

OCBC AL-AMIN BANK BERHAD

**(Company No:818444-T)
(Incorporated in Malaysia)**

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2008

OCBC AL-AMIN BANK BERHAD
Company No:818444-T
(Incorporated in Malaysia)

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**OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)**

DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008

The Directors hereby submit their report and the audited financial statements of the Bank for the financial period from 21 May 2008 (date of incorporation) to 31 December 2008.

PRINCIPAL ACTIVITIES

The Bank was incorporated under the Islamic Banking Act, 1983 and commenced its Islamic Banking Business with effect from 1 December 2008. It is principally engaged in the Islamic banking business and offers customers a comprehensive range of products and services in accordance with the Islamic Banking Act, 1983 and Syariah principles.

There have been no significant changes in these activities during the financial period.

FINANCIAL RESULTS

	2008 RM'000
Loss before taxation and zakat	(2,336)
Taxation and zakat	574
Net loss attributable to shareholders	<u>(1,762)</u>

DIVIDENDS

The directors do not recommend any dividend payment for the current financial period.

SHARE CAPITAL

Authorised share capital

On 21 May 2008, the Bank was incorporated as a wholly-owned subsidiary of OCBC Bank (Malaysia) Berhad ("OCBCM") to undertake the Islamic Banking Business, with an authorised share capital of RM500,000,000 divided into 500,000,000 ordinary shares of RM1 each.

Issued and paid-up share capital

On 21 May 2008, the Bank issued 2 ordinary shares of RM1.00 each for cash as subscribers' shares.

On 1 December 2008, OCBCM subscribed for an additional 54,999,998 ordinary shares of RM1.00 each at RM3.00 per ordinary share for a total cash consideration of RM164,999,994, pursuant to the establishment and transfer of the Islamic Banking operations to the Bank as disclosed in Note 38. On the same date, OCBCM also fully subscribed the Non Tradeable Non Transferable Redeemable Islamic Subordinated Bonds (Restricted Subordinated Bonds) of RM200 million issued by the Bank by cash. The Restricted Subordinated Bonds issued by the Bank was structured under the principles of Mudharabah and backed by the pool of identified assets as disclosed in Note 11.

On 31 December 2008, the Bank issued an additional 10,000,000 ordinary shares of RM1.00 each at RM3.00 per ordinary share to OCBCM resulting in an enlarged issued and paid-up share capital of RM194,999,996 comprising of 65,000,000 ordinary shares of RM1.00 each.

RESERVES AND PROVISIONS

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

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the balance sheet and income statement of the Bank were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

SIGNIFICANT EVENTS DURING THE PERIOD

The significant events during the financial period are as disclosed in Note 38 to the financial statements.

FINANCIAL PERFORMANCE

The Bank commenced its operations on 1 December 2008 and recorded a loss after taxation and zakat of RM1.8 million for the financial period ended 31 December 2008.

Net financing assets stood at RM2.1 billion and deposits from customers was RM2.7 billion. As at 31 December 2008, the quality of the Bank's financing assets remained strong with a net non-performing financing ratio of 0.39%.

The Bank is well capitalised with a core capital ratio of 6.56% and risk weighted capital ratio of 11.07%.

MAJOR BUSINESS PLANS AND ACTIVITIES FOR 2009

OCBC Bank (Malaysia) Berhad (OCBCM), the holding company of OCBC Al-Amin Bank Berhad, first began to anticipate a challenging outlook for the Malaysian economy in June 2008, arising from the U.S. sub-prime crisis and inflationary pressures due to the lingering effects of the increase in fuel prices. However, the Malaysian economy is still expected to grow, albeit at a slower pace. Additionally, with the recent reduction in fuel prices, inflationary pressures are expected to ease.

While the Malaysian economy is certainly not insulated from the global economic turmoil, the country's sound economic fundamentals are expected to continue to hold it in good stead. Islamic financing has remained largely positive despite the weak sentiments.

On this backdrop, OCBC Al-Amin commenced operations on 1 December 2008 with the launch of its first branch at Jaya One in Petaling Jaya and the transfer of assets and liabilities of the Islamic banking window of OCBCM to the Bank. It expects to see strong growth in both consumer and business banking in 2009 by growing its deposits base and launching new products which would serve to reinforce its existing distribution channels to acquire new customers and offer innovative solutions to the existing clientele.

Another 4 branches will be set up in 2009 at selected locations having different strategies and a balanced mix to cater to both the consumer and business banking segments.

The Bank will also leverage on infrastructure within the OCBC Group and the strong OCBC brand name to broaden its customer base and retain its position as a leading provider of innovative products amongst foreign Islamic banks. Its target audience remains mass affluent individuals, medium-size businesses and selected corporate customers across communities (particularly the Bumiputera segment).

RATINGS BY EXTERNAL AGENCIES

No rating has been conducted by external agencies on the Bank.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprised of nine Directors, of whom four are independent Directors, four non-independent non executive Directors and an executive Director. The Independent Directors are Tan Sri Dato' Nasruddin Bin Bahari (Chairman of the Bank), Dr Raja Lope Bin Raja Shahrome, Mr David Wong Cheong Fook and Ms Tan Siok Choo while the non-independent non-executive Directors are Mr David Conner, Mr Ching Wei Hong, Mr Soon Tit Koon and Mr Chew Sun Teong. Tuan Syed Abdull Aziz Jailani Bin Syed Kechik is an Executive Director and Chief Executive Officer (CEO) of the Bank.

The roles of the Chairman and the CEO is separated, which is consistent with the principle of the Revised BNM/GP1 to institute an appropriate balance of power and authority. The Chairman's role in the Board includes scheduling meetings to enable the Board to perform its duties responsibly whilst not interfering with the flow of the Bank's operations; preparing meeting agenda in consultation with the CEO; exercising control over quality, quantity and timeliness of the flow of information between Management and the Board; and assisting in ensuring compliance with guidelines on corporate governance. These pertain to only board proceedings and is not a comprehensive list of all the duties and responsibilities of the Chairman.

The members of the Board as a group provide core competencies to ensure the effectiveness of the Board. The competencies include banking, accounting, finance, legal, strategic ability, business acumen, management experience and depth, understanding of industry and customer, familiarity with regulatory requirements and knowledge of risk analyses and control. Details of the Directors' professional qualifications and background can be found below under "Further Information on Directors".

As a principle of good corporate governance, all Directors will be subject to re-election at regular intervals. The Bank's Articles of Association also provide for the retirement of Directors by rotation and, under Bank Negara Malaysia's guidelines, all appointment and re-appointment of Directors have to be approved by Bank Negara Malaysia.

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

Board Conduct and Responsibilities

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

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

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

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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities (continued)

Prior to each meeting, members are provided with timely and complete information to enable members to fulfil their responsibilities. Information provided includes background information and matters to be addressed by the Board, copies of disclosure documents and risk management monthly financial performance reports.

The Board and Board Committees have separate and independent access to the Bank's senior management and to the company secretary. The Directors, in addition, could take independent professional advice from legal firms at the Bank's expense.

The Directors receive appropriate structured training, which includes introductory information, briefings by senior executives on their respective areas as well as attending relevant external courses. The Board as a whole also receives briefings on relevant new laws, risk management updates and changes in accounting standards.

BOARD COMMITTEE

Audit Committee

The Audit Committee, which was established on 19 November 2008 comprises Tan Sri Dato' Nasruddin bin Bahari, Ms Tan Siok Choo and Mr David Wong Cheong Fook, all of whom are independent Directors. The Committee has written Terms of Reference that describe the responsibilities of its members.

The Audit Committee discharges its responsibilities and performs the functions specified in the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Islamic Banking Act, 1983, and the Bank Negara Malaysia guidelines.

The Board approved the Terms of Reference of the Audit Committee. The Committee has full access to, and cooperation from management, and has the discretion to invite any Directors and executive officers to attend its meetings. The Audit Committee has been given the resources required for it to discharge its functions. It has explicit authority to investigate any matter within its Terms of Reference.

The Audit Committee may meet at any time with the internal auditors and external auditors. It meets with the Bank's auditors to approve the audit plans and review the scope of audits. The Committee reviews the financial statements of the Bank, related party transactions and the auditors' report thereon and submits them to the Board of Directors. In addition to the review of the financial statements, the Committee reviews and evaluates with the internal auditors and external auditors, the adequacy of the systems of internal controls, governance procedures, risk management and compliance. The reviews include the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the auditors.

The Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Bank and external auditors are compatible with maintaining the independence of the external auditors.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

CORPORATE GOVERNANCE (continued)

Internal Audit Function

As a subsidiary of OCBCM, the Bank shares the internal audit function at immediate holding company level.

The Audit Committee approved the Audit Charter of Internal Audit and reviews the effectiveness of the internal audit function. In line with leading practice, Internal Audit's mission statement requires it to provide independent objective assessments designed to help the Bank to accomplish its strategic initiatives by engaging a risk-based, systematic and disciplined approach to evaluate the effectiveness of risk management, control, and governance processes. Its scope of work is to provide reasonable, but not absolute, assurance to the Audit Committee and Senior Management that the Bank's system of risk management, control, and governance process, as designed and implemented by senior management, are adequate and effective.

Internal Audit reports on the adequacy and effectiveness of the systems of control to the Audit Committee and Management, but does not form any part of those systems of control. Internal Audit is also expected to meet or exceed the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors, Guidelines on Minimum Audit Standards for Internal Auditors of Financial Institutions (GP10) of Bank Negara Malaysia, as well as other applicable local regulatory requirements for Internal Audit.

Internal Audit has implemented a risk-based audit methodology. Annual audit plan is developed using the risk-based approach and approved by the Audit Committee. Audit work is prioritised and scoped in accordance with the risk assessment of the Business Units. This includes all principal risks of the Bank, namely financial, strategic, technology, regulatory and operational risks. Internal Audit works closely with the Business Units to develop an understanding of the Bank's key objectives and processes to identify principal risks.

Computerised audit systems and software are adopted to automate audit process, facilitate sampling process and support audit execution. The audit work undertaken by Internal Audit cover internal control systems for business activities, security and access controls for the key computer systems, control procedures for product and system projects, and controls over the monitoring of risk management operations.

Internal Audit also sits in as an observer in major new product and system developments, process improvement activities and special projects, to help evaluate risk exposures and ensure that proposed mitigating internal controls are adequately evaluated and implemented on a timely basis. It also examines the effectiveness of internal control systems that mitigate risks inherent in recording of transactions, safeguarding of assets, compliance with laws and regulations, and adherence with established policies and procedures.

The Audit Committee is responsible for the adequacy of the internal audit function, its resources and standing, and ensures that processes are in place for recommendations raised in internal audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored.

Internal Controls

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

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

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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

CORPORATE GOVERNANCE (continued)

DISCLOSURE OF SYARIAH ADVISOR

In accordance with the Service Agreement, the Syariah Committee (SC) members are expected to participate and engage themselves actively in deliberating Syariah issues in relation to the Bank's Islamic Banking activities and their main duties and responsibilities are as follows:-

- a) To advise the Bank's Board of Directors on Syariah matters in its business operations;
- b) To endorse the Bank's Syariah Compliance Manuals which are to specify the manner in which a submission or request for advice to be made to the Bank's SC, the conduct of the Bank's SC's meeting and the manner of compliance with any Syariah decision;
- c) To endorse and validate Syariah compliance on related documentation issued by the Bank;
- d) To assist related parties of the Bank for advice upon request;
- e) To advise on matters which have not been resolved or endorsed to be referred to the Syariah Advisory Council (SAC) of the Bank Negara Malaysia (BNM);
- f) To provide written Syariah opinion and to assist SAC on reference for advices;
- g) To provide written Syariah opinion where it is referred to the Bank's SC by the Bank and where the Bank submits applications to BNM for new product approval; and
- h) To assist SAC on reference for advice with clear explanations and recommendations for a decision supported by Syariah jurisprudential literature.

MANAGEMENT INFORMATION

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

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

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

OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

CORPORATE GOVERNANCE (continued)

DIRECTORS' ATTENDANCE AT BOARD MEETINGS IN 2008

Name of Director	Number of Meetings			
	Board		Audit Committee	
	Held	Attended	Held	Attended
Tan Sri Dato' Nasruddin Bin Bahari (appointed as First Director as names in the Articles of Association)	2	2	0	0
David Conner (appointed on 1 August 2008)	2	1	0	0
Ching Wei Hong (appointed on 1 August 2008)	2	1		
Dr Raja Lope Bin Raja Shahrome (appointed on 1 August 2008)	2	1		
Soon Tit Koon (appointed on 1 August 2008)	2	1		
Tan Siok Choo (appointed on 1 August 2008)	2	1	0	0
David Wong Cheong Fook (appointed on 1 August 2008)	2	1		
Chew Sun Teong (appointed on 17 September 2008)	2	1		
Tuan Syed Abdull Aziz Jailani Bin Syed Kechik (appointed on 24 November 2008)	2	0		
Dato' Yeoh Beow Tit (resigned on 31 October 2008)	2	1		

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

FURTHER INFORMATION ON DIRECTORS

Profile on Board of Directors

Tan Sri Dato' Nasruddin Bin Bahari, Chairman

Tan Sri Dato' Nasruddin was appointed as First Director as named in the Articles of Association on 21 May 2008 (date of incorporation). He holds a Bachelor of Arts with Honours from University of Malaya and a Master of Public Administration from the University of Pittsburgh, USA. Apart from being Chairman of the Bank, he is also Chairman of OCBC Bank (Malaysia) Berhad ("OCBCM"), Affin Moneybrokers Sendirian Berhad, The Pacific Insurance Berhad, PacificMas Berhad, OCBC Credit Berhad, OCBC Advisers (Malaysia) Sdn Bhd and Sumber Petroleum Cemerlang (SPC) Sendirian Bhd and a Director of Lingkaran Transkota Holdings Bhd ("LITRAK") and IJM Land Berhad.

Tuan Syed Abdull Aziz Jailani Bin Syed Kechik

Tuan Syed Aziz was appointed a Director and Chief Executive Officer of the Bank on 24 November 2008. He graduated from Boston University, Massachusetts, USA with a degree in Business Administration; specializing in Accounting and Management Information System. He began his career in banking in 1990 as a management associate in risk management division at Citibank Malaysia Berhad ("Citibank"). During his 12 years with Citibank, he focused mainly on corporate banking, corporate finance and risk management. His last position in Citibank was Vice President and Head of Malaysian Business Group. In November 2002, he joined RHB Bank Berhad as General Manager of Chief Credit Officer Division. Later in June 2004, he joined Bank Muamalat Malaysia Berhad (Malaysia's second full-fledged Islamic Bank) as a Senior Vice President of Bank Muamalat Malaysia Berhad, initially as its Head of Corporate Banking and later promoted to Executive Vice President, Corporate & Investment Banking Division covering Investment Banking, Corporate Banking, Commercial/SME Banking, Correspondent Banking/Financial Institutions and Trade Finance. Prior to joining the Bank, he was an Acting Chief Executive Officer Cum Operating Officer of Bank Muamalat Malaysia Berhad. Besides formulating the Bank's strategic plan and operating philosophy, he also chaired several management committees and was a director of two subsidiaries, involved in Fund Management and Musyarakah Venture.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

CORPORATE GOVERNANCE (continued)

FURTHER INFORMATION ON DIRECTORS (continued)

Profile on Board of Directors (continued)

Mr David Conner

Mr David Conner was appointed to the Board on 1 August 2008. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and prior to that was Country Corporate Officer for Citibank's Singapore operations. He joined Oversea-Chinese Banking Corporation Limited ("OCBCL") in April 2002 as a Director and Group Chief Executive Officer and is presently Chairman of Bank of Singapore Limited, a Commissioner of OCBC NISP and a Director of several companies, including OCBC Bank (Malaysia) Berhad, Great Eastern Holdings Limited and Lion Global Investors Ltd. Mr Conner holds a Bachelor of Arts from Washington University in St Louis and a Master of Business Administration from Columbia University.

Mr Ching Wei Hong

Mr Ching was appointed to the Board on 1 August 2008. He is also the Senior Executive Vice President of OCBCL. He oversees the Group's Finance, Operations and Technology functions. His responsibilities as Chief Financial Officer include capital management, financial and management accounting, legal and regulatory compliance and investor relations. As Head of Group Operations and Technology, he oversees the Group's transaction processing and technology operations. Mr Ching has more than 24 years of experience in regional finance, corporate banking and cash management. Before joining the Group, he was Director of Corporate Finance, Philips Electronics Asia Pacific Pte Ltd. He also held senior regional assignments in Bank of America and was Treasurer of Union Carbide Asia Pacific. Mr Ching holds a Bachelor of Business Administration from the National University of Singapore. He is also presently a Director of OCBCM, Network for Electronic Transfers (S) Pte Ltd (NETS), E2 Power Pte Ltd, E2 Power Sdn Bhd and OCBC Overseas Investment Pte Ltd.

Dr Raja Lope Bin Raja Shahrome

Dr Raja Lope was appointed to the Board on 1 August 2008. He holds an Honours Degree in Economics from the University of Malaya in Singapore, a Master of Arts from the University of Pennsylvania and a PhD from the London School of Economics. His working experience was mainly with central and commercial banking except for a few years when he was working in a rating agency. He currently sits on the Board of Directors/Governors of OCBCM, PacificMas Berhad, First Nationwide Holdings Sdn Bhd, Standard London (Asia) Sdn Bhd and several other private companies.

Mr Soon Tit Koon

Mr Soon was appointed to the Board on 1 August 2008. He was the Chief Financial Officer of OCBCL from 2002 to June 2008 and was appointed Senior Executive Vice President in April 2007. He is now the Head of Group Investments responsible for managing OCBC Bank's strategic investments and joint ventures, as well as non-core investments in equities and real estate. He also serves as a Director of OCBCM and was formerly the Chief Financial Officer of Wilmar Holdings and Managing Director of Citicorp Investment Bank, Singapore where he worked for 17 years. Mr Soon holds a Master of Business Administration from the University of Chicago and a Bachelor of Science with Honours from the University of Singapore.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

CORPORATE GOVERNANCE (continued)

FURTHER INFORMATION ON DIRECTORS (continued)

Profile on Board of Directors (continued)

Ms Tan Siok Choo

Ms Tan was appointed to the Board on 1 August 2008. Ms Tan holds a Bachelor of Law from the University of Bristol, passed her Bar Finals at College of Law, London and has been admitted as a Barrister-at-law in Lincoln's Inn, London and the Malaysian Bar. She is presently Vice-President and Editor of Noordin Sopiee & Associates Sdn Bhd and a visiting fellow at the Institute of Strategic and International Studies (ISIS) with specific interests in the Malaysian economy, the financial sector and capital markets. She also serves as a Director of OCBCM and United Malacca Bhd. She has extensive experience in the financial services industry, having worked for almost 10 years in stockbroking and banking – as a senior research analyst for Rashid Hussain Securities, senior investment analyst at Morgan Grenfell Asia & Partners' Securities and Head of Corporate Finance at Southern Bank Berhad.

Mr David Wong Cheong Fook

Mr David Wong was appointed to the Board on 1 August 2008. He is presently Chairman of Ascendas Funds Management (S) Ltd and a Director at OCBC, OCBCM, PacificMas Berhad, Pacific Mutual Fund Berhad, The Pacific Insurance Berhad, Banking Computer Services Pte Ltd, Teva Pharmaceutical Investments Singapore Pte Ltd, Jurong International Holdings Pte Ltd, LMA International NV, APL Japan Trust Management (Singapore) Limited and Energy Market Company Pte Ltd. He also serves as a member of National Environment Agency and Casino Regulatory Authority of Singapore. He holds a Bachelor of Arts with Honours in Economics and a Master of Arts from the University of Cambridge. He is also a Member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants in Singapore.

Mr Chew Sun Teong, Jeffrey

Mr Jeffrey Chew was appointed to the Board on 17 September 2008. He has vast experience in banking. He is also a Director and the Chief Executive Officer of OCBCM and Director of E2 Power Sdn Bhd, PacificMas Berhad and Pac Lease Sdn Bhd. He started his career with PriceWaterhouseCoopers in 1987 involved in corporate audit and taxation for 4 years prior to joining Citibank Malaysia Berhad. During his 12-year career with Citibank, he held various positions in the areas of customer relationship in corporate, commercial and SMEs, international offshore banking, risk management. Prior to joining OCBCM in April 2003, his last held position was General Manager of Commercial/SME banking business and Director of Citicorp Capital Sdn Bhd. He is a qualified accountant and a fellow member of the Association of Chartered Certified Accountants, UK.

OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

DIRECTORS AND THEIR INTEREST IN SHARES AND OPTIONS

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

Tan Sri Dato' Nasruddin Bin Bahari (Chairman) (appointed as First Director as names in the Articles of Association)

David Conner (appointed on 1 August 2008)

Ching Wei Hong (appointed on 1 August 2008)

Dr Raja Lope Bin Raja Shahrome (appointed on 1 August 2008)

Soon Tit Koon (appointed on 1 August 2008)

Tan Siok Choo (appointed on 1 August 2008)

Wong Cheong Fook, David (appointed on 1 August 2008)

Chew Sun Teong (appointed on 17 September 2008)

Syed Abdull Aziz Jailani Bin Syed Kechik (appointed on 24 November 2008)

Dato' Yeoh Beow Tit (appointed as First Director as named in Articles of Association and subsequently resigned on 31 October 2008)

In accordance with Articles 106, 107 and 110 of the Bank's Articles of Association, Mr David Conner, Mr Ching Wei Hong, Mr Soon Tit Koon, Ms Tan Siok Choo, Mr David Wong Cheong Fook, Mr Chew Sun Teong and Tuan Syed Abdull Aziz Jailani Bin Syed Kechik shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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

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

Oversea-Chinese Banking Corporation Limited ("OCBCL")

	Number of ordinary shares			
	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
	<u>As at date of appointment</u>	<u>Acquired</u>	<u>Disposal</u>	<u>As at 31.12.2008</u>
David Conner	1,120,542	-	-	1,120,542
Ching Wei Hong	50,531	-	-	50,531
Soon Tit Koon	211,802	-	-	211,802
Tan Sri Dato' Nasruddin Bin Bahari	14,400	4,800	-	19,200
Wong Cheong Fook, David	28,400	-	-	28,400
Chew Sun Teong	17,917	-	-	17,917

OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

DIRECTORS AND THEIR INTEREST IN SHARES AND OPTIONS (continued)

Oversea-Chinese Banking Corporation Limited ("OCBCL")

	Number of ordinary shares			
	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
	<u>As at date of appointment</u>	<u>Acquired</u>	<u>Disposal</u>	<u>As at 31.12.2008</u>
<u>Class G Preference Shares</u>				
David Conner	50,000	-	-	50,000
<u>Class B Preference Shares</u>				
Ching Wei Hong	2,500	-	-	2,500
<u>Shareholdings in which Directors have deemed interest*</u>				
	<u>As at date of appointment</u>	<u>Acquired</u>	<u>Disposal</u>	<u>As at 31.12.2008</u>
David Conner	401,493	-	-	401,493
Ching Wei Hong	65,792	-	-	65,792
Soon Tit Koon	226,244	-	-	226,244
Tan Siok Choo (f)	3,530,550	-	-	3,530,550
Chew Sun Teong	38,525	-	-	38,525
<u>Class G Preference Shares</u>				
Tan Siok Choo (f)	735,532	-	-	735,532

* Deemed interest includes shares granted under the OCBC Deferred Share Plan and acquisition rights under the OCBC Employee Share Purchase Plan.

The unexercised share options available to the Directors under the OCBC Executives' Share Option Scheme are as follows:-

	Number of unissued ordinary shares				
	Share Options held by Directors in their own name				
	<u>As at date of appointment</u>	<u>Offered</u>	<u>Exercised</u>	<u>As at 31.12.2008</u>	<u>Date options expire</u>
David Conner	3,845,000	-	-	3,845,000	8/4/2012 - 13/3/2018
Ching Wei Hong	252,280	-	-	252,280	14/3/2014 - 13/3/2018
Soon Tit Koon	848,000	-	-	848,000	8/4/2012 - 13/3/2018
Chew Sun Teong	102,000	-	-	102,000	13/3/2015 - 13/3/2018

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 (continued)

DIRECTORS AND THEIR INTEREST IN SHARES AND OPTIONS (continued)

OCBC Capital Corporation Limited ("OCC")

Number of preference shares with liquidation value of S\$100 each

Shareholdings in which Directors have deemed interest

	As at date of appointment	Acquired	Disposed	As at 31.12.2008
Non-cumulative non-convertible guaranteed <u>OCC-A-Preference Shares</u>				
Soon Tit Koon	10,000	-	-	10,000
Non-cumulative non-convertible guaranteed <u>OCC (2008) Preference Shares</u>				
Wong Cheong Fook, David	200	-	-	200

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

DIRECTORS' BENEFITS

During and at the end of the financial period, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 21 to the financial statements, or the fixed salary of full-time employees of the Bank or related companies) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial period, nor at any time during the financial period, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate except for the share options granted to executives of OCBCCL pursuant to the OCBC Executives' Share Option Scheme, shares granted under the OCBC Deferred Share Plan which will vest three years from the grant date and will lapse when the Director ceases employment during the vesting period and acquisition rights under the OCBC Employee Share Purchase Plan.

HOLDING AND ULTIMATE HOLDING COMPANIES

The Bank is a wholly-owned subsidiary of OCBC Bank (Malaysia) Berhad and the Directors regard Oversea-Chinese-Banking Corporation Limited a licensed commercial bank incorporated in Singapore, as the ultimate holding company of the Bank.

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008 (continued)

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 17 February 2009.

TAN SRI DATO' NASRUDDIN BIN BAHARI
DIRECTOR

TUAN SYED ABDULL AZIZ JAILANI BIN SYED KECHIK
DIRECTOR

Kuala Lumpur

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out in pages 19 to 61 are drawn up in accordance with the provisions of the Companies Act, 1965, and Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines so to give a true and fair view of the financial position of the Bank as at 31 December 2008 and of its financial performance and cash flows for the period ended on that date.

In accordance with a resolution of the Board of Directors dated 17 February 2009.

TAN SRI DATO' NASRUDDIN BIN BAHARI
DIRECTOR

TUAN SYED ABDULL AZIZ JAILANI BIN SYED KECHIK
DIRECTOR

Kuala Lumpur

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

I, Tan Fong Sang, the officer primarily responsible for the financial management of OCBC Al-Amin Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 19 to 61 are, to the best to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at)
Kuala Lumpur in Wilayah Persekutuan)
On 17 February 2009) **TAN FONG SANG**

Before me,

TAN BOON CHUA
COMMISSIONER FOR OATHS

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

SYARIAH COMMITTEE'S REPORT

In the name of Allah, the most Beneficent, the most Merciful.

Praise to Allah, the Lord of the Worlds and peace and blessings be upon our Prophet Muhammad, and on his family and companions.

We have reviewed the principles and contracts relating to the transactions and applications undertaken by the Bank during the financial period ended 31 December 2008. We have also conducted our review to form an opinion as to whether the Bank has complied with Syariah rules and relevant resolutions and rulings made by the Syariah Advisory Councils of the regulatory bodies.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Syariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We are of the opinion that:

- (a) The contracts, transactions and dealings entered into by the Bank during the period ended 31 December 2008, that we have reviewed are in compliance with the Syariah rules and principles.
- (b) The main sources and investments of the Bank disclosed to us conform to the basis that had been approved by us in accordance with the Syariah rules and principles.

We beg Allah the Almighty to Grant us all the Success and Straight-Forwardness.

Assoc. Prof. Dato' Hj Mohd Mokhtar bin Hj Shafii, DIMP
Chairman of the Committee

Prof. Dr. Abdullah @ Alwi bin Haji Hassan
Member of the Committee

Assoc. Prof. Dr. Mahamad bin Arifin
Member of the Committee

Kuala Lumpur, Malaysia
Date: 17 February 2009

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
OCBC AL-AMIN BANK BERHAD**

Company No. 818444-T
(Incorporated in Malaysia)

Reports on the Financial Statements

We have audited the financial statements of OCBC Al-Amin Bank Berhad, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 61.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Bank as of 31 December 2008 and of its financial performance and cash flows for the period then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Company No. 818444-T

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong
Approval Number: 2613/12/10(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 17 February 2009

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	31.12.2008 RM'000
ASSETS		
Cash and short-term funds	2	656,635
Available-for-sale securities	3	833,128
Financing and advances	4	2,130,278
Other assets	5	15,285
Statutory deposits with Bank Negara Malaysia	6	84,000
Property, plant and equipment	7	1,934
Deferred taxation asset	8	12,642
TOTAL ASSETS		<u>3,733,902</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits from customers	9	2,735,947
Deposits and placements of financial institutions	10	313,800
Bills and acceptances payable		14,102
Subordinated bonds	11	200,000
Other liabilities	12	273,490
Zakat		15
TOTAL LIABILITIES		<u>3,537,354</u>
Financed by:		
Share capital	13	65,000
Reserves	14	131,548
Shareholders' Equity		<u>196,548</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,733,902</u>
COMMITMENTS AND CONTINGENCIES	26	<u>1,093,750</u>

The accounting policies and accompanying notes form an integral part of the financial statements

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL PERIOD FROM 21 MAY 2008 (DATE OF INCORPORATION) TO
31 DECEMBER 2008

	Note	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
Income derived from investment of depositors' funds	15	15,758
Allowance for losses on financing and advances	16	(9,809)
Transfer from profit equalisation reserve (net)	12	3,619
Total attributable income		<u>9,568</u>
Income attributable to depositors	17	<u>(7,765)</u>
Income attributable to shareholders		1,803
Income derived from the investment of shareholder's funds	18	<u>1,493</u>
Total net income		3,296
Personnel expenses	19	(1,096)
Other overhead expenses	20	<u>(4,536)</u>
Loss before zakat and taxation		<u>(2,336)</u>
Taxation	24	574
Net loss for the financial period		<u>(1,762)</u>
Basic loss per share (sen)	25	<u>(23.1)</u>
Dividend per ordinary share		<u>-</u>

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008

	----- Attributable to Equity Holders of the Bank -----				Total Equity RM'000
	Non-distributable Reserves		Fair Value Reserve RM'000	Distributable Reserves	
	Share Capital RM'000	Share Premium RM'000		Accumulated Loss RM'000	
At date of incorporation	*	-	-	-	-
Issue of ordinary shares	65,000	130,000	-	-	195,000
Revaluation of available-for-sale securities (net)	-	-	4,413	-	4,413
Deferred tax on revaluation of available-for-sale securities (net)	-	-	(1,103)	-	(1,103)
Net gains recognised directly in equity	-	-	3,310	-	3,310
Net loss for the period	-	-	-	(1,762)	(1,762)
At 31 December 2008	65,000	130,000	3,310	(1,762)	196,548

* Issued and paid-up share capital at the date of incorporation is RM2.

The accounting policies and accompanying notes form an integral part of the financial statements

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008

	21.05.2008
	(Date of
	incorporation) to
	31.12.2008
	RM'000
Note	
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before zakat and taxation	(2,336)
Adjustments for:	
Depreciation of property, plant and equipment	36
Allowance for losses on financing and advances	9,809
Profit equalisation reserve	(3,619)
Amortisation of premium less accretion of discount	179
Unrealised gains on revaluation of derivatives (net)	(120)
	<u>3,949</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	
Decrease/(Increase) in Operating Assets:	
Financing and advances	(49,094)
Other assets and statutory deposits with Bank Negara Malaysia	829,999
Increase/(Decrease) in Operating Liabilities:	
Deposits from customers	305,204
Deposits and placements of financial institutions	(126,736)
Bills and acceptances payable	10,801
Other liabilities	(260,940)
Cash generated from operations	713,183
Income tax expense	-
	<u>713,183</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES	
	<u>713,183</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of available-for-sale securities	(86,655)
Purchase of property, plant and equipment	(1,970)
	<u>(88,625)</u>
NET CASH UTILISED IN INVESTING ACTIVITIES	
	<u>(88,625)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of ordinary shares	195,000
Proceeds from issuance of Islamic subordinated bonds	200,000
Net cash paid pursuant to business vested over from OCBCM	(362,923)
	<u>32,077</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	
	<u>32,077</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	656,635
CASH AND CASH EQUIVALENT AT DATE OF INCORPORATION	-
	<u>656,635</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>656,635</u>
2	

The accounting policies and accompanying notes form an integral part of the financial statements

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008**

A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared under the historical cost convention (except as disclosed in the notes to the financial statements) and comply with Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB) as modified by Bank Negara Malaysia Guidelines, comply with the provisions of the Companies Act, 1965, and Syariah principles.

The following revised Financial Reporting Standards, amendments to FRSs and IC Interpretations, that are effective 1 January 2008 were adopted. The adoption of the FRSs did not result in substantial changes to the Bank's financial statements.

- FRS 107 Cash Flow Statements
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 119 Employee Benefits
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The following new and revised FRSs and IC Interpretations issued by MASB have not been adopted by the Bank in preparing the financial statements for the period ended 31 December 2008 :

	Effective Date	Date of adoption by the Bank
FRS 4 Insurance Contracts	On or after 1 January 2010	Not applicable
FRS 7 Financial Instruments: Disclosure	On or after 1 January 2010	1 January 2010
FRS 8 Operating Segments	On or after 1 July 2009	Not applicable
FRS 139 Financial Instruments: Recognition and Measurement	On or after 1 January 2010	1 January 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	On or after 1 January 2010	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	On or after 1 January 2010	1 January 2010

FRS 7 requires disclosures to enable users of the financial statements to evaluate the significance of the Bank's financial instruments and the nature and extent of risks arising from those financial instruments. New disclosures, where relevant, will be included throughout the financial statements. Whilst there will be no effect on the financial position or results, comparative information will be revised where necessary.

The impact of applying FRS 139 on the financial statements upon first adoption is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other applicable FRSs and IC Interpretations are not expected to have any material impact on the financial statements of the Bank.

B. RECOGNITION OF FINANCING INCOME

Financing income is recognised on an accrual basis using the effective profit method. Financing income on cash line, housing and term financing is recognised by reference to rest periods as stipulated in the financing agreement. Financing income on Al-Ijarah Thumma Al-Bai ("AITAB") is recognised using the "sum-of-digits" method over the lease term.

Where an account is classified as non-performing, financing income accrued and recognised as income prior to the date of the loans are classified as non-performing is reversed out of income and set-off against the accrued profit receivable account in the balance sheet. Subsequently, financing income earned on non-performing loans and financing are recognised as income on a cash basis.

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008 (continued)

B. RECOGNITION OF FINANCING INCOME (continued)

The Bank's policy on recognition of finance income on non-performing financing and advances is in conformity with the Guidelines on Financial Reporting for Licensed Islamic Banks (BNM/GP8i) issued by Bank Negara Malaysia.

C. RECOGNITION OF FEES AND OTHER INCOME

Loan processing fees and commissions are recognised as income when all conditions precedent are fulfilled.

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

Dividends from held-for-trading and available-for-sale securities are recognised when received.

D. ALLOWANCE FOR BAD AND DOUBTFUL DEBTS AND FINANCING

Specific allowances are made for non-performing debts and financing which are guided by the Revised BNM/GP3 guidelines. Nevertheless, upon classification of financing and advances to non-performing at 3 months in arrears or where there is objective evidence of impairment, the Bank is required to make 100% specific allowance on the unsecured portion. Exception may only be allowed subject to approval as per the Bank's Non-Performing Loan Approval Authority Limits.

The Bank also applied the following discount on collateral for non-performing loans when computing specific allowance:

- (i) fifty percent (50%) of the realisable value of the collateral for non-performing loans which are in arrears for more than five years but less than seven years for consumer and small business segments; and
- (ii) no value to the realisable value of the collateral for all non-performing loans which are in arrears for more than seven years.

Impaired financing and advances are measured at their estimated recoverable amount. Additional impairment allowance is provided if the recoverable amount is lower than the net book value of the financing. Recoverable amount refers to the present value of estimated future cash flows discounted at original effective profit rate. Net book value is the outstanding amount of financing and advances net of specific allowance calculated based on policy above.

Specific allowance is written back in circumstances where the financing and advances have been fully settled, where there is cash inflow, additional collaterals being provided, firm contractual agreement to dispose of the collaterals at a price higher than valuation used by the Bank, enhancement in the value of security arising from actual conversion of land use on the property charged and/or where there is concrete evidence to support a reclassification of the financing and advances to a better category, subject to financing and advances review.

A general allowance based on a percentage of the financing and advances portfolio is also made to cover possible losses which are not specifically identified.

An uncollectible financing or portion of a financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008 (continued)**

E. SECURITIES

The Bank classifies its securities portfolio into held-for-trading and available-for-sale securities. Currently, no financial assets have been classified as held-to-maturity.

(i) Held-for-Trading Securities

Held-for-trading securities are securities acquired and held with the intention of resale in the short term. These securities are recorded at its initial fair value and subsequently re-measured to their fair value on the balance sheet. Fair value is derived from market indicative quotes (e.g. brokers, information service providers, BNM) or valuation techniques. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all net long positions are marked to bid prices. All realised and unrealised gains and losses arising from revaluing that contract to fair value are included in the income statement. Reclassification of securities in and out of held-for-trading portfolio is disallowed.

(ii) Available-for-Sale Securities

Available-for-sale securities (AFS) are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirement pursuant to the New Liquidity Framework and are usually held for an indefinite period of time, which may be sold in response to market conditions.

AFS securities are carried at fair value on the balance sheet with cumulative fair value changes reflected under fair value reserve in equity, and recognised in the income statement when the security is disposed of, collected or otherwise sold, or when the security is assessed to be impaired. Fair value is derived from market indicative quotes (e.g. brokers, information service provider, BNM) or valuation techniques. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all net long positions are marked to bid prices.

AFS securities are reviewed and assessed for objective evidence of impairment at each balance sheet date. If such evidence exists, impairment is calculated as the difference between the asset's carrying amount and the estimated recoverable amount (present value of estimated cash flow discounted at effective profit rate). Carrying amount of securities should be reduced through use of allowance account and is recognised in income statement. The fair value of unquoted equity instruments classified under AFS portfolio is estimated using internal valuation technique and provision is made if management considers the impairment to be permanent. Impairment losses recognised in income statement for an equity investment classified as AFS shall not be reversed through income statement. If, in subsequent periods, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment was recognised in income statement, that portion of impairment loss may be reversed in income statement.

Profit from securities held-for-trading and AFS securities are calculated using the effective profit rate method and is recognised in the income statement.

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008 (continued)**

F. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an indication of impairment exists, an analysis is performed to assess whether the carrying amount of the asset is recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

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

The principal annual rates are:-

Office equipment, furniture and fittings	10%
Computer equipment and software	20% - 33.33%
Renovation	33.33%

Depreciation method, useful lives and residual values are reassessed at the reporting date.

G. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

H. CURRENCY TRANSLATIONS AND CONVERSION

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

The principal closing rates used in translation of foreign currency amount were as follows:

	<u>2008</u>
Foreign currency	RM
1 US Dollar	3.46
1 Australian Dollar	2.40
100 Japanese Yen	3.84

I. TAXATION

Taxation comprises current and deferred tax. Taxation is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008 (continued)

I. TAXATION (continued)

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. The principal temporary differences arise from allowance for impairment loss on securities, allowance for loans, advances and financing, depreciation on property, plant and equipment, depreciation on investment property and unrealised gains and losses of financial instruments. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

J. ZAKAT CONTRIBUTION

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

K. PROVISIONS

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

- (i) the Bank has a present or legal constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources will be recognised to settle the obligation; and
- (iii) a reliable estimate of the amount can be made.

L. SEGMENT REPORTING

The Bank's business segments represent the key customer and product groups, as follows : Business Banking, Consumer Banking, Treasury and Others. In determining the segment results, balance sheet items are internally transfer priced and revenues and expenses are attributed to each segment based on internal management reporting policies. Transactions between business segments are disclosed and eliminated on consolidation.

**OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008 (continued)**

M. IMPAIRMENT

Property, plant and equipment and other non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

N. EMPLOYEE BENEFITS

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, variable cash performance bonus and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Bank.

(ii) Defined contribution plans

The Bank's contribution to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Bank has no further payment obligations.

(iii) Equity compensation benefits

a) Deferred Share Plan

The OCBC Deferred Share Plan ("the Plan") was implemented with effect from 2003. Under the Plan, shares of the ultimate holding company of the Bank are granted to executive directors and officers of the rank of Vice President and above. A trust is set up to administer the shares purchased under the Plan. Shares granted under the Plan will vest three years from the grant date and will lapse when the staff ceases employment during the vesting period. The remuneration expense is amortised and recognised in the income statement on a straight-line basis over the vesting period.

b) Share Option Scheme

Share Option Schemes are offered to executives of the rank of Manager and above, including executive directors. Options granted are exercisable for a period commencing after the 1st anniversary of the respective dates of grant and expiring on the 10th anniversary of the respective dates of grant. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary.

OCBC AL-AMIN BANK BERHAD
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008 (continued)**

N. EMPLOYEE BENEFITS (continued)

c) Employee Share Purchase Plan

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

The fair value of options granted is recognised as staff costs in the income statement. The Group uses the binomial model to calculate the fair value of share options granted under the Share Option Schemes and acquisition rights to ordinary shares of the ultimate holding company of the Bank under the ESP Plan. The fair value of the options and rights is recognised in the income statement over the vesting period of the share options or the offering period of the ESP Plan. At each balance sheet date, the Group revises its estimates of number of options that are expected to become exercisable, and the impact of the change to the original estimates, if any, is recognised in the income statement over the remaining vesting period, with recognition of a corresponding liability payable to the ultimate holding company of the Bank. The liability is remeasured at each balance sheet date up to the settlement date, with changes in fair value recognised in the income statement.

Further details of the equity compensation benefits are disclosed in the financial statements of the holding company.

O. CASH AND CASH EQUIVALENTS

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

P. PROFIT EQUALISATION RESERVE (PER)

PER is a mechanism to reduce the fluctuations in the profit rates payable to the depositors under Islamic Banking operations. It is provided based on the Framework of the Rate of Return issued by Bank Negara Malaysia. The amount of PER is appropriated from and written back to the total gross income. PER is reflected under 'Other Liabilities' of the Bank.

Q. USE OF ESTIMATES AND JUDGEMENTS

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL PERIOD FROM
21 MAY 2008 (DATE OF INCORPORATION) TO 31 DECEMBER 2008 (continued)**

Q. USE OF ESTIMATES AND JUDGEMENTS (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- a) Section D – Allowance for Bad and Doubtful Debts and Financing
- b) Note 26 – Commitments and Contingencies
- c) Note 33 – Fair Value of Financial Instruments and Section R - Derivatives

R. DERIVATIVES

Financial derivatives consist of option contracts. These instruments allow the Bank and its customers to transfer, modify or reduce their foreign exchange and equity risks.

All derivative financial instruments are recognised at inception on the balance sheet (including transaction costs), which are normally zero or negligible at inception, and subsequent changes in fair value as a result of fluctuation in market rates or foreign exchange rates are recorded as derivative receivables (favourable) and derivative payables (unfavourable).

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

1. GENERAL INFORMATION

The Bank is principally engaged in all aspects of Islamic Banking business.

The number of employees at the end of the financial period amounted to 110 staff of which 40 were seconded from the immediate holding company.

The immediate and ultimate holding company of the Bank is OCBC Bank (Malaysia) Berhad ("OCBCM") and Oversea-Chinese Banking Corporation Limited ("OCBCL"), a licensed commercial bank incorporated in Singapore, respectively.

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

The address of the registered office of the Bank is 19th Floor, Menara OCBC, 18 Jalan Tun Perak, 50050 Kuala Lumpur, and the address of the principal place of business is 25th Floor, Wisma Lee Rubber, 1, Jalan Melaka, 50100, Kuala Lumpur.

Pursuant to the Vesting Order from the High Court of Malaya on 10 October 2008 which gave full effect to a Business Transfer Agreement ("BTA") executed between OCBCM and OCBC Al-Amin Bank Berhad ("the Bank") for the transfer and vesting of OCBCM's Islamic banking business in Malaysia to the Bank ("vesting") subsisting as of 30 November 2008 ("cut off date") for a total consideration equivalent to the net book value of the transferred assets less liabilities. The vesting took effect on 1 December 2008 and the Islamic Banking assets and liabilities of OCBCM were transferred to the Bank and the Bank commenced its Islamic Banking Business with effect from the same date.

2. CASH AND SHORT-TERM FUNDS

	31.12.2008
	RM'000
Cash and balances with financial institutions	3,565
Money at call and deposit placements maturing within one month	653,070
	<u>656,635</u>

3. AVAILABLE-FOR-SALE SECURITIES

	31.12.2008
	RM'000
At fair value	
Malaysian Government Investment Certificates	451,642
Private Debt Securities	307,203
Islamic Negotiable Instruments of Deposits	74,283
	<u>833,128</u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

4. FINANCING AND ADVANCES

	31.12.2008
	RM'000
i) By type of financing and advances	
Cash financing	385,085
Term financing :	
- Housing financing	119,451
- Syndicated term financing	217,705
- Hire purchase receivables	632,603
- Other term financing	520,693
Bills receivables	10,242
Trust receipts	415
Revolving credits	364,599
Customer's liability under acceptance credits	245,594
Other financing	7,579
Less : Unearned income	<u>(304,579)</u>
Gross financing and advances	2,199,387
Less : Allowance for bad and doubtful financing	
- specific	(35,592)
- general	<u>(33,517)</u>
Net financing and advances	<u><u>2,130,278</u></u>
	31.12.2008
	RM'000
ii) Financing analysed by concepts	
Bai' Bithaman Ajil	866,721
Al-Qardhul Hassan	450
Al-Ijarah Thumma Al Bai	632,603
Bai' Inah	277,221
Other principles	422,392
	<u><u>2,199,387</u></u>
	31.12.2008
	RM'000
iii) Financing by type of customer	
Domestic business enterprises	
- Small and medium enterprises	394,410
- Others	1,448,009
Individuals	355,564
Foreign entities	1,404
	<u><u>2,199,387</u></u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

4. FINANCING AND ADVANCES (continued)

	31.12.2008
	RM'000
iv) Financing by profit rate sensitivity	
Fixed rate	
- House financing	71,516
- Hire purchase receivables	573,460
- Other financing	1,245,139
Variable rate	
- Other variable rates	309,272
	<u>2,199,387</u>
	31.12.2008
	RM'000
v) Financing by sector	
Agriculture	486,309
Mining and quarrying	33,558
Manufacturing	680,774
Construction	114,534
Real Estate	168,198
Wholesale and retail trade and restaurants and hotels	149,842
Transport, storage and communication	134,581
Finance, insurance and business services	29,939
Community, social and personal services	40,308
Households, of which :	
i. Purchase of residential properties	72,932
ii. Purchase of non-residential properties	1,719
iii. Others	279,418
Others	7,275
	<u>2,199,387</u>
(vi) Movements in non-performing financing and advances ("NPF") are as follows :-	
	31.12.2008
	RM'000
Amount vested over from OCBCM	43,206
Non-performing during the period	3,420
Reclassified as performing during the period	(817)
Amount recovered	(629)
Amount written off	(1,233)
At 31 December	<u>43,947</u>
Specific allowance	(35,592)
Net non-performing financing and advances	<u>8,355</u>
Net NPF as % of gross financing and advances less specific allowance	<u>0.39%</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

4. FINANCING AND ADVANCES (continued)

(vii) Movements in the allowance for losses on financing and advances are as follows:

	31.12.2008
	RM'000
<u>General allowance</u>	
At 21 May 2008	-
Amount vested over from OCBCM	32,901
Allowance made during the period (Note 16)	616
At 31 December	<u>33,517</u>
As % of gross financing and advances less specific allowance	<u>1.55%</u>
	31.12.2008
	RM'000
<u>Specific allowance</u>	
At 21 May 2008	-
Amount vested over from OCBCM	27,340
Allowance made during the period (Note 16)	10,412
Amount written back in respect of recoveries (Note 16)	(927)
Amount written off	(1,233)
At 31 December	<u>35,592</u>
Non-performing financing and advances analysed by sector are as follows:	
	31.12.2008
	RM'000
Agriculture	252
Manufacturing	21,082
Construction	4,255
Real Estate	109
Wholesale and retail trade and restaurants and hotels	3,395
Transport, storage and communication	680
Community, social and personal services	227
Households, of which:	
i. Purchase of residential properties	4,375
ii. Purchase of non-residential properties	3
iii. Others	9,569
	<u>43,947</u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

5. OTHER ASSETS

	31.12.2008
	RM'000
Profit receivable	7,482
Derivative assets (a)	877
Other debtors, deposits and prepayments	6,926
	<u>15,285</u>

(a) Details of derivative assets are as follows:

	31.12.2008		
	Contract or underlying principal amount	Fair value	
	RM'000	Assets RM'000	Liabilities RM'000
Financial derivatives			
Trading:			
Foreign exchange derivatives			
- currency option	104,719	873	873
Equity related contracts	77,718	4	4
	<u>182,437</u>	<u>877</u>	<u>877</u>

6. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

7. PROPERTY, PLANT AND EQUIPMENT

	Note	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Total RM'000
2008					
<u>Cost</u>					
At 21 May 2008		-	-	-	-
Additions		639	631	700	1,970
At 31 December 2008		639	631	700	1,970
<u>Accumulated depreciation</u>					
At 21 May 2008		-	-	-	-
Depreciation charge for the period	20	18	5	13	36
At 31 December 2008		18	5	13	36
Carrying amounts as at 31 December 2008		621	626	687	1,934

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

8. DEFERRED TAXATION

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

	31.12.2008
	RM'000
Deferred tax assets (before offsetting)	13,745
Deferred tax liabilities (before offsetting)	(1,103)
Deferred tax assets (after offsetting)	<u>12,642</u>

The movements in deferred tax assets and liabilities during the financial period comprise the following:-

	Balance at 21 May 2008	Vested from OCBCM	Credit to reserves	Credit to income statement (Note 24)	Balance at 31 December 2008
	RM'000	RM'000	RM'000	RM'000	RM'000
Bank					
Excess of capital allowance over depreciation	-	-	-	1	1
General allowance on advances and financing	-	8,226	-	153	8,379
Unrealised losses on revaluation of available-for-sale securities	-	-	(1,103)	-	(1,103)
Other temporary differences	-	4,945	-	420	5,365
Total	<u>-</u>	<u>13,171</u>	<u>(1,103)</u>	<u>574</u>	<u>12,642</u>

9. DEPOSITS FROM CUSTOMERS

	31.12.2008
	RM'000
i) By type of deposit	
Non-Mudharabah Fund:	
Demand deposits	578,640
Savings deposits	280,710
Negotiable Instrument of Deposits	355,821
Structured investments	98,366
Others	44,926
	<u>1,358,463</u>
Mudharabah Fund:	
General investment deposits	1,161,907
Islamic short term Mudharabah Investment	215,577
	<u>1,377,484</u>
Total deposits from customers	<u>2,735,947</u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

9. DEPOSITS FROM CUSTOMERS (continued)

	31.12.2008
	RM'000
ii) The deposits are sourced from the following customers:-	
Government and statutory bodies	16
Business enterprises	1,460,636
Individuals	433,116
Others	842,179
	<u>2,735,947</u>

10. DEPOSITS AND PLACEMENTS OF FINANCIAL INSTITUTIONS

	31.12.2008
	RM'000
Non-Mudharabah Fund:	
Licensed banks	<u>34,540</u>
Mudharabah Fund:	
Licensed banks	105,000
Other financial institutions	174,260
	<u>279,260</u>
Total deposits and placements of financial institutions	<u>313,800</u>

11. SUBORDINATED BONDS

On 1 December 2008, the Bank issued RM200 million non-tradeable non-transferable redeemable Islamic subordinated bonds due in 2021 and non-callable until 2016 under the principle of Mudharabah (profit sharing contract) at a projected constant rate of 5.45% for the period from the issue date up to 23 November 2016 and a step up of 100 basis points commencing from 24 November 2016 and ending on the date of full redemption of the subordinated bonds, subject to the availability of profits and the investors' entitlement under the profit sharing ratio. Unless the call option is exercised by the Bank, the subordinated bonds shall be redeemed in full by five equal and consecutive annual payments. The call option is subject to prior approval from Bank Negara Malaysia and Monetary Authority of Singapore (MAS), be redeemable in whole but not in part on 24 November 2016 and on every Profit Payment Date thereafter.

The restricted subordinated bonds qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank subject to up to a maximum of 50% of total Tier 1 capital.

12. OTHER LIABILITIES

	31.12.2008
	RM'000
Profit payable	13,226
Other accruals and charges	176,510
Derivative liabilities (Note 5(a))	877
Profit Equalisation Reserves (a)	16,161
Amount due to holding company *	22,556
Shared service fee payable to holding company	4,129
Other financing with holding company	40,031
	<u>273,490</u>

* The amount due to holding company is unsecured, interest-free and to be settled by cash payment within six (6) months from the Transfer Date (1 December 2008).

	31.12.2008
	RM'000
a) <u>Profit Equalisation Reserve (PER)</u>	
Amount vested over from OCBCM	19,780
Amount provided during the period	3,005
Amount written back during the period	(6,624)
Balance at 31 December 2008	<u>16,161</u>

**OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

13. SHARE CAPITAL

	31.12.2008 RM'000
Authorised:	
At 21 May/31 December 2008	<u>500,000</u>
Issued and fully paid:	
At 21 May 2008	*
Additional shares issued to OCBCM	<u>65,000</u>
Balance at 31 December 2008	<u>65,000</u>

* Issued and paid-up share capital at the date of incorporation is RM2

14. RESERVES

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

The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act, 1983 and are not distributable as cash dividends.

Fair value reserve captures fair value adjustment on financial assets which are classified as available-for-sale under the Revised BNM/GP8 and its corresponding effect on deferred tax. This reserve is non-distributable and cumulative fair value adjustments will be reversed to the income statement upon disposal of the assets.

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

15. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	21.05.2008
	(Date of
	incorporation)
	to 31.12.2008
	RM'000
Income derived from investment of:	
(i) General investment deposits	6,003
(ii) Other funds	9,755
	<u>15,758</u>

	General Investment Deposits RM'000	Investment of other Funds RM'000
<u>Finance income and hibah:</u>		
Financing and advances	4,451	7,232
Available-for-sale securities	931	1,513
Money at call and deposit with financial institutions	685	1,114
	<u>6,067</u>	<u>9,859</u>
Amortisation of premium less accretion of discounts	(64)	(104)
	<u>6,003</u>	<u>9,755</u>

16. ALLOWANCE FOR LOSSES ON FINANCING AND ADVANCES

	21.05.2008
	(Date of
	incorporation)
	to 31.12.2008
	RM'000
Allowance for losses on financing and advances:	
Specific allowance	
- Made in the financial period	10,412
- Written back	(927)
General allowance	
- Made in the financial period	616
Bad debts and financing	
- Recovered	(292)
	<u>9,809</u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

17. INCOME ATTRIBUTABLE TO DEPOSITORS

	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
Deposits from customers	
- Mudharabah Fund	5,090
- Non Mudharabah Fund	1,030
Deposits and placements of financial institutions	
- Mudharabah Fund	692
- Non Mudharabah Fund	953
	<u>7,765</u>

18. INCOME DERIVED FROM THE INVESTMENT OF SHAREHOLDER'S FUNDS

	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
<u>Finance income and hibah:</u>	
Financing and advances	755
Money at call and deposits with financial institutions	116
Available-for-sale securities	158
	<u>1,029</u>
Amortisation of premium less accretion of discounts	(11)
	<u>1,018</u>
<u>Other operating income</u>	
Unrealised gains on revaluation of derivatives (net)	120
Losses arising from dealing in foreign currency (net)	(119)
<u>Fee and commission income:</u>	
Commission	221
Service charges and fees	253
	<u>1,493</u>

19. PERSONNEL EXPENSES

	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
Salaries and wages	593
Allowances and bonuses	129
Equity compensation benefit (deferred share plan)	3
Defined contribution plan (EPF)	115
Others	256
Total	<u>1,096</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

20. OTHER OVERHEAD EXPENSES

	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
Establishment costs	120
- Rental of premises	77
- Depreciation of property, plant and equipment	36
- Repair and maintenance	4
- Others	3
Marketing expenses	(464)
- Transport and travelling	24
- Advertising and business promotion	(499)
- Others	11
Administrative and general expenses	4,880
- Printing and stationery	15
- Postage and courier	4
- Telephone, telex and fax	3
- Legal and consultancy fees	27
- Shared service fees paid/payable to OCBCM (Note 23)	4,178
- Transaction processing fees paid/payable to related company (Note 23)	458
- Other administrative and general expenses	195
Total other overheads	4,536

Total overheads (personnel expenses and other overheads) includes the following statutory disclosures:

Directors' remuneration (Note 21)	55
Rental of premises	77
Auditors' remuneration	30
Depreciation of property, plant and equipment	36

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

21. DIRECTORS' AND SYARIAH COMMITTEE'S REMUNERATION

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

	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
Executive Director (CEO)	
- Salary	47
- Defined contribution retirement plan (EPF)	8
	<u>55</u>
Non-Executive Directors	
- Fees	-
- Benefit-in-kind (BIK)	-
	<u>-</u>
Total Directors remuneration	<u>55</u>
Syariah Committee	<u>7</u>
	Number of Directors
<u>Executive</u> More than RM50,000 but less than RM60,000	<u>1</u>

22. ZAKAT

The Bank only pays zakat on its business. The Bank does not pay zakat on behalf of depositors or shareholders.

23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Bank are as follows:

- (a) Ultimate holding company is Oversea-Chinese Banking Corporation Limited;
- (b) Holding company is OCBC Bank (Malaysia) Berhad;
- (c) Other related companies of Oversea-Chinese Banking Corporation Limited Group; and
- (d) Key management (including Directors) of the Bank (including their immediate family members) and entities in which they have control, joint control or significant influence.

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (i) The significant related party transactions of the Bank during the financial period and balances at balance sheet date are as follows:

	Ultimate Holding Company	Holding Company	Other Related Companies	Key Management
	RM'000	RM'000	RM'000	RM'000
21.5.2008 (Date of incorporation) to 31.12.2008				
Expenditure:				
Profit expense on Demand and General				
Investment Deposits	-	-	63	6
Profit expense on other deposits	-	-	2	-
Profit expense on subordinated bonds	-	923	-	-
Profit expense on others	-	146	-	-
Shared service fee paid/payable (Note 20)	-	4,178	-	-
Transaction processing fee (Note 20)	-	-	458	-
	-	5,247	523	6
2008	Ultimate Holding Company	Holding Company	Other Related Companies	Key Management
	RM'000	RM'000	RM'000	RM'000
Amount due from:				
Deposits and placements	18	45,689	-	-
	18	45,689	-	-
Amount due to:				
Demand deposits and General Investment				
Deposits	-	-	17,969	2,125
Other deposits	-	-	251	12
Advances (Note 12)	-	22,556	-	-
Subordinated bonds	-	200,000	-	-
Profit payable	-	923	-	-
Shared service fee payable (Note 12)	-	4,129	-	-
Transaction processing fee payable	-	-	458	-
Other financing (Note 12)	-	40,031	-	-
	-	267,639	18,678	2,137
Commitments:				
Transaction related contingent items	178	-	-	-

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Profit rates on all related party transactions arising from the ordinary course of business are at normal commercial rates.

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

ii) Credit exposure arising from credit transactions with connected parties

The following disclosure information are made pursuant to the revised BNM/GP6 on "Guidelines on Credit Transactions and Exposures with Connected Parties":

	Credit facility and leasing (except guarantee) RM'000	Off balance sheet exposures # RM'000	Total RM'000
Aggregate value of outstanding credit exposure with connected parties^	259	-	259
Total exposure to connected parties as a proportion of total credit exposures			0.01%
Percentage of outstanding credit exposure with connected parties which is non-performing or default			-

^ Comprise of total outstanding balance and unutilised limit

Off balance sheet transactions that give rise to credit and/or counterparty risk

iii) Key management personnel compensation

	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
Short-term employee benefits	133
Share-based payments	1
	<u>134</u>

Key management personnel comprises persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly, including Directors of the Bank. Included in the above are Directors' remuneration which was disclosed in Note 21.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

24. TAXATION

21.05.2008
(Date of
incorporation)
to 31.12.2008
RM'000

Malaysian income tax - current year	-
Deferred taxation:	
- relating to origination and reversal of temporary differences	597
- relating to changes in tax rates	(23)
Total credited to income statement (Note 8)	574
	<u>574</u>

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

21.05.2008
(Date of
incorporation)
to 31.12.2008
%

Malaysian tax rate of 26%	26.0
Tax effects of:	
Expenses not deductible for tax purposes	(0.4)
Deferred tax relating to changes in tax rate	(1.0)
Average effective tax rate	<u>24.6</u>

With effect from year of assessment of 2008, corporate tax rate is at 26%. The Malaysian Budget 2009 also announced the reduction of corporate tax rate to 25% with effect from year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

25. BASIC LOSS PER SHARE

The loss per ordinary share of the Bank has been calculated on the net loss attributable to shareholders for the period by the weighted average number of ordinary shares in issue during the financial period.

31.12.2008

Net loss for the period (RM'000)	(1,762)
Weighted average number of ordinary shares in issue ('000)	<u>7,624</u>
Basic loss per share (sen)	<u>(23.1)</u>

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26. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. There were no material losses anticipated as a result of these transactions.

	2008		
	Principal Amount RM'000	Credit Equivalent* Amount RM'000	Risk Weighted Amount RM'000
Bank			
Direct credit substitutes	50,070	50,070	50,070
Transaction-related contingent items	66,809	33,405	33,405
Short-term self-liquidating trade-related contingencies	47,986	9,597	9,597
Irrevocable commitments to extend credit:			
- maturity not exceeding one year	404,212	-	-
- maturity exceeding one year	342,236	171,118	171,118
Foreign exchange related contracts:			
- one year or less than five years	104,719	6,447	1,314
Equity related contracts	77,718	3,491	1,746
	<u>1,093,750</u>	<u>274,128</u>	<u>267,250</u>

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

27. LEASE COMMITMENTS

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

	31.12.2008 RM'000
Less than one year	529
One to five years	841
	<u>1,370</u>

28. CAPITAL COMMITMENTS

	31.12.2008 RM'000
Capital expenditure in respect of property, plant and equipment:	
- authorised and contracted for	4,306
- authorised but not contracted for	15,232
	<u>19,538</u>

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

As the Bank was recently established, the risk management framework and the policies used are in respect of those used by the holding company.

Credit Risk Management

Credit risk is the risk of loss due to borrower or counterparty default on payment. Such risk arises from lending, underwriting, trading and other activities undertaken by the Bank. Through the Group's risk management structure established at holding company, the Bank shares the services of OCBCM's Credit Risk Management to monitor credit risk and this includes credit approval, credit reviews, non-performing asset management and credit policy development.

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

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

Corporate and large NPFs are centrally managed by the Special Asset Management Department whilst retail and consumer NPFs are overseen by the Collections Department. The Bank shares the services of these departments provided by OCBCM through a shared service agreement.

Market Risk Management

Market risk is defined as the uncertainty in the future values of the Bank's exposures in financial instruments resulting from movements in market factors such as market rates, equity prices and foreign exchange rates.

The Asset & Liability Management Committee ("ALCO") is the principal senior management committee that supports the Board, the Board Risk Committee and the CEO in discharging their market risk management oversight responsibilities. The ALCO includes senior representatives from both the business, risk and support units, and is responsible for developing the bank's overall market risk management framework. This framework comprises key market risk principles and policies, and a comprehensive set of controls and monitoring processes to govern and manage the Bank's market risk.

The ALCO is supported at the working level by the Asset Liability and Market Risk Management Department ("ALMR") of OCBCM. The ALMR is responsible for operationalising the market risk management framework as endorsed by ALCO and Board Risk Committee.

Market Risk Management Framework

The key elements in the market risk management framework are policies and procedures, risk limits and risk measures.

Policies & Procedures – Approved by the Board, Board Risk Committee and the CEO, the policies and procedures provide guidance on the oversight and management of the Bank's market risk. Controls and clear communications are in place to ensure that all business activities conform to the Bank's risk management policies. As a subsidiary of OCBCM, policies and procedures of the parent bank is applicable to the Bank.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management Framework (continued)

Risk Limits – All trading risk positions are monitored on a daily basis by support units at OCBCM level, independent of the businesses. Limits are approved at various business activity levels, with clearly defined exception escalation procedures for each level. All exceptions are to be promptly reported to the relevant senior management for appropriate ratification. Only authorised trading activities may be undertaken by the various business units.

Risk Measures – The Value-at-Risk (“VaR”) methodology is the primary market risk measure for the Bank’s trading activities. VaR is measured and monitored by risk types, namely profit rate risk, foreign exchange risk, equity risk, volatility risk and credit spread risk, as well as at the aggregate level. The Bank adopts the historical simulation approach to measuring the VaR, applied against a 1-day holding period at a 99% confidence level. The Bank prefers historical simulation as it involves fewer assumptions on the distribution of trading profitability compared to other approaches. As VaR is a statistical measure based on historical market fluctuations, it might not accurately predict forward-looking market conditions. Furthermore, VaR only reflects the potential risk of loss arising from normal market conditions, based on recent market experience. The monitoring of VaR is done by independent support units at OCBCM level.

Other Risk Measures

As the Bank’s main market risk is market rate fluctuations, Present Value of a Basis Point (“PV01”), which measures the change in value of market rate sensitive exposures resulting from one basis point increase across the entire yield curve.

Other than VaR and PV01, the Bank also utilises other risk metrics such as notional amounts and derivative greeks for specific exposure types, where appropriate, to supplement its risk measurements. Limits are set based on the above-mentioned risk measures at various levels (business unit, trading desk, etc.), and are all monitored independently.

Back-Testing

To ensure the continual integrity of the VaR model, the Bank conducts back-testing to confirm the consistency of actual daily trading profits and losses (“P&L”) against the statistical assumptions of the model. To enhance the back-testing process, theoretical P&L are also computed by marking to market the same set of positions as used for the VaR calculations.

Independent Model Review

The Bank trades financial instruments that require statistical pricing models for valuation, for which no quoted market prices are readily available. These models are used for the purposes of marking-to-market as well as risk reporting. The Bank ensures the accuracy, appropriateness and consistency of the models using an independent review process, which is supported by a team of quantitative analysts from the ultimate holding company. The review process involves verifying the parameters, assumptions and robustness associated with each model before it can be commissioned for use.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management (continued)

Asset and Liability Management (ALM)

The ALCO is the senior management forum that is responsible for overseeing the Bank's liquidity and balance sheet risks. The ALCO is supported by the ALMR in executing its ALM functions.

Asset and Liability Management Framework

The Bank's Asset Liability Management framework consists of 3 components:

1. Profit Rate Risk Management
2. Liquidity Risk Management
3. Currency Risk Management

Profit Rate Risk

The main market risk faced by the Bank is the rate of return risks arising from the re-pricing mismatches of assets and liabilities arising from its banking business. These are monitored through Reprice Gap PV01 limits and tenor limits. The re-pricing gap reports allow for the analysis of the re-pricing profile for the Bank's assets and liabilities and the PV01 reports identify the parts of the yield curve where the Bank is most vulnerable to changes in market rates.

Reprice gap is reported for the Bank's major currency exposures, which is currently MYR denominated assets and liabilities.

Liquidity Risk

The objective of liquidity management is to ensure that the Bank has sufficient funds to meet its contractual and regulatory financial obligations at all times. The Bank's liquidity policy is to ensure that all contractual and behavioural commitments can be met by readily available sources of funding. In addition, a level of liquid assets is maintained in relation to cash flows to provide further sources of funding in the event of a crisis. The Bank frequently accesses the wholesale financial markets to ensure the availability of funds.

The liquidity management process includes projecting cash flows by major currencies; monitoring liquidity ratios (e.g. Loans to Deposit Ratio) and depositor concentration to ensure an appropriate funding mix and avoid undue reliance on large individual depositors.

Pursuant to BNM regulations, the Bank complies with the BNM Liquidity Framework requirement which is a cash flow based compliance requirement.

Currency Risk

In the course of providing services to corporate and retail customers, the Bank exposes itself to foreign exchange risk. Foreign exchange risk is primarily transactional, arising from FX spot, FX swaps and FX forward contracts arising from customer deals. The FX risk are managed centrally by Treasury with various risk limits in place which amongst others ensure net open positions, forwards positions and loss limits are adhered.

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset and Liability Management (ALM) (continued)

Financial Derivatives

Financial derivatives are off-balance sheet financial instruments, which include Profit Rate Swap, Currency Options and Forward, Equity Option and Exchange Traded Futures Contracts. These instruments allow the Bank and its customers to transfer, modify or reduce their foreign exchange, equity and profit rate risks. The following outlines the nature and terms of the most common types of derivatives used:

Foreign Exchange Derivatives are exchange rate related contracts, mainly forward foreign exchange contracts, currency swaps and currency options.

Forward foreign exchange contracts are agreements to exchange a specified amount of one currency for another on a future date at an agreed rate.

Currency swaps are agreements that involve the exchange of equivalent amounts of two currencies and a commitment to exchange profit periodically until the principal amounts are re-exchanged on a future date.

Currency options are contracts that give the purchaser the right, but not the obligation, to buy or sell an underlying currency at a certain price on or before an agreed future date. As the seller (option writer) has a duty to buy or sell at the agreed price should the purchaser exercise his right, he generally receives a premium payable at the start of the option period.

Currency options are offered to customer in the forms of various Forex option strategies, such as Ratio Forwards, Enhanced Spot and Forward, Rebate Forwards and Range Forwards. These strategies allows customer to better manage their Foreign Exchange Risk exposures.

Currency options are also used to create Structured Investment products.

Equity Derivatives comprise of options of equity indices or option on single stocks. The options are usually embedded in Structured Investment Products. Principal Protected products enable investors to participate in upward movement equity indices, while maintaining 100% principal protection.

Non principal protected Equity linked Products are shorter dated product which can potentially gives the investors a very high yield in the short term, in return for the higher risk of such products.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

30. PROFIT RATE RISK

The tables below summarises the Bank's exposure to profit rate risk. Included in the tables are the Bank's assets and liabilities at carrying amount, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet profit sensitivity gap represents the net notional amounts of all profit rate sensitive derivative financial instruments. Sensitivity to profit rates arises from mismatches in profit rate characteristics of assets and their corresponding liability funding. These mismatches are managed within policy guidelines for mismatch positions.

As at 31 December 2008	<----- Non Trading Book ----->					Non-profit sensitive	Trading Book	Total	Average profit rate
	Up to 1 Month	>1-3 Months	>3-12 Months	>1-5 Years	Over 5 Years				
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	653,070	-	-	-	-	3,565	-	656,635	3.44%
Available-for-sale securities	74,283	70,026	60,092	309,776	318,951	-	-	833,128	3.69%
Financing and advances									
- performing	334,021	350,897	425,755	774,811	269,956	(33,517) *	-	2,121,923	6.34%
- non-performing	-	-	-	-	-	8,355 ^	-	8,355	-
Other assets	-	-	-	-	-	14,408	877	15,285	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	84,000	-	84,000	-
Property, plant & equipment	-	-	-	-	-	1,934	-	1,934	-
Deferred taxation asset	-	-	-	-	-	12,642	-	12,642	-
Total assets	1,061,374	420,923	485,847	1,084,587	588,907	91,387	877	3,733,902	
Liabilities									
Deposits from customers	1,802,374	513,326	275,189	100,132	-	44,926	-	2,735,947	2.59%
Deposits and placements of financial institutions	253,800	60,000	-	-	-	-	-	313,800	3.55%
Bills and acceptances payable	14,102	-	-	-	-	-	-	14,102	-
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	5.45%
Other liabilities	-	-	-	-	-	272,613	877	273,490	-
Taxation and zakat	-	-	-	-	-	15	-	15	-
Total liabilities	2,070,276	573,326	275,189	100,132	200,000	317,554	877	3,537,354	
On-balance sheet profit sensitivity gap	(1,008,902)	(152,403)	210,658	984,455	388,907	(226,167)	-	196,548	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(1,008,902)	(152,403)	210,658	984,455	388,907	(226,167)	-	196,548	

* This amount relates to the general allowance for financing and advances in accordance with the Bank's accounting policy.

^ This amount is arrived at after deducting the specific allowance from the outstanding gross non-performing financing and advances.

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31. LIQUIDITY RISK

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

The table below provides analysis of assets and liabilities of the Bank into relevant maturity tenures based on their contractual profile:

As at 31 December 2008	Up to 3 Months	> 3-6 Months	>6-12 Months	>1-3 Years	>3-5 Years	Over 5 Years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	656,635	-	-	-	-	-	656,635
Available-for-sale securities	144,309	39,976	20,116	20,578	289,198	318,951	833,128
Financing and advances	659,756	173,949	251,806	431,528	343,283	269,956	2,130,278
Other assets	2,740	227	290	12,028	-	-	15,285
Statutory deposits with							
Bank Negara Malaysia	-	-	-	-	-	84,000	84,000
Property, plant & equipment	-	-	-	-	-	1,934	1,934
Deferred taxation asset	-	-	-	12,642	-	-	12,642
Total assets	1,463,440	214,152	272,212	476,776	632,481	674,841	3,733,902
Liabilities							
Deposits from customers	2,360,626	165,862	109,327	88,772	11,360	-	2,735,947
Deposits and placements of financial institutions	313,800	-	-	-	-	-	313,800
Bills and acceptances payable	14,102	-	-	-	-	-	14,102
Subordinated bonds	-	-	-	-	-	200,000	200,000
Other liabilities	5,522	221,002	6,797	40,169	-	-	273,490
Taxation and zakat	-	-	-	15	-	-	15
Total liabilities	2,694,050	386,864	116,124	128,956	11,360	200,000	3,537,354
Net liquidity gap	(1,230,610)	(172,712)	156,088	347,820	621,121	474,841	196,548

The contractual maturity analysis often does not reflect the actual behavioural patterns. In particular, the Bank has significant core deposits from customers which are contractually of very short term tenures, thus included in "up to 3 months" time band. However, past trends show that these deposits provide a stable source of long term funding for the Bank.

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32. CREDIT RISKS

As at 31 December 2008

	Cash and short term funds RM'000	Available- for-sale securities RM'000	Financing and advances* RM'000	Profit receivable RM'000	Commitments and contingencies RM'000
Agriculture	-	-	486,309	-	76,482
Mining and quarrying	-	-	33,558	-	1,755
Manufacturing	-	102,039	680,774	-	66,421
Electricity, gas and water	-	5,089	-	-	-
Construction	-	-	114,534	-	39,088
Real Estate	-	-	168,198	-	19,516
Wholesale and retail trade and restaurants and hotels	-	-	149,842	-	16,536
Transport, storage and communication	-	49,411	134,581	-	4,454
Finance, insurance and business services	655,048	129,286	29,939	80	17,329
Community, social and personal services	-	-	40,308	-	1,286
Households, of which :					
i. Purchase of residential properties	-	-	72,932	-	19,017
ii. Purchase of non-residential properties	-	-	1,719	-	5,378
iii. Others	-	-	279,418	-	-
Government	-	521,668	-	5,414	-
Others	1,587	25,635	7,275	1,988	6,866
	<u>656,635</u>	<u>833,128</u>	<u>2,199,387</u>	<u>7,482</u>	<u>274,128</u>

* Excludes allowances for bad and doubtful debts and financing amounting to RM69,109,000
Risk concentrations for commitment and contingencies are based on the credit equivalent balances in Note 26.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of FRS 132 which requires fair value information to be disclosed. These include property, plant and equipment.

The following table summarises the fair values of the financial instruments, which were presented at carrying value in the reporting institution's balance sheet :

	31.12.2008	
	Fair value RM'000	Carrying value RM'000
Financial Assets		
Assets for which fair value approximates carrying value	656,635	656,635
Available-for-sale securities	833,128	833,128
Financing and advances	2,071,003	2,130,278
Statutory deposits with Bank Negara Malaysia	84,000	84,000
Financial Liabilities		
Deposits from customers	2,739,271	2,735,947
Deposits and placements of financial institutions	313,800	313,800
Liabilities for which fair value approximates carrying value	14,102	14,102
Subordinated bonds	196,840	200,000

The fair values are based on the following methodologies and assumptions:

Short-term financial instruments

The carrying value of the following financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values:

	31.12.2008 RM'000
<u>Financial Assets</u>	
Cash and short term funds	656,635
	<u>656,635</u>
<u>Financial Liabilities</u>	
Bills and acceptances payable	14,102
	<u>14,102</u>

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Deposits and placements from financial institutions

The estimated fair values of deposits and placements from financial institutions with maturity of less than six months approximate the carrying values. For deposits and placements with maturity of six months or more, the fair values are estimated based on discounted cash flow using prevailing money market rates for deposits and placements with similar remaining period to maturity.

Available-for-sale securities

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

Financing and advances

For variable rate financing, excluding impaired financing, the carrying amount is generally a reasonable estimate of its fair value.

For unimpaired fixed rate financing and advances, fair values have been estimated by discounting the estimated future cash flow using the prevailing market rates of product types with similar credit risks and maturity.

The fair values of impaired financing and advances are represented by their carrying amounts, net of specific allowance, being the expected recoverable amount.

Deposits from customers

For deposits from customers, with maturity of less than six months, the carrying amount is a reasonable estimate of their fair value. For deposits with maturity of six months or more, fair values are estimated using discounted cash flows based on market rates, for similar products and maturity.

Subordinated Bonds

Fair values are estimated based on discounted cash flow using prevailing money market rates for profit rate swap with similar remaining period to maturity.

Financial derivatives

Fair value of financial derivatives is the estimated amounts which the Bank would receive or pay to terminate the contracts at the balance sheet date. The fair value of the financial derivatives are disclosed in Note 5(a).

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34. CAPITAL ADEQUACY

31.12.2008
RM'000

The capital adequacy ratios of the Bank are as follows:-

Tier-1 capital	179,493
Eligible Tier-2 capital	123,264
Total capital base	<u>302,757</u>

Capital Ratios

Core-capital ratio	6.56%
Risk-weighted capital ratio	11.07%

i) Components of Tier-1 and Tier-2 capital are as follows:

Tier-1 capital

Paid-up share capital	65,000
Share premium	130,000
Accumulated loss	(1,762)
	<u>193,238</u>
Less: Deferred tax assets	(13,745)
Total Tier-1 capital	<u>179,493</u>

Tier-2 capital

General allowance for bad and doubtful financing	33,517
Subordinated bonds	89,747
Total Tier-2 capital	<u>123,264</u>

Capital base	<u>302,757</u>
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ii) Breakdown of the risk-weighted assets (RWA) in the various categories of risk-weights are as follows

	<u>31.12.2008</u>	
	Principal	Risk-Weighted
	RM'000	RM'000
Risk Weighted Assets for Credit Risk:		
0%	1,197,505	-
20%	80,964	16,193
50%	68,716	34,358
100%	<u>2,680,848</u>	<u>2,680,848</u>
	4,028,033	2,731,399
Risk Weighted Assets for Market Risk	2,610	2,610
	<u>4,030,643</u>	<u>2,734,009</u>

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34. CAPITAL ADEQUACY (continued)

Pursuant to Bank Negara Malaysia's circular "Market Risk Capital Adequacy Framework: Incorporation of Market Risk into Risk Weighted Capital Ratio" dated 17 September 2004, the Bank has incorporated market risk position into its capital and comply with the minimum risk weighted capital ratio (RWCR) requirement of 8% by 1 April 2005.

Pursuant to Bank Negara Malaysia's circular "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred taxation income/(expense) is excluded from the computation of Tier 1 capital and deferred taxation assets is excluded from the calculation of risk weighted assets. In addition, deferred taxation income/(expense) arising from mark-to-market gains or losses on available-for-sale securities which are directly recognised in equity is also excluded from the computation of Tier 1 capital in accordance to Revised BNM/GP8 dated 5 October 2004.

Pursuant to Bank Negara Malaysia's circular "Guidelines on Investment in Shares and Interest-In-Shares" dated 12 February 2007, capital charge for Large Exposure Risk Requirements (LERR) is introduced to ensure banks that have substantial exposure to a single counter are sufficiently capitalised to mitigate adverse movement in the price of a particular counter. Banks are subjected to LERR capital charge on an on-going basis if an exposure to a single counter exceeds either 15% of the bank's capital base or 10% of the issuer's paid-up capital, whichever is lower.

35. SEGMENT REPORTING

Definition of segments

For the purposes of management reporting, the Bank is organised into four major operating divisions - Business Banking, Consumer Banking, Treasury, and Others.

Business Banking

Business Banking provides a full range of financial services to business customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term financing such as project financing, short-term credit such as cash line financing and trade financing, deposit accounts and fee-based services.

Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals, including deposit products (demand deposits, savings and general investment deposits), and consumer financing (housing financing and other personal financing).

Treasury

Treasury engages in foreign exchange activities, money market operations, fixed income, and offers structured treasury products and financial solutions to meet customers' investment needs.

Others

The "Others" segment comprises of investment banking, operations and support units and items not attributable to business segments.

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35. SEGMENT REPORTING (continued)

	Business Consumer				
	Banking	Banking	Treasury	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Net income					
- external	3,709	3,654	1,240	883	9,486
Total revenue	3,709	3,654	1,240	883	9,486
Segment results	(6,792)	(373)	1,017	809	(5,339)
General allowance for losses on financing/Write back of Profit Equalisation Reserve	-	-	-	-	3,003
Taxation and zakat	-	-	-	-	574
Net loss for the financial period	-	-	-	-	(1,762)
Segment assets	1,822,894	340,901	1,498,122	50,483	3,712,400
Unallocated assets	-	-	-	21,502	21,502
Total assets	1,822,894	340,901	1,498,122	71,985	3,733,902
Segment liabilities	1,884,101	417,381	774,386	455,233	3,531,101
Unallocated liabilities	-	-	-	6,253	6,253
Total liabilities	1,884,101	417,381	774,386	461,486	3,537,354
Other segment items					
Accretion of discount less amortisation of premium	-	-	(179)	-	(179)
Depreciation of property, plant and equipment	-	-	-	(36)	(36)
Capital expenditure	-	-	-	1,970	1,970

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 February 2009.

37. COMPARATIVES

There were no comparatives as this is the Bank's first set of financial statements prepared since incorporation on 21 May 2008.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

38. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

ESTABLISHMENT OF OCBC AL-AMIN BANK BERHAD

BNM had given its approval on 10 July 2008 for OCBC Bank (Malaysia) Berhad ("OCBCM") to establish a subsidiary under the name OCBC Al-Amin Bank Berhad to undertake the Islamic banking business.

The Bank, a wholly owned subsidiary of OCBCM, was incorporated on 21 May 2008, with an authorised share capital of RM500,000,000 divided into 500,000,000 ordinary shares of RM1 each and an issued and paid-up share capital of RM2 represented by 2 ordinary shares of RM1 each.

Pursuant to the Vesting Order from the High Court of Malaya on 10 October 2008 which gave full effect to a Business Transfer Agreement ("BTA") executed between OCBCM and OCBC Al-Amin Bank Berhad for the transfer and vesting of its Islamic banking business in Malaysia to OCBC Al-Amin Bank Berhad ("vesting") subsisting as of 30 November 2008 ("cut off date") for a total consideration equivalent to the net book value of the transferred assets less liabilities. In accordance with the terms and conditions of the BTA following BNM's approval obtained in July 2008, the aforesaid transfer excludes the Excluded Asset and Excluded Liability, for which the Excluded Asset relates to the Islamic Ijarah leasing portfolio whilst the Excluded Liability relates to RM200 million Redeemable Islamic Subordinated Bonds issued by the Bank on 24 November 2006 ("Islamic Sub-Bonds"). The total net assets, apart from that Excluded Asset and Liability, that were transferred to OCBC Al-Amin from the Bank valued as at the cut off date amounted to RM395.4 million.

The Minister of Finance has granted a banking licence to the Bank dated 18 February 2008, pursuant to Section 3(4) of the Islamic Banking Act 1983, for the Bank to commence and transact Islamic banking business with effect from 1 December 2008.

On the vesting date of 1 December 2008, the Bank issued 54,999,998 ordinary shares of RM1 each, valued at RM3 per share to OCBCM, totalling RM164,999,994 paid in cash. On the same date, the Bank also issued a Non Tradeable Non Transferable Redeemable Islamic Subordinated Bonds ("Restricted Subordinated Bonds") of RM200 million which was fully subscribed by OCBCM by cash. The Restricted Subordinated Bonds issued by the Bank was structured under the principles of Mudharabah and backed by the pool of identified assets.

The vesting took effect on 1 December 2008 and OCBC Al-Amin Bank Berhad commenced its operations on the same date.

The assets and liabilities of OCBCM's Islamic Banking Business which were transferred to the Bank are set out below :

Assets transferred	RM'000
Cash and short-term funds	2,077
Deposits and placements with financial institutions	834,840
Available-for-sale securities	742,239
Financing and advances	2,090,993
Other assets	26,086
Statutory deposits with Bank Negara Malaysia	68,713
Deferred taxation asset	13,171
Total assets	<u>3,778,119</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

38. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (continued)

ESTABLISHMENT OF OCBC AL-AMIN BANK BERHAD (continued)

Liabilities transferred	RM'000
Deposits from customers	2,430,743
Deposits and placements of financial institutions	440,536
Bills and acceptances payable	3,301
Other liabilities	508,151
Total liabilities	<u>3,382,731</u>
 Net assets transferred	 <u>395,388</u>
 Satisfied by :	
Cash consideration :	
- paid	365,000
- payable	30,388
Total cash consideration	<u>395,388</u>
 Cash flow arising from business vested over from OCBCM :	
Cash consideration paid	365,000
Less : Cash and cash equivalent acquired	<u>(2,077)</u>
Net cash paid pursuant to business vested over from OCBCM	<u>362,923</u>