

**OCBC AL-AMIN BANK BERHAD**

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

**REPORTS AND FINANCIAL STATEMENTS**

**31 DECEMBER 2010**

**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 YEAR ENDED 31 DECEMBER 2010**

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the financial year ended 31 December 2010.

**PRINCIPAL ACTIVITIES**

The Bank 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 Shariah principles.

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

**FINANCIAL RESULTS**

	<b>2010 RM'000</b>
Net profit for the year	<u>23,844</u>

**DIVIDENDS**

No dividends have been paid or declared by the Bank since the end of the previous financial year. The Directors do not recommend payment of any dividend in respect of the current financial year ended 31 December 2010.

**SHARE CAPITAL**

On 27 September 2010, the Bank issued 20,000,000 new ordinary shares of RM1.00 each at RM3.00 per ordinary share to its holding company, OCBC Bank (Malaysia) Berhad.

**RESERVES AND PROVISIONS**

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

**BAD AND DOUBTFUL DEBTS AND FINANCING**

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

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

**CURRENT ASSETS**

Before the financial statements 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.

**OCBC AL-AMIN BANK BERHAD  
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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**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 year 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 year other than in the ordinary course of business.

No contingent or other liability of the Bank, other than those arising from the transactions made in the ordinary course of business of the Bank has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the 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, that 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 year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

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

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Circular on the Application of FRS and Revised Financial Reporting Requirements for Islamic Banks and Guidelines on Classification and Impairment Provisions for Loans/Financing.

**FINANCIAL PERFORMANCE**

The Bank registered a net profit of RM23.8 million for the financial year ended 31 December 2010 compared to RM17.3 million in the previous year.

Gross financing assets grew by RM365.6 million or 16.7% to RM2.6 billion while customer deposits decreased by RM801.1 million or 21.5% to RM2.9 billion. As at 31 December 2010, the quality of the Bank's financing assets remained strong with a net impaired financing ratio of 0.57%.

Shareholders' funds strengthened to RM294.5 million and the Bank is well capitalised with a core capital ratio of 10.00% and risk weighted capital ratio of 15.55%.

**OCBC AL-AMIN BANK BERHAD  
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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**ACTIVITIES AND ACHIEVEMENTS**

The Bank launched several noteworthy initiatives during the year, including the introduction of Shariah-compliant cash management solutions for SMEs, and unit trust and home financing products for individuals. The Bank also embarked on foreign currency financing this year in view of the growing opportunities in Malaysia and in the region. The Bank also introduced workshops and seminars to educate customers and staff on the principles of Islamic Banking. A key highlight of the year was the signing of a memorandum of understanding with the International Centre for Education in Islamic Finance (INCEIF) to comprehensively cultivate research and development, training and education and the development of human capital.

Other innovations included a Shariah-compliant version of Easi-BizCard, Murabahah Letter of Credit-i that provides options for financing upon Letter of Credit issuances in line with the new Murabahah parameter issued by Bank Negara Malaysia, and a Shariah-compliant Letter of Credit Financing-i solution to provide trade financing for financial institution customers.

**MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2011**

The Bank's focus for 2011 will continue to be on (i) Islamic consumer wealth management which includes deposit products, unit trusts and bancatakaful, (ii) personal and home financing for consumers, (iii) Islamic cash management solutions for business, (iv) financing and trade services products for business, and (v) Treasury and Investment banking.

2010 marked a turnaround year for personal and home financing to consumers with the Bank's ability to leverage on greater efficiencies in sales and distribution. For 2011, the Bank will concentrate on increasing its market share by expanding on its sales distribution force and it hopes to open about 10 more branches in 2011 and 2012.

Building on 2010 achievements, the Bank expects strong momentum to carry through 2011 in the growth of its financing asset and wealth management products and services, across all business and consumer segments. The Bank is also optimistic about the continuing strong economic growth, and expects to see further growth in its fee income from Investment Banking activities.

As part of the strategy, the Bank is expected to continue reinforcing its existing strong distribution channels to acquire new customers and to offer innovative solutions to its existing clientele. The Bank is also expected to leverage on infrastructure within 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.

**RATINGS BY EXTERNAL AGENCIES**

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

**CORPORATE GOVERNANCE**

**Board Composition and Independence**

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

There is clear separation of roles between the Chairman and the CEO, which is consistent with the principle of corporate governance as set out in the Revised BNM/GP1-i (Guidelines on Corporate Governance for Licensed Islamic Banks) to institute an appropriate balance of power and authority. The Chairman's roles in the Board include scheduling meetings to enable the Board to perform its duties responsibly while 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 assist in ensuring compliance with guidelines on corporate governance. This is pertaining to only board proceeding and is not a comprehensive list of the duties and responsibilities of the Chairman.

**OCBC AL-AMIN BANK BERHAD  
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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**CORPORATE GOVERNANCE (continued)**

**Board Composition and Independence (continued)**

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 analysis 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 are subject to re-election at regular intervals. The Bank's Articles of Association also provides 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, Nominating Committee and Risk Management Committee and the Board is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Bank, in addition to their representation at Board Committees.

**Board Conduct and Responsibilities**

The Board is elected by the shareholder to supervise the management of business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interest of the shareholder 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 Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee the quality of the risk management processes and systems; and
- Reviewing any transaction for the acquisition or disposal of assets that is material to the Bank.

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

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

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

**Board Performance**

The annual performance evaluation process was established to assess the effectiveness of the Board and Board Committees with the formation of the Nominating Committee.

**OCBC AL-AMIN BANK BERHAD  
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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**CORPORATE GOVERNANCE (continued)**

**Board Audit Committee**

The Board Audit Committee comprises Tan Sri Dato' Nasruddin Bin Bahari (Chairman of the Board Committee), 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 roles and responsibilities of its members.

The Terms of Reference of the Board Audit Committee is approved by the Board. The Committee has full access to internal auditors and external auditors, and has the discretion to invite any Directors and executive officers to attend its meetings. The Board 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 Board 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 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 and the auditors' report thereon, related party transactions. In addition, the Committee also reviews and evaluates with the internal auditors and external auditors, the adequacy of the systems of internal control, 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 Board Audit Committee has received the requisite disclosures from the external auditors evidencing their independence, integrity and objectivity comply with relevant ethical requirements. 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.

**Internal Audit Function**

As a subsidiary of OCBC Bank (Malaysia) Berhad ("OCBCM"), the Bank shares the internal audit function at immediate holding company level.

The Board 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 adequacy and effectiveness of risk management, control, and governance process. Its scope of work is to provide reasonable, but not absolute, assurance to the Board 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 Board 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 (BNM/GP10) of Bank Negara Malaysia, as well as other applicable local regulatory requirements for Internal Audit.

Internal Audit adopts a risk-based audit methodology. Annual audit plan is developed using the risk-based approach and is approved by the Board 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 work closely with the Business Units to develop an understanding of the Bank's key objectives and processes to identify principal risks.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**CORPORATE GOVERNANCE (continued)**

**Internal Audit Function (continued)**

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 representatives 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 Board 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 year and up to and as of the date of this report, is adequate to meet the needs of the Bank in its current business environment.

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

**DISCLOSURE OF SHARIAH ADVISOR**

In accordance with the Shariah Compliance Manual, the Shariah Committee (SC) members are expected to participate and engage themselves actively in deliberating Shariah 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 Shariah matters in its business operation in order to ensure that it's business operations complies with Shariah principles at all times;
- b) To form an independent opinion, based on the SC's review of the Bank's operations that it is Shariah compliant and to endorse the SC's Report which will be disclosed in the annual financial statements of the Bank;
- c) To review and endorse Shariah-related policies and guidelines. This includes endorsing the Bank's Shariah Compliance Manual which is to specify the manner in which a submission or request for advice be made to the SC, the conduct of the SC meeting and the manner of compliance with any Shariah decisions;
- d) To endorse and validate for new products and services developed by the Bank including product manuals, marketing advertisements, sales illustrations and brochures used to describe particular products, contracts, agreement or other legal documentation used in business transaction;
- e) To give advice to the Bank's related parties such as legal counsel, auditors or consultant upon request;
- f) To advise on matters which have not been resolved or endorsed to be referred to Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM);



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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**CORPORATE GOVERNANCE (continued)**

**DISCLOSURE OF SHARIAH ADVISOR (continued)**

- g) To provide written Shariah opinion where the Bank's reference to SAC for advice, or submits applications to BNM for new product approval;
- h) To assist SAC on reference for advice in which SAC requires explanations and recommendations for a decision by providing relevant Shariah jurisprudential literature from established sources;
- i) To oversee the computation and distribution of zakat and other fund to be channeled to charity; and
- j) To record, in written form, any opinion that it gives, on Shariah related issues.

**MANAGEMENT INFORMATION**

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

1. Minutes of meetings of all Board Committees
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 the Bank policies from the country perspective in line with the prevailing regulatory framework economic and business environment.

**DIRECTORS' ATTENDANCE AT BOARD MEETINGS IN 2010**

Name of Director	Number of meetings attended in 2010							
	Board		Board Audit Committee		Nominating Committee		Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Sri Dato' Nasruddin Bin Bahari	6	6	6	6	2	2	6	6
David Conner	6	6	-	-	2	2	6	6
Ching Wei Hong	6	6	-	-	-	-	6	6
Soon Tit Koon	6	6	-	-	2	2	6	6
Tan Siok Choo	6	6	6	6	2	2	6	6
David Wong Cheong Fook	6	6	6	6	1	1	6	6
Dr Raja Lope Bin Raja Shahrome	6	5	-	-	-	-	6	5
Chew Sun Teong	6	6	-	-	-	-	6	6
Tuan Syed Abdull Aziz Jailani Bin Syed Kechik	6	6	-	-	-	-	-	-
Lai Teck Poh (Appointed on 7 January 2011)	-	-	-	-	-	-	-	-

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

**OCBC AL-AMIN BANK BERHAD**  
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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**CORPORATE GOVERNANCE (continued)**

**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). Tan Sri Dato' Nasruddin holds a Bachelor of Arts with Honours from the University of Malaya and a Master of Public Administration from the University of Pittsburgh, USA. Apart from 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 Berhad and a Director of Great Eastern Life Assurance (Malaysia) Berhad, Lingkaran Transkota Holdings Berhad ("LITRAK"), IJM Land Berhad, Great Eastern Takaful Sdn Bhd and I Great Capital Holdings Sdn Bhd.

**Mr David Conner**

Mr 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 PT Bank OCBC NISP Tbk and a Director of several companies, including OCBCM, 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 and is presently the Head of Global Consumer Financial Services. Prior to that, he previously held the position of Chief Financial Officer with responsibilities including capital management, financial and management accounting, legal and regulatory compliance and investor relations and Head of Group Operations and Technology, overseeing the Group's transaction processing and technology operations. Mr Ching has more than 25 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 the Chairman of Network for Electronic Transfers (S) Pte Ltd (NETS), a Director of OCBCM, Bank of Singapore Limited and KTB Limited.

**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 became the Head of Group Investments in June 2008 and was re-appointed the Chief Financial Officer in May 2010. As Chief Financial Officer of OCBC Group, he is responsible for financial and management reporting, legal and regulatory compliance, capital management and investor relations. He also oversees the Group's strategic investments and joint ventures, as well as non-core investments in equities and real estate. Prior to joining OCBCL, he was the Chief Financial Officer of Wilmar Holdings and before then the Managing Director of Citicorp Investment Bank. Mr Soon holds a Bachelor of Science with Honours from the University of Singapore and a Master of Business Administration from the University of Chicago.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (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 was 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, United Malacca Bhd and several other private companies. She has extensive experience in the financial services industry, having worked for almost 10 years in stockbroking and banking as a senior research analyst for Rashid Hussain Securities, senior investment analyst at Morgan Grenfell Asia & Partners' Securities and Head of Corporate Finance at Southern Bank Berhad.

**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 of OCBCM, PacificMas Berhad, Pacific Mutual Fund Berhad, The Pacific Insurance Berhad, Banking Computer Services Pte Ltd, Jurong International Holdings Pte Ltd, LMA International NV, Energy Market Company Pte Ltd and United Engineers Limited. He also serves as a Member of the Casino Regulatory Authority of Singapore and the Board of the National Environment Agency. Mr David Wong 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.

**Dr Raja Lope Bin Raja Shahrome**

Dr Raja Lope was appointed to the Board on 1 August 2008. Dr Raja Lope holds an Honours Degree in Economics from the University of Malaya in Singapore, an MA from the University of Pennsylvania and a PhD from the London School of Economics. His working experience was mainly 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 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 Chief Executive Officer of OCBCM and a Director of E2 Power Sdn Bhd, PacificMas Berhad, Pac Lease Sdn Bhd and SME Credit Bureau (M) Sdn Bhd. He started his career with PriceWaterhouseCoopers in 1987 involved in corporate audit and taxation for 4 years prior to joining Citibank Malaysia. During his 12-year career with Citibank, he held various positions in the areas of customer relationship in corporate, commercial and SMEs, international offshore banking and 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. Mr Jeffrey Chew is a qualified accountant and a Fellow Member of the Association of Chartered Certified Accountants, UK.

**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 began his career in banking in 1990 as a Risk Management Officer in Corporate Banking Group of Citibank Malaysia Berhad ("Citibank"). During his 12 years there, he was involved in various business and risk management functions within the wholesale banking division. Prior to joining the Bank, he was the Chief Operating Officer and Head of Corporate and Investment Banking of Bank Muamalat Malaysia Berhad. Tuan Syed Aziz holds a Bachelor of Science degree in Business Administration from Boston University, Massachusetts, USA.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**CORPORATE GOVERNANCE (continued)**

**FURTHER INFORMATION ON DIRECTORS (continued)**

**Profile on Board of Directors (continued)**

**Mr Lai Teck Poh**

Mr Lai was appointed to the Board on 7 January 2011. He joined OCBC Ltd as an Executive Vice President and Head of Corporate Banking Division in January 1988. During his tenure with OCBC Ltd, he has had senior management responsibilities for a wide range of functions including Corporate Banking, Investment Management, Information Technology and Central Operations, Group Risk Management and Group Audit. He was the Head of Group Audit Division before his retirement on 14 April 2010. He has over 42 years of banking experience, including about 20 years in Citibank, N.A. Singapore with overseas assignments in Jakarta, New York and London. He is also a Director of OCBCM, OCBCL, United Engineers Limited and WBL Corporation Limited and a Commissioner of PT Bank OCBC NISP Tbk. Mr Lai holds a Bachelor of Arts with Honours from the University of Singapore.

**DIRECTORS AND THEIR INTEREST IN SHARES AND OPTIONS**

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

Tan Sri Dato' Nasruddin Bin Bahari (Chairman)

David Conner

Ching Wei Hong

Soon Tit Koon

Tan Siok Choo (f)

David Wong Cheong Fook

Dr Raja Lope Bin Raja Shahrome

Chew Sun Teong

Syed Abdull Aziz Jailani Bin Syed Kechik

Lai Teck Poh (Appointed on 7 January 2011)

In accordance with Articles 106 and 107 of the Bank's Articles of Association, Mr David Philbrick Conner and Ms Tan Siok Choo shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 110 of the Bank's Articles of Association, Mr Lai Teck Poh shall retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

In accordance with Section 129(6) 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 year in the shares of the Bank and its related corporations were as follows:-

**Oversea-Chinese Banking Corporation Limited**

<u>Ordinary Shares</u>	<u>Shareholdings registered in the name of Directors or in which Directors have a direct interest</u>			
	<u>As at 1.1.2010</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at 31.12.2010</u>
Tan Sri Dato' Nasruddin Bin Bahari	19,200	-	-	19,200
David Conner	1,333,094	447,187	200,000	1,580,281
Ching Wei Hong	48,951	43,529	41,000	51,480
Soon Tit Koon	97,491	71,009	136,000	32,500
David Wong Cheong Fook	28,762	3,103	-	31,865
Chew Sun Teong	4,834	32,921	37,000	755
Tan Siok Choo (f)	-	48,000	-	48,000

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (continued)**

**DIRECTORS AND THEIR INTEREST IN SHARES AND OPTIONS (continued)**

**Oversea-Chinese Banking Corporation Limited**

	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
	<u>As at 1.1.2010</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at 31.12.2010</u>
<b><u>Class G Preference Shares</u></b>				
David Conner	50,000	-	-	50,000
Tan Siok Choo (f)	-	9,600	-	9,600
<b><u>Class B Preference Shares</u></b>				
Ching Wei Hong	2,500	-	-	2,500

	Shareholdings in which Directors have deemed interest			
	<u>As at 1.1.2010</u>	<u>Acquired/ Awarded/ Granted</u>	<u>Disposed/ Exercised</u>	<u>As at 31.12.2010</u>
<b><u>Ordinary shares</u></b>				
Tan Siok Choo (f)	3,686,473	129,030	387,742	3,427,761
<b><u>OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan</u></b>				
David Conner	778,967	841,602	89,758	1,530,811
Ching Wei Hong	103,742	46,475	24,951	125,266
Soon Tit Koon	296,020	102,167	64,997	333,190
Chew Sun Teong	66,035 *	23,499	7,776	81,758
Syed Abdull Aziz Jailani Bin Syed Kechik	-	3,761	-	3,761
<b><u>Class G Preference Shares</u></b>				
Tan Siok Choo (f)	735,532	-	79,380	656,152

\*The brought forward balance should be read as 66,035 instead of 69,295 as previously declared.

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

	Number of share options held by Directors in their own name				
	<u>As at 1.1.2010</u>	<u>Offered</u>	<u>Exercised</u>	<u>As at 31.12.2010</u>	<u>Date options expire</u>
David Conner	3,053,000	-	720,000	2,333,000	13/3/2015 - 13/3/2018
Ching Wei Hong	327,280	100,000	16,000	411,280	13/3/2015 - 14/3/2020
Soon Tit Koon	948,000	100,000	-	1,048,000	14/3/2014 - 14/3/2020
Chew Sun Teong	117,000	75,000	25,000	167,000	13/3/2016 - 14/3/2020
Syed Abdull Aziz Jailani Bin Syed Kechik	-	10,000	-	10,000	14/3/2020

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (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**

	<u>As at 1.1.2010</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at 31.12.2010</u>
<b>Non-cumulative non-convertible guaranteed OCC-A Preference Shares</b>				
Soon Tit Koon	10,000	-	-	10,000
<b>Non-cumulative non-convertible guaranteed OCC (2008) Preference Shares</b>				
David Wong Cheong Fook	200	-	-	200

**PacificMas Berhad**

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

	<u>As at 1.1.2010</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at 31.12.2010</u>
<b><u>Ordinary Shares</u></b>				
Dr Raja Lope Bin Raja Shahrome	10,000	-	-	10,000
Tan Siok Choo (f)	5,000	10,800	-	15,800

**Shareholdings in which Directors have deemed interest**

	<u>As at 1.1.2010</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at 31.12.2010</u>
Dr Raja Lope Bin Raja Shahrome	2,000	-	-	2,000
Tan Siok Choo (f)	86,500	-	86,500	-

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

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 25 to the financial statements, or the fixed salary of full-time employees of the Bank or related companies) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

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 2010 (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 25 February 2011.

**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 on pages 18 to 74 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 as to give a true and fair view of the financial position of the Bank as at 31 December 2010 and of its financial performance and cash flows for the year ended on that date.

In accordance with a resolution of the Board of Directors dated 25 February 2011.

**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, Yuen Sook Cheng, 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 18 to 74 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at            )  
Kuala Lumpur in Wilayah Persekutuan        )  
On 25 February 2011                                )            YUEN SOOK CHENG

Before me,

TAN BOON CHUA  
COMMISSIONER FOR OATHS



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

**SHARIAH 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 year ended 31 December 2010. We have also conducted our review to form an opinion as to whether the Bank has complied with Shariah rules and relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and requirements. 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 year ended 31 December 2010, that we have reviewed are in compliance with the Shariah 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 Shariah 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 Hj Hassan  
Member of the Committee

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

Kuala Lumpur, Malaysia  
Date: 25 February 2011

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

Company No. 818444-T

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

**Reports on the Financial Statements**

We have audited the financial statements of OCBC Al-Amin Bank Berhad, which comprise the statement of financial position as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 74.

*Directors' Responsibility for the Financial Statements*

The Directors of the Bank are responsible for the preparation of these financial statements in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements 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 2010 and of its financial performance and cash flows for the financial year then ended.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report 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: 2613/12/12(J)  
Chartered Accountant

Petaling Jaya, Selangor  
Date: 25 February 2011

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

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**

	Note	2010 RM'000	2009 RM'000
<b>ASSETS</b>			
Cash and cash equivalents	3	604,280	1,344,923
Deposits and placements with financial institutions	4	4,624	-
Financial assets available-for-sale	5	1,111,552	1,140,553
Financing and advances	6	2,486,706	2,112,137
Derivative assets	8	7,640	3,983
Other assets	9	45,833	229,130
Statutory deposits with Bank Negara Malaysia	10	26,750	23,500
Property, plant and equipment	11	7,822	6,543
Deferred tax assets	12	10,171	11,296
Current tax assets		-	143
<b>Total assets</b>		<u>4,305,378</u>	<u>4,872,208</u>
<b>LIABILITIES</b>			
Deposits from customers	13	2,920,890	3,721,948
Deposits and placements of financial institutions	14	799,846	599,552
Bills and acceptances payable		11,107	19,674
Subordinated bond	15	200,000	200,000
Derivative liabilities	8	7,628	4,321
Other liabilities	16	69,505	116,416
Current tax liabilities and zakat		1,898	10
<b>Total liabilities</b>		<u>4,010,874</u>	<u>4,661,921</u>
<b>EQUITY</b>			
Share capital	17	85,000	65,000
Reserves	18	209,504	145,287
<b>Total equity</b>		<u>294,504</u>	<u>210,287</u>
<b>Total liabilities and equity</b>		<u>4,305,378</u>	<u>4,872,208</u>
<b>Commitments and contingencies</b>	30	<u>1,061,806</u>	<u>1,145,428</u>

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

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

**INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Note	2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds	19	180,304	165,939
Allowance for impairment loss on financing and advances	20	(10,045)	(27,288)
Transfer from profit equalisation reserve (net)	16	8,073	8,088
Total attributable income		<u>178,332</u>	<u>146,739</u>
Income attributable to depositors	21	<u>(90,423)</u>	<u>(71,802)</u>
Income attributable to shareholders		87,909	74,937
Income derived from the investment of shareholder's funds	22	<u>34,951</u>	<u>19,435</u>
Total net income		122,860	94,372
Personnel and operating expenses	24	<u>(90,872)</u>	<u>(70,522)</u>
Profit before income tax expense and zakat		31,988	23,850
Income tax expense	28	(8,129)	(6,521)
Zakat		(15)	(10)
Profit for the year		<u>23,844</u>	<u>17,319</u>
Profit attributable to:			
Owner of the Bank		<u>23,844</u>	<u>17,319</u>
Basic earnings per ordinary share (sen)	29	<u>33.9</u>	<u>26.6</u>

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

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

**STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the year	<u>23,844</u>	<u>17,319</u>
Fair value of financial assets available-for-sale :		
- change in fair value	1,637	(12,819)
- disposal	(1,140)	8,046
Income tax relating to components of other comprehensive income	<u>(124)</u>	<u>1,193</u>
Other comprehensive income/(expense) for the year, net of tax	<u>373</u>	<u>(3,580)</u>
Total comprehensive income for the year	<u>24,217</u>	<u>13,739</u>
Total comprehensive income attributable to: Owner of the Bank	<u>24,217</u>	<u>13,739</u>

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

Company No. 818444-T

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

**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

**2010**

	-----Attributable to Equity Holders of the Bank -----					
	Non-distributable Reserves				Distributable Reserves	Total Equity
	Share Capital	Share Premium	Statutory Reserve	Fair value Reserve	Retained Earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1 January 2010	65,000	130,000	8,660	(270)	6,897	210,287
Profit for the year	-	-	-	-	23,844	23,844
Other comprehensive income for the year	-	-	-	373	-	373
Total comprehensive income for the year	-	-	-	373	23,844	24,217
Issue of ordinary shares	20,000	40,000	-	-	-	60,000
Transfer to statutory reserve	-	-	11,922	-	(11,922)	-
Balance at 31 December 2010	85,000	170,000	20,582	103	18,819	294,504

**2009**

	-----Attributable to Equity Holders of the Bank -----					
	Non-distributable Reserves				Distributable Reserves	Total Equity
	Share Capital	Share Premium	Statutory Reserve	Fair value Reserve	Retained Earnings/(Loss)	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1 January 2009	65,000	130,000	-	3,310	(1,762)	196,548
Profit for the year	-	-	-	-	17,319	17,319
Other comprehensive expense for the year	-	-	-	(3,580)	-	(3,580)
Total comprehensive (expense)/income for the year	-	-	-	(3,580)	17,319	13,739
Transfer to statutory reserve	-	-	8,660	-	(8,660)	-
Balance at 31 December 2009	65,000	130,000	8,660	(270)	6,897	210,287

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

**OCBC AL-AMIN BANK BERHAD**  
**(Incorporated in Malaysia)**
**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Note	2010 RM'000	2009 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax expense and zakat		31,988	23,850
Adjustments for:-			
Net (gains)/losses from disposal of :			
- financial assets available-for-sale		(1,140)	8,046
- property, plant and equipment		(1,140)	(1,140)
Depreciation of property, plant and equipment		2,433	1,392
Amortisation of premium less accretion of discount		4,156	3,755
Allowance for impairment loss on financing and advances		10,045	27,288
Profit equalisation reserve		(8,073)	(8,088)
Unrealised gains on revaluation of derivatives		(562)	(421)
Operating profit before changes in working capital		<u>38,847</u>	<u>55,873</u>
 (Increase)/Decrease in Operating Assets:			
Deposits and placements with financial institutions		(4,624)	-
Financing and advances		(384,614)	(9,147)
Derivative assets		(3,657)	(3,106)
Other assets		183,851	(214,330)
Statutory deposits with Bank Negara Malaysia		(3,250)	60,500
 Increase/(Decrease) in Operating Liabilities:			
Deposits from customers		(801,058)	1,029,364
Deposits and placements of financial institutions		240,294	245,752
Bills and acceptances payable		(8,567)	5,572
Derivative liabilities		3,307	3,444
Other liabilities		(78,830)	(151,443)
<b>CASH (USED IN)/GENERATED FROM OPERATIONS</b>		<u>(818,301)</u>	<u>1,022,479</u>
Income tax and zakat paid		(5,112)	(4,140)
 <b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>		<u>(823,413)</u>	<u>1,018,339</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal/(acquisition) of financial assets available-for-sale (net)		26,482	(323,999)
Acquisition of property, plant and equipment		(3,712)	(6,052)
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>		<u>22,770</u>	<u>(330,051)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of ordinary shares		60,000	-
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<u>60,000</u>	<u>-</u>
 <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(740,643)	688,288
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<u>1,344,923</u>	<u>656,635</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	3	<u>604,280</u>	<u>1,344,923</u>

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



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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010**

**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 year amounted to 267 (2009:245) staff of which 90 (2009: 135) were seconded from the immediate holding company.

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

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, other than those disclosed in Note 2(F)(iii) - Impairment on financing and advances.

**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 ("FRSs") as modified by Bank Negara Malaysia ("BNM") Guidelines, the provisions of the Companies Act, 1965 and the principles of Shariah.

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The Bank has not applied the following accounting standards, amendments, and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Bank:

	Effective for annual periods	Date of adoption by the Bank
Amendments to FRS132, Financial instruments: Presentation - Classification of Rights Issues	On or after 1 March 2010	1 January 2011
FRS 1 (revised), First-time Adoption of Financial Reporting Standards	On or after 1 July 2010	1 January 2011
FRS 3 (revised), Business Combinations	On or after 1 July 2010	1 January 2011
FRS 127 (revised), Consolidated and Separate Financial Statements	On or after 1 July 2010	1 January 2011
IC Interpretation 12, Service Concession Arrangements	On or after 1 July 2010	Not applicable
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	On or after 1 July 2010	Not applicable
IC Interpretation 17, Distributions of Non-cash Assets to Owners	On or after 1 July 2010	Not applicable
Amendments to FRS 2, Share-based Payment	On or after 1 July 2010	1 January 2011
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	On or after 1 July 2010	1 January 2011
Amendments to FRS 138, Intangible Assets	On or after 1 July 2010	1 January 2011
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	On or after 1 July 2010	1 January 2011
Amendments to FRS 1, First-time adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters - Additional Exceptions for First-time Adopters	On or after 1 January 2011	1 January 2011
Amendments to FRS 7, Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments	On or after 1 January 2011	1 January 2011
Amendments to FRS2, Group Cash-settled Share Based Payment Transactions	On or after 1 January 2011	1 January 2011
IC Interpretation 4, Determining whether an Arrangement contains a Lease	On or after 1 January 2011	1 January 2011
IC Interpretation 18, Transfers of Assets from Customers	On or after 1 January 2011	1 January 2011
TR i-4, Shariah Compliant Sale Contracts	On or after 1 January 2011	1 January 2011
Improvements to FRSs (2010)	On or after 1 January 2011	1 January 2011
IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	On or after 1 July 2011	1 January 2012
Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement	On or after 1 July 2011	1 January 2012
FRS 124, Related Party Disclosures (revised)	On or after 1 January 2012	1 January 2012
IC Interpretation 15, Agreements for the Construction of Real Estate	On or after 1 January 2012	Not applicable

The initial application of the abovementioned applicable standards, amendments and interpretations are not expected to have any material impacts on the financial statements of the Bank upon first adoption.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Financial Instruments**

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Bank becomes a party to the contractual provisions of the instrument.

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

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

(ii) Financial instrument categories and subsequent measurement

The Bank categorises financial instruments into the following categories:

**Financial assets**

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

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

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

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

As at 31 December 2010, financial assets at fair value through profit or loss of the Bank are trading derivatives and there are no financial assets that are specifically designated into this category upon initial recognition.

(b) Held-to-maturity investments category

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

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

As at 31 December 2010, there are no financial assets of the Bank that are categorised as held-to-maturity investments.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Financial Instruments (continued)

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

(c) Financing and receivables

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

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

(d) Financial assets available-for-sale

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

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

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

**Financial liabilities**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Financial Instruments (continued)

(iii) Financial guarantee contracts

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

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

(iv) Regular way of purchase or sale of financial assets

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

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

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

(v) Derivatives

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

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

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

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

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Financial Instruments (continued)

(vi) Derecognition

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

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

(vii) Offsetting

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

C. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less any accumulated depreciation and any allowance for impairment loss.

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" and "operating expenses" respectively in the income statement.

(ii) Subsequent costs

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

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Property, plant and equipment (continued)

(iii) Depreciation

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

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

The principal annual rates are:-

Buildings on freehold land	2%
Office equipment, furniture and fittings	10%
Computer equipment and software	20% - 33.33%
Renovation	33.33%

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

D. Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the Adoption of FRS139, receivables are categorised and measured as financing and receivables in accordance with policy Note 2B(ii)(c).

E. Cash and cash equivalents

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

Cash and cash equivalents are categorised and measured as financing and receivables in accordance with policy Note 2B(ii)(c).

F. Impairment on financial assets

(i) Held-to-maturity investments

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

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Impairment on financial assets (continued)

(ii) Financial assets available-for-sale

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

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

Impairment loss recognised in income statement for investment in an equity instruments is not reversed through the income statement.

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

(iii) Financing and advances

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

Objective evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in profit or principal payments, that it is possible that they will enter bankruptcy or other financial reorganisation and that there are observable data indicating a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with potential default.

Individually assessed impairment allowance

Individually assessed impairment allowance on impaired financing and advances is provided where there is objective evidence of impairment. Individually assessed impairment allowance is provided if the recoverable amount is lower than the net carrying amount of the financing and advances. Recoverable amount refers to the present value of estimated future cash flows discounted at original effective profit rate. If a financing has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate.



**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Impairment on financial assets (continued)

(iii) Financing and advances (continued)

Individually assessed impairment allowance (continued)

Prior to 1 January 2010, the Bank applied the following discount on collateral for impaired financing and advances when computing individually assessed impairment allowance:

- (i) fifty percent (50%) of the realisable value of the collateral for impaired financing and advances 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 impaired financing and advances which are in arrears for more than seven years.

With effect from 1 January 2010, the Bank has ceased to apply the above mentioned discount on collateral for impaired financing and advances, when computing individual impairment losses.

Collective assessment impairment loss

The Bank maintains a collectively assessed impairment allowance of at least 1.5% of total outstanding financing and advances, net of individually assessed impairment allowance as at the reporting date based on the transitional provision as allowed by the BNM pursuant to the guidelines on Classification and Impairment Provisions for Loans/Financing issued by BNM.

Impaired financing and advances written off

Uncollectible financing and advances or a portion of financing and advances, classified as impaired 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.

G. Impairment of other assets

The carrying amounts of other assets (except for deferred tax assets and assets arising from employees benefits) are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

When indication of impairment exists for other assets, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or groups of assets (the "cash-generating unit").

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

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

Impairment losses are recognised in the income statement/ revenue account. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

G. Impairment of other assets (continued)

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

H. Equity instruments

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

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

I. Employee Benefits

(i) Short term employee benefits

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

The Bank's contributions to statutory pension funds are charged to the income statement in the year to which they relate. Once contributions have been paid, the Bank has no further payment obligations.

(ii) Employee leave entitlements

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

(iii) Share-based payment transactions

(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 over shares of the ultimate holding company of the Bank 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**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

I. 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 reporting 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 immediate holding company.

J. Provisions

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

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

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

(i) Contingent liabilities

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

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Revenue and expenses**

(i) Finance income and expenses

Finance income and expense is recognised in the income statement using the effective profit rate method.

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

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

(ii) Net trading income

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

(iii) Fees and commission income

Processing fees from financing and commissions are recognised on an accrual basis when all conditions precedent are fulfilled.

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

(iv) Dividend income

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

**L. Foreign currency transactions**

Transactions in foreign currencies are translated in Ringgit Malaysia (RM), which is the functional currency of the Bank at exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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

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

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Income tax**

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

(i) Current tax

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

(ii) Deferred tax

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

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.

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

**O. Earnings per ordinary share**

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

**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. Restricted profit sharing investment accounts (RPSIA)**

These deposits are used to fund specific financing and follow the principle of Mudharabah which state that profits will be shared with the Bank as mudarib and losses borne by depositors.

**R. Significant accounting judgements and estimation**

In the preparation of the financial statements, management has been required 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 ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

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

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

R. Significant accounting judgements and estimation (continued)

- (i) Fair value estimation for financial assets available-for-sale (Note 5) and derivative financial assets and liabilities (Note 8) - Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives) the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads. Where observable market data are not available, judgement is required in the determination of model inputs, which normally incorporate assumptions that other market participants would use in their valuations, including assumptions about profit rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgement is also required in assessing the impairment of financial assets available-for-sale as the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.
- (ii) For impaired financing and advances which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in determining recoverable amount. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ.
- (iii) Impairment of assets – Management judgement is required to evaluate the duration and extent of fair value loss for available-for-sale financial instrument in order to determine if impaired.

<b>3. CASH AND CASH EQUIVALENTS</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with financial institutions	14,250	29,923
Money at call and deposit placements with financial institutions maturing within one month	590,030	1,315,000
	<u>604,280</u>	<u>1,344,923</u>
<b>4. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	4,624	-
	<u>4,624</u>	<u>-</u>
<b>5. FINANCIAL ASSETS AVAILABLE-FOR-SALE</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>At fair value</u>		
Malaysian Government Investment Issues	297,129	174,583
Bank Negara Malaysia Islamic Bonds	33,255	-
Bank Negara Malaysia Monetary Notes	255,527	-
Islamic Private Debt Securities	323,547	324,049
Islamic Negotiable Instruments of Deposits	202,094	621,825
Cagamas Sanadat Bonds	-	20,096
	<u>1,111,552</u>	<u>1,140,553</u>

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**6. FINANCING AND ADVANCES**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
i) By type of financing and advances		
Cash financing	441,564	333,541
Term financing :		
- House financing	146,830	95,632
- Syndicated term financing	246,813	355,780
- Hire purchase receivables	558,445	546,451
- Other term financing	625,756	499,753
Bills receivables	11,944	14,141
Revolving credits	539,186	365,446
Claims on customer under acceptance credits	203,469	213,116
Other financing	45,060	21,442
Less : Unearned income	<u>(263,334)</u>	<u>(255,198)</u>
Gross financing and advances	2,555,733	2,190,104
Allowance for Impairment Loss:		
- Individually assessed (2009: Specific allowance)	(31,088)	(39,252)
- Collectively assessed (2009: General allowance)	<u>(37,939)</u>	<u>(38,715)</u>
Net financing and advances	<u>2,486,706</u>	<u>2,112,137</u>

Included in financing and advances is the specific business venture funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") arrangement between the Bank and its parent bank, OCBCM. The parent bank, being the RPSIA depositor is exposed to risks and rewards of the business venture and will account for all the individually assessed allowance arising thereon whereas the collectively assessed allowance is borne by the Bank.

As at 31 December 2010, the gross exposure relating to RPSIA financing is RM205 million (2009: RM180 million) and the collective impairment relating to this RPSIA of RM3.1 million (2009: RM3.2 million) is recognised in the income statement of the Bank.

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
ii) By concepts		
Al-Ijarah Thumma Al Bai	506,125	498,825
Al-Qardhul Hassan	158	503
Bai' Bithaman Ajil	717,586	772,030
Bai' Inah	331,865	245,784
Al-Murabahah	347,794	221,534
Other principles	<u>652,205</u>	<u>451,428</u>
	<u>2,555,733</u>	<u>2,190,104</u>

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**6. FINANCING AND ADVANCES (continued)**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
iii) By type of customer		
Domestic non-bank financial institutions		
- Others (non-stockbroking companies)	-	10,054
Domestic business enterprises		
- Small and medium enterprises	391,833	344,211
- Others	1,642,764	1,456,214
Individuals	456,652	309,505
Foreign entities	64,484	70,120
	<u>2,555,733</u>	<u>2,190,104</u>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
iv) By profit rate sensitivity		
Fixed rate		
- House financing	46,866	57,543
- Hire purchase receivables	506,125	498,825
- Other fixed rate financing	907,365	912,510
Variable rate		
- BFR plus	72,904	-
- Cost plus	1,022,473	721,226
	<u>2,555,733</u>	<u>2,190,104</u>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
v) By sector		
Agriculture	461,853	576,461
Mining and quarrying	269,689	25,807
Manufacturing	631,389	602,046
Electricity, gas and water	100,116	-
Construction	76,959	143,444
Real estate	80,310	95,861
Wholesale & retail trade and restaurants & hotels	200,770	171,696
Transport, storage and communication	152,264	136,948
Finance, insurance and business services	32,129	42,418
Community, social and personal services	29,348	15,010
Households, of which :		
i. Purchase of residential properties	116,614	60,484
ii. Purchase of non-residential properties	2,754	2,437
iii. Others	339,163	247,501
Others	62,375	69,991
	<u>2,555,733</u>	<u>2,190,104</u>



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**6. FINANCING AND ADVANCES (continued)**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
(vi) By geographical distribution		
Malaysia	2,493,976	2,121,333
Singapore	61,757	68,771
	<u>2,555,733</u>	<u>2,190,104</u>
(vii) By residual contractual maturity		
Within 1 year	900,187	730,315
1 to 5 years	1,000,487	755,636
Over 5 years	655,059	704,153
	<u>2,555,733</u>	<u>2,190,104</u>

**7. IMPAIRED FINANCING AND ADVANCES**

(i) The movements in impaired financing and advances are as follows :-

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at 1 January	53,598	43,947
Classified as impaired	46,054	51,373
Reclassified as performing	(11,938)	(11,137)
Amount recovered	(18,759)	(8,318)
Amount written off	<u>(23,511)</u>	<u>(22,267)</u>
Balance at 31 December	45,444	53,598
Individually assessed impairment allowance	<u>(31,088)</u>	<u>(39,252)</u>
Net impaired financing and advances	<u>14,356</u>	<u>14,346</u>
Estimated fair value of collateral held	<u>25,791</u>	<u>28,968</u>

(ii) The movements in allowance for impaired financing and advances are as follows:

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Collectively assessed impairment allowance (2009: General allowance)</u>		
Balance at 1 January	38,715	33,517
(Written back)/made during the year	(776)	5,198
Balance at 31 December	<u>37,939</u>	<u>38,715</u>
As % of gross financing and advances less individually assessed impairment allowance	<u>1.50%</u>	<u>1.80%</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**7. IMPAIRED FINANCING AND ADVANCES (continued)**

(ii) The movements in allowance for impaired financing and advances are as follows: (continued)

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Individually assessed impairment allowance (2009: Specific allowance)</u>		
Balance at 1 January	39,252	35,592
Made during the year	38,914	41,024
Amount written back	(23,351)	(15,097)
Amount written off	(23,511)	(22,267)
Income recognised on impaired financing	(216)	-
Balance at 31 December	<u>31,088</u>	<u>39,252</u>

(a) Collectively assessed and individually assessed impairment allowance by sector are as follows:

<b>2010</b>	<b>Collectively assessed impairment allowance RM'000</b>	<b>Individually assessed impairment allowance RM'000</b>	<b>Individually assessed allowance charged RM'000</b>	<b>Individually assessed allowance written-off RM'000</b>
Agriculture	6,937	200	74	-
Mining and quarrying	4,053	-	-	-
Manufacturing	9,211	18,427	7,345	3,204
Electricity, gas and water	1,504	-	-	-
Construction	1,134	1,475	867	2,591
Real estate	1,207	7	1	84
Wholesale & retail trade and restaurants & hotels	3,007	650	563	2,106
Transport, storage and communication	2,281	508	1	-
Finance, insurance and business services	478	318	317	-
Community, social and personal services	440	69	54	177
Households, of which:				
i. Purchase of residential properties	1,738	928	306	161
ii. Purchase of non-residential properties	41	-	23	27
iii. Others	4,971	8,360	24,571	15,154
Others	937	146	4,792	7
	<u>37,939</u>	<u>31,088</u>	<u>38,914</u>	<u>23,511</u>

(b) Individually assessed impairment allowance by geographical distribution

	<b>2010</b>
	<b>RM'000</b>
Malaysia	<u>31,088</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**7. IMPAIRED FINANCING AND ADVANCES (continued)**

(iii) Impaired financing and advances analysed by sector are as follows:

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	520	203
Manufacturing	24,016	28,085
Construction	4,127	5,395
Real estate	7	96
Wholesale & retail trade and restaurants & hotels	3,458	3,861
Transport, storage and communication	508	694
Finance, insurance and business services	987	195
Community, social and personal services	149	273
Households, of which:		
i. Purchase of residential properties	3,312	3,358
ii. Purchase of non-residential properties	-	64
iii. Others	8,360	11,374
	<u>45,444</u>	<u>53,598</u>

(iv) Impaired financing and advances by geographical distribution are as follows:

Malaysia	<u>45,444</u>	<u>53,598</u>
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(v) Included in the impaired financing and advances above is an amount of RM0.6 million of impaired financing and advances without individually assessed impairment allowance as the individual financing's recoverable amount exceeds the carrying amount.

(vi) Impaired financing and advances by period overdue:

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Up to 90 days	7,860	5,749
90 days and less than 180 days	8,474	10,836
180 days and less than 270 days	2,109	7,011
270 days and above	27,001	30,002
	<u>45,444</u>	<u>53,598</u>

(vii) Impaired financing and advances by collateral type:

	<b>2010</b>
	<b>RM'000</b>
Property	3,244
Secured-others	27,697
Unsecured-corporate and other guarantees	3,099
Unsecured-clean	11,404
	<u>45,444</u>

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**8. DERIVATIVE ASSETS AND LIABILITIES**

	2010			2009		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Asset RM'000	Liability RM'000		Asset RM'000	Liability RM'000
	<b>Financial derivatives</b>					
Trading:						
Foreign exchange derivatives						
- forward	157,483	271	5,772	246,963	1,260	1,598
- swaps	113,402	5,513	-	-	-	-
- options	87,258	1,856	1,856	196,916	2,719	2,719
Equity related contracts						
- options	-	-	-	76,838	4	4
	<b>358,143</b>	<b>7,640</b>	<b>7,628</b>	<b>520,717</b>	<b>3,983</b>	<b>4,321</b>

**9. OTHER ASSETS**

	2010 RM'000	2009 RM'000
Profit receivable	9,432	6,229
Other debtors, deposits and prepayments	5,689	15,147
Shared service fee receivable from holding company (Note 27)	112	68
Amount due from holding company* (Note 27)	30,600	207,686
	<b>45,833</b>	<b>229,130</b>

\* The amount due from holding company is the end of day balance arising from daily operations and is to be settled by cash the next business day.

**10. 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 are determined as set percentages of total eligible liabilities.

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**11. PROPERTY, PLANT AND EQUIPMENT**

		Office equipment, furniture & fittings	Computer equipment & software	Total
	Note	Renovations RM'000	RM'000	RM'000
<b>2010</b>				
<u>Cost</u>				
At 1 January		3,031	1,880	3,060
Additions		1,214	1,286	980
Purchase from holding company		43	146	43
At 31 December		<u>4,288</u>	<u>3,312</u>	<u>4,083</u>
<u>Accumulated depreciation</u>				
At 1 January		844	136	448
Depreciation charge for the year	24	1,256	309	868
At 31 December		<u>2,100</u>	<u>445</u>	<u>1,316</u>
Carrying amounts as at 31 December		<u>2,188</u>	<u>2,867</u>	<u>2,767</u>

		Office equipment, furniture & fittings	Computer equipment & software	Total
	Note	Renovations RM'000	RM'000	RM'000
<b>2009</b>				
<u>Cost</u>				
At 1 January		639	631	700
Additions		1,934	1,216	2,360
Purchase from holding company		509	33	-
Write-offs		(51)	-	-
At 31 December		<u>3,031</u>	<u>1,880</u>	<u>3,060</u>
<u>Accumulated depreciation</u>				
At 1 January		18	5	13
Depreciation charge for the year	24	826	131	435
At 31 December		<u>844</u>	<u>136</u>	<u>448</u>
Carrying amounts as at 31 December		<u>2,187</u>	<u>1,744</u>	<u>2,612</u>

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**
**12. DEFERRED TAX ASSETS**

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 statement of financial position:

	Assets		Liabilities		Net	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Excess of capital allowance over depreciation	-	-	(1,008)	(777)	(1,008)	(777)
Collectively assessed impairment allowance on financing and advances	9,485	9,679	-	-	9,485	9,679
Change in fair value of financial instruments	(34)	90	-	-	(34)	90
Other temporary differences	1,728	2,304	-	-	1,728	2,304
Net tax assets/(liabilities)	11,179	12,073	(1,008)	(777)	10,171	11,296

2010	At 1 January 2010 RM'000	Recognised in income statement (Note 28) RM'000	Recognised in other comprehensive income RM'000	At 31 December 2010 RM'000
	Excess of capital allowance over depreciation		(777)	(231)
Collectively assessed impairment allowance on financing and advances		9,679	(194)	9,485
Change in fair value of financial instruments		90	(124)	(34)
Other temporary differences		2,304	(576)	1,728
Total		11,296	(1,001)	10,171

2009	At 1 January 2009 RM'000	Recognised in income statement (Note 28) RM'000	Recognised in other comprehensive income RM'000	At 31 December 2009 RM'000
	Excess of capital allowance over depreciation		1	(778)
Collectively assessed impairment allowance on financing and advances		8,379	1,300	9,679
Change in fair value of financial instruments		(1,103)	1,193	90
Other temporary differences		5,365	(3,061)	2,304
Total		12,642	(2,539)	11,296

**13. DEPOSITS FROM CUSTOMERS**

	2010 RM'000	2009 RM'000
i) By type of deposit		
<b>Non-Mudharabah Fund:</b>		
Demand deposits	1,066,695	700,441
Savings deposits	331,220	310,479
Negotiable instrument of deposits	120,044	868,680
Structured investments	47,862	133,763
	1,565,821	2,013,363
<b>Mudharabah Fund:</b>		
General investment deposits	976,004	1,504,980
Islamic short term Mudharabah Investment	379,065	203,605
	1,355,069	1,708,585
Total deposits from customers	2,920,890	3,721,948

**OCBC AL-AMIN BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**
**13. DEPOSITS FROM CUSTOMERS (continued)**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
ii) By type of customers:-		
Government and statutory bodies	412,004	286,907
Business enterprises	1,568,276	1,210,629
Individuals	449,759	455,664
Foreign entities	10,465	10,257
Others	480,386	1,758,491
	<u>2,920,890</u>	<u>3,721,948</u>
iii) Maturity structure of deposits:-		
Within 6 months	2,776,828	3,499,042
6 months to 1 year	41,906	169,084
1 to 3 years	7,988	53,726
3 to 5 years	41,379	96
More than 5 years	52,789	-
	<u>2,920,890</u>	<u>3,721,948</u>

**14. DEPOSITS AND PLACEMENTS OF FINANCIAL INSTITUTIONS**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-Mudharabah Fund:</b>		
Licensed banks	595,240	119,552
<b>Mudharabah Fund:</b>		
Licensed banks	204,606	480,000
Total deposits and placements of financial institutions	<u>799,846</u>	<u>599,552</u>

Included in the deposits and placements of financial institutions is the Restricted Profit Sharing Investment Account ('RPSIA') placed by OCBCM amounting to RM205 million (2009: RM180 million) for tenures of more than 1 year at profit rates ranging from 1.87% to 4.31% per annum. These deposits are used to fund certain specific business venture. The RPSIA is a contract based on the Mudharabah principle between two parties to finance a business venture where the investor solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on a pre-agreed ratio and losses shall be borne by the depositors.

**15. SUBORDINATED BOND**

On 1 December 2008, the Bank issued RM200 million non-tradeable non-transferable redeemable Islamic subordinated bond 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 bond, 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 bond 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 subordinated bond was fully subscribed by its parent company; OCBCM.

The restricted subordinated bond 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.

**16. OTHER LIABILITIES**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit payable	9,738	12,569
Other accruals and charges*	55,787	92,232
Profit Equalisation Reserves (a)	-	8,073
Shared service fee payable to holding company (Note 27)	3,980	3,542
	<u>69,505</u>	<u>116,416</u>
* Includes accruals for personnel costs.		
(a) Profit equalisation reserve (PER)	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at 1 January	8,073	16,161
Amount provided during the year	-	28,820
Amount written back during the year	(8,073)	(36,908)
Balance at 31 December	<u>-</u>	<u>8,073</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**17. SHARE CAPITAL**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised:</b>		
Ordinary shares of RM1 each	500,000	500,000
	<hr/>	<hr/>
<b>Issued and fully paid:</b>		
Balance at 1 January	65,000	65,000
Additional shares issued to OCBCM	20,000	-
Balance at 31 December	85,000	65,000
	<hr/>	<hr/>

On 27 September 2010, the Bank issued an additional 20,000,000 ordinary shares of RM1.00 each at RM3.00 per ordinary share to its holding company, OCBC Bank (Malaysia) Berhad.

**18. 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 is not distributable as cash dividends.

Fair value reserve captures fair value adjustment on financial assets which are classified as available-for-sale 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.



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**19. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:		
(i) General investment deposits	47,297	58,352
(ii) Other funds	133,007	107,587
	<u>180,304</u>	<u>165,939</u>
(i) Income derived from investment of general investment deposits		
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Finance income and hibah:</u>		
Financing and advances	33,753	45,039
Financial assets available-for-sale	7,482	10,209
Money at call and deposits with financial institutions	5,785	5,801
	<u>47,020</u>	<u>61,049</u>
<u>Other operating income</u>		
Net gain/(loss) from sale of financial assets available-for-sale	277	(2,697)
	<u>47,297</u>	<u>58,352</u>
Of which:		
Financing income earned on impaired financing	<u>53</u>	<u>-</u>
(ii) Income derived from investment of other funds		
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Finance income and hibah:</u>		
Financing and advances	94,918	83,044
Financial assets available-for-sale	21,041	18,821
Money at call and deposits with financial institutions	16,269	10,694
	<u>132,228</u>	<u>112,559</u>
<u>Other operating income/(loss)</u>		
Net gain/(loss) from sale of financial assets available-for-sale	779	(4,972)
	<u>133,007</u>	<u>107,587</u>
Of which:		
Financing income earned on impaired financing	<u>147</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

<b>20. ALLOWANCE FOR IMPAIRMENT LOSS ON FINANCING AND ADVANCES</b>		
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Impairment loss on financing and advances:		
Individually assessed impairment allowance		
- Made during the financial year	38,914	41,024
- Written back	(23,351)	(15,097)
Collectively assessed impairment allowance		
- (Written back)/made during the financial year	(776)	5,198
Impaired financing recovered	(4,742)	(3,837)
	<u>10,045</u>	<u>27,288</u>
<b>21. INCOME ATTRIBUTABLE TO DEPOSITORS</b>		
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers		
- Mudharabah Fund	42,748	39,425
- Non Mudharabah Fund	26,426	20,129
Deposits and placements of financial institutions		
- Mudharabah Fund	13,626	12,174
- Non Mudharabah Fund	7,623	74
	<u>90,423</u>	<u>71,802</u>
<b>22. INCOME DERIVED FROM THE INVESTMENT OF SHAREHOLDER'S FUNDS</b>		
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Finance income and hibah:</u>		
Financing and advances	10,185	6,294
Financial assets available-for-sale	2,258	1,426
Money at call and deposits with financial institutions	1,746	810
	<u>14,189</u>	<u>8,530</u>
<u>Other operating income</u>		
Net gain/(loss) from sale of financial assets available-for-sale	84	(377)
<u>Other trading income</u>		
Net gain/(loss) on instruments held-for-trading		
- foreign currency	3,870	741
- trading derivatives	(344)	(635)
- revaluation of derivatives	562	421
<u>Fee and commission income:</u>		
Commission	9,334	4,589
Service charges and fees	7,256	6,166
	<u>34,951</u>	<u>19,435</u>
Of which:		
Financing income earned on impaired financing	<u>16</u>	<u>-</u>
<b>23. FINANCE INCOME AND EXPENSE ANALYSED BY CATEGORY OF FINANCIAL INSTRUMENTS</b>		
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Finance income:</u>		
- financing and receivables	162,656	151,682
- financial assets available-for-sale	30,781	30,456
	<u>193,437</u>	<u>182,138</u>
<u>Finance expense</u>		
- liabilities at amortised cost	<u>90,423</u>	<u>71,802</u>

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**24. PERSONNEL AND OPERATING EXPENSES**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	23,598	13,697
Establishment expenses	4,938	3,369
Marketing expenses	848	2,267
Administrative and general expenses	61,488	51,189
	<u>90,872</u>	<u>70,522</u>

The above expenditure includes the following statutory disclosures:

Auditors' remuneration :		
- Statutory audit	65	50
- Other services	25	15
Depreciation of property, plant and equipment	2,433	1,392
Directors' remuneration (Note 25)	1,056	749
Property, plant and equipment written off	-	51
Rental of premises	1,615	1,169
	<u>1,615</u>	<u>1,169</u>

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Personnel expenses</b>	<b>23,598</b>	<b>13,697</b>
Wages, salaries and bonus	18,842	10,246
Defined contribution plan (EPF)	2,914	1,622
Equity compensation benefit	193	82
Other personnel costs	1,649	1,747
<b>(ii) Establishment expenses</b>	<b>4,938</b>	<b>3,369</b>
Rental of premises	1,615	1,169
Depreciation of property, plant and equipment	2,433	1,392
Repair and maintenance	149	34
Others	741	774
<b>(iii) Marketing expenses</b>	<b>848</b>	<b>2,267</b>
Transport and travelling	385	319
Advertising and business promotion	411	1,895
Others	52	53
<b>(iv) Administrative and general expenses</b>	<b>61,488</b>	<b>51,189</b>
Printing and stationery	624	412
Postage and courier	329	290
Telephone, telex and fax	445	473
Legal and consultancy fees	345	531
Shared service fees paid/payable to OCBCM (Note 27)	46,461	40,751
Transaction processing fees paid/payable to related company* (Note 27)	11,522	6,929
Other administrative and general expenses	1,762	1,803
<b>Total overhead expenses</b>	<u><b>90,872</b></u>	<u><b>70,522</b></u>

\* Transaction processing fees were incurred for transactions being processed by e2 Power Sdn Bhd, a related company.

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**25. DIRECTORS' AND SYARIAH COMMITTEE'S REMUNERATION**

Forms of remuneration in aggregate for all Directors and members of Syariah Committee charged to the income statement for the financial year are as follows:

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Executive Director (CEO)		
- Salary	802	567
- Defined contribution retirement plan (EPF)	128	90
- Benefits-in-kind (BIK)	4	4
- Other accrued employee benefits	42	3
Non-Executive Directors		
- Fees	84	89
	<u>1,060</u>	<u>753</u>
Total excluding BIK (Note 24)	<u>1,056</u>	<u>749</u>
Syariah Committee	<u>95</u>	<u>95</u>

	<b>Salary</b>	<b>Fees</b>	<b>Bonus</b>	<b>Other employee benefits</b>	<b>Benefits- in-kind</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2010</b>						
<b>Executive Director (CEO):</b>						
Syed Abdull Aziz bin Syed Kechik	577	-	225	170	4	976
<b>Non-Executive Director</b>						
Tan Sri Dato Nasaruddin bin Bahari	-	24	-	-	-	24
David Philbrick Conner	-	-	-	-	-	-
Ching Wei Hong	-	-	-	-	-	-
Soon Tit Koon	-	-	-	-	-	-
Tan Siok Choo	-	24	-	-	-	24
David Wong Cheong Fook	-	24	-	-	-	24
Dr. Raja Lope Bin Raja Shahrome	-	12	-	-	-	12
Chew Sun Teong	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84</u>
Total Directors' Remuneration	<u>577</u>	<u>84</u>	<u>225</u>	<u>170</u>	<u>4</u>	<u>1,060</u>
<b>2009</b>						
<b>Executive Director (CEO):</b>						
Syed Abdull Aziz bin Syed Kechik	567	-	-	93	4	664
<b>Non-Executive Director</b>						
Tan Sri Dato Nasaruddin bin Bahari	-	25	-	-	-	25
David Philbrick Conner	-	-	-	-	-	-
Ching Wei Hong	-	-	-	-	-	-
Soon Tit Koon	-	-	-	-	-	-
Tan Siok Choo	-	24	-	-	-	24
David Wong Cheong Fook	-	24	-	-	-	24
Dr. Raja Lope Bin Raja Shahrome	-	16	-	-	-	16
Chew Sun Teong	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>89</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>
Total Directors' Remuneration	<u>567</u>	<u>89</u>	<u>-</u>	<u>93</u>	<u>4</u>	<u>753</u>

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**26. ZAKAT**

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

**27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

Related parties of the Bank are as follows:

- (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
  - (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.
- (i) The significant related party transactions and balances of the Bank during the financial year and balances at balance sheet date are as follows and all the outstanding balances are expected to be settled in cash by the related parties.

	Ultimate Holding Company	Holding Company	Other Related Companies	Key Management
	RM'000	RM'000	RM'000	RM'000
<b>2010</b>				
<b>Income:</b>				
Profit income on financing & advances	-	-	-	32
Profit income on deposits and placements	2	-	-	-
Shared service fee received/receivable	-	1,297	-	-
Other fee and commission	-	-	2,241	-
	<u>2</u>	<u>1,297</u>	<u>2,241</u>	<u>32</u>
<b>Expenditure:</b>				
Profit expense on General Investment Deposits	-	-	378	56
Profit expense on other deposits	-	-	-	3
Profit expense on Negotiable instrument of deposits	-	766	-	-
Profit expense on deposits and placements	38	14,709	-	-
Profit expense on subordinated bonds	-	10,900	-	-
Profit expense on other financing	-	-	-	-
Shared service fee (Note 24)	-	46,461	-	-
Transaction processing fee (Note 24)	-	-	11,522	-
Rental expenses	-	128	-	-
	<u>38</u>	<u>72,964</u>	<u>11,900</u>	<u>59</u>
<b>Amount due from:</b>				
Deposits and placements	282	-	21	-
Shared service fee receivable (Note 9)	-	112	-	-
Profit receivable	-	-	-	-
Financing and advances	-	-	-	224
Advances (Note 9)	-	30,600	-	-
	<u>282</u>	<u>30,712</u>	<u>21</u>	<u>224</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

	Ultimate Holding Company	Holding Company	Other Related Companies	Key Management
	RM'000	RM'000	RM'000	RM'000
<b>2010</b>				
<b>Amount due to:</b>				
Demand deposits and General Investment Deposits	212	-	8,709	3,088
Other deposits	-	-	-	104
Negotiable instrument of deposits	-	52,789	-	-
Deposits and placements	23,964	520,883	-	-
Subordinated bond (Note 15)	-	200,000	-	-
Profit payable	-	2,005	-	9
Shared service fee payable (Note 16)	-	3,980	-	-
Transaction processing fee payable	-	-	769	-
	<b>24,176</b>	<b>779,657</b>	<b>9,478</b>	<b>3,201</b>
Commitments:				
Foreign exchange derivatives	-	141,503	2,992	-
	Ultimate Holding Company	Holding Company	Other Related Companies	Key Management
	RM'000	RM'000	RM'000	RM'000
<b>2009</b>				
<b>Income:</b>				
Shared service fee received/receivable	-	237	-	-
Other fee and commission	-	-	585	-
	<b>-</b>	<b>237</b>	<b>585</b>	<b>-</b>
<b>Expenditure:</b>				
Profit expense on General Investment Deposits	-	-	570	45
Profit expense on other deposits	-	5,340	-	1
Profit expense on subordinated bonds	-	10,917	-	-
Profit expense on other financing	-	1,725	-	-
Shared service fee (Note 24)	-	40,751	-	-
Transaction processing fee (Note 24)	-	-	6,929	-
Rental expenses	-	177	-	-
	<b>-</b>	<b>58,910</b>	<b>7,499</b>	<b>46</b>
<b>Amount due from:</b>				
Deposits and placements	7,998	-	1	-
Shared service fee receivable (Note 9)	-	68	-	-
Financing and advances	-	-	-	100
Advances (Note 9)	-	207,686	-	-
	<b>7,998</b>	<b>207,754</b>	<b>1</b>	<b>100</b>
<b>Amount due to:</b>				
Demand deposits and General Investment Deposits	-	-	18,359	1,946
Other deposits	-	718,164	-	142
Deposits and placements	-	40,000	-	-
Subordinated bond (Note 15)	-	200,000	-	-
Profit payable	-	2,876	-	-
Shared service fee payable (Note 16)	-	3,542	-	-
Transaction processing fee payable	-	-	647	-
	<b>-</b>	<b>964,582</b>	<b>19,006</b>	<b>2,088</b>
Commitments:				
Foreign exchange derivatives	-	121,396	4,725	-

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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":

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Aggregate value of outstanding credit exposure with connected parties: <sup>^</sup>		
Credit facility and leasing (except guarantee)	743	259
Off balance sheet exposures*	4,784	-
Total credit exposures	<u>5,527</u>	<u>259</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>0.22%</u>	<u>0.01%</u>
- which is impaired or in default	<u>-</u>	<u>-</u>

<sup>^</sup> 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

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits	2,593	2,525
Share-based payments	112	71
	<u>2,705</u>	<u>2,596</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 25.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**28. INCOME TAX EXPENSE**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax		
- current year	6,558	3,982
- under provision in prior year	570	-
Deferred tax:		
- relating to originating and reversal of temporary differences	1,880	2,468
- (over)/under provision in prior year	(879)	71
Total debited to income statement (Note 12)	<u>1,001</u>	<u>2,539</u>
	<u>8,129</u>	<u>6,521</u>

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

	<b>2010</b>	<b>2009</b>
	<b>%</b>	<b>%</b>
Malaysian tax rate of	25.0	25.0
Tax effects of:		
Expenses not deductible for tax purposes	1.4	2.0
Underprovision in prior year	1.8	-
Prior year (over)/under provision for deferred tax	(2.8)	0.3
Average effective tax rate	<u>25.4</u>	<u>27.3</u>

The computation of deferred tax assets and liabilities is based on a tax rate of 25%.

**29. BASIC EARNINGS PER SHARE**

The basic earnings per ordinary share of the Bank has been calculated based on the net profit attributable to shareholders for the year by the weighted average number of ordinary shares in issue during the financial year.

	<b>2010</b>	<b>2009</b>
Net profit for the year (RM'000)	<u>23,844</u>	<u>17,319</u>
Weighted average number of ordinary shares in issue ('000)	<u>70,260</u>	<u>65,000</u>
Basic earnings per share (sen)	<u>33.9</u>	<u>26.6</u>



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**30. 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.

	2010				2009		
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
Direct credit substitutes	4,353		4,353	4,340	1,893	1,893	1,893
Transaction-related contingent items	81,288		40,644	30,570	100,049	50,024	50,024
Short-term self-liquidating trade-related contingencies	29,218		5,844	6,229	8,767	1,753	1,753
Irrevocable commitments to extend credit:							
- maturity not exceeding one year	629,828		442	331	496,299	-	-
- maturity exceeding one year	8,372		6,969	2,377	17,703	7,480	7,480
Foreign exchange related contracts:							
- less than one year	261,246	5,775	9,810	8,611	338,269	6,510	1,307
- one year or less than five years	47,501	5,728	8,258	1,088	105,610	6,130	1,227
Equity related contracts	-	-	-	-	76,838	8,248	1,650
	<b>1,061,806</b>	<b>11,503</b>	<b>76,320</b>	<b>53,546</b>	<b>1,145,428</b>	<b>82,038</b>	<b>65,334</b>

\* The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks Basel II - Internal Ratings Approach. The comparative figures which have been computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy (RWCAF-Basel 1) have not been restated.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**31. 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 :-

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than one year	884	1,558
One to five years	222	1,068
	<u>1,106</u>	<u>2,626</u>

**32. CAPITAL COMMITMENTS**

	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure in respect of property, plant and equipment:		
- authorised and contracted for	1,216	1,854
- authorised but not contracted for	18,240	19,667
	<u>19,456</u>	<u>21,521</u>

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The risk management framework and the policies used are in respect of those used by the holding company.

**Credit Risk Management**

Credit risk arises from the risk of loss of principal or income on the failure of an obligor or counterparty to meet their contractual obligations. Such risk arises from financing, underwriting, trading, investment and other activities undertaken by the Bank. Through the Group's risk management structure established at the Bank's holding company ("OCBCM"), 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, portfolio reviews and credit policy development.

A delegated credit approval authority limit structure, approved by the Board of Directors, is in place, whereby all credit extensions 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.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk Management**

Market risk is the risk of loss of income or market value due to fluctuations in market factors. The Bank is exposed to market risks from its trading activities. The Asset Liability Management Committee ("ALCO") is the senior management committee that establishes market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies measurement systems, and internal controls. Business units are responsible for undertaking proactive risk management along with their pursued trading strategies. Under the Group's risk management structure established at the Bank's holding company ("OCBCM"), the Bank shares the services of OCBCM's Market Risk Management Department ("MRMD") acts as the independent monitoring unit that ensures sound governance practices.

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

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

**ASSET LIABILITY MANAGEMENT**

Asset liability management is the strategic management of the balance sheet structure and liquidity needs, covering structural profit rate management and funding liquidity risk management. The Asset Liability Management Committee (ALCO) is the senior management committee that oversees the Bank's liquidity and balance sheet risks. Under the Group's risk management structure established at the Bank's holding company ("OCBCM"), the Bank shares the services of OCBCM's Market Risk Management Department in supporting ALCO.

*Structural Profit Rate Risk*

Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in profit rates. Limits and policies to manage profit rate exposures are established in line with the Group's strategy and risk appetite, appropriately approved, and reviewed regularly to ensure they remain relevant to the external environment. Control systems are established to monitor the profile against the approved risk thresholds.

*Liquidity Risk*

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations as well as to undertake new transactions.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**OPERATIONAL RISK MANAGEMENT**

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

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

**Operational Risk Management Oversight and Organisation**

The Operational Risk Management and Information Security Committee ("ORISC") is the senior management committee that establishes the Bank's operational risk management and information security frameworks and policies, and ensures that sound methodologies, risk measurements, and systems are implemented. ORISC also oversees the management of the Bank's technology risk, fiduciary risk, and information security risk.

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

**Operational Risk Management Approach**

The Bank manages operational risk through a framework that ensures operational risk is properly identified, managed, monitored, mitigated, and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Bank's control culture by establishing clear roles and responsibilities for staff and preserving their rights in executing their control functions without fear of intimidation or reprisal. The Bank recognises the importance of establishing a risk-awareness culture in the managing of operational risk through embedding risk management in the Bank's core processes.

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

Senior management also attest annually to the CEO and Board of Directors on the effectiveness of the internal control system, as well as report key control deficiencies and appropriate remedial plans. Operational risk losses and incidents are used as information for reporting and for providing risk profiling information to the Board and senior management.

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**OPERATIONAL RISK MANAGEMENT (continued)**

Operational Risk Management Approach (continued)

To mitigate the impact of unforeseen operational risk events, the Bank has business continuity management and crisis management programmes to ensure the uninterrupted availability of all business resources to support essential business activities. On an annual basis, Senior Management provides an attestation to the Board on the state of business continuity management including the internally developed business continuity management maturity scorecard, extent of alignment to BNM guidelines and declaration of residual risk.

*Reputation Risk Management*

Reputation risk exposure is the current and future adverse impact on earnings and capital arising from negative public opinion or adverse regulatory actions, which would unfavourably affect new and existing relationships. The Bank leverages on the Group's Reputation Risk Management Programme which focuses on understanding and managing the Bank's responsibilities toward its stakeholders, and protecting the Bank's reputation. A key emphasis of the Programme is effective information sharing and engagement with stakeholders.

*Fiduciary Risk Management*

Fiduciary risk is the possibility that the Bank may, in the course of managing funds or providing other services, exercise discretion, make decisions, or take actions that fail to satisfy the applicable standard of conduct appropriate for a trust relationship. The Bank leverages on the Group's Fiduciary Risk Management Programme that focuses on compliance with applicable corporate standards with regular identification, assessment, mitigation, and monitoring of fiduciary risk exposures.

*Regulatory and Legal Risks*

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

**SHARIAH GOVERNANCE**

In ensuring the operations and activities of the Bank comply with Shariah rules and principles at all times, the Bank is governed by the Shariah Compliance Manual (SCM) which in essence sets out the following:

- The rules, regulations and procedures in the establishment of Shariah Committee;
- The role, scope of duties and responsibilities of Shariah Committee;
- The manner in which a submission or request for advice be made to the Shariah Committee; and
- The manner of compliance by the Bank with any decisions made by Shariah Committee.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**SHARIAH GOVERNANCE (continued)**

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

Shariah Risk

Shariah risk arises from Islamic banks' failure to comply with the Shariah rules and principles as determined by its Shariah Committee and Bank Negara Malaysia's Shariah Advisory Council. The Bank's Shariah Compliance Manual has provided the necessary structure and process to mitigate any Shariah risk arising from its activities and operations.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**
**34. PROFIT RATE RISK**

The tables below summarise 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-statement of financial position 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 2010	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	RM'000				
<b>Assets</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Cash and cash equivalents	590,030	-	-	-	-	14,250	-	604,280	2.76%	
Deposits and placements with financial institutions	-	4,624	-	-	-	-	-	4,624	0.56%	
Financial assets available-for-sale	333,120	157,756	15,210	601,469	-	3,997	-	1,111,552	3.28%	
Financing and advances - performing	294,145	431,377	142,275	991,355	651,137	(37,939) *	-	2,472,350	6.19%	
- non-performing	-	-	-	-	-	14,356 ^	-	14,356	-	
Derivative assets	-	-	-	-	-	-	7,640	7,640	-	
Other assets	-	-	-	-	-	45,833	-	45,833	-	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	26,750	-	26,750	-	
Property, plant & equipment	-	-	-	-	-	7,822	-	7,822	-	
Deferred tax assets	-	-	-	-	-	10,171	-	10,171	-	
<b>Total assets</b>	<b>1,217,295</b>	<b>593,757</b>	<b>157,485</b>	<b>1,592,824</b>	<b>651,137</b>	<b>85,240</b>	<b>7,640</b>	<b>4,305,378</b>		
<b>Liabilities</b>										
Deposits from customers	1,904,427	478,685	293,334	49,366	52,790	142,288	-	2,920,890	2.65%	
Deposits and placements of financial institutions	379,956	123,960	37	139,204	65,961	90,728	-	799,846	2.13%	
Bills and acceptances payable	-	-	-	-	-	11,107	-	11,107	-	
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	5.45%	
Derivative liabilities	-	-	-	-	-	-	7,628	7,628	-	
Other liabilities	-	-	-	-	-	69,505	-	69,505	-	
Current tax liabilities and zakat	-	-	-	-	-	1,898	-	1,898	-	
<b>Total liabilities</b>	<b>2,284,383</b>	<b>602,645</b>	<b>293,371</b>	<b>188,570</b>	<b>318,751</b>	<b>315,526</b>	<b>7,628</b>	<b>4,010,874</b>		
On-balance sheet profit sensitivity gap	(1,067,088)	(8,888)	(135,886)	1,404,254	332,386	(230,286)	12	294,504		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-		
<b>Total profit sensitivity gap</b>	<b>(1,067,088)</b>	<b>(8,888)</b>	<b>(135,886)</b>	<b>1,404,254</b>	<b>332,386</b>	<b>(230,286)</b>	<b>12</b>	<b>294,504</b>		

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**34. PROFIT RATE RISK (continued)**

As at 31 December 2009	Non Trading Book						Trading Book	Total	Average profit rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>									
Cash and cash equivalents	1,321,848	-	-	-	-	23,075	-	1,344,923	2.03%
Financial assets									
available-for-sale	209,071	462,896	45,096	386,338	33,481	3,671	-	1,140,553	2.82%
Financing and advances									
- performing	224,470	336,812	131,363	741,419	702,442	(38,715) *	-	2,097,791	5.90%
- non-performing	-	-	-	-	-	14,346 ^	-	14,346	-
Derivative assets	-	-	-	-	-	-	3,983	3,983	-
Other assets	-	-	-	-	-	229,130	-	229,130	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	23,500	-	23,500	-
Property, plant & equipment	-	-	-	-	-	6,543	-	6,543	-
Deferred tax assets	-	-	-	-	-	11,296	-	11,296	-
Current tax assets	-	-	-	-	-	143	-	143	-
<b>Total assets</b>	<b>1,755,389</b>	<b>799,708</b>	<b>176,459</b>	<b>1,127,757</b>	<b>735,923</b>	<b>272,989</b>	<b>3,983</b>	<b>4,872,208</b>	
<b>Liabilities</b>									
Deposits from customers	2,006,597	981,446	449,405	53,822	-	230,678	-	3,721,948	1.90%
Deposits and placements of financial institutions	229,262	150,000	-	40,000	140,000	40,290	-	599,552	2.41%
Bills and acceptances payable	-	-	-	-	-	19,674	-	19,674	-
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	5.45%
Derivative liabilities	-	-	-	-	-	-	4,321	4,321	-
Other liabilities	-	-	-	-	-	116,416	-	116,416	-
Current tax liabilities and zakat	-	-	-	-	-	10	-	10	-
<b>Total liabilities</b>	<b>2,235,859</b>	<b>1,131,446</b>	<b>449,405</b>	<b>93,822</b>	<b>340,000</b>	<b>407,068</b>	<b>4,321</b>	<b>4,661,921</b>	
On-balance sheet profit sensitivity gap	(480,470)	(331,738)	(272,946)	1,033,935	395,923	(134,079)	(338)	210,287	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(480,470)</b>	<b>(331,738)</b>	<b>(272,946)</b>	<b>1,033,935</b>	<b>395,923</b>	<b>(134,079)</b>	<b>(338)</b>	<b>210,287</b>	

\* This amount relates to the collectively assessed impairment allowance for financing and advances.

^ This amount is arrived at after deducting the individually assessed impairment allowance from the outstanding gross impaired financing and advances.

The impact on the net profit income is simulated under various profit rate assumptions. The following table sets out the impact on the net profit income based on a 50bps parallel shift in profit rates at the beginning of the year from 1 January for a period of 12 months, as follows:

	2010 RM'000
+ 50bps	117,719
- 50bps	120,905

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



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**35. LIQUIDITY RISK**

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, financing drawdowns and guarantees, and from margin and other calls on cash-settled derivatives. The Bank does 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 financial assets and financial liabilities of the Bank into relevant maturity tenures based on their remaining contractual profile:

<b>As at 31 December 2010</b>	<b>Up to 3 months</b>	<b>&gt; 3-6 months</b>	<b>&gt;6-12 months</b>	<b>&gt;1-3 years</b>	<b>&gt;3-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>							
Cash and cash equivalents	604,280	-	-	-	-	-	604,280
Deposits and placements with financial institutions	4,624	-	-	-	-	-	4,624
Financial assets							
available-for-sale	490,876	15,210	-	270,864	330,605	3,997	1,111,552
Financing and advances	719,364	107,265	42,471	393,298	607,190	617,118	2,486,706
Derivative assets	5,582	126	77	1,855	-	-	7,640
Other assets	35,384	88	-	6,591	3,770	-	45,833
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	26,750	26,750
<b>Total assets</b>	<b>1,860,110</b>	<b>122,689</b>	<b>42,548</b>	<b>672,608</b>	<b>941,565</b>	<b>647,865</b>	<b>4,287,385</b>
<b>Liabilities</b>							
Deposits from customers	2,525,400	251,428	41,906	7,988	41,378	52,790	2,920,890
Deposits and placements of financial institutions	594,644	12	25	40,559	98,645	65,961	799,846
Bills and acceptances payable	11,107	-	-	-	-	-	11,107
Subordinated bonds	-	-	-	-	-	200,000	200,000
Derivative liabilities	5,575	120	77	1,856	-	-	7,628
Other liabilities	40,245	3,937	3,763	19,381	2,179	-	69,505
<b>Total liabilities</b>	<b>3,176,971</b>	<b>255,497</b>	<b>45,771</b>	<b>69,784</b>	<b>142,202</b>	<b>318,751</b>	<b>4,008,976</b>
<b>Net liquidity gap</b>	<b>(1,316,861)</b>	<b>(132,808)</b>	<b>(3,223)</b>	<b>602,824</b>	<b>799,363</b>	<b>329,114</b>	<b>278,409</b>

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**35. LIQUIDITY RISK (continued)**

As at 31 December 2009	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
<b>Assets</b>							
Cash and cash equivalents	1,344,923	-	-	-	-	-	1,344,923
Financial assets							
available-for-sale	671,967	20,096	25,000	204,832	181,506	37,152	1,140,553
Financing and advances	547,809	76,750	66,504	364,092	391,544	665,438	2,112,137
Derivative assets	2	1,260	288	2,433	-	-	3,983
Other assets	215,826	1,649	4,173	7,482	-	-	229,130
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	23,500	23,500
<b>Total assets</b>	<b>2,780,527</b>	<b>99,755</b>	<b>95,965</b>	<b>578,839</b>	<b>573,050</b>	<b>726,090</b>	<b>4,854,226</b>
<b>Liabilities</b>							
Deposits from customers	3,217,510	281,532	169,084	53,726	96	-	3,721,948
Deposits and placements of financial institutions	419,552	-	-	-	40,000	140,000	599,552
Bills and acceptances payable	19,674	-	-	-	-	-	19,674
Subordinated bonds	-	-	-	-	-	200,000	200,000
Derivative liabilities	5	1,595	288	2,433	-	-	4,321
Other liabilities	78,639	2,775	6,858	28,144	-	-	116,416
<b>Total liabilities</b>	<b>3,735,380</b>	<b>285,902</b>	<b>176,230</b>	<b>84,303</b>	<b>40,096</b>	<b>340,000</b>	<b>4,661,911</b>
<b>Net liquidity gap</b>	<b>(954,853)</b>	<b>(186,147)</b>	<b>(80,265)</b>	<b>494,536</b>	<b>532,954</b>	<b>386,090</b>	<b>192,315</b>

**Contractual maturity of financial liabilities**

The table below shows the undiscounted cash outflows of the Bank's financial liabilities by remaining contractual maturities. Information on cash outflow of gross financing commitments is set in Note 6. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

As at 31 December 2010	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
<b>Non-derivatives financial liabilities</b>							
Deposits from customers	2,532,820	254,953	43,152	8,339	43,591	80,000	2,962,855
Deposits and placements of financial institutions	596,749	442	894	47,021	98,645	65,961	809,712
Bills and acceptances payable	11,107	-	-	-	-	-	11,107
Subordinated bond	-	5,450	5,465	21,800	21,800	210,691	265,206
Other liabilities	32,481	1,950	3,476	19,092	-	-	56,999
<b>Derivatives financial liabilities</b>							
Trading:							
Foreign exchange derivatives							
- forward	5,505	(6)	-	-	-	-	5,499
- swaps	(5,509)	-	-	-	-	-	(5,509)
- currency option	-	-	-	1,856	-	-	1,856
	<b>3,173,153</b>	<b>262,789</b>	<b>52,987</b>	<b>98,108</b>	<b>164,036</b>	<b>356,652</b>	<b>4,107,725</b>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**
**36. CURRENCY RISK**

As at 31 December 2010

	MYR	USD	SGD	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>					
Cash and cash equivalents	600,263	2,707	123	1,187	604,280
Deposits and placements with financial institutions	-	4,624	-	-	4,624
Financial assets available-for-sale	1,003,422	84,754	23,376	-	1,111,552
Financing and advances	2,241,275	245,431	-	-	2,486,706
Derivative assets	7,640	-	-	-	7,640
Other assets	44,565	1,023	245	-	45,833
Statutory deposits with Bank Negara Malaysia	26,750	-	-	-	26,750
<b>Financial liabilities</b>					
Deposits from customers	2,920,890	-	-	-	2,920,890
Deposits and placements of financial institutions	447,086	328,596	24,164	-	799,846
Bills and acceptances payable	11,107	-	-	-	11,107
Subordinated bonds	200,000	-	-	-	200,000
Derivative liabilities	7,628	-	-	-	7,628
Other liabilities	69,313	180	12	-	69,505
<b>Net financial assets exposure</b>	<b>267,891</b>	<b>9,763</b>	<b>(432)</b>	<b>1,187</b>	<b>278,409</b>

**37. CREDIT RISK**

Credit risk management policies is disclosed in Note 33. Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following table presents the Bank's maximum credit exposure of the financial assets, without taking into account any collateral held or other credit enhancements of the Bank. For financial assets reported in the statements of financial position, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	2010 RM'000
Cash and cash equivalents	604,280
Deposits and placements with financial institutions	4,624
Financial assets available-for-sale	1,111,552
Financing and advances	2,486,706
Derivative assets	7,640
Contingent liabilities and credit commitments	753,059
	<u>4,967,861</u>

**Collaterals**

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

- For personal house financing, mortgages over residential properties;
- For commercial property financing, charges over properties being financed; and
- For other financing, charges over business assets such as premise, inventories, trade receivables or deposits.

As at 31 December 2010, there were no assets repossessed by the Bank as a result of taking possession of collaterals held as security, or by calling upon other credit enhancements.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**37. CREDIT RISK (continued)**

**Credit quality**

**(i) Credit quality of financing and advances**

Analysis of financing and advances by type, by type of customers and by sector are set out in Note 6.

Gross financing and advances are analysed as follows:-

	<b>2010</b> <b>RM'000</b>
Neither past due nor impaired	2,343,812
Past due financing:	207,112
- not impaired	166,477
- impaired	40,635
Impaired but not past due	4,809
Less: Impairment allowance:	(69,027)
- Individually assessed	(31,088)
- Collectively assessed	(37,939)
Total financing and advances (net)	<u>2,486,706</u>

Financing and advances neither past due nor impaired

Financing and advances are categorised according to the Bank's customer classification grades as Passed, Special Mention, Substandard, Doubtful and Bad. Financing and advances classified as Substandard, Doubtful and Bad are impaired financing and advances.

Analysis of financing and advances that are neither past due nor impaired analysed based on the Bank's internal grading system is as follows:

	<b>2010</b> <b>RM'000</b>
Passed	2,245,952
Special mention	97,860
	<u>2,343,812</u>

Financing and advances that would have been impaired had they not been rescheduled amounted to RM42 million as at 31 December 2010.

Financing and advances past due but not impaired by period overdue:

	<b>2010</b> <b>RM'000</b>
30 days and less than 60 days	163,534
60 days and less than 90 days	2,943
	<u>166,477</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**37. CREDIT RISK (continued)**

**Credit quality (continued)**

**(i) Credit quality of financing and advances (continued)**

Financing and advances neither past due nor impaired (continued)

Financing and advances past due but not impaired analysed by sector are as follows:

	<b>2010</b>
	<b>RM'000</b>
Agriculture	138,001
Mining and quarrying	169
Manufacturing	14,122
Construction	426
Wholesale & retail trade and restaurants & hotels	1,135
Transport, storage and communication	494
Finance, insurance and business services	79
Community, social and personal services	604
Households, of which:	
i. Purchase of residential properties	3,315
ii. Purchase of non-residential properties	53
iii. Others	8,079
	<u>166,477</u>

Financing and advances past due but not impaired analysed by geographic distribution are as follows:

	<b>2010</b>
	<b>RM'000</b>
Malaysia	<u>166,477</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**37. CREDIT RISK (continued)**

**Credit quality (continued)**

**(ii) Credit quality of financial assets available-for-sale**

In view of the following sound credit rating of counterparties, the Bank does not expect any counterparty to fail to meet its obligation except for the allowance for impairment loss recognised in respect of financial assets available-for-sale as disclosed in Note 5. Detailed breakdown is as follows:-

<b>Analysis of financial assets available-for-sale</b>	<b>2010</b>
	<b>RM'000</b>
i) <u>By geography</u>	
Malaysia	1,071,624
Other ASEAN	39,928
	<u>1,111,552</u>
ii) <u>By credit rating</u>	
Malaysian government issues and notes	552,657
Other government securities	39,928
Investment grade (AAA to BBB)	405,149
Non-rated	113,818
	<u>1,111,552</u>
iii) <u>By credit quality</u>	
Pass	<u>1,111,552</u>
iv) <u>By industry - concentration risks</u>	
Manufacturing	70,511
Building and construction	45,379
Transport, storage and communication	15,063
Financial institutions, investment and holding companies	236,290
Others	744,309
	<u>1,111,552</u>
v) <u>By issuer</u>	
Public sector	644,977
Banks	217,153
Corporations	249,422
	<u>1,111,552</u>

**(iii) Credit quality of derivative assets**

**Analysis of derivative assets**

i) <u>By counterparty</u>	
Banks	7,562
Other financial institutions	3
Corporate	75
	<u>7,640</u>
ii) <u>By geography*</u>	
Malaysia	5,782
Singapore	3
Rest of the World	1,855
	<u>7,640</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**38. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Bank has used various methodologies 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 reporting 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 Bank's statement of financial position :

	2010		2009	
	Fair value RM'000	Carrying value RM'000	Fair value RM'000	Carrying value RM'000
<b>Financial Assets</b>				
Assets for which fair value approximates carrying value	604,280	604,280	1,344,923	1,344,923
Deposits and placements with financial institutions	4,624	4,624	-	-
Financial assets available-for-sale	1,111,552	1,111,552	1,140,553	1,140,553
Financing and advances	2,486,706	2,486,706	2,109,389	2,112,137
Derivative assets	7,640	7,640	3,983	3,983
Statutory deposits with Bank Negara Malaysia	26,750	26,750	23,500	23,500
<b>Financial liabilities</b>				
Deposits from customers	2,920,890	2,920,890	3,721,462	3,721,948
Deposits and placements of banks and financial institutions	799,846	799,846	599,552	599,552
Derivative liabilities	7,628	7,628	4,321	4,321
Liabilities for which fair value approximates carrying value	11,107	11,107	19,674	19,674
Subordinated bonds	207,120	200,000	202,840	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:

	2010 RM'000	2009 RM'000
<u>Financial Assets</u>		
Cash and short term funds	604,280	1,344,923
<u>Financial Liabilities</u>		
Bills and acceptances payable	11,107	19,674

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**38. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**Deposits and placements with/from financial institutions**

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

**Financial assets available-for-sale**

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 financial assets available-for-sale 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 individually assessed impairment allowance being the expected recoverable amount.

**Deposits from customers**

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

**Subordinated Bond**

Fair values are determined using quoted market prices and where available, or by reference to quoted market prices of similar instruments.

**Financial derivatives**

Fair value of financial derivatives is the estimated amounts which the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the financial derivatives are disclosed in Note 8.



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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**39. FINANCIAL ASSETS AND LIABILITIES**

The Bank's classification of its principal financial assets and financial liabilities is summarised in the table below:

2010	Financial assets available-for- sale RM'000	Financial assets held-for- trading RM'000	Financial assets and liabilities at amortised cost RM'000	Total RM'000
<b>Financial assets</b>				
Cash and cash equivalents	-	-	604,280	604,280
Deposits and placements				
with financial institutions	-	-	4,624	4,624
Financial assets available-for-sale	1,111,552	-	-	1,111,552
Financing and advances	-	-	2,486,706	2,486,706
Derivative assets	-	7,640	-	7,640
Other assets - profit receivable	-	-	9,432	9,432
Statutory deposits with				
Bank Negara Malaysia	-	-	26,750	26,750
<b>Financial liabilities</b>				
Deposits from customers	-	-	2,920,890	2,920,890
Deposits and placements of				
financial institutions	-	-	799,846	799,846
Bills and acceptances				
payable	-	-	11,107	11,107
Subordinated bond	-	-	200,000	200,000
Derivative liabilities	-	7,628	-	7,628
Other liabilities - profit payable	-	-	9,738	9,738

**40. CAPITAL ADEQUACY**

**Capital Management**

It is the Bank's objective to maintain a strong capital position, to support business growth, and to maintain investor, depositor, customer and market confidence. In line with this, the Bank manages its capital actively to ensure that its capital adequacy ratios are comfortably above the regulatory minima while balancing shareholders' desire for sustainable returns and high standards of prudence. Presently, the Bank's capital composition mainly consist of paid-up share capital and share premium.

The Bank closely monitors and actively manage capital usage primarily through monthly reviews and the Bank's annual operational plan. The annual operational plan is reviewed and approved by the Board of OCBC Al-Amin.

**Capital Initiatives**

The following key capital initiatives were undertaken during the financial year ended 31 December 2010:

Tier 1 Capital

The Bank issued 20 million ordinary shares on 27 September 2010, representing RM60 million in ordinary share capital which was fully subscribed by its immediate holding company, OCBC Bank (M) Berhad.

Tier 2 Capital

The Bank recognised an additional RM30 million for its Subordinated Bonds with the increase in Tier 1 capital.

**Capital Adequacy Ratios**

The Bank is required to comply with core capital ratio of 4% and risk-weighted capital ratio of 8% prescribed by BNM. The Bank was in compliance with all prescribed capital ratios throughout the period.

The Bank's capital adequacy ratios remained strong. The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2010, determined according to the requirements of BNM Guidelines – Capital Adequacy Framework for Islamic Banks (CAFIB-Basel II).

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**40. CAPITAL ADEQUACY (continued)**

Components of Tier-1 and Tier-2 capital are as follows:	<b>Basel II 2010 RM'000</b>	<b>Basel I 2009 RM'000</b>
<u>Tier-1 capital</u>		
Paid-up share capital	85,000	65,000
Share premium	170,000	130,000
Retained profit	18,819	6,897
Other reserves	20,582	8,660
	<u>294,401</u>	<u>210,557</u>
Less: Deferred tax assets	(10,205)	(11,206)
Total Tier-1 capital	<u>284,196</u>	<u>199,351</u>
<u>Tier-2 capital</u>		
Collectively assessed allowance (2009: General allowance)	8,013	38,715
Subordinated bonds	142,098	99,675
Others	7,811	-
Total Tier-2 capital	<u>157,922</u>	<u>138,390</u>
Capital base	<u>442,118</u>	<u>337,741</u>
Risk weighted assets	2,842,353	2,573,754
<u>Capital Ratios before the effects of PSIA</u>		
Core-capital ratio	9.30%	7.35%
Risk-weighted capital ratio	14.47%	12.45%
<u>Capital Ratios after the effects of PSIA</u>		
Core-capital ratio	10.00%	7.74%
Risk-weighted capital ratio	15.55%	13.12%
Breakdown of risk-weighted assets ("RWA") in the various categories of risk-weights:		
	<b>Basel II 2010 RM'000</b>	<b>Basel I 2009 RM'000</b>
Credit risk	2,668,660	2,546,361
Market risk	14,447	27,393
Operational risk	159,246	-
	<u>2,842,353</u>	<u>2,573,754</u>

In accordance with BNM's "Guidelines on the Recognition and Measurement of Profit Sharing Investment Account (PSIA) as Risk Absorbent", the credit and market risks of the assets funded by the RPSIA which qualifies as risk absorbent are excluded from the risk weighted capital ratio ("RWCR") calculation. As at 31 December 2010, RPSIA assets excluded from the RWCR calculation amounted to RM165 million (2009 : RM140 million).

With effect from 1 January 2010, the capital adequacy ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB-Basel II). The Bank has adopted the Internal Ratings Based Approach for Credit Risk for the major credit portfolios whilst the other credit portfolios are on Standardised Approach. For Market and Operational risk, the Bank has adopted the Standardised Approach and the Basic Indicator Approach, respectively.

The comparative figures are computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (RWCAF-Basel I) and have not been restated.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**41. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

**Adoption of FRS139, Financial Instruments: recognition and measurement**

The adoption of FRS139 has resulted in several changes to accounting policies relating to measurement of financial instruments. Significant changes in accounting policies are as follows:

Impairment of financing and advances

Prior to adoption of FRS 139, impairment loss on financing and advances were guided by BNM/GP3 Guidelines on Classification on Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. The adoption of Bank Negara Malaysia's (BNM) Circular: Guidelines on Financial Reporting for Licensed Islamic Banks (GP8-i) has already aligned certain requirements related to the recognition, derecognition, measurement and presentation of financial instruments and derivative instruments. Impaired financing and advances are measured at their estimated recoverable amount. Based on these, prior to 1 January 2010, the Bank reduced the value of collaterals in the assessment of recoverable amounts if the financing and advances has been considered as non performing for more than 5 years. In addition, for specific financing, the Bank also considered the period in arrears of financing and advances in determining the level of allowance to be made.

The adoption of FRS 139 on 1 January 2010 has resulted in changes in accounting policies mainly pertaining to the impairment of financing and advances. The Bank now assess, at the end of each reporting period, whether there is any objective evidence that an individual or a group of financing and advances were impaired, as a result of one or more events that have occurred after the initial recognition. Allowances for impaired financing are determined either via basis of individual assessment or collective assessment.

Pursuant to the adoption of FRS 139, there is no adjustment to the Bank's retained earnings. The Bank's existing accounting policies relating to the assessment of impairment of financial assets are largely in line with those prescribed in FRS 139.

Adoption of FRS 101(revised), Presentation of Financial Statements

The Bank applies FRS101 (revised) which became effective as of 1 January 2010. As a result, the Bank presents all non-owner changes in equity in the statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010 (continued)**

**41. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (continued)**

Adoption of FRS 7, Financial Instruments: Disclosure

The adoption of FRS 7 has resulted in changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and financial liabilities. The disclosure of comparative figures in the statement of financial position and the income statement have been restated to conform with the current year's presentation except for the following comparative figures in the following notes as allowed in FRS 7:

Note 7	Impaired Financing and Advances
Note 34	Profit Rate Risk
Note 36	Currency Risk
Note 37	Credit Risk
Note 39	Financial Assets and Liabilities

**42. COMPARATIVE FIGURES**

Certain comparative figures have been restated to conform to current year's presentation.

<b>Balance sheet as at 31 December 2009</b>	<b>As previously reported RM'000</b>	<b>As restated RM'000</b>
Derivative asset	-	3,983
Other assets	233,113	229,130
Deposits from customers	3,720,288	3,721,948
Deposits and placements of financial institutions	559,552	599,552
Derivative liabilities	-	4,321
Other liabilities	162,397	116,416
<b>Cash Flow Statement as at 31 December 2009</b>	<b>As previously reported RM'000</b>	<b>As restated RM'000</b>
<b>Cash Flows from Operating Activities</b>		
<i>(Increase)/Decrease in Operating Assets:</i>		
Derivative assets	-	(3,106)
Other assets	-	(214,330)
Statutory deposits with Bank Negara Malaysia	-	60,500
Other assets and statutory deposits with Bank Negara	(156,936)	-
<i>Increase/(Decrease) in Operating Liabilities:</i>		
Deposits from customers	984,341	1,029,364
Derivative liabilities	-	3,444
Other liabilities	(102,976)	(151,443)

**43. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 February 2011.