of FRSIC Consensus 18 Debt/(Credit) RM'000	Fee deferred and recognised as an adjustment to EIR Debt/(Credit) RM'000	Reversal of profit equalisation reserve Debt/(Credit) RM'000	Restatement of comparatives Debt/(Credit) RM'000	As restated Debt/(Credit) RM'000
Reconciliation of equity as at 1.1.2011 (continued)							
Cash and short term funds	883,473	–	(508,838)	–	–	96	374,731
Securities portfolio							
– Securities held-for-trading	567,874	–	–	–	–	3,345	571,219
– Securities held-to-maturity	662,427	–	–	–	–	5,851	668,278
– Securities available-for-sale	2,779,260	–	–	–	–	22,551	2,801,811
Derivative financial assets	90,286	–	–	–	–	4,920	95,206
Loans, advances and financing	806,916	11,556	–	–	–	–	818,472
Trade receivables	746,462	(280)	–	–	–	–	746,182
Other assets	68,747	–	–	–	–	(37,362)	31,385
TOTAL ASSETS	**7,325,710**	**11,276**	**(508,838)**	**–**	**–**	**(599)**	**6,827,549**
Deposits from customers	(3,932,604)	–	–	–	–	(20,916)	(3,953,520)
Deposits and placements of banks and other financial institutions	(669,376)	–	–	–	–	(143)	(669,519)
Derivative financial liabilities	(149,741)	–	–	–	–	(3,728)	(153,469)
Trade payables	(1,171,095)	–	508,838	–	–	–	(662,257)
Other liabilities	(158,013)	–	–	(4,225)	996	31,583	(129,659)
Deferred tax liabilities	(419)	(2,819)	–	1,056	–	–	(2,182)
Subordinated notes	(300,000)	–	–	–	–	(6,197)	(306,197)
TOTAL LIABILITIES	**(6,384,277)**	**(2,819)**	**508,838**	**(3,169)**	**996**	**599**	**(5,879,832)**
Retained profits	(54,046)	(8,457)	–	3,169	(996)	–	(60,330)
Reserves	(281,433)	(8,457)	–	3,169	(996)	–	(287,717)
Equity attributable to owner of the Bank	(941,433)	(8,457)	–	3,169	(996)	–	(947,717)
TOTAL EQUITY	**(941,433)**	**(8,457)**	**–**	**3,169**	**(996)**	**–**	**(947,717)**

55. TRANSITION FROM FRS TO MFRS, CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Change in accounting policies and prior year adjustments (continued)

Group	As previously reported Debt/(Credit) RM'000	Effect of adoption of MFRS 139 Debt/(Credit) RM'000	Effect of adoption of FRSIC Consensus 18 Debt/(Credit) RM'000	Fee deferred and recognised as an adjustment to EIR Debt/(Credit) RM'000	Reversal of profit equalisation reserve Debt/(Credit) RM'000	Restatement of comparatives Debt/(Credit) RM'000	As restated Debt/(Credit) RM'000
Reconciliation of equity as at 31.12.2011							
Cash and short term funds	2,378,835	–	(1,011,968)	–	–	99	1,366,966
Deposits and placements with a bank	50,000	–	–	–	–	547	50,547
Securities portfolio							
– Securities held-for-trading	288,011	–	–	–	–	645	288,656
– Securities held-to-maturity	639,896	–	–	–	–	6,102	645,998
– Securities available-for-sale	3,222,247	–	–	–	–	24,768	3,247,015
Derivative financial assets	8,401	–	–	–	–	442	8,843
Loans, advances and financing	1,411,945	13,460	–	–	–	–	1,425,405
Trade receivables	1,523,317	(186)	–	–	–	–	1,523,131
Other assets	120,433	–	–	–	–	(42,308)	78,125
Deferred tax assets	11,957	(3,319)	–	1,545	–	–	10,183
TOTAL ASSETS	**10,151,276**	**9,955**	**(1,011,968)**	**1,545**	**–**	**(9,705)**	**9,141,103**
Deposits from customers	(4,714,611)	–	(29,762)	–	–	(29,783)	(4,774,156)
Deposits and placements of banks and other financial institutions	(658,749)	–	–	–	–	(293)	(659,042)
Derivative financial liabilities	(108,867)	–	–	–	–	3,275	(105,592)
Trade payables	(2,387,974)	–	1,041,582	–	–	–	(1,346,392)
Other liabilities	(209,252)	–	148	(6,179)	2,285	43,786	(169,212)
Subordinated notes	(400,000)	–	–	–	–	(7,280)	(407,280)
TOTAL LIABILITIES	**(8,805,676)**	**–**	**1,011,968**	**(6,179)**	**2,285**	**9,705**	**(7,787,897)**
Retained profits	(162,421)	(9,955)	–	4,634	(2,285)	–	(170,027)
Reserves	(381,475)	(9,955)	–	4,634	(2,285)	–	(389,081)
Equity attributable to owner of the Bank	(1,041,475)	(9,955)	–	4,634	(2,285)	–	(1,049,081)
TOTAL EQUITY	**(1,345,600)**	**(9,955)**	**–**	**4,634**	**(2,285)**	**–**	**(1,353,206)**

55. TRANSITION FROM FRS TO MFRS, CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Change in accounting policies and prior year adjustments (continued)

Bank	As previously reported Debt/(Credit) RM'000	Effect of adoption of MFRS 139 Debt/(Credit) RM'000	Effect of adoption of FRSIC Consensus 18 Debt/(Credit) RM'000	Fee deferred and recognised as an adjustment to EIR Debt/(Credit) RM'000	Reversal of profit equalisation reserve Debt/(Credit) RM'000	Restatement of comparatives Debt/(Credit) RM'000	As restated Debt/(Credit) RM'000
Reconciliation of equity as at 31.12.2011							
Cash and short term funds	1,528,272	–	(707,950)	–	–	99	820,421
Deposits and placements with a bank	50,000	–	–	–	–	547	50,547
Securities portfolio							
– Securities held-for-trading	252,075	–	–	–	–	645	252,720
– Securities held-to-maturity	639,862	–	–	–	–	6,102	645,964
– Securities available-for-sale	3,193,832	–	–	–	–	24,768	3,218,600
Derivative financial assets	8,401	–	–	–	–	442	8,843
Loans, advances and financing	991,571	13,460	–	–	–	–	1,005,031
Trade receivables	768,393	(186)	–	–	–	–	768,207
Other assets	84,220	–	–	–	–	(42,308)	41,912
Deferred tax assets	10,330	(3,319)	–	1,545	–	–	8,556
TOTAL ASSETS	**8,584,056**	**9,955**	**(707,950)**	**1,545**	**–**	**(9,705)**	**7,877,901**
Deposits from customers	(4,668,856)	–	–	–	–	(29,781)	(4,698,637)
Deposits and placements of banks and other financial institutions	(602,748)	–	–	–	–	(293)	(603,041)
Derivative financial liabilities	(108,867)	–	–	–	–	3,275	(105,592)
Trade payables	(1,408,904)	–	707,950	–	–	–	(700,954)
Other liabilities	(156,115)	–	–	(6,179)	2,285	43,784	(116,225)
Subordinated notes	(400,000)	–	–	–	–	(7,280)	(407,280)
TOTAL LIABILITIES	**(7,636,573)**	**–**	**707,950**	**(6,179)**	**2,285**	**9,705**	**(6,922,812)**
Retained profits	(64,441)	(9,955)	–	4,634	(2,285)	–	(72,047)
Reserves	(287,483)	(9,955)	–	4,634	(2,285)	–	(295,089)
Equity attributable to owner of the Bank	(947,483)	(9,955)	–	4,634	(2,285)	–	(955,089)
TOTAL EQUITY	**(947,483)**	**(9,955)**	**–**	**4,634**	**(2,285)**	**–**	**(955,089)**

55. TRANSITION FROM FRS TO MFRS, CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Change in accounting policies and prior year adjustments (continued)

Group	As previously reported Debt/(Credit) RM'000	Effect of adoption of MFRS 139 Debt/(Credit) RM'000	Fee deferred and recognised as an adjustment to EIR Debt/(Credit) RM'000	Reversal of profit equalisation reserve Debt/(Credit) RM'000	As restated Debt/(Credit) RM'000
For the year ended 31.12.2011					
Reconciliation of income statements					
Interest income	282,570	–	–	–	282,570
Interest expense	(192,508)	–	–	–	(192,508)
Net interest income	90,062	–	–	–	90,062
Net income from Islamic banking operations	8,984	–	–	1,289	10,273
Non-interest income	695,312	–	(1,954)	–	693,358
Other operating expenses	(668,165)	–	–	–	(668,165)
Allowance for impairment losses on loans, advances and financing	(3,855)	1,904	–	–	(1,951)
Allowance for impairment losses on trade and other receivables	(2,681)	94	–	–	(2,587)
Allowance for impairment losses on investments and intangibles	(70,083)	–	–	–	(70,083)
Share of results after tax of associated companies	2,802	–	–	–	2,802
Profit before tax	52,376	1,998	(1,954)	1,289	53,709
Income tax expense and zakat	(16,259)	(499)	488	–	(16,270)
Profit after tax for the year	36,117	1,499	(1,466)	1,289	37,439
Profit attributable to:					
Owner of the Bank	15,367	1,499	(1,466)	1,289	16,689
Non-controlling interests	20,750	–	–	–	20,750
	36,117	1,499	(1,466)	1,289	37,439

55. TRANSITION FROM FRS TO MFRS, CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Change in accounting policies and prior year adjustments (continued)

Bank	As previously reported Debt/(Credit) RM'000	Effect of adoption of MFRS 139 Debt/(Credit) RM'000	Fee deferred and recognised as an adjustment to EIR Debt/(Credit) RM'000	Reversal of profit equalisation reserve Debt/(Credit) RM'000	As restated Debt/(Credit) RM'000
For the year ended 31.12.2011					
Reconciliation of income statements					
Interest income	224,513	–	–	–	224,513
Interest expense	(186,043)	–	–	–	(186,043)
Net interest income	38,470	–	–	–	38,470
Net income from Islamic banking operations	8,984	–	–	1,289	10,273
Non-interest income	381,561	–	(1,954)	–	379,607
Other operating expenses	(327,942)	–	–	–	(327,942)
Allowance for impairment losses on loans, advances and financing	(2,829)	1,904	–	–	(925)
Allowance for impairment losses on trade and other receivables	(965)	94	–	–	(871)
Allowance for impairment losses on investments and intangibles	(70,083)	–	–	–	(70,083)
Profit before tax	27,196	1,998	(1,954)	1,289	28,529
Income tax expense and zakat	(6,406)	(499)	488	–	(6,417)
Profit after tax for the year	20,790	1,499	(1,466)	1,289	22,112

55. TRANSITION FROM FRS TO MFRS, CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Change in accounting policies and prior year adjustments (continued)

Capital adequacy

The adjustments to the financial statements of the Group and the Bank as a result of the transition to the MFRS framework, FRSIC Consensus 18 and, changes in accounting policies, and prior year adjustments as discussed above, also had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	As at 31 December 2011		As at 1 January 2011	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
Group				
Collective impairment	16,970	3,696	13,138	1,862
Tier II capital	416,970	403,696	313,138	301,862
Capital base	1,676,813	1,672,919	1,510,290	1,505,298
Core capital ratio	25.07%	26.30%	27.12%	28.71%
Risk weighted capital ratio	33.36%	34.67%	34.22%	35.91%
Bank				
Collective impairment	15,144	1,870	12,315	1,039
Tier II capital	415,144	401,870	312,315	301,039
Capital base	620,325	616,431	753,349	748,357
Core capital ratio	19.12%	19.75%	24.58%	25.12%
Risk weighted capital ratio	19.12%	19.75%	24.58%	25.12%

There are no material differences between the statement of cash flows presented under the MFRSs and the statement of cash flows presented under FRSs.

Basel II Pillar 3 Disclosures

31st December 2012

1. INTRODUCTION

This document seeks to set forth OSK Investment Bank Berhad (the Bank)'s practices in managing its risk exposures and assurance of capital adequacy. This is done in accordance with Bank Negara Malaysia's (BNM) Risk-Weighted Capital Adequacy Framework (Basel II)-Disclosure Requirements (Pillar 3). The main intent of Pillar 3 Disclosure is to ensure a consistent and comprehensive disclosure framework adopted by banking institutions that will enhance comparability between them in the financial markets, and which can foster improvements in their risk management practices.

Basel II Regulatory Capital Framework issued by the Basel Committee on Banking Supervision stands on three pillars as follows:

(i) Pillar 1 pivots on the minimum amount of regulatory capital that banking institutions must bear against the amount assumed for credit, market and operational exposures adjusted for risk. Guidelines are provided in arriving at the risk weighted assets (RWA) for credit, market and operational risks;

(ii) Pillar 2 focuses on the instituting of risk management practices by banking institutions from the banking supervisory perspective. The key features among these practices are: adoption of more forward-looking approach to capital management; developing and adopting more rigorous risk management framework and techniques, including specific oversight by the board of directors and senior management on internal controls and corporate governance practices; and having an appropriate level and quality of capital commensurate with the risk profile and business plan at all times; and

(iii) Pillar 3 looks to the power of market discipline to supplement regulatory supervision of banking institutions in improving their risk management and capital adequacy practices. It involves the formal disclosure where market participants can be apprised of the institutions' exposures to risk, the extent of their risk management, and the level of capital adequacy against these risks.

The Bank adopted the Standardised Approach in computing the capital charge for credit risk and market risk of Pillar 1 under BNM's Risk-Weighted Capital Adequacy Framework (RWCAF). The Basic Indicator Approach is applied for Operational Risk capital charge calculation. Under the Standardised Approach, standard risk weights are used to measure the capital charge required for exposures in credit risk and market risk, whilst the capital charge required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the Bank's average gross income for a fixed number of quarterly periods.

In setting out the disclosure of its risk and capital positions, the Bank has given due regard to conformance with the minimum requirements stipulated by BNM's guidelines on RWCAF on Basel II Pillar 3 Disclosure. Given that there is no requirement for this disclosure to be externally audited, the Bank has instead internally verified the disclosure with attestation thereto by the Bank's Chief Executive Officer.

2. SCOPE OF APPLICATION

The disclosure is compiled on a consolidated basis based on the information of OSK Investment Bank Berhad and its subsidiary companies, including those overseas (hereinafter called the OSKIB Group or the Group). The Bank is the only entity within the Group that has Islamic banking operations.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with RWCAF-Basel II. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk in their computation. The minimum regulatory capital adequacy requirement is 8.0% for the risk weighted capital ratio (RWCR).

2. SCOPE OF APPLICATION (CONTINUED)

For the purpose of consolidation for regulatory reporting, the Group has also included results of the Bank and all its subsidiary companies including subsidiaries that are involved in securities or stockbroking firms, fund management companies, asset management companies and other similar business that must be included in consolidation for regulatory reporting.

Other than the need to obtain regulatory approval for any material injection of capital or advances to/from subsidiary companies in order to ensure capital adequacy of the Bank and certain banking and stockbroking subsidiary companies that are subject to local capital adequacy requirements, there is no restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

3. CAPITAL STRUCTURE AND ADEQUACY

Capital is equivalent to equity attributable to the owners of the Group. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December of 2012 and 2011.

The Group maintains a capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) in respect of the Bank and those adopted by BNM in supervising the Bank.

The Group monitors the capital adequacy position of the Bank and its banking subsidiaries to ensure compliance with requirements of BNM and to take prompt actions to address projected capital deficiency. The capital position is reviewed on a half yearly basis by undertaking stress tests and taking into account the levels and trend of material risks. The sufficiency of capital is assessed against the various risks in the balance sheet, as well as future capital requirements based on the Group's expansion plans.

The Group has also formalised an overall capital management framework, which seeks to ensure that there is an adequate balance between Tier I and Tier II capital. The Group is also following very closely the global developments on capital management.

The following table sets forth details on the capital resources, capital adequacy ratios and risk-weighted assets for the Group and the Bank as at 31 December of 2012 and 2011. BNM's revised RWCAF-Basel II sets out the minimum capital adequacy ratios for the banking institutions and the methodology for calculating these ratios. As at 31 December 2012, the Group and the Bank's Tier I and the total capital adequacy ratios were higher than BNM's minimum requirements.

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(a) Capital adequacy ratios and capital base

(i) The capital adequacy ratios of the Group and of the Bank

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

	Group		Bank^	
	2012	2011 (Restated)	2012	2011 (Restated)
Before deducting proposed dividends:				
Core capital ratio	**19.72%**	26.30%	**11.49%**	19.75%
Risk weighted capital ratio	**27.25%**	34.67%	**11.49%**	19.75%
After deducting proposed dividends:				
Core capital ratio	**19.72%**	26.30%	**11.49%**	19.75%
Risk weighted capital ratio	**27.25%**	34.67%	**11.49%**	19.75%

^ In accordance with Section 7.3 of Guidelines on Risk Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM, if deduction from Total Capital (i.e. investments in subsidiary companies at Bank level) is more than eligible Tier 2 capital, the core capital ratio will be equal to the risk weighted capital ratio.

The core capital ratio and risk weighted capital ratio includes that of the Bank's Islamic Banking operations.

In assessing the adequacy of its internal capital levels to support current and future activities, the Bank ensures that it complies with the minimum requirements of BNM of at least 8% in risk weighted capital ratio.

The components of Tier I and Tier II Capital of the Group and of the Bank are as follows:

	Group		Bank	
	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)
Issued and fully paid share capital	**660,000**	660,000	**660,000**	660,000
(Accumulated losses)/Retained profits	**(68,743)**	170,027	**(74,878)**	72,047
Statutory reserve	**262,980**	239,537	**262,830**	239,387
Non-controlling interests	**216,576**	304,125	**–**	–
Tier I Capital	**1,070,813**	1,373,689	**847,952**	971,434
Less:				
Goodwill	**–**	(94,283)	**–**	(46,516)
Deferred tax assets	**(3,401)**	(10,183)	**–**	(8,556)
Deduction in excess of Tier 2 Capital	**–**	–	**(452,476)**	(299,931)
Eligible Tier I capital	**1,067,412**	1,269,223	**395,476**	616,431

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(a) Capital adequacy ratios and capital base (continued)

(i) The capital adequacy ratios of the Group and of the Bank (continued)

The components of Tier I and Tier II Capital of the Group and of the Bank are as follows (continued):

	Group		Bank	
	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)
Loans, advances and financing – Collective impairment	**7,898**	3,696	**5,153**	1,870
Maximum allowance subordinated debt capital	**400,000**	400,000	**400,000**	400,000
Tier II capital	**407,898**	403,696	**405,153**	401,870
Less: Investments in subsidiary companies	**–**	–	**(857,629)**	(701,801)
Eligible Tier II Capital	**407,898**	403,696	**–**	–
Capital base	**1,475,310**	1,672,919	**395,476**	616,431

(ii) The capital adequacy ratios and capital base of the Bank's banking subsidiary in Cambodia, OSK Indochina Bank Limited (OSKIBL), are as follows:

	OSKIBL	
	2012	2011
Before deducting proposed dividends:		
Core capital ratio	**#**	#
Solvency ratio	**38.29%**	46.49%
After deducting proposed dividends:		
Core capital ratio	**#**	#
Solvency ratio	**38.29%**	46.49%

The Solvency Ratio of OSKIBL is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas^ B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as OSKIBL's net worth divided by its risk weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15.0%.

No equivalent ratio in Cambodia
^ Proclamation/Decree in Cambodian language

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(a) Capital adequacy ratios and capital base (continued)

(iii) The core capital ratio and the risk weighted capital ratio of the Bank's Islamic Banking operations are as follows:

	Islamic Banking Operations 2012	Islamic Banking Operations 2011
Before deducting proposed dividends:		
Core capital ratio	**54.07%**	55.93%
Risk weighted capital ratio	**54.07%**	55.93%
After deducting proposed dividends:		
Core capital ratio	**54.07%**	55.93%
Risk weighted capital ratio	**54.07%**	55.93%

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk

Group 2012 Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(i) Credit risk				
On-Balance Sheet Exposures:				
Sovereigns/central banks	1,493,280	1,493,280	14,307	1,145
Banks, development financial institutions and multilateral development banks	2,751,066	2,751,066	686,942	54,955
Insurance companies, securities firms and fund managers	134,478	134,478	26,896	2,151
Corporates	3,072,240	2,081,702	1,426,771	114,142
Other assets	256,305	256,305	256,305	20,504
Defaulted exposure	178,792	178,792	251,087	20,087
Total on-balance sheet exposures	7,886,161	6,895,623	2,662,308	212,984

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (continued)

Group
2012

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(i) Credit risk (continued)				
Off-Balance Sheet Exposures:				
Over-the-counter (OTC) derivatives	2,305	2,305	538	43
Credit derivatives	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	180,690	180,690	154,254	12,340
Defaulted exposures	–	–	–	–
Total off-balance sheet exposures	182,995	182,995	154,792	12,383
Total on and off-balance sheet exposures	8,069,156	7,078,618	2,817,100	225,367
(ii) Large exposures risk requirement	–	–	–	–

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(iii) Market risk				
Interest rate risk	2,184,885	1,634,570	438,547	35,084
Foreign currency risk	872,040	(1,341)	872,040	69,763
Equity risk	64,195	–	154,534	12,363
Option risk	21,971	–	22,060	1,765
Total	3,143,091	1,633,229	1,487,181	118,975
(iv) Operational risk			1,109,820	88,786
(v) Total RWA and capital requirements			5,414,101	443,128

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (continued)

Group
2011 (Restated)

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(i) Credit risk				
On-Balance Sheet Exposures:				
Sovereigns/central banks	1,577,135	1,577,135	–	–
Banks, development financial institutions and multilateral development banks	3,067,154	3,067,154	790,316	63,225
Insurance companies, securities firms and fund managers	102,425	102,425	20,486	1,639
Corporates	2,330,005	1,752,663	1,234,192	98,735
Other assets	557,236	557,236	557,236	44,579
Defaulted exposure	25,091	25,091	37,637	3,011
Total on-balance sheet exposures	7,659,046	7,081,704	2,639,867	211,189
Off-Balance Sheet Exposures:				
Over-the-counter (OTC) derivatives	978	978	204	16
Credit derivatives	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	189,730	189,730	82,730	6,618
Defaulted exposures	–	–	–	–
Total off-balance sheet exposures	190,708	190,708	82,934	6,634
Total on and off-balance sheet exposures	7,849,754	7,272,412	2,722,801	217,823
(ii) Large exposures risk requirement	–	–	–	–

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(iii) Market risk				
Interest rate risk	1,221,139	1,119,432	126,345	10,108
Foreign currency risk	871,483	–	871,483	69,719
Equity risk	22,147	–	34,185	2,735
Option risk	–	–	50	4
Total	2,114,769	1,119,432	1,032,063	82,566
(iv) Operational risk			1,070,911	85,673
(v) Total RWA and capital requirements			**4,825,775**	**386,062**

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (continued)

Bank
2012

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(i) Credit risk				
On-Balance Sheet Exposures:				
Sovereigns/central banks	1,422,352	1,422,352	14,307	1,145
Banks, development financial institutions and multilateral development banks	2,341,932	2,341,932	607,237	48,579
Insurance companies, securities firms and fund managers	131,492	131,492	26,299	2,104
Corporates	2,483,197	1,844,364	1,189,433	95,155
Other assets	147,852	147,852	147,852	11,828
Defaulted exposure	178,792	178,792	251,087	20,087
Total on-balance sheet exposures	6,705,617	6,066,784	2,236,215	178,898
Off-Balance Sheet Exposures:				
Over-the-counter (OTC) derivatives	2,305	2,305	538	43
Credit derivatives	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	113,042	113,042	86,606	6,928
Defaulted exposures	–	–	–	–
Total off-balance sheet exposures	115,347	115,347	87,144	6,971
Total on and off-balance sheet exposures	6,820,964	6,182,131	2,328,359	185,869
(ii) Large exposures risk requirement	–	–	–	–

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(iii) Market risk				
Interest rate risk	2,152,250	1,634,570	422,184	33,775
Foreign currency risk	57,998	(33,471)	57,998	4,640
Equity risk	5,293	–	12,847	1,028
Option risk	21,971	–	22,060	1,765
Total	2,237,512	1,601,099	515,089	41,208
(iv) Operational risk			602,549	48,204
(v) Total RWA and capital requirements			**3,440,997**	**275,281**

3. CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (continued)

Bank 2011 (Restated) Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(i) Credit risk				
On-Balance Sheet Exposures:				
Sovereigns/central banks	1,509,776	1,509,776	–	–
Banks, development financial institutions and multilateral development banks	2,544,412	2,544,412	687,668	55,013
Insurance companies, securities firms and fund managers	100,245	100,245	20,048	1,604
Corporates	1,904,767	1,587,722	1,069,561	85,565
Other assets	473,820	473,820	473,820	37,906
Defaulted exposure	25,091	25,091	37,637	3,011
Total on-balance sheet exposures	6,558,111	6,241,066	2,288,734	183,099
Off-Balance Sheet Exposures:				
Over-the-counter (OTC) derivatives	978	978	204	16
Credit derivatives	–	–	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	177,162	177,162	70,162	5,613
Defaulted exposures	–	–	–	–
Total off-balance sheet exposures	178,140	178,140	70,366	5,629
Total on and off-balance sheet exposures	6,736,251	6,419,206	2,359,100	188,728
(ii) Large exposures risk requirement				

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Capital Requirements (8%) RM'000
(iii) Market risk				
Interest rate risk	1,199,671	1,119,432	115,256	9,220
Foreign currency risk	64,252	–	64,252	5,140
Equity risk	5,943	–	14,391	1,151
Option risk	–	–	50	4
Total	1,269,866	1,119,432	193,949	15,515
(iv) Operational risk			568,402	45,472
(v) Total RWA and capital requirements			3,121,451	249,715

The Group and the Bank do not have any issuances of Profit Sharing Investment Account (PSIA) used as a risk absorbent.

4. RISK MANAGEMENT

OVERVIEW ON RISK MANAGEMENT

OSK Investment Bank Berhad's (OSKIB) risk management strategy is to ensure that all the risks undertaken are manageable and within the risk appetite and limits. It should also help to foster an environment that is conducive to risk taking as well as to enable the various business units to undertake the risks necessary to achieve OSKIB's business and financial objectives.

OSKIB's risk management objectives are as follows:

(a) To protect OSKIB's capital earnings from unexpected, excessive losses that could threaten the viability of OSKIB;

(b) To assist management to undertake and manage the appropriate levels of risks necessary to attain business and financial objectives;

(c) To ensure that OSKIB is in compliance with regulatory capital adequacy requirements; and

(d) To ensure that the Board and senior management are adequately informed of OSKIB's risk profile when making decisions.

The risk management approach in OSKIB is premised on three lines of defence – risk taking units by the front office, risk control units by the middle office, and internal audit as an independent verification party. The risk taking units are responsible for the day-to-day management of risks inherent in their business, while the risk control units are responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and reporting of risks exposures. Finally, the last level of defence – internal audit – is to provide an independent assurance of the effectiveness of the risk management approach. Internal audit activities play a significant role in assessing operational risks.

The risk management processes are broken down into four (4) generic steps:

(i) Firstly, identifying the risks;

(ii) Secondly, assessing their potential impact on OSKIB;

(iii) Thirdly, as risks are dynamic in nature, continuous monitoring of risks is required;

(iv) Fourthly, managing the risk and reporting those risks to the management and Board Risk Management Committee (BRMC) for taking appropriate actions.

These steps and the risk management process are documented in OSKIB's risk management framework manual (Manual). It also clearly outlines the appointment and roles of various departments and personnel responsible for the risk management functions. The Manual is reviewed regularly by the BRMC and the Board.

RISK MANAGEMENT GOVERNANCE STRUCTURE

The risk management governance structure of OSKIB begins with the Board and is supported by the BRMC, which comprises independent non-executive directors appointed by the Board. The BRMC determines OSKIB's risk policies, ensures that the risk management infrastructure is in place, and oversees the risk profile of OSKIB. The day-to-day responsibility for risk management is primarily supported by the Risk Management Department (RMD) and dedicated sub-committees, namely, the Executive Committee (EXCO), the Asset and Liability Management Committee (ALCO), the Management Risk Committee (MRC), the Investment Committee (IC), the Credit Lending Committee (CLC) and the IT Steering Committee. These sub-committees have been delegated specific responsibilities which are clearly defined in each of their terms of references. Lastly, the audit committee, through Group Internal Audit department (GIA) is to provide an independent assessment of the adequacy, and reliability of the risk management process and compliance with risk policies and regulatory guidelines.

4. RISK MANAGEMENT (CONTINUED)

BUSINESS RISK

As a banking institution with activities in various countries and business lines including stockbroking, futures and options broking, corporate advisory, treasury, derivatives and structured products, Islamic banking, corporate loans and other related activities, OSKIB is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly divided into three (3) types of risks, namely (i) market risk; (ii) credit risk; and (iii) operational risk. The reason for categorising the various risks is to facilitate a more effective and efficient management of these risks. Each risk category consists of many but related risk components. Certain risk components are categorised together because they share a common source or require similar control procedures.

(a) Market risk

Market risk is the potential loss arising from changes in market values of financial securities assets held by OSKIB. Market risk is made up of the following risk components:

(i) Market price risk: arising from changes in secondary market prices of the financial products/securities held by OSKIB as the result of market making, facilitating an execution, early termination by clients, execution errors and other circumstances;

(ii) Interest rate risk: arising from movements in interest rates, which could take the form of a yield curve shift or a monetary policy change;

(iii) Foreign currency risk: arising from movement in foreign currency rates and interest rate of the respective currency;

(iv) Liquidity risk: arising from the difficulty of selling an asset, which leads to the failure of selling securities above or at its indicated value, where the indication is revealed by recent transaction;

(v) Option Risk: Risk generated by bank's activities in options that may be embedded in financial instruments or as part of the underwriting business or as standalone instruments such as exchange-traded options and OTC contracts such as caps and floors; and

(vi) Equity Risk: Equity risk is the potential adverse changes in the value of the equity-related holdings. Price risk associated with equity can be classified into undiversifiable equity risk and specific (diversifiable) equity risk.

OSKIB is exposed to a variety of market risks. These are identified and accurately measured so that they can be managed more effectively. Due to the dynamic and volatile nature of market risk, it must be measured and assessed on a real-time or mark-to-market basis. Prudent market risk assessment requires sensitivity analysis capabilities that can offer some preview of the impact of potential market movements on OSKIB's risk profile.

For foreign currency bonds and derivatives products (such as issuance of call warrants and investment linked derivatives), appropriate hedging strategies are employed and approved by the IC and/or the Board prior to the release of approved limits for such activities.

4. RISK MANAGEMENT (CONTINUED)

BUSINESS RISK (CONTINUED)

(b) Credit risk

Credit risk is the potential loss arising from the failure by a counterparty to fulfill its obligations under a contractual agreement. Credit risk is made up of the following risk components:

(i) Settlement/clearing risk: when the counterparty fails to pay for the purchase made or to settle variations in margin;

(ii) Concentration risk: arises when there is excessive exposures to a single counterparty (or country);

(iii) Credit assessment risk: arising from the lack of a proper, adequate and consistent counterparty risk assessment structure, the use of inappropriate rating factors or the lack of adequate counterparty information, which can lead to inconsistencies, misappropriation of authority and inappropriate limits being authorised;

(iv) Recovery risk: arising from delays and inability to recover losses due to defaults. It is related to counterparty assessment, proper credit documentation and monitoring, and recovery process;

(v) Migration-of-credit-rating risk: arising from migration of credit rating of a product issuer due to changes in macro-economic conditions, which may increase the probability of default by the issuer; and

(vi) Liquidity risk (credit-related): arising from large concentration of risk in a single issuer or product/security, which may cause a liquidity problem due to settlement failure by the Issuer.

The credit risk process covers decision-making, credit monitoring and the follow-up of credit commitments. That is, it comprises credit documentation, credit assessment, credit limit authorisation, credit portfolio management, credit review and evaluation, and credit recovery and follow-up.

OSKIB's credit management methodology is implemented consistently across all the business units and branches. The principal parties responsible for credit risk management are the board of directors, EXCO, CLC, RMD, Corporate Credit Department (CCD), Credit Control & Supervision Department (CCSD) and the respective business unit heads. Each business unit head is fully responsible for the credit risks undertaken by his/her unit.

The credit profile of a client can change fast. Credit exposures are therefore closely monitored within the context of the OSKIB's overall risk tolerance and the relationship between market risk and credit risk. Periodic reviews of credit decisions are carried out and alert systems are established to warn against any deterioration in the credit quality of the client. Stress test simulation is performed to determine the effect of abnormal market movements on OSKIB's credit risk profile. Regular review of credit risk limits allows us to assess OSKIB's risk profile/capacity and business units' individual performance.

4. RISK MANAGEMENT (CONTINUED)

BUSINESS RISK (CONTINUED)

(c) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, as well as from external events. Operational risk coverage includes, amongst others, the following key risk areas:

(i) System risk: arising from failure of the IT system and infrastructure that includes the computer hardware/software, system communications, internal control policies/procedures governing the IT, data feed sources and IT personnel;

(ii) Dealing risk: arising from failure of the dealing infrastructure that includes trading systems, communication channels, internal control procedures governing the dealing process and dealing personnel;

(iii) Settlements risk (operational-related): arises when OSKIB performs payment obligations under a contract, either through advance of funds or securities, but before the counterparty meets its payment or delivery obligation;

(iv) Liquidity risk (funding-related): arising from failure by OSKIB to meet the investment and funding requirements due to cash-flow mismatches;

(v) Compliance risk: arising from the failure to comply with external rules/regulations governing operations. Potential penalties range from reprimands, monetary fines to suspension/revocation of license;

(vi) Legal risk: arising from execution of invalid non-binding or ultra vires transactions that may result in irrevocable debts and losses, compensation for damages, and reputation loss; and

(vii) People risk: arising from staff defaulting in expected behaviour or the organisation being ineffective or inefficient in the management of its human capital.

Operational risk is unique because whilst it is an inherent part of the business, it is difficult to link it to a corresponding return. The approach is always to control and mitigate operational risk as much as possible, within the cost constraints and without compromising efficiency. Operational risk can surface in procedures that have been in place for years due to changes in market practices and the market environment. As such, OSKIB's business activities and processes are continuously studied to ensure that new risks are identified and properly deliberated. The internal audit programme is designed to be risk focused and to guide audit activities in assessing the principal risks faced by OSKIB. It enables OSKIB to gauge the level of adherence and compliance to internal and regulatory policies/procedures, as well as to assess the adequacy and appropriateness of the risk management policies/procedures to manage OSKIB's risk activities.

IMPLICATION ON OSKIB

Each of the business risks above has an implication on the Bank's financial condition, and every transaction that the Bank undertakes is subject to, inter alia, the abovementioned risks. The Bank's financial position may be adversely affected resulting from any of the risks operating on its own. For example, the Bank's investment position in a certain asset may require a huge mark-down as a result of the slump in the market price of that asset, or the Bank may find that it will not be able to enforce a counterparty obligation due to imperfect documentation.

Additionally, the Bank's financial condition may also be affected by risks that have a 'chain reaction' effect whereby the operation of one risk leads to the operation of one or more other risks. For example, a market downturn may result in the Bank's customers incurring losses thus weakening their financial condition and triggering an increase in credit risks. Such increased credit risks may require the Bank to set aside additional loss provisions which could potentially affect the Bank's credit rating adversely thereby increasing liquidity risk. In an extreme case, the additional loss provisions (if large) may lead to the Bank breaching regulatory capital requirements.

4. RISK MANAGEMENT (CONTINUED)

MITIGATING TOOLS

To counter the following business risks OSKIB faces, it has put in place the following mitigating tools:

(a) Market risk

- A well designed set of limits such as portfolio limit, trader limit, dealer limit, stop loss limit and value-at-risk limit
- Appropriate investment criteria such as by rating, by tenure or by industry
- Establish the following appropriate and effective measurement tools to monitor the exposures on regular basis:-
  - Rate sensitive gap analysis
  - Earnings-at-Risk (EAR) analysis
  - Value-at-Risk (VAR) Analysis
  - Economic Value-at-Risk (EVR) Analysis
  - Present value basis point analysis
- Independent valuation model and revaluation of risk exposures
- Stress testing to assess the impact of extreme but plausible events
- Back testing to validate the risk models used
- Daily/periodic review of risk exposures (based on a set of risk indicators) to ensure compliance to internal policies, limit and guidelines
- Liquidity and contingency funding plan
- Liquidity risk management as per BNM Framework
- The ALCO, to manage OSKIB's balance sheet and associated market/liquidity risks
- Periodic audits by internal auditors

(b) Credit risk

- An internal credit rating system comprising a set of internally developed rating tools used for grading of corporate and individual borrowers
- Setting of credit and counterparty limits
- Setting of credit risk concentration limits with active monitoring on compliance
- Independent pre-and-post-approval evaluation of credit proposals
- Multi-level credit approval process requiring applications for credit exceeding specified thresholds to be submitted for approval to increasingly higher levels of authority within OSKIB up to the Board
- Perform internal credit analysis and evaluations based on a number of factors and sources of information such as due diligence investigation and credit checks, bankruptcy searches, analyse and evaluate the business financial performance, business and industry risk review
- Post-mortem review of delinquent loans to identify weaknesses in credit origination/processing/approval/monitoring processes
- Regular review and report of credit risk exposures to BRMC and the Board
- In-house training for credit personnel leading to attainment of Certified Credit Professional (CCP) qualification
- Periodic audits on the credit risk management processes by internal auditors
- Stress testing on the credit exposures to examine the impact on OSKIB's liquidity and capital adequacy under stressed conditions

4. RISK MANAGEMENT (CONTINUED)

MITIGATING TOOLS

(c) Operational risk

- Ensure that risk assessment/identification is performed prior to launching of new products
- Policies/limits are tabled to MRC and BRMC for endorsement and to the Board for approval
- Implementation of the Operational Risk Management System (ORMS) in line with Basel II requirements
- Conduct Risk and Control Self-Assessment (RCSA) to identify and assess operational risk as well as evaluate control effectiveness
- Establish Key Risk Indicators (KRIs) for tracking of selected leading operational risk drivers
- Implement loss data collection practice to monitor and assess material operational losses, and assist in formulating appropriate recommendations to strengthen the control weaknesses
- Review policies and procedures to ensure proper documentation of such policies and procedures as well as to ensure appropriate risk control measures are adopted
- Transfer operational risk via insurance mechanism
- Ongoing monitoring, management and reporting to BRMC and the Board on the risk profiles of the business and operational units including supervisory branches as well as local and foreign subsidiaries
- Deployment of Local Risk Managers (LRMs) and Risk Liaison Officers (RLOs) at business and operational units including supervisory branches as well as local and foreign subsidiaries
- Conduct of training and risk management awareness programme for management
- A decentralised compliance function is adopted with the appointment of compliance officers in each significant business unit to monitor, control and promote compliance activities
- The Group Corporate & Legal Affairs Department to oversee bank-wide legal risk
- Periodic audits by internal auditors

(d) Other Mitigating Tools

New Product

Implementation of a new product is required to go through a new product approval programme to ensure that all risks inherent in a new product/financing package and related business activities are identified, with risk mitigation measures in place, prior to the launching of the product/financing package. All new products have to be signed off by the respective risk control units, including RMD, the Group Corporate & Legal Affairs Department, Group Finance and Administration Department, and GIA and approved by the BRMC/the Board.

Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)

OSKIB has also established BCP and DRP that involve pre-planning to help its personnel to react systematically to disasters (such as breakdown in information technology system, fire, disruption in power supply, etc.) in order to continue operating the business without any significant loss of services to clients.

However, investors should note that the risk management framework, as a whole may not always be fully effective as there may be risks that have not been anticipated or identified, and certain risks may be significantly greater than indicated by historical data. Further, the data relied upon to formulate the risk management framework may not be accurate, complete, up-to-date or properly evaluated. The process to manage operational, legal and regulatory risks would require proper recording and verifying a large number of transactions and events. Such process may not be fully effective in all cases.

4. RISK MANAGEMENT (CONTINUED)

MITIGATING TOOLS (CONTINUED)

(d) Other Mitigating Tools (continued)

Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP is a requirement under Pillar II of Basel II for capital management. The Group and the Bank have drawn up a road map for ICAAP and approved by the Board of Directors. The Bank is in the process of implementation of ICAAP which is expected to be completed by 2013.

The Group and the Bank seek to achieve the following goals through the implementation of its ICAAP framework:

- Satisfy the regulatory capital adequacy requirement and guideline, as well as maintain a prudent buffer;
- Generate sufficient capital to strengthen strategic decision making and support overall business strategy;
- Integrate capital allocation decisions with the strategic and financial planning process;
- Enhance Board and senior management's ability to understand how much capital flexibility exists to support the overall business strategy;
- Enhance the Bank's understanding on capital requirements under different economic and stress scenarios; and
- Build and support the link between risks and capital, and align performance to these.

BOARD RISK MANAGEMENT COMMITTEE

The Committee is established by the Board to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks, and to ensure that the risk management process is in place and functioning effectively.

MEMBERSHIP

The Board Risk Management Committee (Committee) consists of the following members:

Dr Ngo Get Ping *(Chairman)*
Independent Non-Executive Director

Mr. Foo San Kan
Senior Independent Non-Executive Director

Mr. Leong Keng Yuen
Independent Non-Executive Director

ATTENDANCE OF MEETINGS

Name of Committee Member	No. of meetings attended
Dr. Ngo Get Ping	7 / 7
Mr. Foo San Kan	7 / 7
Mr. Leong Keng Yuen	6 / 7

4. RISK MANAGEMENT (CONTINUED)

COMPOSITION AND TERMS OF REFERENCE

Composition

The Committee is established by the Board to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks, and to ensure that the risk management process is in place and functioning effectively. The Board Risk Management Committee shall comprise only non-executive directors with at least three (3) members. The Committee shall be chaired by an independent director.

The Committee may meet together for dispatch of business, adjourn, and otherwise regulate their meetings as they think fit by means of any communication technology by which all persons participating in the meeting are able to hear and be heard by all other participants without the need for a member to be in physical presence in the meeting. The member participating in any such meeting shall be counted in the quorum for such meeting. All resolutions agreed by the member in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the members duly convened and held;

Frequency of Meetings

The Committee shall preferably meet on a quarterly basis, but in any event, no less than four (4) times a year, or whenever deemed necessary.

Heads of the respective division units and relevant management personnel may be invited to attend the Committee meetings.

The Company Secretary shall be the Secretary to the Committee.

Quorum

The quorum of the meetings shall be at least two (2) members or 50% of the total members, whichever is higher.

Authority

The Committee shall within its terms of reference:

a. have the resources required to perform its duties;
b. have full and unrestricted access to any information required to perform their duties;
c. have direct communication channels with employees, senior management staff and external parties;
d. have the authority to investigate any activity of the Bank within its terms of reference;
e. have the authority to form management/sub-committee(s) if deemed necessary and fit;
f. have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit;
g. be able to obtain independent professional or other advice; and
h. be able to convene meetings with external parties, whenever deemed necessary

4. RISK MANAGEMENT (CONTINUED)

DUTIES AND RESPONSIBILITIES

a. To review and recommend risk management strategies, policies and risk tolerance for Board's approval;

b. To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk, and the extent to which these are operating effectively;

c. To ensure infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk originating activities;

d. To review periodic reports from the Risk Management Department on risk exposure, risk portfolio composition and risk management activities;

e. To review and recommend new policies or changes to policies, and to consider their risk implications; and

f. To review and recommend new policies or changes to policies, and to consider their risk implications.

SPECIFIC DUTIES

a. To review the impact of risk on capital adequacy and profitability under normal and stress scenarios;

b. To review and evaluate the various products engaged by the Bank and to ensure that they are conducted within the standards and policies as set by the Board;

c. To assess the adequacy of the business recovery/disaster recovery procedures;

d. To recommend targeted risk capital ratios and monitor adherence to those ratios;

e. To review and recommend strategic actions to be taken by the Bank arising from new regulatory policies, such as the Basel II implementation for the Board's approval; and

f. To consider and approve the appointment of professional external advisors/consultants in areas falling within the jurisdiction of the Committee, and to notify the Board of the same.

STATEMENT OF RISK MANAGEMENT FRAMEWORK

The Committee believes that the Bank's risk management framework has been put in place and functioning in meeting the Regulator and Industry's best practices requirements.

Please refer to the detailed discussion section with regards to the Bank's risk management framework.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk

Gross credit exposure

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:

Group 2012	**Malaysia RM'000**	**Other countries RM'000**	**Total RM'000**
On-Balance Sheet Exposures			
Securities held-for-trading^	501,597	167,528	669,125
Securities held-to-maturity^	426,238	30,971	457,209
Securities available-for-sales^	2,836,991	983,098	3,820,089
Loan, advances and financing	1,356,419	634,718	1,991,137
Total on-balance sheet exposures	5,121,245	1,816,315	6,937,560
Off-Balance Sheet Exposures			
Over-the-counter (OTC) derivatives	2,305	–	2,305
Off-balance sheet exposures other than OTC derivatives or credit derivatives	113,042	67,648	180,690
Total off-balance sheet exposures	115,347	67,648	182,995
Total on and off-balance sheet exposures	5,236,592	1,883,963	7,120,555

Group 2011 (Restated)	**Malaysia RM'000**	**Other countries RM'000**	**Total RM'000**
On-Balance Sheet Exposures			
Securities held-for-trading^	71,383	34,012	105,395
Securities held-to-maturity^	501,284	138,612	639,896
Securities available-for-sales^	2,133,483	1,041,911	3,175,394
Loan, advances and financing	996,373	432,817	1,429,190
Total on-balance sheet exposures	3,702,523	1,647,352	5,349,875
Off-Balance Sheet Exposures			
Over-the-counter (OTC) derivatives	978	–	978
Off-balance sheet exposures other than OTC derivatives or credit derivatives	189,730	–	189,730
Total off-balance sheet exposures	190,708	–	190,708
Total on and off-balance sheet exposures	3,893,231	1,647,352	5,540,583

Note:

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(i) The table below sets out the breakdown of gross credit exposures by geographical distribution as follows:

Bank 2012	**Malaysia RM'000**	**Other countries RM'000**	**Total RM'000**
On-Balance Sheet Exposures			
Securities held-for-trading^	501,597	134,893	636,490
Securities held-to-maturity^	426,238	30,971	457,209
Securities available-for-sales^	2,836,991	983,098	3,820,089
Loan, advances and financing	1,356,419	49,725	1,406,144
Total on-balance sheet exposures	5,121,245	1,198,687	6,319,932
Off-Balance Sheet Exposures			
Over-the-counter (OTC) derivatives	2,305	–	2,305
Off-balance sheet exposures other than OTC derivatives or credit derivatives	113,042	–	113,042
Total off-balance sheet exposures	115,347	–	115,347
Total on and off-balance sheet exposures	5,236,592	1,198,687	6,435,279

Bank 2011 (Restated)	**Malaysia RM'000**	**Other countries RM'000**	**Total RM'000**
On-Balance Sheet Exposures			
Securities held-for-trading^	71,383	12,545	83,928
Securities held-to-maturity^	501,284	138,578	639,862
Securities available-for-sales^	2,133,483	1,041,314	3,174,797
Loan, advances and financing	996,373	10,342	1,006,715
Total on-balance sheet exposures	3,702,523	1,202,779	4,905,302
Off-Balance Sheet Exposures			
Over-the-counter (OTC) derivatives	978	–	978
Off-balance sheet exposures other than OTC derivatives or credit derivatives	177,162	–	177,162
Total off-balance sheet exposures	178,140	–	178,140
Total on and off-balance sheet exposures	3,880,663	1,202,779	5,083,442

Note:

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

Group 2012	Primary Agri-culture RM'000	Manu-facturing (Including Agro-Based) RM'000	Construc-tion RM'000	Electricity, Gas and Water Supply RM'000	Wholesale & retail and restau-rants and hotels RM'000	Transport, storage and communi-cation RM'000	Finance, insurance, real estate and business activities RM'000	Education, Health and Others RM'000	Mining and Quarrying RM'000	Govern-ment and govern-ment agencies RM'000	Household RM'000	Others RM'000	Total RM'000
Securities held-for-trading^	5,043	–	–	–	–	–	558,556	–	–	80,731	–	24,795	669,125
Securities held-to-maturity^	–	5,024	74,337	–	5,008	–	193,790	–	–	112,943	–	66,107	457,209
Securities available-for-sales^	35,185	38,492	82,929	35,329	10,067	38,702	2,318,270	5,005	15,294	993,451	–	247,365	3,820,089
Loan, advances and financing	12,102	77,340	140,694	658	241,761	24,407	1,009,477	–	287	–	484,411	–	1,991,137
Total on-balance sheet exposures	52,330	120,856	297,960	35,987	256,836	63,109	4,080,093	5,005	15,581	1,187,125	484,411	338,267	6,937,560
Off-Balance Sheet Exposures													
Over-the-counter (OTC) derivatives	–	–	–	–	–		2,305	–	–	–	–	–	2,305
Off-balance sheet exposures other than OTC derivatives or credit derivatives	33,713	27	–	–	–	624	146,326	–	–	–	–	–	180,690
Total off-balance sheet exposures	33,713	27	–	–	–	624	148,631	–	–	–	–	–	182,995
Total on and off-balance sheet exposures	86,043	120,883	297,960	35,987	256,836	63,733	4,228,724	5,005	15,581	1,187,125	484,411	338,267	7,120,555

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

Group 2011 (Restated)	Primary Agri-culture RM'000	Manu-facturing (Including Agro-Based) RM'000	Construc-tion RM'000	Electricity, Gas and Water Supply RM'000	Wholesale & retail and restau-rants and hotels RM'000	Transport, storage and communi-cation RM'000	Finance, insurance, real estate and business activities RM'000	Education, Health and Others RM'000	Mining and Quarrying RM'000	Govern-ment and govern-ment agencies RM'000	Household RM'000	Others RM'000	Total RM'000
Securities held-for-trading^	–	–	–	12,496	–	–	19,501	–	–	73,398	–	–	105,395
Securities held-to-maturity^	–	37,495	59,090	40,970	10,347	56,621	295,228	–	–	140,145	–	–	639,896
Securities available-for-sales^	60,414	19,226	136,036	63,061	40,525	103,654	1,749,577	10,154	–	905,929	–	86,818	3,175,394
Loan, advances and financing	666	104,301	63,474	29,253	191,406	66,674	599,217	–	9,944	–	364,255	–	1,429,190
Total on-balance sheet exposures	61,080	161,022	258,600	145,780	242,278	226,949	2,663,523	10,154	9,944	1,119,472	364,255	86,818	5,349,875
Off-Balance Sheet Exposures													
Over-the-counter (OTC) derivatives	–	–	–	–	–	–	978	–	–	–	–	–	978
Off-balance sheet exposures other than OTC derivatives or credit derivatives	–	13,523	–	–	27,657	–	145,807	–	–	–	–	2,743	189,730
Total off-balance sheet exposures	–	13,523	–	–	27,657	–	146,785	–	–	–	–	2,743	190,708
Total on and off-balance sheet exposures	61,080	174,545	258,600	145,780	269,935	226,949	2,810,308	10,154	9,944	1,119,472	364,255	89,561	5,540,583

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

Bank 2012	Primary Agri-culture RM'000	Manu-facturing (Including Agro-Based) RM'000	Construc-tion RM'000	Electricity, Gas and Water Supply RM'000	Wholesale & retail and restau-rants and hotels RM'000	Transport, storage and communi-cation RM'000	Finance, insurance, real estate and business activities RM'000	Education, Health and Others RM'000	Mining and Quarrying RM'000	Govern-ment and govern-ment agencies RM'000	Household RM'000	Others RM'000	Total RM'000
Securities held-for-trading^	5,043	–	–	–	–	–	525,951	–	–	80,701	–	24,795	636,490
Securities held-to-maturity^	–	5,024	74,337	–	5,008	–	193,790	–	–	112,943	–	66,107	457,209
Securities available-for-sales^	35,185	38,492	82,929	35,329	10,067	38,702	2,318,270	5,005	15,294	993,451	–	247,365	3,820,089
Loan, advances and financing	5,594	45,001	132,529	–	79,616	12,682	906,613	–	287	–	223,823	–	1,406,144
Total on-balance sheet exposures	45,822	88,517	289,795	35,329	94,691	51,384	3,944,624	5,005	15,581	1,187,095	223,823	338,267	6,319,932
Off-Balance Sheet Exposures													
Over-the-counter (OTC) derivatives	–	–	–	–	–	–	2,305	–	–	–	–	–	2,305
Off-balance sheet exposures other than OTC derivatives or credit derivatives	33,713	–	–	–	–	–	79,329	–	–	–	–	–	113,042
Total off-balance sheet exposures	33,713	–	–	–	–	–	81,634	–	–	–	–	–	115,347
Total on and off-balance sheet exposures	79,535	88,517	289,795	35,329	94,691	51,384	4,026,258	5,005	15,581	1,187,095	223,823	338,267	6,435,279

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(ii) The table below sets out the breakdown of gross credit exposures by sector as follows:

Bank 2011 (Restated)	Primary Agri-culture RM'000	Manu-facturing (Including Agro-Based) RM'000	Construc-tion RM'000	Electricity, Gas and Water Supply RM'000	Wholesale & retail and restau-rants and hotels RM'000	Transport, storage and communi-cation RM'000	Finance, insurance, real estate and business activities RM'000	Education, Health and Others RM'000	Mining and Quarrying RM'000	Govern-ment and govern-ment agencies RM'000	Household RM'000	Others RM'000	Total RM'000
Securities held-for-trading^	–	–	–	–	–	–	12,545	–	–	71,383	–	–	83,928
Securities held-to-maturity^	–	37,495	59,090	40,970	10,347	56,621	295,193	–	–	140,146	–	–	639,862
Securities available-for-sales^	60,414	19,226	136,036	63,061	40,525	103,654	1,748,980	10,154	–	905,929	–	86,818	3,174,797
Loan, advances and financing	–	104,301	63,339	–	134,189	13,416	490,280	–	7,308	–	193,882	–	1,006,715
Total on-balance sheet exposures	60,414	161,022	258,465	104,031	185,061	173,691	2,546,998	10,154	7,308	1,117,458	193,882	86,818	4,905,302
Off-Balance Sheet Exposures													
Over-the-counter (OTC) derivatives	–	–	–	–	–	–	978	–	–	–	–	–	978
Off-balance sheet exposures other than OTC derivatives or credit derivatives	–	13,523	–	–	15,000	–	145,807	–	–	–	–	2,832	177,162
Total off-balance sheet exposures	–	13,523	–	–	15,000	–	146,785	–	–	–	–	2,832	178,140
Total on and off-balance sheet exposures	60,414	174,545	258,465	104,031	200,061	173,691	2,693,783	10,154	7,308	1,117,458	193,882	89,650	5,083,442

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

Group 2012	Less than 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures				
Securities held-for-trading^	30	418,853	250,242	669,125
Securities held-to-maturity^	79,573	259,100	118,536	457,209
Securities available-for-sales^	1,493,871	1,414,913	911,305	3,820,089
Loan, advances and financing	1,158,404	646,758	185,975	1,991,137
Total on-balance sheet exposures	2,731,878	2,739,624	1,466,058	6,937,560
Off-Balance Sheet Exposures				
Over-the-counter (OTC) derivatives	2,305	–	–	2,305
Off-balance sheet exposures other than OTC derivatives or credit derivatives	120,838	59,852	–	180,690
Total off-balance sheet exposures	123,143	59,852	–	182,995
Total on and off-balance sheet exposures	2,855,021	2,799,476	1,466,058	7,120,555

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

Group 2011 (Restated)	Less than 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures				
Securities held-for-trading^	1,955	38,275	65,165	105,395
Securities held-to-maturity^	157,005	236,965	245,926	639,896
Securities available-for-sales^	718,786	1,270,137	1,186,471	3,175,394
Loan, advances and financing	1,051,376	265,418	112,396	1,429,190
Total on-balance sheet exposures	1,929,122	1,810,795	1,609,958	5,349,875
Off-Balance Sheet Exposures				
Over-the-counter (OTC) derivatives	978	–	–	978
Off-balance sheet exposures other than OTC derivatives or credit derivatives	119,368	70,362	–	189,730
Total off-balance sheet exposures	120,346	70,362	–	190,708
Total on and off-balance sheet exposures	2,049,468	1,881,157	1,609,958	5,540,583

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

Bank 2012	Less than 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures				
Securities held-for-trading^	–	386,248	250,242	636,490
Securities held-to-maturity^	79,573	259,100	118,536	457,209
Securities available-for-sales^	1,493,871	1,414,913	911,305	3,820,089
Loan, advances and financing	898,946	500,965	6,233	1,406,144
Total on-balance sheet exposures	2,472,390	2,561,226	1,286,316	6,319,932
Off-Balance Sheet Exposures				
Over-the-counter (OTC) derivatives	2,305	–	–	2,305
Off-balance sheet exposures other than OTC derivatives or credit derivatives	53,191	59,851	–	113,042
Total off-balance sheet exposures	55,496	59,851	–	115,347
Total on and off-balance sheet exposures	2,527,886	2,621,077	1,286,316	6,435,279

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Gross credit exposure (continued)

(iii) The table below sets out the breakdown of gross credit exposures by residual contractual maturity as follows:

Bank 2011 (Restated)	Less than 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures				
Securities held-for-trading^	–	20,522	63,406	83,928
Securities held-to-maturity^	156,971	236,965	245,926	639,862
Securities available-for-sales^	718,213	1,270,113	1,186,471	3,174,797
Loan, advances and financing	824,314	181,531	870	1,006,715
Total on-balance sheet exposures	1,699,498	1,709,131	1,496,673	4,905,302
Off-Balance Sheet Exposures				
Over-the-counter (OTC) derivatives	978	–	–	978
Off-balance sheet exposures other than OTC derivatives or credit derivatives	106,802	70,360	–	177,162
Total off-balance sheet exposures	107,780	70,360	–	178,140
Total on and off-balance sheet exposures	1,807,278	1,779,491	1,496,673	5,083,442

^ Excludes equity securities and securitisation exposures

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance and collective assessment impairment allowance as follows:

Group 2012	Primary Agri-culture RM'000	Manu-facturing (Including Agro -Based) RM'000	Construc-tion RM'000	Electricity, Gas and Water Supply RM'000	Wholesale & retail and restaurants and hotels RM'000	Transport, storage and communi-cation RM'000	Finance, insurance, real estate and business activities RM'000	Education, Health and Others RM'000	Mining and Quarrying RM'000	Govern-ment and govern-ment agencies RM'000	Household RM'000	Others RM'000	Total RM'000
Past due loans, advances and financing	–	–	–	–	–	–	–	–	–	–	–	–	–
Impaired loans, advances and financing	–	45,000	–	–	–	–	202,189	–	–	–	–	–	247,189
Individual assessment impairment allowance	–	–	–	–	–	13	23,397	–	–	–	–	–	23,410
Collective assessment impairment allowance	99	323	951	7	1,922	167	3,735	–	–	–	512	–	7,716
Charges for individual assessment impairment allowance during the year	–	–	–	–	–	13	23,397	–	–	–	–	–	23,410
Write off during the year	–	–	–	–	–	–	–	–	–	–	–	–	–

Note:

Refer to Note 10 (b) to the financial statements for "movements in allowance for impairment losses on loans, advances and financing" during the year for the Group and the Bank.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector as the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance and collective assessment impairment allowance as follows:

Group 2011 (Restated)	Primary Agri-culture RM'000	Manu-facturing (Including Agro-Based) RM'000	Construc-tion RM'000	Electricity, Gas and Water Supply RM'000	Wholesale & retail and restaurants and hotels RM'000	Transport, storage and communi-cation RM'000	Finance, insurance, real estate and business activities RM'000	Education, Health and Others RM'000	Mining and Quarrying RM'000	Govern-ment and govern-ment agencies RM'000	Household RM'000	Others RM'000	Total RM'000
Past due loans, advances and financing	–	–	–	–	–	–	–	–	–	–	–	–	–
Impaired loans, advances and financing	–	–	–	–	549	–	–	–	–	–	27	–	576
Individual assessment impairment allowance	–	–	–	–	275	–	–	–	–	–	–	–	275
Collective assessment impairment allowance	7	–	–	292	570	540	1,504	–	40	–	557	–	3,510
Charges for individual assessment impairment allowance during the year	–	–	–	–	–	–	–	–	–	–	264	–	264
Write off during the year	–	–	–	–	–	–	–	–	–	–	38	–	38

Note:

Refer to Note 10 (b) to the financial statements for "movements in allowance for impairment losses on loans, advances and financing" during the year for the Group and the Bank.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector as the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance and collective assessment impairment allowance as follows:

Bank 2012	Primary Agri-culture RM'000	Manu-facturing (Including Agro -Based) RM'000	Construc-tion RM'000	Electricity, Gas and Water Supply RM'000	Wholesale & retail and restaurants and hotels RM'000	Transport, storage and communi-cation RM'000	Finance, insurance, real estate and business activities RM'000	Education, Health and Others RM'000	Mining and Quarrying RM'000	Govern-ment and govern-ment agencies RM'000	Household RM'000	Others RM'000	Total RM'000
Past due loans, advances and financing	–	–	–	–	–	–	–	–	–	–	–	–	–
Impaired loans, advances and financing	–	45,000	–	–	–	–	202,189	–	–	–	–	–	247,189
Individual assessment impairment allowance	–	–	–	–	–	–	23,397	–	–	–	–	–	23,397
Collective assessment impairment allowance	34	–	869	–	489	54	3,271	–	–	–	254	–	4,971
Charges for individual assessment impairment allowance during the year	–	–	–	–	–	–	23,397	–	–	–	–	–	23,397
Write off during the year	–	–	–	–	–	–	–	–	–	–	–	–	–

Note:

Refer to Note 10 (b) to the financial statements for “movements in allowance for impairment losses on loans, advances and financing” during the year for the Group and the Bank.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Loans, advances and financing (continued)

(i) The table below sets out the breakdown by sector the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance and collective assessment impairment allowance as follows:

Bank 2011 (Restated)	Primary Agri-culture RM'000	Manu-facturing (Including Agro -Based) RM'000	Construc-tion RM'000	Electricity, Gas and Water Supply RM'000	Wholesale & retail and restaurants and hotels RM'000	Transport, storage and communi-cation RM'000	Finance, insurance, real estate and business activities RM'000	Education, Health and Others RM'000	Mining and Quarrying RM'000	Govern-ment and govern-ment agencies RM'000	Household RM'000	Others RM'000	Total RM'000
Past due loans, advances and financing	–	–	–	–	–	–	–	–	–	–	–	–	–
Impaired loans, advances and financing	–	–	–	–	–	–	–	–	–	–	–	–	–
Individual assessment impairment allowance	–	–	–	–	–	–	–	–	–	–	–	–	–
Collective assessment impairment allowance	–	–	–	–	–	9	1,296	–	14	–	365	–	1,684
Charges for individual assessment impairment allowance during the year	–	–	–	–	–	–	–	–	–	–	–	–	–
Write off during the year	–	–	–	–	–	–	–	–	–	–	–	–	–

Note:

Refer to Note 10 (b) to the financial statements for "movements in allowance for impairment losses on loans, advances and financing" during the year for the Group and the Bank.

4. RISK MANAGEMENT (CONTINUED)

Loans, advances and financing (continued)

(ii) The table below sets out the breakdown by geographical areas the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance and collective assessment impairment allowance as follows:

Group 2012	Malaysia RM'000	Other countries RM'000	Total RM'000
Past due loans, advances and financing	–	–	–
Impaired loans, advances and financing	247,189	–	247,189
Individual assessment impairment allowance	23,397	13	23,410
Collective assessment impairment allowance	4,972	2,744	7,716
Charges for individual assessment impairment allowance during the year	23,397	13	23,410
Write off during the year	–	–	–

Group 2011 (Restated)	Malaysia RM'000	Other countries RM'000	Total RM'000
Past due loans, advances and financing	–	–	–
Impaired loans, advances and financing	27	549	576
Individual assessment impairment allowance	–	275	275
Collective assessment impairment allowance	1,684	1,826	3,510
Charges for individual assessment impairment allowance during the year	–	264	264
Write off during the year	–	38	38

Notes:

(1) A credit asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due. It is classified as "impaired" when the principal or interest is due and unpaid for 3 months or more from the first day of default. For Share Margin Financing, impairment is called when the receivable value of the collateral shares fall below 130% of the outstanding balance.

(2) For description of approaches adopted by the Group and the Bank for the determination of individual and collective assessment impairment allowances, refer to Note 3(n)(iii) to the financial statements.

4. RISK MANAGEMENT (CONTINUED)

Loans, advances and financing (continued)

(ii) The table below sets out the breakdown by geographical areas the amount of past due loans, advances and financing, impaired loans, advances and financing, individual assessment impairment allowance and collective assessment impairment allowance as follows:

Bank 2012	Malaysia RM'000	Other countries RM'000	Total RM'000
Past due loans, advances and financing	–	–	–
Impaired loans, advances and financing	247,189	–	247,189
Individual assessment impairment allowance	23,397	–	23,397
Collective assessment impairment allowance	4,971	–	4,971
Charges for individual assessment impairment allowance during the year	23,397	–	23,397
Write off during the year	–	–	–

Bank 2011 (Restated)	Malaysia RM'000	Other countries RM'000	Total RM'000
Past due loans, advances and financing	–	–	–
Impaired loans, advances and financing	–	–	–
Individual assessment impairment allowance	–	–	–
Collective assessment impairment allowance	1,684	–	1,684
Charges for individual assessment impairment allowance during the year	–	–	–
Write off during the year	–	–	–

Notes:

(1) A credit asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due. It is classified as "impaired" when the principal or interest is due and unpaid for 3 months or more from the first day of default. For Share Margin Financing, impairment is called when the receivable value of the collateral shares fall below 130% of the outstanding balance.

(2) For description of approaches adopted by the Group and the Bank for the determination of individual and collective assessment impairment allowances, refer to Note 3(n)(iii) to the financial statements.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit Risk (continued)

Credit risk exposure by risk weight

Group 2012 Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Development Financial Institu-tions & Multilateral Develop-ment Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000		
0%	1,421,743	10,677	–	–	–	1,432,420	–
20%	71,537	2,310,431	135,973	774,599	–	3,292,540	658,507
35%	–	–	–	–	–	–	–
50%	–	464,218	–	70,502	–	534,720	267,360
75%	–	–	–	–	–	–	–
100%	–	–	–	1,418,043	256,305	1,674,348	1,674,348
150%	–	–	–	144,590	–	144,590	216,885
Total	1,493,280	2,785,326	135,973	2,407,734	256,305	7,078,618	2,817,100
Risk weighted assets by exposures	14,307	694,195	27,195	1,825,098	256,305	2,817,100	
Average risk weight	1%	25%	20%	76%	100%	40%	
Deduction from capital base	–	–	–	–	–	–	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit Risk (continued)

Credit risk exposure by risk weight (continued)

Group 2011 (Restated) Risk Weights	Exposures after Netting and Credit Risk Mitigation Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions & Multilateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	1,577,135	9,577	–	–	–	1,586,712	–
20%	–	2,595,595	103,104	623,550	–	3,322,249	664,449
35%	–	–	–	–	–	–	–
50%	–	596,028	–	59,275	–	655,303	327,652
75%	–	–	–	–	–	–	–
100%	–	–	–	1,105,809	557,236	1,663,045	1,663,045
150%	–	–	–	45,103	–	45,103	67,655
Total	1,577,135	3,201,200	103,104	1,833,737	557,236	7,272,412	2,722,801
Risk weighted assets by exposures	–	817,133	20,620	1,327,812	557,236	2,722,801	
Average risk weight	0%	26%	20%	72%	100%	38%	
Deduction from capital base	–	–	–	–	–	–	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit Risk (continued)

Credit risk exposure by risk weight (continued)

Bank 2012 Risk Weights	Exposures after Netting and Credit Risk Mitigation: Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions & Multilateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	1,350,815	70	–	–	–	1,350,885	–
20%	71,537	1,911,904	132,987	774,600	–	2,891,028	578,206
35%	–	–	–	–	–	–	–
50%	–	464,218	–	70,502	–	534,720	267,360
75%	–	–	–	–	–	–	–
100%	–	–	–	1,113,056	147,852	1,260,908	1,260,908
150%	–	–	–	144,590	–	144,590	216,885
Total	1,422,352	2,376,192	132,987	2,102,748	147,852	6,182,131	2,323,359
Risk weighted assets by exposures	14,307	614,490	26,598	1,520,112	147,852	2,323,359	
Average risk weight	1%	26%	20%	72 %	100%	38%	
Deduction from capital base	–	–	–	–	–	–	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit Risk (continued)

Credit risk exposure by risk weight (continued)

Bank 2011 (Restated) Risk Weights	Exposures after Netting and Credit Risk Mitigation Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions & Multilateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
0%	1,509,776	73	–	–	–	1,509,849	–
20%	–	2,082,357	100,924	623,545	–	2,806,826	561,365
35%	–	–	–	–	–	–	–
50%	–	596,028	–	58,669	–	654,697	327,349
75%	–	–	–	–	–	–	–
100%	–	–	–	928,911	473,820	1,402,731	1,402,731
150%	–	–	–	45,103	–	45,103	67,655
Total	1,509,776	2,678,458	100,924	1,656,228	473,820	6,419,206	2,359,100
Risk weighted assets by exposures	–	714,485	20,184	1,150,611	473,820	2,359,100	
Average risk weight	0%	27%	20%	69%	100%	37%	
Deduction from capital base	–	–	–	–	–	–	

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures

Group
2012

		Rating of Various Companies by Approved External Credit Assessment Institutions				
Exposure Class (RM'000)	**Moody's**	Aaa to Aa3	A1 to Aa3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures –						
Credit Exposures (using Corporate Risk Weights)						
Public Service Entities (applicable for Entities Risk Weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		135,973	–	–	–	–
Corporates		725,408	70,502	55,745	–	1,506,886
Total		**861,381**	**70,502**	**55,745**	**–**	**1,506,886**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Group
2012

Exposure Class (RM'000)	Short-term Ratings of Various Companies by Approved External Credit Assessment Institutions					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B+ to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
On and Off-Balance-Sheet Exposures						
Banks, Development Financial Institutions & Multilateral Development Banks		209,545	–	–	–	–
Credit Exposures (using Corporate Risk Weights)						
Public Service Entities (applicable for Entities Risk Weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–
Corporates		49,193	–	–	–	–
Total		**258,738**	**–**	**–**	**–**	**–**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Group
2012

Exposure Class (RM'000)		Rating of Sovereigns & Central Banks by Approved External Credit Assessment Institutions					
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns & Central Banks		1,493,280	–	–	–	–	–
Total		**1,493,280**	**–**	**–**	**–**	**–**	**–**

Exposure Class (RM'000)		Rating of Banking Institutions by Approved External Credit Assessment Institutions					
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, Development Financial Institutions & Multilateral Development Banks		2,025,977	430,775	71,698	–	–	47,331
Total		**2,025,977**	**430,775**	**71,698**	**–**	**–**	**47,331**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Group
2011 (Restated)

Exposure Class (RM'000)	Rating of Various Companies by Approved External Credit Assessment Institutions					
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures –						
Credit Exposures (using Corporate Risk Weights)						
Public Service Entities (applicable for Entities Risk Weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		103,104	–	–	–	–
Corporates		623,550	59,275	84,080	45,103	1,021,729
Total		**726,654**	**59,275**	**84,080**	**45,103**	**1,021,729**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Group
2011 (Restated)

Exposure Class (RM'000)	Short-term Ratings of Various Companies by Approved External Credit Assessment Institutions					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B+ to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
On and Off-Balance-Sheet Exposures						
Banks, Development Financial Institutions & Multilateral Development Banks		499,653	30,117	–	–	–
Credit Exposures (using Corporate Risk Weights)						
Public Service Entities (applicable for Entities Risk Weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–
Corporates		–	–	–	–	–
Total		**499,653**	**30,117**	**–**	**–**	**–**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Group
2011 (Restated)

Exposure Class (RM'000)		Rating of Sovereigns & Central Banks by Approved External Credit Assessment Institutions					
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns & Central Banks		1,577,135	–	–	–	–	–
Total		**1,577,135**	**–**	**–**	**–**	**–**	**–**

Exposure Class (RM'000)		Rating of Banking Institutions by Approved External Credit Assessment Institutions					
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, Development Financial Institutions & Multilateral Development Banks		2,025,146	364,402	257,968	–	–	23,914
Total		**2,025,146**	**364,402**	**257,968**	**–**	**–**	**23,914**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Bank
2012

Exposure Class (RM'000)	Rating of Various Companies by Approved External Credit Assessment Institutions					
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures –						
Credit Exposures (using Corporate Risk Weights)						
Public Service Entities (applicable for Entities Risk Weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		132,987	–	–	–	–
Corporates		725,408	70,502	55,745	–	1,201,900
Total		**858,395**	**70,502**	**55,745**	**–**	**1,201,900**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Bank
2012

Exposure Class (RM'000)	Short-term Ratings of Various Companies by Approved External Credit Assessment Institutions					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B+ to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
On and Off-Balance-Sheet Exposures						
Banks, Development Financial Institutions & Multilateral Development Banks		209,545	–	–	–	–
Credit Exposures (using Corporate Risk Weights)						
Public Service Entities (applicable for Entities Risk Weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–
Corporates		49,193	–	–	–	–
Total		**258,738**	**–**	**–**	**–**	**–**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Bank
2012

Exposure Class (RM'000)	Rating of Sovereigns & Central Banks by Approved External Credit Assessment Institutions						
	Moodys'	Aaa to Aa3	A1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns & Central Banks		1,422,352	–	–	–	–	–
Total		**1,422,352**	**–**	**–**	**–**	**–**	**–**

Exposure Class (RM'000)	Rating of Banking Institutions by Approved External Credit Assessment Institutions						
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, Development Financial Institutions & Multilateral Development Banks		1,616,843	430,775	71,698	–	–	47,331
Total		**1,616,843**	**430,775**	**71,698**	**–**	**–**	**47,331**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Bank
2011 (Restated)

Exposure Class (RM'000)	Rating of Various Companies by Approved External Credit Assessment Institutions					
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off-Balance-Sheet Exposures –						
Credit Exposures (using Corporate Risk Weights)						
Public Service Entities (applicable for Entities Risk Weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		100,924	–	–	–	–
Corporates		623,545	58,669	84,080	45,103	844,831
Total		**724,469**	**58,669**	**84,080**	**45,103**	**844,831**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Bank
2011 (Restated)

Exposure Class (RM'000)		Short-term Ratings of Various Companies by Approved External Credit Assessment Institutions				
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B+ to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
On and Off-Balance-Sheet Exposures						
Banks, Development Financial Institutions & Multilateral Development Banks		499,653	30,117	–	–	–
Credit Exposures (using Corporate Risk Weights)						
Public Service Entities (applicable for Entities Risk Weighted based on their external ratings as corporates)		–	–	–	–	–
Insurance Companies, Securities Firms & Fund Managers		–	–	–	–	–
Corporates		–	–	–	–	–
Total		**499,653**	**30,117**	**–**	**–**	**–**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Rated exposures (continued)

Bank
2011 (Restated)

Exposure Class (RM'000)	Rating of Sovereigns & Central Banks by Approved External Credit Assessment Institutions						
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Sovereigns & Central Banks		1,509,776	–	–	–	–	–
Total		**1,509,776**	**–**	**–**	**–**	**–**	**–**

Exposure Class (RM'000)	Rating of Banking Institutions by Approved External Credit Assessment Institutions						
	Moody's	Aaa to Aa3	A1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance-Sheet Exposures							
Banks, Development Financial Institutions & Multilateral Development Banks		1,502,404	364,402	257,968	–	–	23,914
Total		**1,502,404**	**364,402**	**257,968**	**–**	**–**	**23,914**

* The rating of foreign securities is based on Moody's, S&P and Fitch and local securities are based on RAM and MARC

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (CRM)

In addition to granting of credit facilities based on the sound lending principles on a customer's willingness and ability to repay, the Group also resorts to CRM as part of its credit risk management process. The mitigants afford the Group a degree of protection to a customer's credit exposure in the event of default in payment or obligation. The main mitigants that the Group is currently using come in the form of loan collateral, guarantees, and on-balance netting. The loan collateral appears mainly in the form of landed properties, quoted shares or marketable securities and cash margins; the guarantees are provided by individuals and corporations; while on-balance netting is gradually being practised through entering of master netting agreements with counterparties to mitigate the credit risks in swaps and derivative transactions. In considering the collateral, considerations are given to their liquidity or marketability and their enforceability. Proper valuation is also done to ensure proper value is ascribed to the collateral for the purpose of determining the credit amount to be granted. Quoted shares taken as collateral are marked to market constantly, and risk control on counter concentration is realised through imposition appropriate limits and monitoring their compliance.

Presently, the Group does not use credit derivatives such as credit default swaps, structured credit notes and securitisation structures to mitigate the Group's credit exposures.

In the computation of the RWCR, currently on Standardised Approach, the Group is using the comprehensive sub-approach as allowed under Basel II. Under this method, the credit risk exposure is reduced by the value of the collateral posted with appropriate haircuts applied to the exposure and the value of the collateral brought on by changes to them over time.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (CRM) (continued)

The following table summarises the breakdown of CRM by exposure as follows:

Group 2012	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,493,280	–	–
Public Sector Entities	–	–	–
Banks, Development Financial Institutions & Multilateral Development Banks	2,751,066	–	–
Insurance Companies, Securities Firms & Fund Managers	134,478	–	–
Corporates	3,072,240	–	990,538
Regulatory Retail	–	–	–
Residential Mortgages	–	–	–
Higher Risk Assets	–	–	–
Other Assets	256,305	–	–
Equity Exposures	–	–	–
Defaulted Exposures	178,792	–	–
Total on-balance sheet exposures	7,886,161	–	990,538
Off-Balance Sheet Exposures			
Over-the-counter (OTC) derivatives	2,305	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	180,690	–	–
Defaulted Exposures	–	–	–
Total off-balance sheet exposure	182,995	–	–
Total on and off-balance sheet exposures	**8,069,156**	**–**	**990,538**

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (CRM) (continued)

The following table summarises the breakdown of CRM by exposure as follows:

Group 2011 (Restated)	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,577,135	–	–
Public Sector Entities	–	–	–
Banks, Development Financial Institutions & Multilateral Development Banks	3,067,154	–	–
Insurance Companies, Securities Firms & Fund Managers	102,425	–	–
Corporates	2,330,005	–	577,342
Regulatory Retail	–	–	–
Residential Mortgages	–	–	–
Higher Risk Assets	–	–	–
Other Assets	557,236	–	–
Equity Exposures	–	–	–
Defaulted Exposures	25,091	–	–
Total on-balance sheet exposures	7,659,046	–	577,342
Off-Balance Sheet Exposures			
Over-the-counter (OTC) derivatives	978	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	189,730	–	–
Defaulted Exposures	–	–	–
Total off-balance sheet exposure	190,708	–	–
Total on and off-balance sheet exposures	**7,849,754**	**–**	**577,342**

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (CRM) (continued)

The following table summarises the breakdown of CRM by exposure as follows:

Bank 2012	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,422,352	–	–
Public Sector Entities	–	–	–
Banks, Development Financial Institutions & Multilateral Development Banks	2,341,932	–	–
Insurance Companies, Securities Firms & Fund Managers	131,492	–	–
Corporates	2,483,197	–	638,833
Regulatory Retail	–	–	–
Residential Mortgages	–	–	–
Higher Risk Assets	–	–	–
Other Assets	147,852	–	–
Equity Exposures	–	–	–
Defaulted Exposures	178,792	–	–
Total on-balance sheet exposures	6,705,617	–	638,833
Off-Balance Sheet Exposures			
Over-the-counter (OTC) derivatives	2,305	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	113,042	–	–
Defaulted Exposures	–	–	–
Total off-balance sheet exposure	115,347	–	–
Total on and off-balance sheet exposures	**6,820,964**	**–**	**638,833**

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Credit risk mitigation (CRM) (continued)

The following table summarises the breakdown of CRM by exposure as follows:

Bank 2011 (Restated)	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,509,776	–	–
Public Sector Entities	–	–	–
Banks, Development Financial Institutions & Multilateral Development Banks	2,544,412	–	–
Insurance Companies, Securities Firms & Fund Managers	100,245	–	–
Corporates	1,904,767	–	317,045
Regulatory Retail	–	–	–
Residential Mortgages	–	–	–
Higher Risk Assets	–	–	–
Other Assets	473,820	–	–
Equity Exposures	–	–	–
Defaulted Exposures	25,091	–	–
Total on-balance sheet exposures	6,558,111	–	317,045
Off-Balance Sheet Exposures			
Over-the-counter (OTC) derivatives	978	–	–
Off-balance sheet exposures other than OTC derivatives or credit derivatives	177,162	–	–
Defaulted Exposures	–	–	–
Total off-balance sheet exposure	178,140	–	–
Total on and off-balance sheet exposures	**6,736,251**	**–**	**317,045**

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Off-Balance Sheet exposures and counterparty credit risk

In risk managing its off-balance sheet exposures, the Group established counter-party credit limits where the credit equivalents of these off-balance sheet exposures are monitored and controlled. The determination of the credit equivalents follows the guidelines as laid down in BNM's RWCAF (and CAFIB for Islamic exposures) where credit conversion factor is used to convert these off balance sheet exposures into their on-balance sheet credit equivalents. And these credit equivalents are risk-weighted against the risk of the counterparties to arrive at the risk-weighted assets (RWA) for the purpose of computing the Bank's RWCR.

Group
2012

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	*Credit Equivalent Amount RM'000	*Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	21,971		10,986	10,986
Foreign exchange related contracts one year or less	1,190,247	2,078	19,347	4,205
Interest/profit rate related contracts				
One year or less	460,000	331	791	158
Over one year to five years	885,000	1,976	13,326	2,665
Equity related contracts one year or less	4,423	–	4,423	4,423
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	38,719	165	2,305	538
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	426,458		85,292	85,292
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	93,052		46,525	46,525
Any commitments that are unconditionally cancelled at any time by the Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,293,266		–	–
Total	**4,413,136**	**4,550**	**182,995**	**154,792**

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Off-Balance Sheet exposures and counterparty credit risk (continued)

Group
2011 (Restated)

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	*Credit Equivalent Amount RM'000	*Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	–		–	–
Foreign exchange related contracts one year or less	166,916	324	48,813	9,762
Interest/profit rate related contracts over one year to five years	1,966,290	7,946	84,936	16,987
Equity related contracts one year or less	2,832	–	2,832	2,832
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	19,302	131	978	204
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	106,298		53,149	53,149
Any commitments that are unconditionally cancelled at any time by the Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,699,221		–	–
Total	3,960,859	8,401	190,708	82,934

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Off-Balance Sheet exposures and counterparty credit risk (continued)

Bank
2012

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	*Credit Equivalent Amount RM'000	*Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreement	21,971		10,986	10,986
Foreign exchange related contracts one year or less	1,190,247	2,078	19,347	4,205
Interest/profit rate related contracts				
One year or less	460,000	331	791	158
Over one year to five years	885,000	1,976	13,326	2,665
Equity related contracts one year or less	4,423	–	4,423	4,423
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	38,719	165	2,305	538
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	88,220		17,644	17,644
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	93,052		46,525	46,525
Any commitments that are unconditionally cancelled at any time by the Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	493,516		–	–
Total	3,275,148	4,550	115,347	87,144

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(A) Credit risk (continued)

Off-Balance Sheet exposures and counterparty credit risk (continued)

Bank
2011 (Restated)

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	*Credit Equivalent Amount RM'000	*Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	–		–	–
Foreign exchange related contracts one year or less	166,916	324	48,813	9,762
Interest/profit rate related contracts over one year to five years	1,966,290	7,946	84,936	16,987
Equity related contracts one year or less	2,832	–	2,832	2,832
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	19,302	131	978	204
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	81,168		40,581	40,581
Any commitments that are unconditionally cancelled at any time by the Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	454,667		–	–
Total	2,691,175	8,401	178,140	70,366

* The credit equivalent amount and risk-weighted assets are arrived at using the credit conversion factors and risk-weights as defined in BNM's revised RWCAF and CAFIB.

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk

Market risk is the risk of reduction in earnings and depletion of assets value and/or reserves, through financial or reputational loss, arising from adverse movements in market components or financial prices, inter alia, interest rates, equity position and foreign exchange rates. It arises in all areas of the Group's and Bank's activities and is managed centrally within its trading and banking portfolios through a comprehensive market risk management framework.

Financial instruments held in the Group's trading portfolios include, but are not limited to debt securities, equities, securities sale and repurchase agreements and derivative financial instruments (forwards, swaps and options). The Group and the Bank participate in exchange traded and over-the-counter (OTC) derivatives markets. For OTC, most of the instruments that are based on the specific terms are tailored to the requirements of the Group's customers. In many cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations.

Assets and liabilities in the trading book are measured at their fair value. Fair value is the amount at which the instrument could be exchanged in a current transaction between willing parties. The fair values are determined following IAS 39 guidance, which requires banks to use quoted market prices or valuation techniques (models) that make the maximum use of observable inputs. When marking to market using a model, the valuation methodologies are reviewed and approved by the market risk function. Any profits or losses on the revaluation of positions are recognised in the daily profit and loss.

Risks in banking portfolios mainly arise in financial investments designated as available-for-sale and held-to-maturity. The Group and the Bank are exposed to interest rate risk, equity exposure and foreign exchange risk in the banking book.

Interest rate risk in the banking book represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, corporate loans, debt securities, equity shares, and deposits. Hedging instruments used to mitigate these risks include related derivatives for instance forwards and swaps.

Foreign exchange risk in the banking book is defined as the changes in the values of current holdings and future cash flows denominated in other currencies. Hedging instruments used to mitigate these risks include foreign currency swaps and forwards.

Equity exposure in the banking book embodies risk to the potential variation in the Group's and Bank's non-trading income and reserves arising from changes in equity prices/income. This risk may crystallise during the course of normal business activities or in stressed market conditions. Equity positions in the Group's and Bank's banking book are retained to achieve strategic objectives, support venture capital transactions or in respect of customer restructuring arrangements.

4. RISK MANAGEMENT (CONTINUED)

(B) Market risk (continued)

Risk weighted assets and capital requirements for various categories of risk under Market Risk

	Group		Bank	
	2012 RM'000	2011 RM'000 (Restated)	2012 RM'000	2011 RM'000 (Restated)
Interest rate risk				
– General interest rate risk	**20,046**	9,374	**19,389**	8,837
– Specific interest rate risk	**15,038**	734	**14,386**	383
	35,084	10,108	**33,775**	9,220
Equity position risk				
– General risk	**5,136**	629	**424**	475
– Specific risk	**7,227**	2,106	**604**	676
	12,363	2,735	**1,028**	1,151
Foreign exchange risk	**69,763**	69,719	**4,640**	5,140
Option risk	**1,765**	4	**1,765**	4
Total Capital Charge of Market Risk	**118,975**	82,566	**41,208**	15,515

(C) Operational risk

The Bank has adopted a Risk and Control Self-Assessment (RCSA) methodology to identify the operational risks within each business and operational unit through a series of facilitated risk workshops and discussion with the process owners. Controls were identified to mitigate risks and the effectiveness of these controls was assessed. It is a mandatory requirement for the process owners to revisit their own risk profile at least once in every two years or more frequent than that due to process reengineering or new product development for example.

At the moment the Bank calculates Pillar I Operational Risk capital using the Basic Indicator Approach. The Bank is in the midst of delivering two other key components of Operational Risk which are called Key Risk Indicators (KRI) and Loss Data Collection (LDC) by 2012 as part of the Bank's effort to meet one of the requirements set by BNM.

Above all, the Group has completed the RCSA exercise which leads the Bank to the development of a group risk profile comprising all the departments in the Principal Office in Kuala Lumpur, all eight Supervisory Branches across Malaysia, local subsidiaries as well as our regional offices based in Indonesia, Cambodia, Singapore, Hong Kong and Thailand.

5. EQUITY EXPOSURES IN BANKING BOOK

The Group's and the Bank's banking book's equity investments consist of equity holdings.

The Group's and the Bank's banking book's equity investments are classified and measured in accordance with FRS 139 and are categorised as AFS securities. Refer to Notes 3(n)(ii) to the financial statements for the accounting policies of the Group and the Bank.

The following table summarises the Group's and the Bank's equity exposures in the banking book:

2012	Exposures subject to risk-weighting RM'000	RWA RM'000
Group		
Quoted Securities	**1,559**	**2,129**
Unquoted equity securities	**25,697**	**30,405**
Bank		
Quoted Securities	**323**	**894**
Unquoted equity securities	**2,690**	**7,398**

Details of securities portfolio of the Group and the Bank are set out in Note 8 to the financial statements.

Realised gains arising from sales and liquidations of equity exposures are as follows:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gain arising from sales of equity securities	**19**	377	**–**	377
Net unrealised gain/(losses) for equity securities	**395**	16,644	**(828)**	(489)

There is no unrealised gains/(losses) for equity securities that have not been reflected in the income statements of the Group and the Bank but have been recognised under "other comprehensive income" of the Group and the Bank for the financial year ended 31 December 2012.

6. INTEREST RATE RISK/RATE OF RETURN RISK (IRR/RORR)

Both the Group and the Bank aim to be relatively neutral to directional shifts in interest rates and seek to mitigate the effect of prospective interest movements which could reduce future net interest income, whilst balancing the cost of such hedging activities on the current net revenue stream.

The Group and the Bank's Interest Rate Risk (IRR) and Rate of Return Risk (RORR) are reviewed periodically and conducted in accordance with corporate standards for risk governance. IRR and RORR are measured as the potential volatility in the Group and the Bank's earnings and economic value caused by the changes in market interest rates. The analysis evaluates how the fluctuation in interest rate impact earning and economic value; and how it enables the Group and the Bank to continuously monitor the balance sheet position in an effort to maintain an acceptable exposure to interest rate variations.

The increase or decline in earnings and economic value for upward and downward rate shocks, which are consistent with shocks applied in the Group and the Bank's stress test for measuring IRR/RORR in the banking book, are as follows:

	Impact on positions as at 31 December 2012	
	100 basis points parallel shift	
	Increase/(Decrease) in earnings RM'000	Increase/(Decrease) in economic value RM'000
MYR based Assets		
Group		
100 bsp upward Ringgit Malaysia	12,110	(74,775)
100 bsp downward Ringgit Malaysia	(12,110)	74,775
Bank		
100 bsp upward Ringgit Malaysia	12,110	(74,775)
100 bsp downward Ringgit Malaysia	(12,110)	74,775

6. INTEREST RATE RISK/RATE OF RETURN RISK (IRR/RORR) (CONTINUED)

The increase or decline in earnings and economic value for upward and downward rate shocks, which are consistent with shocks applied in the Group and the Bank's stress test for measuring IRR/RORR in the banking book, are as follows (continued):

	Impact on positions as at 31 December 2012	
	100 basis points parallel shift	
	Increase/(Decrease) in earnings RM'000	Increase/(Decrease) in economic value RM'000
USD based Assets		
Group		
100 bsp upward Ringgit Malaysia	4,605	(6,518)
100 bsp downward Ringgit Malaysia	(4,605)	6,518
Bank		
100 bsp upward Ringgit Malaysia	4,605	(6,518)
100 bsp downward Ringgit Malaysia	(4,605)	6,518
Other Currency based Assets		
Group		
100 bsp upward Ringgit Malaysia	7,321	(16,357)
100 bsp downward Ringgit Malaysia	(7,321)	16,357
Bank		
100 bsp upward Ringgit Malaysia	7,321	(16,357)
100 bsp downward Ringgit Malaysia	(7,321)	16,357

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