

OCBC AL-AMIN BANK BERHAD

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

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2009

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 2009

The Directors hereby submit their report and the audited financial statements of the Bank for the financial year ended 31 December 2009.

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 Syariah principles.

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

FINANCIAL RESULTS

	2009 RM'000
Profit before taxation and zakat	23,850
Taxation and zakat	<u>(6,531)</u>
Net profit attributable to shareholders	<u>17,319</u>

DIVIDENDS

No dividends have been paid or declared by the Bank since the end of the previous financial period. The Directors do not recommend payment of any dividend in respect of the current financial year ended 31 December 2009.

SHARE CAPITAL

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

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 and notes to 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 actions had been taken in relation to the writing off of bad debts and financing and the making of allowance for 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 2009 (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 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, which would render any amount stated in the financial statements misleading.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Bank during the financial 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.

FINANCIAL PERFORMANCE

The Bank recorded a profit after taxation and zakat of RM17.3 million for the financial year ended 31 December 2009 as compared to a loss after taxation and zakat of RM1.8 million in the previous year. The comparative results for 31 December 2008 only represented 1 month performance as the Bank only commenced its operations with effect from 1 December 2008.

Gross financing assets stood at RM2.2 billion and total assets increased by RM1.1 billion or 30.5% to RM4.9 billion mainly due to higher gapping activity in interbank money market and higher investments in available-for-sale securities. As at 31 December 2009, the quality of the Bank's financing assets remained strong with a net non-performing financing ratio of 0.67%.

Deposits from customers registered a strong growth of RM1.0 billion or 38.2% to RM3.7 billion mainly from corporate deposits.

Shareholders' funds strengthened to RM210.3 million and the Bank is well capitalised with a core capital ratio of 7.74% and risk weighted capital ratio of 13.12%.

ACTIVITIES AND ACHIEVEMENTS

With slightly over a year following the commencement of operations on 1 December 2008, the Bank continued its steady rise with the rolling out of four new branches in 2009. Its flagship branch, complete with a SME Center was opened in Kota Damansara in November 2009. The remaining 3 branches opened during the year are located in Wangsa Maju, Kuala Lumpur; Sungai Petani, Kedah and Skudai, Johor.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)

ACTIVITIES AND ACHIEVEMENTS (continued)

Innovative shariah compliant offerings introduced during the year were structured within the principles of Mudharabah, Murabahah and Musharakah. Besides the offering of cash management solutions for SMEs, Manarat Home-i; a new home financing package based on the principles of Musharakah Mutanaqisah or Diminishing Partnership was introduced in September 2009.

MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2010

The Bank's focus for 2010 will be on (i) Islamic wealth management for consumer which includes deposit products and unit trusts, (ii) personal and home financing for consumer, (iii) Islamic cash management solutions for business, (iv) financing and trade services products for business, and (v) Treasury and Investment banking.

The Bank expects continued strong growth in financing asset and wealth management products and services in 2010, across all business and consumer segments. Building on the 2009 achievements, the Bank expects strong momentum to carry through 2010, where the deposit and financing base is expected to grow stronger.

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 the existing clientele. The Bank is also expected to leverage on infrastructure within OCBC Group and strong OCBC brand name to broaden its customer base and retain its 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 comprised of nine Directors, of whom four are independent Directors, four non-independent non-executive Directors and an executive Director. The Independent Directors are Tan Sri Dato' Nasruddin Bin Bahari (Chairman of the Bank), 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 and Mr Chew Sun Teong. Tuan Syed Abdull Aziz Jailani Bin Syed Kechik is an Executive Director and Chief Executive Officer (CEO) of the Bank.

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

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

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

Some of the Directors are also members of the Board Audit Committee, 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.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)

CORPORATE GOVERNANCE (continued)

Board Conduct and Responsibilities

The Board is elected by the shareholder to supervise the management of business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best 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 includes background information and matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management monthly reports, budgets, forecasts and reports of variance from budgets and forecasts.

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

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

Board Performance

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

Board Audit Committee

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

The 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 of Directors approved the Terms of Reference of the Board Audit Committee. The Committee has full access to, and cooperation from management, and has the discretion to invite any Directors and executive officers to attend its meetings. The 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.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)

CORPORATE GOVERNANCE (continued)

Board Audit Committee (continued)

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, related party transactions and the auditors' report thereon and submits them to the Board of Directors. In addition to the review of the financial statements, the Committee reviews and evaluates with the internal auditors and external auditors, the adequacy of the systems of internal controls, governance procedures, risk management and compliance. The reviews include the scope and results of the audits, the cost effectiveness of the audits, and the independence and objectivity of the auditors.

The Board Audit Committee has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Bank and 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 effectiveness of risk management, control, and governance processes. 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 (GP10) of Bank Negara Malaysia, as well as other applicable local regulatory requirements for Internal Audit.

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

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

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

The 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.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)

CORPORATE GOVERNANCE (continued)

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 SYARIAH ADVISOR

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

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

MANAGEMENT INFORMATION

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

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

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)

CORPORATE GOVERNANCE (continued)

DIRECTORS' ATTENDANCE AT BOARD MEETINGS IN 2009

Name of Director	Number of meetings attended in 2009							
	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	1	1	6	6
David Conner	6	4	-	-	1	-	6	4
Ching Wei Hong	6	6	-	-	-	-	6	6
Soon Tit Koon	6	6	-	-	1	1	6	6
Tan Siok Choo	6	6	6	6	1	1	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	-	-	-	-	-	-

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

FURTHER INFORMATION ON DIRECTORS

Profile on Board of Directors

Tan Sri Dato' Nasruddin Bin Bahari, Chairman

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

Mr David Conner

Mr David Conner was appointed to the Board on 1 August 2008. He has extensive banking experience in the Asia Pacific region, having worked for over 25 years with Citibank, N.A. where he served as Managing Director and Market Manager for Citibank Japan from 1999. He was also Chief Executive Officer of Citibank India from 1996 to 1999 and prior to that was Country Corporate Officer for Citibank's Singapore operations. He joined Oversea-Chinese Banking Corporation Limited ("OCBCL") in April 2002 as a Director and Group Chief Executive Officer and is presently Chairman of Bank of Singapore Limited, a Commissioner of 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.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)

CORPORATE GOVERNANCE (continued)

FURTHER INFORMATION ON DIRECTORS (continued)

Profile on Board of Directors (continued)

Mr Ching Wei Hong

Mr Ching was appointed to the Board on 1 August 2008. He is also the Senior Executive Vice President of OCBC. He oversees the Group's Finance, Operations and Technology functions. His responsibilities as Chief Financial Officer include capital management, financial and management accounting, legal and regulatory compliance and investor relations. As Head of Group Operations and Technology, he oversees the Group's transaction processing and technology operations. Mr Ching has more than 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 a Director of OCBCM, Network for Electronic Transfers (S) Pte Ltd (NETS), E2 Power Pte Ltd, E2 Power Sdn Bhd and OCBC Overseas Investment Pte Ltd.

Mr Soon Tit Koon

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

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 been admitted as a Barrister-at-law in Lincoln's Inn, London and the Malaysian Bar. She is presently Vice-President and Editor of Noordin Sophe & Associates Sdn Bhd and a visiting fellow at the Institute of Strategic and International Studies (ISIS) with specific interests in the Malaysian economy, the financial sector and capital markets. She also serves as a Director of OCBCM and United Malacca Bhd. She has extensive experience in the financial services industry, having worked for almost 10 years in stockbroking and banking – as a senior research analyst for Rashid Hussain Securities, senior investment analyst at Morgan Grenfell Asia & Partners' Securities and Head of Corporate Finance at Southern Bank Berhad.

Mr David Wong Cheong Fook

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

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)

CORPORATE GOVERNANCE (continued)

FURTHER INFORMATION ON DIRECTORS (continued)

Profile on Board of Directors (continued)

Dr Raja Lope Bin Raja Shahrome

Dr Raja Lope was appointed to the Board on 1 August 2008. He holds an Honours Degree in Economics from the University of Malaya in Singapore, 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 Jeffrey Chew Sun Teong

Mr Jeffrey Chew was appointed to the Board on 17 September 2008. He has vast experience in banking. He is also a Director and the Chief Executive Officer of OCBCM and Director of E2 Power Sdn Bhd, PacificMas Berhad and Pac Lease Sdn Bhd 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 Berhad. During his 12-year career with Citibank, he held various positions in the areas of customer relationship in corporate, commercial and SMEs, international offshore banking 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. He 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 holds a Bachelor of Science degree in Business Administration from Boston University, Massachusetts, USA specialising in Accounting and Management Information System. He began his career in banking in 1990 as a management associate in risk management division at Citibank Malaysia Berhad ("Citibank"). During his 12 years with Citibank, he focused mainly on corporate banking, corporate finance and risk management. His last position in Citibank was Vice President and Head of Malaysian Business Group. In November 2002, he joined RHB Bank Berhad as General Manager of Chief Credit Officer Division. Later in June 2004, he joined Bank Muamalat Malaysia Berhad (Malaysia's second full-fledged Islamic Bank) as the Head of Corporate Banking and later promoted to head the larger Corporate and Investment Banking Division ("CIB") following a re-organisational exercise undertaken by the bank. As the Head of CIB Division, his duties and responsibilities cover all the business departments which include investment banking, corporate banking, commercial and SME banking, financial institutions and trade finance. He later assumed the role of a Chief Operating Officer and an Acting Chief Executive Officer in March 2008.

**OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (continued)

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 Philbrick 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

In accordance with Articles 106 and 107 of the Bank's Articles of Association, Mr Ching Wei Hong and Mr David Wong Cheong Fook shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, 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

	Shareholdings registered in the name of Directors or in which Directors have a direct interest			
	<u>As at 1.1.2009</u>	<u>Acquired</u>	<u>Disposal</u>	<u>As at 31.12.2009</u>
David Conner	1,120,542	342,552	130,000	1,333,094
Ching Wei Hong	50,531	18,420	20,000	48,951
Soon Tit Koon	211,802	70,689	185,000	97,491
Tan Sri Dato' Nasruddin Bin Bahari	19,200	-	-	19,200
David Wong Cheong Fook	28,400	6,362	6,000	28,762
Chew Sun Teong	17,917	31,917	45,000	4,834

OCBC AL-AMIN BANK BERHAD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (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			
	As at 1.1.2009	Acquired	Disposal	As at 31.12.2009
<u>Class G Preference Shares</u>				
David Conner	50,000	-	-	50,000
<u>Class B Preference Shares</u>				
Ching Wei Hong	2,500	-	-	2,500
<u>OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan</u>				
	As at 1.1.2009	Acquired	Disposal	As at 31.12.2009
David Conner	401,493	483,794	106,320	778,967
Ching Wei Hong	65,792	53,498	15,548	103,742
Soon Tit Koon	226,244	136,798	67,022	296,020
Tan Siok Choo (f)	3,530,550	155,923	-	3,686,473
Chew Sun Teong	38,525	37,593	6,823	69,295
<u>Class G Preference Shares</u>				
Tan Siok Choo (f)	735,532	-	-	735,532

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				
	As at 1.1.2009	Offered	Exercised	As at 31.12.2009	Date options expire
David Conner	3,845,000	-	792,000	3,053,000	8/4/2012 - 13/3/2018
Ching Wei Hong	252,280	75,000	-	327,280	14/3/2014 - 15/3/2019
Soon Tit Koon	848,000	100,000	-	948,000	8/4/2012 - 15/3/2019
Chew Sun Teong	102,000	40,000	25,000	117,000	13/3/2016 - 15/3/2019

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (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 1.2009</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at 31.12.2009</u>
Non-cumulative				
non-convertible guaranteed				
<u>OCC-A-Preference Shares</u>				
Soon Tit Koon	10,000	-	-	10,000
Non-cumulative				
non-convertible guaranteed				
<u>OCC (2008) Preference Shares</u>				
David Wong Cheong Fook	200	-	-	200

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 22 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 COMPANIES

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

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (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 2 March 2010.

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 61 are drawn up in accordance with the provisions of the Companies Act, 1965, and Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Bank as at 31 December 2009 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 2 March 2010.

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 61 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 2 March 2010) YUEN SOOK CHENG

Before me,

TAN BOON CHUA
COMMISSIONER FOR OATHS

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

SYARIAH COMMITTEE'S REPORT

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

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

We have reviewed the principles and contracts relating to the transactions and applications undertaken by the Bank during the financial year ended 31 December 2009. We have also conducted our review to form an opinion as to whether the Bank has complied with Syariah rules and relevant resolutions and rulings made by the Syariah Advisory Councils of the regulatory bodies.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Syariah rules and 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 2009, that we have reviewed are in compliance with the Syariah rules and principles.
- (b) The main sources and investments of the Bank disclosed to us conform to the basis that had been approved by us in accordance with the Syariah rules and principles.

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

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

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

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

Kuala Lumpur, Malaysia
Date: 2 March 2010

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

Company No. 818444-T
(Incorporated in Malaysia)

Reports on the Financial Statements

We have audited the financial statements of OCBC Al-Amin Bank Berhad, which comprise the balance sheet as at 31 December 2009, and the income statement, 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 61.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Bank as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

Company No. 818444-T

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

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

Petaling Jaya, Selangor
Date: 2 March 2010

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
ASSETS			
Cash and short-term funds	3	1,344,923	656,635
Available-for-sale securities	4	1,140,553	833,128
Financing and advances	5	2,112,137	2,130,278
Other assets	6	233,113	15,285
Statutory deposits with Bank Negara Malaysia	7	23,500	84,000
Property, plant and equipment	8	6,543	1,934
Deferred tax assets	9	11,296	12,642
Tax recoverable		143	-
TOTAL ASSETS		4,872,208	3,733,902
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	10	3,720,288	2,691,021
Deposits and placements of financial institutions	11	559,552	313,800
Bills and acceptances payable		19,674	14,102
Subordinated bond	12	200,000	200,000
Other liabilities	13	162,397	318,416
Zakat		10	15
TOTAL LIABILITIES		4,661,921	3,537,354
Financed by:			
Share capital	14	65,000	65,000
Reserves	15	145,287	131,548
Shareholders' Equity		210,287	196,548
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,872,208	3,733,902
COMMITMENTS AND CONTINGENCIES			
	27	1,145,428	1,093,750

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

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
Income derived from investment of depositors' funds	16	165,939	15,758
Allowance for losses on financing and advances	17	(27,288)	(9,809)
Transfer from profit equalisation reserve (net)	13	8,088	3,619
Total attributable income		146,739	9,568
Income attributable to depositors	18	(71,802)	(7,765)
Income attributable to shareholders		74,937	1,803
Income derived from the investment of shareholder's funds	19	19,435	1,493
Total net income		94,372	3,296
Personnel expenses	20	(13,697)	(1,096)
Other overhead expenses	21	(56,825)	(4,536)
Profit/(Loss) before zakat and taxation		23,850	(2,336)
Taxation	25	(6,521)	574
Zakat		(10)	-
Net profit/(loss) for the financial year/period		17,319	(1,762)
Basic earnings/(loss) per share (sen)	26	26.6	(23.1)
Dividend per ordinary share		-	-

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

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	-----Attributable to Equity Holders of the Bank -----					Total Equity RM'000
	Non-distributable Reserves				Distributable Reserves	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair value Reserve RM'000	Retained Profit/(Loss) RM'000	
Balance at 1 January 2009	65,000	130,000	-	3,310	(1,762)	196,548
Revaluation loss on available-for-sale securities (net)	-	-	-	(12,819)	-	(12,819)
Deferred tax on revaluation of available-for-sale securities	-	-	-	1,193	-	1,193
Realised gain on available-for-sale securities reclassified to income statement upon disposal	-	-	-	8,046	-	8,046
Net losses recognised directly in equity	-	-	-	(3,580)	-	(3,580)
Net profit for the year	-	-	-	-	17,319	17,319
Transfer to statutory reserve	-	-	8,660	-	(8,660)	-
Balance at 31 December 2009	65,000	130,000	8,660	(270)	6,897	210,287

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

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

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	21.05.2008 (Date of incorporation) to 31.12.2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before zakat and taxation		23,850	(2,336)
Adjustments for:			
Net losses from sale of available-for-sale securities		8,046	-
Property, plant and equipment written off		51	-
Depreciation of property, plant and equipment		1,392	36
Allowance for losses on financing and advances		27,288	9,809
Profit equalisation reserve		(8,088)	(3,619)
Amortisation of premium less accretion of discount		3,755	179
Unrealised gains on revaluation of derivatives (net)		(421)	(120)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		55,873	3,949
Decrease/(Increase) in Operating Assets:			
Financing and advances		(9,147)	(49,094)
Other assets and statutory deposits with Bank Negara Malaysia		(156,936)	829,999
Increase/(Decrease) in Operating Liabilities:			
Deposits from customers		984,341	305,204
Deposits and placements of financial institutions		245,752	(126,736)
Bills and acceptances payable		5,572	10,801
Other liabilities		(102,976)	(260,940)
Cash generated from operations		1,022,479	713,183
Income tax and zakat paid		(4,140)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,018,339	713,183
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of available-for-sale securities		(323,999)	(86,655)
Purchase of property, plant and equipment		(6,052)	(1,970)
NET CASH UTILISED IN INVESTING ACTIVITIES		(330,051)	(88,625)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		-	195,000
Proceeds from issuance of Islamic subordinated bonds		-	200,000
Net cash paid pursuant to business vested over from OCBCM		-	(362,923)
NET CASH GENERATED FROM FINANCING ACTIVITIES		-	32,077
NET INCREASE IN CASH AND CASH EQUIVALENTS		688,288	656,635
CASH AND CASH EQUIVALENT AT BEGINNING OF FINANCIAL YEAR/ DATE OF INCORPORATION		656,635	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR/ PERIOD	3	1,344,923	656,635

The accounting policies and 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 2009

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 245 (2008:110) staff of which 135 (2008: 40) were seconded from the immediate holding company.

The immediate and ultimate holding company of the Bank is OCBC Bank (Malaysia) Berhad ("OCBCM") and Oversea-Chinese Banking Corporation Limited ("OCBCL"), a licensed commercial bank incorporated in Singapore, respectively. The Bank was incorporated on 21 May 2008 and commenced its operations with effect from 1 December 2008.

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

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 the provisions of the Companies Act, 1965, Syariah principles and Financial Reporting Standards (FRS) issued by the Malaysian Accounting Standards Board (MASB) as modified by Bank Negara Malaysia Guidelines.

The following Financial Reporting Standards ("FRS"), amendments to FRSs, IC Interpretations, Technical Release and Statement of Principle (SOP) have been issued by the MASB and are effective from 1 January 2010 with the exception of FRS 8 which is effective from 1 July 2009. FRS 8 is not applicable to the Bank in preparing the financial statements for the year ended 31 December 2009.

	Effective Date	Date of adoption by the Bank
FRS 4 Insurance Contracts	1 January 2010	Not applicable
FRS 7 Financial Instruments: Disclosures	1 January 2010	1 January 2010
FRS 8 Operating Segments	1 July 2009	Not applicable
FRS 101 Presentation of Financial Statements	1 January 2010	1 January 2010
FRS 123 Borrowing Costs	1 January 2010	1 January 2010
FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010	1 January 2010
Amendments to FRS 2, Share-based Payment : Vesting Conditions and Cancellations	1 January 2010	Not applicable
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010	1 January 2010
Amendments to FRS 132, Financial Instruments : Presentation and FRS 101, Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2010	1 January 2010
Amendments to FRS 139, Financial Instruments : Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010	1 January 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010	1 January 2010

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

		Effective Date	Date of adoption by the Bank
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010	Not applicable
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010	Not applicable
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010	1 January 2010
SOP i-1	Financial Reporting from an Islamic Perspective	1 January 2010	1 January 2010

The impact of applying FRS 7 and FRS 139 on the financial statements upon first adoption as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

The initial application of the other applicable standards, amendments and interpretations, technical releases and SOP is not expected to have any material impact on the financial statements or any material change in accounting policy of the Bank.

Subsequent to the end of the financial year, on 8 January 2010, the MASB issued the following FRSs, IC Interpretations and Amendments to FRSs :

		Effective Date	Date of adoption by the Bank
FRS 1(revised)	First-time Adoption of Financial Reporting Standards	1 July 2010	1 July 2010
FRS 3 (revised)	Business Combinations	1 July 2010	1 July 2010
FRS 127 (revised)	Consolidated and Separate Financial Statements	1 July 2010	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010	Not applicable
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010	Not applicable
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010	Not applicable
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010	Not applicable
Amendments to FRS 2	Share-based Payment	1 July 2010	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010	1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010	1 January 2010
Amendments to IC Interpretation 9,	Reassessment of Embedded Derivatives	1 July 2010	1 July 2010

The adoption of the applicable FRSs, amendments to FRSs and IC Interpretations is not expected to have a significant financial impact on the Bank, other than the Amendments to FRS 139.

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

The Amendments to FRS 139 include an additional transitional arrangement for entities in the financial services sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment for banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding loans/financing, net of individual impairment provision. Subject to the prior written approval from BNM, banking institutions are allowed to maintain a lower collective impairment assessment provision.

B. RECOGNITION OF FINANCING INCOME

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

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

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

C. RECOGNITION OF FEES AND OTHER INCOME

Processing fees from financing and commissions are recognised as income when all conditions precedent are fulfilled.

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

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

D. ALLOWANCE FOR BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

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

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ALLOWANCE FOR BAD AND DOUBTFUL DEBTS AND FINANCING (continued)

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

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

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

For financing funded by investors of the Restricted Profit Sharing Investment Accounts ('RPSIA'), the Bank will account for the specific allowance and general allowance on non-performing financing as the fund manager. RPSIA depositors are contractually bound to bear the risk and rewards under the principle of mudharabah which states profits will be shared with the Bank as mudarib and losses shall be borne by the RPSIA depositors. Therefore, the specific allowance amount will be reversed to reflect the transfer of the potential loss to the RPSIA depositors.

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

E. SECURITIES

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

(i) Held-for-Trading Securities

Held-for-trading securities are securities acquired and held with the intention of resale in the short term. These securities are recorded at its initial fair value and subsequently re-measured to their fair value on the balance sheet. Fair value is derived from market indicative quotes (e.g. brokers, information service providers, BNM) or valuation techniques. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all net long positions are marked to bid prices. All realised and unrealised gains and losses arising from revaluing that contract to fair value are included in the income statement. Reclassification of securities in and out of held-for-trading portfolio is disallowed. However, for the period from 1 July 2008 to 31 December 2009, BNM's circular dated 20 October 2008 allows the reclassification of securities held-for-trading to securities available-for-sale and securities held-to-maturity under certain limited circumstances.

(ii) Available-for-Sale Securities

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

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

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. SECURITIES (continued)

(ii) Available-for-Sale Securities (continued)

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

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

F. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

The principal annual rates are:-

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

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

G. BILLS AND ACCEPTANCES PAYABLE

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

H. CURRENCY TRANSLATIONS AND CONVERSION

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

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

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CURRENCY TRANSLATIONS AND CONVERSION (continued)

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

	<u>2009</u>	<u>2008</u>
	RM	RM
Foreign currency		
1 US Dollar	3.42	3.46
1 Australian Dollar	3.08	2.40
1 Singapore Dollar	2.45	2.41
100 Japanese Yen	3.71	3.84

I. TAXATION

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

(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 balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

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

Deferred tax liability is recognised for all taxable temporary differences.

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

J. ZAKAT CONTRIBUTION

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

K. PROVISIONS

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

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

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. IMPAIRMENT

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

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

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

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

M. EMPLOYEE BENEFITS

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

a) Deferred Share Plan

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

b) Share Option Scheme

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

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. EMPLOYEE BENEFITS (continued)

(iii) Equity compensation benefits (continued)

c) Employee Share Purchase Plan

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

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

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

N. CASH AND CASH EQUIVALENTS

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

O. 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.

P. 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.

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

- a) Section D – Allowance for Bad and Doubtful Debts and Financing
- b) Note 27 – Commitments and Contingencies
- c) Note 34 – Fair Value of Financial Instruments and Section R - Derivatives

R. DERIVATIVES

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

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

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

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

3. CASH AND SHORT-TERM FUNDS

	2009	2008
	RM'000	RM'000
Cash and balances with financial institutions	29,923	3,565
Money at call and deposit placements maturing within one month	1,315,000	653,070
	<u>1,344,923</u>	<u>656,635</u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

4. AVAILABLE-FOR-SALE SECURITIES

	2009	2008
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	174,583	451,642
Islamic Private Debt Securities	324,049	307,203
Islamic Negotiable Instruments of Deposits	621,825	74,283
Cagamas Sanadat Bonds	20,096	-
	<u>1,140,553</u>	<u>833,128</u>

5. FINANCING AND ADVANCES

	2009	2008
	RM'000	RM'000
i) By type of financing and advances		
Cash financing	333,541	385,085
Term financing :		
- House financing	95,632	119,451
- Syndicated term financing	355,780	217,705
- Hire purchase receivables	546,451	632,603
- Other term financing	499,753	520,693
Bills receivables	14,141	10,242
Trust receipts	-	415
Revolving credits	365,446	364,599
Customer's liability under acceptance credits	213,116	245,594
Other financing	21,442	7,579
Less : Unearned income	(255,198)	(304,579)
Gross financing and advances	<u>2,190,104</u>	<u>2,199,387</u>
Less : Allowance for bad and doubtful financing		
- specific	(39,252)	(35,592)
- general	(38,715)	(33,517)
Net financing and advances	<u>2,112,137</u>	<u>2,130,278</u>

	2009	2008
	RM'000	RM'000
ii) Financing analysed by concepts		
Al-Ijarah Thumma Al Bai	498,825	632,603
Al-Qardhul Hassan	503	450
Bai' Bithaman Ajil	772,030	866,721
Bai' Inah	245,784	277,221
Al-Murabahah	221,534	253,589
Other principles	451,428	168,803
	<u>2,190,104</u>	<u>2,199,387</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

5. FINANCING AND ADVANCES (continued)

	2009	2008
	RM'000	RM'000
iii) Financing by type of customer		
Domestic non-bank financial institutions		
- Others	10,054	-
Domestic business enterprises		
- Small and medium enterprises	344,211	394,410
- Others	1,456,214	1,448,009
Individuals	309,505	355,564
Foreign entities	70,120	1,404
	<u>2,190,104</u>	<u>2,199,387</u>
iv) Financing by profit rate sensitivity		
Fixed rate		
- House financing	57,543	71,516
- Hire purchase receivables	498,825	573,460
- Other fixed rate financing	912,510	1,245,139
Variable rate		
- Other variable rates	721,226	309,272
	<u>2,190,104</u>	<u>2,199,387</u>
v) Financing by sector		
Agriculture	576,461	486,309
Mining and quarrying	25,807	33,558
Manufacturing	602,046	680,774
Construction	143,444	114,534
Real estate	95,861	168,198
Wholesale & retail trade and restaurants & hotels	171,696	149,842
Transport, storage and communication	136,948	134,581
Finance, insurance and business services	42,418	29,939
Community, social and personal services	15,010	40,308
Households, of which :		
i. Purchase of residential properties	60,484	75,401
ii. Purchase of non-residential properties	2,437	1,719
iii. Others	247,501	279,418
Others	69,991	4,806
	<u>2,190,104</u>	<u>2,199,387</u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

5. FINANCING AND ADVANCES (continued)

(vi) Movements in non-performing financing and advances ("NPF") are as follows :-

	2009	2008
	RM'000	RM'000
At 1 January/date of incorporation	43,947	-
Amount vested over from OCBCM	-	43,206
Non-performing during the year/period	51,373	3,420
Reclassified as performing during the year/period	(11,137)	(817)
Amount recovered	(8,318)	(629)
Amount written off	(22,267)	(1,233)
At 31 December	<u>53,598</u>	<u>43,947</u>
Specific allowance	<u>(39,252)</u>	<u>(35,592)</u>
Net non-performing financing and advances	<u>14,346</u>	<u>8,355</u>
Net NPF as % of gross financing and advances less specific allowance	<u>0.67%</u>	<u>0.39%</u>

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

	2009	2008
	RM'000	RM'000
<u>General allowance</u>		
At 1 January/date of incorporation	33,517	-
Amount vested over from OCBCM	-	32,901
Allowance made during the year/period (Note 17)	5,198	616
At 31 December	<u>38,715</u>	<u>33,517</u>
As % of gross financing and advances less specific allowance	<u>1.80%</u>	<u>1.55%</u>

	2009	2008
	RM'000	RM'000
<u>Specific allowance</u>		
At 1 January/date of incorporation	35,592	-
Amount vested over from OCBCM	-	27,340
Allowance made during the year/period (Note 17)	41,024	10,412
Amount written back in respect of recoveries (Note 17)	(15,097)	(927)
Amount written off	(22,267)	(1,233)
At 31 December	<u>39,252</u>	<u>35,592</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 on the business venture and will account for all the specific allowances for bad and doubtful debts arising thereon.

As at 31 December 2009, the gross exposure to RPSIA financing is RM140 million (2008 : Nil) and the general allowance relating to this RPSIA of RM2.5 million (2008: Nil) is recognised in the financial statements of the Bank.

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

5. FINANCING AND ADVANCES (continued)

Non-performing financing and advances analysed by sector are as follows:

	2009	2008
	RM'000	RM'000
Agriculture	203	252
Manufacturing	28,085	21,082
Construction	5,395	4,255
Real estate	96	109
Wholesale & retail trade and restaurants & hotels	3,861	3,395
Transport, storage and communication	694	680
Finance, insurance and business services	195	-
Community, social and personal services	273	227
Households, of which:		
i. Purchase of residential properties	3,358	4,375
ii. Purchase of non-residential properties	64	3
iii. Others	11,374	9,569
	<u>53,598</u>	<u>43,947</u>

6. OTHER ASSETS

	2009	2008
	RM'000	RM'000
Profit receivable	6,229	7,482
Derivative assets (a)	3,983	877
Other debtors, deposits and prepayments	15,147	6,926
Shared service fee receivable from holding company (Note 24)	68	-
Amount due from holding company* (Note 24)	207,686	-
	<u>233,113</u>	<u>15,285</u>

* 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.

(a) Details of derivatives are as follows:

	2009			2008		
	Contract or underlying	Fair value		Contract or underlying	Fair value	
	principal amount RM'000	Asset RM'000	Liability RM'000	principal amount RM'000	Asset RM'000	Liability RM'000
Financial derivatives						
Trading:						
Foreign exchange derivatives						
- currency option	443,879	3,979	4,317	104,719	873	873
Equity related contracts	76,838	4	4	77,718	4	4
	<u>520,717</u>	<u>3,983</u>	<u>4,321</u>	<u>182,437</u>	<u>877</u>	<u>877</u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

7. 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.

8. PROPERTY, PLANT AND EQUIPMENT

	Note	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Total RM'000
2009					
<u>Cost</u>					
At 1 January		639	631	700	1,970
Additions		1,934	1,216	2,360	5,510
Purchase from holding company		509	33	-	542
Write-offs		(51)	-	-	(51)
At 31 December		<u>3,031</u>	<u>1,880</u>	<u>3,060</u>	<u>7,971</u>
<u>Accumulated depreciation</u>					
At 1 January		18	5	13	36
Depreciation charge for the year	21	826	131	435	1,392
At 31 December		<u>844</u>	<u>136</u>	<u>448</u>	<u>1,428</u>
Carrying amounts as at 31 December		<u>2,187</u>	<u>1,744</u>	<u>2,612</u>	<u>6,543</u>

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

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

9. DEFERRED TAX ASSET

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

	2009	2008
	RM'000	RM'000
Deferred tax assets (before offsetting)	12,073	13,745
Deferred tax liabilities (before offsetting)	(777)	(1,103)
Deferred tax assets (after offsetting)	<u>11,296</u>	<u>12,642</u>

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

	Balance at 1 January 2009	Vested from OCBCM RM'000	Credit to reserves RM'000	(Debit)/Credit to income statement (Note 25) RM'000	Balance at 31 December 2009 RM'000
2009	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Excess of capital allowance over depreciation	1	-	-	(778)	(777)
General allowance on advances and financing	8,379	-	-	1,300	9,679
Unrealised losses on revaluation of available-for-sale securities	(1,103)	-	1,193	-	90
Other temporary differences	5,365	-	-	(3,061)	2,304
Total	<u>12,642</u>	<u>-</u>	<u>1,193</u>	<u>(2,539)</u>	<u>11,296</u>

	Balance at 21 May 2008	Vested from OCBCM RM'000	Debit to reserves RM'000	Credit income statement (Note 25) RM'000	Balance at 31 December 2008 RM'000
2008	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Excess of capital allowance over depreciation	-	-	-	1	1
General allowance on advances and financing	-	8,226	-	153	8,379
Unrealised gains on revaluation of available-for-sale securities	-	-	(1,103)	-	(1,103)
Other temporary differences	-	4,945	-	420	5,365
Total	<u>-</u>	<u>13,171</u>	<u>(1,103)</u>	<u>574</u>	<u>12,642</u>

10. DEPOSITS FROM CUSTOMERS

	2009	2008
	RM'000	RM'000
i) By type of deposit		
Non-Mudharabah Fund:		
Demand deposits	700,441	578,640
Savings deposits	310,479	280,710
Negotiable Instrument of Deposits	867,020	355,821
Structured investments	133,763	98,366
	<u>2,011,703</u>	<u>1,313,537</u>
Mudharabah Fund:		
General investment deposits	1,504,980	1,161,907
Islamic short term Mudharabah Investment	203,605	215,577
	<u>1,708,585</u>	<u>1,377,484</u>
Total deposits from customers	<u>3,720,288</u>	<u>2,691,021</u>

OCBC AL-AMIN BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

10. DEPOSITS FROM CUSTOMERS (continued)

	2009	2008
	RM'000	RM'000
ii) The deposits are sourced from the following customers:-		
Government and statutory bodies	286,907	16
Business enterprises	1,210,629	1,450,954
Individuals	455,664	433,116
Foreign entities	10,257	9,682
Others	1,756,831	797,253
	<u>3,720,288</u>	<u>2,691,021</u>

11. DEPOSITS AND PLACEMENTS OF FINANCIAL INSTITUTIONS

	2009	2008
	RM'000	RM'000
Non-Mudharabah Fund:		
Licensed banks	119,552	34,540
Mudharabah Fund:		
Licensed banks	440,000	105,000
Other financial institutions	-	174,260
	<u>440,000</u>	<u>279,260</u>
Total deposits and placements of financial institutions	<u>559,552</u>	<u>313,800</u>

Included in the deposits and placements of financial institutions is the Restricted Profit Sharing Investment Account ('RPSIA') placed by OCBCM amounting to RM140 million (2008: Nil) for tenures of more than 1 year at profit rates ranging from 3.58% to 3.61% 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.

12. 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.

13. OTHER LIABILITIES

	2009	2008
	RM'000	RM'000
Profit payable	14,229	13,226
Other accruals and charges*	92,232	221,436
Derivative liabilities (Note 6(a))	4,321	877
Profit Equalisation Reserves (a)	8,073	16,161
Amount due to holding company ** (Note 24)	-	22,556
Shared service fee payable to holding company (Note 24)	3,542	4,129
Other financing with holding company (Note 24)	40,000	40,031
	<u>162,397</u>	<u>318,416</u>

* Includes accruals for personnel costs.

** The amount due to holding company is unsecured, interest free and has been settled by cash payment in April 2009.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

13. OTHER LIABILITIES (continued)

	2009	2008
	RM'000	RM'000
a) <u>Profit Equalisation Reserve (PER)</u>		
At 1 January/date of incorporation	16,161	-
Amount vested over from OCBCM	-	19,780
Amount provided during the year/period	28,820	3,005
Amount written back during the year/period	(36,908)	(6,624)
Balance at 31 December	<u>8,073</u>	<u>16,161</u>

14. SHARE CAPITAL

	2009	2008
	RM'000	RM'000
Authorised:		
At 31 December	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January/date of incorporation	65,000	*
Additional shares issued to OCBCM	-	65,000
Balance at 31 December	<u>65,000</u>	<u>65,000</u>

* Issued and paid-up share capital at the date of incorporation (21 May 2008) is RM2

15. 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 under the Revised BNM/GP8 and its corresponding effect on deferred tax. This reserve is non-distributable and cumulative fair value adjustments will be reversed to the income statement upon disposal of the assets.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

16. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	31.12.2009	21.05.2008
	RM'000	(Date of incorporation) to 31.12.2008 RM'000
Income derived from investment of:		
(i) General investment deposits	58,352	6,003
(ii) Other funds	107,587	9,755
	<u>165,939</u>	<u>15,758</u>
	General Investment Deposits RM'000	Investment of other Funds RM'000
2009		
<u>Finance income and hibah:</u>		
Financing and advances	45,039	83,044
Available-for-sale securities	11,467	21,142
Money at call and deposits with financial institutions	5,801	10,694
	<u>62,307</u>	<u>114,880</u>
Amortisation of premium less accretion of discounts	(1,258)	(2,321)
	<u>61,049</u>	<u>112,559</u>
<u>Other operating losses</u>		
Net losses from sale of available-for-sale securities	(2,697)	(4,972)
	<u>58,352</u>	<u>107,587</u>
	General Investment Deposits RM'000	Investment of other Funds RM'000
2008		
<u>Finance income and hibah:</u>		
Financing and advances	4,451	7,232
Available-for-sale securities	931	1,513
Money at call and deposits with financial institutions	685	1,114
	<u>6,067</u>	<u>9,859</u>
Amortisation of premium less accretion of discounts	(64)	(104)
	<u>6,003</u>	<u>9,755</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

17. ALLOWANCE FOR LOSSES ON FINANCING AND ADVANCES

	31.12.2009	21.05.2008
	RM'000	(Date of incorporation) to 31.12.2008
		RM'000
Allowance for losses on financing and advances:		
Specific allowance		
- Made in the financial year/period	41,024	10,412
- Written back	(15,097)	(927)
General allowance		
- Made in the financial year/period	5,198	616
Bad debts and financing		
- Recovered	(3,837)	(292)
	<u>27,288</u>	<u>9,809</u>

18. INCOME ATTRIBUTABLE TO DEPOSITORS

	31.12.2009	21.05.2008
	RM'000	(Date of incorporation) to 31.12.2008
		RM'000
Deposits from customers		
- Mudharabah Fund	39,425	5,090
- Non Mudharabah Fund	20,129	1,837
Deposits and placements of financial institutions		
- Mudharabah Fund	12,174	692
- Non Mudharabah Fund	74	146
	<u>71,802</u>	<u>7,765</u>

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

	31.12.2009	21.05.2008
	RM'000	(Date of incorporation) to 31.12.2008
		RM'000
<u>Finance income and hibah:</u>		
Financing and advances	6,294	755
Money at call and deposits with financial institutions	810	116
Available-for-sale securities	1,602	158
	<u>8,706</u>	<u>1,029</u>
Amortisation of premium less accretion of discounts	(176)	(11)
	<u>8,530</u>	<u>1,018</u>
<u>Other operating income</u>		
Net losses from sale of available-for-sale securities	(377)	-
Net unrealised gains on revaluation of derivatives	421	120
Net losses arising from trading derivatives	(635)	-
Net gain/(losses) arising from dealing in foreign currency	741	(119)
<u>Fee and commission income:</u>		
Commission	4,589	221
Service charges and fees	6,166	253
	<u>19,435</u>	<u>1,493</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

20. PERSONNEL EXPENSES

	31.12.2009	21.05.2008
	RM'000	(Date of incorporation) to 31.12.2008
		RM'000
Salaries and wages	8,053	593
Allowances and bonuses	2,193	129
Equity compensation benefit (deferred share plan)	82	3
Defined contribution plan (EPF)	1,622	115
Others	1,747	256
Total	13,697	1,096

21. OTHER OVERHEAD EXPENSES

	31.12.2009	21.05.2008
	RM'000	(Date of incorporation) to 31.12.2008
		RM'000
Establishment costs	3,369	120
- Rental of premises	1,169	77
- Depreciation of property, plant and equipment	1,392	36
- Repair and maintenance	34	4
- Others	774	3
Marketing expenses	2,267	(464)
- Transport and travelling	319	24
- Advertising and business promotion	1,895	(499)
- Others	53	11
Administrative and general expenses	51,189	4,880
- Printing and stationery	412	15
- Postage and courier	290	4
- Telephone, telex and fax	473	3
- Legal and consultancy fees	531	27
- Shared service fees paid/payable to OCBCM (Note 24)	40,751	4,178
- Transaction processing fees paid/payable to related company (Note 24)	6,929	458
- Other administrative and general expenses	1,803	195
Total other overhead expenses	56,825	4,536

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

Directors' remuneration (Note 22)	749	55
Rental of premises	1,169	77
Auditors' remuneration	50	30
Property, plant and equipment written off	51	-
Depreciation of property, plant and equipment	1,392	36

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

22. 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/period are as follows:

	31.12.2009	21.05.2008
	RM'000	(Date of incorporation)
		to 31.12.2008
		RM'000
Executive Director (CEO)		
- Salary	567	47
- Defined contribution retirement plan (EPF)	90	8
- Benefits-in-kind (BIK)	4	-
- Other employee benefits	3	-
	<u>664</u>	<u>55</u>
Non-Executive Directors		
- Fees	89	-
	<u>89</u>	<u>-</u>
Total Directors remuneration	<u>753</u>	<u>55</u>
Total excluding BIK (Note 21)	<u>749</u>	<u>55</u>
Syariah Committee	<u>95</u>	<u>7</u>
	Number of	Number of
	Directors	Directors
<u>Executive</u>		
More than RM50,000 but less than RM60,000	-	1
More than RM600,000 but less than RM700,000	1	-
<u>Non-executive</u>		
Less than RM50,000	8	8

23. ZAKAT

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

24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Bank are as follows:

- (a) Ultimate holding company is Oversea-Chinese Banking Corporation Limited
- (b) Holding company is OCBC Bank (Malaysia) Berhad
- (c) Other related companies of Oversea-Chinese Banking Corporation Limited Group
- (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.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Ultimate Holding Company	Holding Company	Other Related Companies	Key Management
	RM'000	RM'000	RM'000	RM'000
2009				
Income:				
Shared service fee received/receivable	-	237	-	-
Other fee and commission	-	-	585	-
	-	237	585	-
Expenditure:				
Profit expense on Demand and 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 21)	-	40,751	-	-
Transaction processing fee (Note 21)	-	-	6,929	-
Rental expenses	-	177	-	-
	-	58,910	7,499	46
Amount due from:				
Deposits and placements	7,998	-	1	-
Shared service fee receivable (Note 6)	-	68	-	-
Financing and advances	-	-	-	100
Advances (Note 6)	-	207,686	-	-
	7,998	207,754	1	100
Amount due to:				
Demand deposits and General Investment Deposits	-	-	18,359	1,946
Other deposits	-	718,164	-	142
Subordinated bond (Note 12)	-	200,000	-	-
Profit payable	-	2,876	-	-
Shared service fee payable (Note 13)	-	3,542	-	-
Transaction processing fee payable	-	-	647	-
Other financing (Note 13)	-	40,000	-	-
	-	964,582	19,006	2,088
Commitments:				
Foreign exchange derivatives	-	121,396	4,725	-

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

24. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

ii) Credit exposure arising from credit transactions with connected parties

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

	2009	2008
	RM'000	RM'000
Aggregate value of outstanding credit exposure with connected parties: [^]		
Credit facility and leasing (except guarantee)	259	259
Off balance sheet exposures*	-	-
Total credit exposures	<u>259</u>	<u>259</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>0.01%</u>	<u>0.01%</u>
- which is non-performing or in default	<u>-</u>	<u>-</u>

[^] 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

	31.12.2009 to	21.05.2008
	RM'000	(Date of incorporation)
	RM'000	31.12.2008
	RM'000	RM'000
Short-term employee benefits	2,525	133
Share-based payments	71	1
	<u>2,596</u>	<u>134</u>

Key management personnel comprises persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly, including Directors of the Bank. Included in the above are Directors' remuneration which was disclosed in Note 22.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

25. TAXATION

	31.12.2009	21.05.2008
	RM'000	(Date of incorporation) to 31.12.2008 RM'000
Malaysian income tax - current year	3,982	-
Deferred taxation:		
- relating to origination and reversal of temporary differences	2,468	(597)
- relating to changes in tax rates	-	23
- underprovision in prior year	71	-
Total debited/(credited) to income statement (Note 9)	<u>2,539</u>	<u>(574)</u>
	<u>6,521</u>	<u>(574)</u>

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

	31.12.2009	21.05.2008
	%	(Date of incorporation) to 31.12.2008 %
Malaysian tax rate of	25.0	26.0
Tax effects of:		
Expenses not deductible for tax purposes	2.0	(0.4)
Deferred tax relating to changes in tax rate	-	(1.0)
Prior year under provision for deferred tax	0.3	-
Average effective tax rate	<u>27.3</u>	<u>24.6</u>

With effect from year of assessment of 2009, the corporate tax rate is at 25% whilst for the year of assessment of 2008, the corporate tax rate is at 26%. The computation of deferred tax assets and liabilities is based on a tax rate of 25%.

26. BASIC EARNINGS/(LOSS) PER SHARE

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

	2009	2008
Net profit/(loss) for the year/period (RM'000)	<u>17,319</u>	<u>(1,762)</u>
Weighted average number of ordinary shares in issue ('000)	<u>65,000</u>	<u>7,624</u>
Basic earnings/(loss) per share (sen)	<u>26.6</u>	<u>(23.1)</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

27. 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.

	2009			2008		
	Principal Amount 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	1,893	1,893	1,893	50,070	50,070	50,070
Transaction-related contingent items	100,049	50,024	50,024	66,809	33,405	33,405
Short-term self-liquidating trade-related contingencies	8,767	1,753	1,753	47,986	9,597	9,597
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	496,299	-	-	404,212	-	-
- maturity exceeding one year	17,703	7,480	7,480	342,236	171,118	171,118
Foreign exchange related contracts:						
- less than one year	338,269	6,510	1,307	-	-	-
- one year or less than five years	105,610	6,130	1,227	104,719	6,447	1,314
Equity related contracts	76,838	8,248	1,650	77,718	3,491	1,746
	1,145,428	82,038	65,334	1,093,750	274,128	267,250

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

28. 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 :-

	2009	2008
	RM'000	RM'000
Less than one year	1,558	529
One to five years	1,068	841
	<u>2,626</u>	<u>1,370</u>

29. CAPITAL COMMITMENTS

	2009	2008
	RM'000	RM'000
Capital expenditure in respect of property, plant and equipment:		
- authorised and contracted for	1,854	4,306
- authorised but not contracted for	19,667	15,232
	<u>21,521</u>	<u>19,538</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

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

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

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

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

Market Risk Management

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

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

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

Market Risk Management Framework

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

Other Risk Measures

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

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

Back-Testing

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

Independent Model Review

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management (continued)

Asset and Liability Management (ALM)

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

Asset and Liability Management Framework

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

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

Profit Rate Risk

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

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

Liquidity Risk

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

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

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

Currency Risk

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset and Liability Management (ALM) (continued)

Financial Derivatives

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

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

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

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

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

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

Currency options are also used to create Structured Investment products.

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

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

31. PROFIT RATE RISK

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

As at 31 December 2009	<----- Non Trading Book ----->						Non- profit sensitive RM'000	Trading Book RM'000	Average profit rate %
	Up to 1 Month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000			
	Assets								
Cash and short-term funds	1,321,848	-	-	-	-	23,075	-	1,344,923	2.03%
Available-for-sale securities	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	-
Other assets	-	-	-	-	-	229,130	3,983	233,113	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	23,500	-	23,500	-
Property, plant & equipment	-	-	-	-	-	6,543	-	6,543	-
Deferred taxation asset	-	-	-	-	-	11,296	-	11,296	-
Tax recoverable	-	-	-	-	-	143	-	143	-
Total assets	1,755,389	799,708	176,459	1,127,757	735,923	272,989	3,983	4,872,208	
Liabilities									
Deposits from customers	2,006,597	981,446	449,405	53,822	-	229,018	-	3,720,288	1.90%
Deposits and placements of financial institutions	229,262	150,000	-	-	140,000	40,290	-	559,552	2.28%
Bills and acceptances payable	-	-	-	-	-	19,674	-	19,674	-
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	5.45%
Other liabilities	-	-	-	40,000	-	118,076	4,321	162,397	4.31%
Zakat	-	-	-	-	-	10	-	10	-
Total liabilities	2,235,859	1,131,446	449,405	93,822	340,000	407,068	4,321	4,661,921	
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	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(480,470)	(331,738)	(272,946)	1,033,935	395,923	(134,079)	(338)	210,287	

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31. PROFIT RATE RISK (continued)

As at 31 December 2008	<----- Non Trading Book ----->						Non-profit sensitive	Trading Book	Total	Average profit rate
	Up to 1 Month	>1-3 months	>3-12 months	>1-5 years	Over 5 years					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
Assets										
Cash and short-term funds	656,635	-	-	-	-	-	-	656,635	3.44%	
Available-for-sale securities	74,283	70,026	60,092	309,776	318,951	-	-	833,128	3.69%	
Financing and advances										
- performing	334,021	350,897	425,755	774,811	269,956	(33,517) *	-	2,121,923	6.34%	
- non-performing	-	-	-	-	-	8,355 ^	-	8,355	-	
Other assets	-	-	-	-	-	14,408	877	15,285	-	
Statutory deposits with										
Bank Negara Malaysia	-	-	-	-	-	84,000	-	84,000	-	
Property, plant & equipment	-	-	-	-	-	1,934	-	1,934	-	
Deferred taxation asset	-	-	-	-	-	12,642	-	12,642	-	
Total assets	1,064,939	420,923	485,847	1,084,587	588,907	87,822	877	3,733,902		
Liabilities										
Deposits from customers	1,802,374	513,326	275,189	100,132	-	-	-	2,691,021	2.59%	
Deposits and placements of financial institutions	253,800	60,000	-	-	-	-	-	313,800	3.55%	
Bills and acceptances payable	-	-	-	-	-	14,102	-	14,102	-	
Subordinated bonds	-	-	-	-	200,000	-	-	200,000	5.45%	
Other liabilities	-	-	-	-	40,000	277,539	877	318,416	4.31%	
Zakat	-	-	-	-	-	15	-	15	-	
Total liabilities	2,056,174	573,326	275,189	100,132	240,000	291,656	877	3,537,354		
On-balance sheet profit sensitivity gap	(991,235)	(152,403)	210,658	984,455	348,907	(203,834)	-	196,548		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-		
Total profit sensitivity gap	(991,235)	(152,403)	210,658	984,455	348,907	(203,834)	-	196,548		

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

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

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32. LIQUIDITY RISK

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

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

As at 31 December 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
Assets							
Cash and short-term funds	1,344,923	-	-	-	-	-	1,344,923
Available-for-sale securities	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
Other assets	215,828	2,909	4,461	9,915	-	-	233,113
Statutory deposits with							
Bank Negara Malaysia	-	-	-	-	-	23,500	23,500
Property, plant & equipment	-	-	-	-	-	6,543	6,543
Deferred taxation asset	-	-	-	11,296	-	-	11,296
Tax recoverable	-	-	-	143	-	-	143
Total assets	2,780,527	99,755	95,965	590,278	573,050	732,633	4,872,208
Liabilities							
Deposits from customers	3,217,061	280,321	169,084	53,726	96	-	3,720,288
Deposits and placements of financial institutions	419,552	-	-	-	-	140,000	559,552
Bills and acceptances payable	19,674	-	-	-	-	-	19,674
Subordinated bonds	-	-	-	-	-	200,000	200,000
Other liabilities	79,093	5,581	7,146	30,577	40,000	-	162,397
Zakat	-	-	10	-	-	-	10
Total liabilities	3,735,380	285,902	176,240	84,303	40,096	340,000	4,661,921
Net liquidity gap	(954,853)	(186,147)	(80,275)	505,975	532,954	392,633	210,287

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

32. LIQUIDITY RISK (continued)

As at 31 December 2008	Up to 3 Months	> 3-6 Months	>6-12 Months	>1-3 Years	>3-5 Years	Over 5 Years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	656,635	-	-	-	-	-	656,635
Available-for-sale securities	144,309	39,976	20,116	20,578	289,198	318,951	833,128
Financing and advances	659,756	173,949	251,806	431,528	343,283	269,956	2,130,278
Other assets	2,740	227	290	12,028	-	-	15,285
Statutory deposits with							
Bank Negara Malaysia	-	-	-	-	-	84,000	84,000
Property, plant & equipment	-	-	-	-	-	1,934	1,934
Deferred taxation asset	-	-	-	12,642	-	-	12,642
Total assets	1,463,440	214,152	272,212	476,776	632,481	674,841	3,733,902
Liabilities							
Deposits from customers	2,315,700	165,862	109,327	88,772	11,360	-	2,691,021
Deposits and placements of financial institutions	313,800	-	-	-	-	-	313,800
Bills and acceptances payable	14,102	-	-	-	-	-	14,102
Subordinated bonds	-	-	-	-	-	200,000	200,000
Other liabilities	50,448	221,002	6,797	40,169	-	-	318,416
Zakat	-	-	15	-	-	-	15
Total liabilities	2,694,050	386,864	116,139	128,941	11,360	200,000	3,537,354
Net liquidity gap	(1,230,610)	(172,712)	156,073	347,835	621,121	474,841	196,548

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

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33. CREDIT RISKS

As at 31 December 2009

	Cash and short term funds RM'000	Available- for-sale securities RM'000	Financing and advances* RM'000	Profit receivable RM'000	Commitments and contingencies RM'000
Agriculture	-	5,002	576,461	-	1,121
Mining and quarrying	-	-	25,807	-	718
Manufacturing	-	69,438	602,046	-	4,325
Electricity, gas and water	-	71,810	-	827	-
Construction	-	-	143,444	-	41,016
Real estate	-	-	95,861	-	4
Wholesale and retail trade and restaurants and hotels	-	-	171,696	-	9,512
Transport, storage and communication	-	86,604	136,948	454	2,215
Finance, insurance and business services	1,337,941	656,938	42,418	2,097	14,883
Community, social and personal services	-	-	15,010	-	703
Households, of which :					
i. Purchase of residential properties	-	-	60,484	-	11
ii. Purchase of non-residential properties	-	-	2,437	-	185
iii. Others	-	-	247,501	-	15
Government	-	174,583	-	1,790	-
Others	6,982	76,178	69,991	1,061	7,330
	1,344,923	1,140,553	2,190,104	6,229	82,038

As at 31 December 2008

	Cash and short term funds RM'000	Available- for-sale securities RM'000	Financing and advances* RM'000	Profit receivable RM'000	Commitments and contingencies RM'000
Agriculture	-	-	486,309	-	76,482
Mining and quarrying	-	-	33,558	-	1,755
Manufacturing	-	102,039	680,774	-	66,421
Electricity, gas and water	-	5,089	-	-	-
Construction	-	-	114,534	-	39,088
Real estate	-	-	168,198	-	19,516
Wholesale and retail trade and restaurants and hotels	-	-	149,842	-	16,536
Transport, storage and communication	-	49,411	134,581	-	4,454
Finance, insurance and business services	655,048	129,286	29,939	80	17,329
Community, social and personal services	-	-	40,308	-	1,286
Households, of which :					
i. Purchase of residential properties	-	-	75,401	-	19,017
ii. Purchase of non-residential properties	-	-	1,719	-	5,378
iii. Others	-	-	279,418	-	-
Government	-	521,668	-	5,414	-
Others	1,587	25,635	4,806	1,988	6,866
	656,635	833,128	2,199,387	7,482	274,128

* Excludes allowances for bad and doubtful debts and financing amounting to RM77,967,000 (2008:RM69,109,000).

Risk concentrations for commitment and contingencies are based on the credit equivalent balances in Note 27.

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34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	2009		2008	
	Fair value RM'000	Carrying value RM'000	Fair value RM'000	Carrying value RM'000
Financial Assets				
Assets for which fair value approximates carrying value				
Available-for-sale securities	1,344,923	1,344,923	656,635	656,635
Financing and advances	1,140,553	1,140,553	833,128	833,128
Statutory deposits with Bank Negara Malaysia	2,109,389	2,112,137	2,071,003	2,130,278
	23,500	23,500	84,000	84,000
Financial liabilities				
Deposits from customers	3,719,802	3,720,288	2,694,345	2,691,021
Deposits and placements of financial institutions	559,552	559,552	313,800	313,800
Liabilities for which fair value approximates carrying value				
Subordinated bonds	19,674	19,674	14,102	14,102
	<u>202,840</u>	<u>200,000</u>	<u>196,840</u>	<u>200,000</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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:

	2009	2008
	RM'000	RM'000
<u>Financial Assets</u>		
Cash and short term funds	1,344,923	656,635
<u>Financial Liabilities</u>		
Bills and acceptances payable	19,674	14,102

Deposits and placements from financial institutions

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

Available-for-sale securities

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

Financing and advances

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

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

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

Deposits from customers

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

Subordinated Bonds

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

Financial derivatives

Fair value of financial derivatives is the estimated amounts which the Bank would receive or pay to terminate the contracts at the balance sheet date. The fair value of the financial derivatives are disclosed in Note 6(a).

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35. CAPITAL ADEQUACY	2009	2008
	RM'000	RM'000
The capital adequacy ratios of the Bank are as follows:-		
Tier-1 capital	199,351	179,493
Eligible Tier-2 capital	138,390	123,264
Total capital base	<u>337,741</u>	<u>302,757</u>
<u>Capital Ratios</u>		
Core-capital ratio	7.74%	6.56%
Risk-weighted capital ratio	13.12%	11.07%
i) Components of Tier-1 and Tier-2 capital are as follows:		
<u>Tier-1 capital</u>		
Paid-up share capital	65,000	65,000
Share premium	130,000	130,000
Retained profit/accumulated loss	6,897	(1,762)
Other reserves	8,660	-
	<u>210,557</u>	<u>193,238</u>
Less: Deferred tax assets	<u>(11,206)</u>	<u>(13,745)</u>
Total Tier-1 capital	<u>199,351</u>	<u>179,493</u>
<u>Tier-2 capital</u>		
General allowance for bad and doubtful financing	38,715	33,517
Subordinated bonds	99,675	89,747
Total Tier-2 capital	<u>138,390</u>	<u>123,264</u>
Capital base	<u>337,741</u>	<u>302,757</u>

ii) Breakdown of the risk-weighted assets (RWA) in the various categories of risk-weights are as follows:

	<u>31.12.2009</u>		<u>31.12.2008</u>	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
Risk Weighted Assets for Credit Risk:				
0%	1,456,871	-	1,197,505	-
20%	788,359	157,672	80,964	16,193
50%	52,294	26,147	68,716	34,358
100%	2,362,542	2,362,542	2,680,848	2,680,848
	<u>4,660,066</u>	<u>2,546,361</u>	<u>4,028,033</u>	<u>2,731,399</u>
Risk Weighted Assets for Market Risk				
	27,393	27,393	2,610	2,610
	<u>4,687,459</u>	<u>2,573,754</u>	<u>4,030,643</u>	<u>2,734,009</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 are excluded from the risk weighted capital ratio ('RWCR') calculation.

As at 31 December 2009, RPSIA assets excluded from the RWCR calculation amounted to RM140 million (2008 : Nil).

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35. CAPITAL ADEQUACY (continued)

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

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

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

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 2 March 2010.

37. COMPARATIVES

The comparatives figures cover the period from 21 May 2008 (date of incorporation) to 31 December 2008 and are not comparable to the current financial year ended 31 December 2008.

Certain comparative figures have been restated arising from the reclassification of other deposits; which were previously included in Deposits from customers to part of Other liabilities to conform to current year's presentation.

Balance sheet as at 31 December 2008	As previously reported RM'000	As restated RM'000
Deposits from customers	2,735,947	2,691,021
Other liabilities	273,490	318,416