



ASIAN FINANCE BANK



ASIAN FINANCE BANK BERHAD

(Incorporated in Malaysia)

Statutory Financial Statements

For The Financial Year Ended
31 December 2007



DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of Asian Finance Bank Berhad ('the Bank') for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the Islamic banking business and related financial services. There have been no significant changes in the principal activities during the financial year.

FINANCIAL RESULTS

	RM
Loss before taxation	(5,303,028)
Taxation	1,549,000
Net loss for the financial year	(3,754,028)

DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES, PROVISIONS AND ALLOWANCES

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

In the opinion of the directors, the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

BUSINESS PLAN AND OUTLOOK

Asian Finance Bank Berhad, a full fledged Islamic bank commenced its operations on 19 January 2007 and it offers competitive Islamic products and services to retail and corporate customers.

For the financial year ended 31 December 2007, the Bank had gross financing assets of RM93.30 million and deposits from customers of RM828.70 million.

The Bank registered a loss before tax of RM5.30 million for its first full year of operation.

Riding on the growth prospect of Malaysian economy the Bank will broaden its customer's base, ranging from consumer to investment and corporate banking. Coupled with its accessibility to the funds in the Middle East, the Bank will be fostering strategic relationships to deliver its vision of being a credible, responsible and trusted Islamic financial partner which embraces relationships that meet the expectations and needs of the customer.



DIRECTORS' REPORT

DIRECTORS

The directors of the Bank who have held office since the date of the last report are:

Abdul Latif Abdulla Z. Al- Mahmoud

Dr Saleh Jameel Malaikah

Salah Mohd I. Al-Jaidah

Fouad Hayel Saeed

Abdel Rahman Mustafa

Omar M. El-Quqa

Y Bhg Dato Dr Md Khir Abdul Rahman

Y Bhg Dato' Noorazman A Aziz

Y Bhg Dato' Muhammad Shafee Md Abdullah

Y Bhg Dato' Ahmad Tajudin Abdul Rahman

(appointed on 23 November 2007)

(appointed on 27 August 2007)

(resigned on 27 March 2007)

DIRECTORS' BENEFITS

Since the end of the financial period, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 23 to the financial statements) by reason of a contract made by the Bank or a related corporation with any 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 except as disclosed in Note 27 to the financial statements.

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholding, no director holding office at the end of the financial year had any beneficial interest in the shares of the Bank and its related corporations.

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Directors ('the Board') of the Bank are pleased to report the application by the Bank of the principles contained in the Malaysian Code on Corporate Governance ('the Code') and the extent of compliance with the best practices of the Code. Although the Bank is not a listed company, the Board has endeavoured to apply the principles and comply with the relevant best practices of corporate governance as set out in the Code. The Bank is also required to comply with Bank Negara Malaysia ('BNM')'s Revised Guidelines on Corporate Governance for Licensed Islamic Banks ('Revised BNM/GP1-i').



DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS

The Board

The Board subscribes to the principles of good corporate governance and as such, will always ensure that the Bank achieves best practice in the conduct of the Bank's business and operational activities. An indication of the Board's commitment is reflected in the conduct of regular Board meetings by the Bank and the incorporation of various processes and systems to achieve a risk and control awareness culture as well as the establishment of relevant Board Committees and Management Committees at the Bank.

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference to assist in the discharge of this responsibility.

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies, overseeing and evaluating the conduct of the Bank's businesses, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by BNM as specified in guidelines and circulars issued by BNM, from time to time.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia and the Code of Ethics: Guidelines on Code of Conduct for Directors, Officers and Employees in the Banking industry ('BNM/GP7') issued by BNM.

Board Size and Balance

The Board currently has nine (9) members, comprising the Non-Independent Non-Executive Chairman, the Non-Independent Non-Executive Deputy Chairman, three (3) Independent Non-Executive Directors and four (4) Non-Independent Non-Executive Directors, as follows:-

Abdul Latif Abdulla Z.AI- Mahmoud	Chairman (Non Independent Non Executive)
Dr Saleh Jameel Malaikah	Deputy Chairman (Non Independent Non Executive)
Salah Mohd I.AI-Jaidah	Director (Non Independent Non Executive)
Fouad Hayel Saeed	Director (Non Independent Non Executive)
Abdel Rahman Mustafa	Director (Non Independent Non Executive)
Omar M. El-Quqa	Director (Non Independent Non Executive)
Y Bhg Dato Dr Md Khir Abdul Rahman	Director (Independent Non Executive)
Y Bhg Dato' Noorazman A Aziz	Director (Independent Non Executive)
Y Bhg Dato' Muhammad Shafee Md Abdullah	Director (Independent Non Executive)

The Board is in compliance with the Revised BNM/GP1-i, which requires each Islamic bank to ensure that, at least one-third (1/3) of their board members are independent directors.

The Board is of the view that the current Board composition fairly reflects the investment of the shareholder of the Bank.

The directors bring together to the Board a wide range of business management skills, as well as banking and financial experience required for the management of one of the Islamic banks in the country. All Board members participate fully in the deliberation and decision-making process on the key issues involving the Bank.



DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

There are clear division of responsibilities between the Board and the Chief Executive Officer ('CEO') to ensure that there is balance of power and authority. The CEO's primary responsibilities are to implement the policies and decisions of the Board, manage the Bank's day-to-day operations, setting the plan and direction, benchmark and targets for the Bank, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing shareholders' wealth.

Each Non-Executive Director brings an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

All decisions of the Board are based on the decision of the majority and no single Board member can make any decisions on behalf of the Board, unless duly authorised by the Board of Directors. As such, no individual or a group of individuals dominates the decision making process. This enables the Board to effectively discharge its principal responsibilities as set out in the Code.

Board Meetings

The Board meets on scheduled basis at least once every two months with additional meetings held when urgent issues and important decisions are required to be taken between the scheduled meetings.

The Board met six (6) times during the financial year ended 31 December 2007. The attendance of each director in office at the end of the financial year at the aforesaid Board meetings is set out below:-

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Abdul Latif Abdulla Z. Al- Mahmoud	5/6	83
Dr Saleh Jameel Malaikah	6/6	100
Salah Mohd I. Al-Jaidah	5/6	83
Fouad Hayel Saeed	5/6	83
Abdel Rahman Mustafa	6/6	100
Omar M. El-Quqa	4/6	66
Y Bhg Dato Dr Md Khir Abdul Rahman	6/6	100
Y Bhg Dato' Muhammad Shafee Md Abdullah (appointed on 27 August 2007)	3/3	100
Y Bhg Dato' Noorazman A Aziz (appointed on 23 November 2007)	-	-
Y Bhg Dato' Ahmad Tajudin Abdul Rahman (resigned on 27 March 2007)	-	-

Pursuant to the Revised BNM/GP1-i, individual directors must attend at least 75% of the Board meetings held in each financial year. For the year under review, all directors save for Mr Omar M. El-Quqa complied with the attendance requirement as stipulated by BNM.

Scheduled board meetings are structured with a pre-set agenda. The Board's principal key focus amongst others is the overall strategic direction, financial and corporate developments of the Bank. Key matters such as the Bank's business and marketing strategy and budget, annual interim results, material contracts, major capital expenditure and credit policies and guidelines are reserved for the Board's decision.



DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

Supply of Information

As the Bank has just commenced operations, the Bank is striving to achieve full compliance with regulatory and statutory requirements. To this end, the Bank is continuously improving processes to ensure compliance. All Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, reports on operational, financial and corporate issues, performance of the Bank and management proposals that require the approval of the Board.

All Directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the internal auditors.

Re-election

As per the requirement of Companies Act, 1965 and the Articles of Association of the Bank, in every subsequent Annual General Meeting ('AGM') following the first AGM, one third of the directors for the time being or if their number is not three, or a multiple of three, then the number nearest to one third, shall retire from office, and being eligible, will reoffer themselves for re election.

Training and Education

As part of the training programme for its directors, the Bank prepared for the use of its Directors, the Director Handbook and organised in-house programmes and regular briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge.

The Director Handbook which is given to every director for their reference, highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. New directors will also be given a briefing on the businesses of the Bank.

DISCLOSURE OF BOARD COMMITTEES

Nomination Committee

The Nomination Committee was established on 22 November 2007 and the members are as follows:-

Name of Director	Designation
Y Bhg Dato' Noorazman A Aziz	Chairman of the Committee from 23 November 2007
Dr Saleh Jameel Malaikah	Member
Salah Mohd I. Al-Jaidah	Member
Fouad Hayel Saeed	Member
Y Bhg Dato' Muhammad Shafee Md Abdullah	Member



DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DISCLOSURE OF BOARD COMMITTEES (CONTINUED)

The Nomination Committee functions and responsibilities are set out in the terms of reference as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for position of Chief Executive Officer;
- Review and recommend to the Board all Board appointments and re-appointments and removals including the Chief Executive Officer;
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required;
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual director to the effectiveness of the Board and various Board Committees based on criteria approved by the Board;
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities; and
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 31 December 2007, one (1) Nomination Committee meeting was held.

Remuneration Committee

The Remuneration Committee was established on 22 November 2007 and the members are as follows:-

Name of Director	Designation
Y Bhg Dato' Muhammad Shafee Md Abdullah	Chairman
Dr Saleh Jameel Malaikah	Member
Salah Mohd I. Al-Jaidah	Member
Omar M. El-Quqa	Member

The Remuneration Committee's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the framework governing the remuneration of the:
 - Directors;
 - Chief Executive Officer; and
 - Key senior management officers.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.

During the financial year ended 31 December 2007, one (1) Remuneration Committee meeting was held and the meeting was attended by all the members.



DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DISCLOSURE OF BOARD COMMITTEES (CONTINUED)

Board Audit Committee

The Board established the Audit Committee since 12 March 2006. During the financial year ended 31 December 2007 four (4) meetings were held, details of the Committee and their attendance are as follows:-

Name of Director	Designation	Total Meetings Attended	Percentage of Attendance (%)
Dr Saleh Jameel Malaikah	Chairman from 24 May 2007 to 22 November 2007	4	100
Y Bhg Dato Dr Md Khir Abdul Rahman	Chairman from 22 November 2007	4	100
Y Bhg Dato' Noorazman A Aziz	Member w.e.f. 23 November 2007	-	-

The Audit Committee's functions and responsibilities are set out in the terms of reference as follows:

- Ensure that accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, and bad and doubtful debts. Review the balance sheet and profit and loss account for submission to the Board of Directors and ensure the prompt publication of annual financial statements;
- Review the internal controls, including the scope of the internal audit programme, the internal audit findings and recommend actions to be taken by management. The reports of internal auditors and the Committee should not be subject to the clearance of the Chief Executive or Executive Directors. The Committee should also evaluate the performance and decide on the remuneration package of the internal auditors;
- Review with the external auditors, the scope of their audit plan, and the system of the internal accounting controls, the audit reports, the assistance given by management and its staff to the auditors and any findings and action to be taken. The Committee should also select external auditors for appointment by the Board each year and recommend their fees to the Board for approval; and
- To perform any other functions as defined by the Board.



DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DISCLOSURE OF BOARD COMMITTEES (CONTINUED)

Board Risk Management Committee

The Board established the Risk Management Committee since 12 March 2006. During the financial year ended 31 December 2007 four (4) meetings were held, details of the Committee and their attendance are as follows:-

Name of Director	Designation	Total Meetings Attended	Percentage of Attendance (%)
Y Bhg Dato' Noorazman A Aziz	Chairman from 23 November 2007	-	-
Salah Mohd I. Al-Jaidah	Chairman up to 22 November 2007	4	100
Fouad Hayel Saeed	Member	4	100
Abdel Rahman Mustafa	Member	4	100

The Risk Management Committee is responsible for providing oversight and management of all risks in the Bank and to ensure that there is an ongoing process to continuously manage the Bank's risk proactively.

A statement on the Bank's Risk Management Framework is set out in Note 31 to the financial statements for the financial year ended 31 December 2007.

The Risk Management Committee's functions and responsibilities are set out in the terms of reference as follows:

- Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
- Reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- Ensuring infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk taking activities;
- Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and
- To review and recommend the following to the Board for approval:
 - a) Delegation of discretionary powers which represents the maximum discretion which the Board is prepared to vest to any single individual or committee; and
 - b) Procedures for the delegation and monitoring of discretionary lending authority given to (a) above.



DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DISCLOSURE OF SHARIAH COMMITTEE

The Bank has established the Shariah Advisory Committee ('SAC'), for the purpose of ensuring that the Bank's operations are constantly conducted in accordance with Shariah principles.

The SAC undertakes various roles as the following:

- Reviewing principles and contracts of all products launched by the Bank and all transactions; wherein process of consideration, views from Shariah Advisory Council of Bank Negara Malaysia and Securities Commission are also adopted;
- Endorse Shariah Compliance Manual, which states submission procedure of products and issues to the SAC, the conduct of the SAC communication and meetings as well as the Bank's compliance to the SAC's decisions;
- Endorse that all notes or documents related to the SAC's opinions, inclusive of Shariah decisions and minutes of meeting, are inscribed clearly and specifically, based on precise Shariah restrictions;
- Periodically review all product manuals to ensure that the operational side of the products does not contradict with Shariah precepts; including terms and conditions, agreement, legal documents as well as marketing approaches; and
- Performing assessments and providing opinions with regards to the Bank's compliance with Shariah Rules and Principles; as well as decisions concluded by the SAC.

SHEIKH DR.ABDUL SATTAR ABU GHUDDAH (Chairman of the Committee)

The SAC members' profiles are as follows:

Sheikh Dr.Abdul Sattar Abdul Karim Mohammed Abu Ghuddah (Syirian-Bahrain) Educated at University of Damascus (Syria), he obtained a Bachelor in Shariah (1964) and Bachelor of Law (1965) He holds double Masters in Shariah (1964) and Ulum Hadith (1967) and a PhD (1975) in Shariah (Comparative Mazhab) from al-Azhar University. He started his career as a Lecturer at Imam Al Da'awa Institute (Riyadh), Religious Institute (Kuwait), Sharia College of the Law Faculty in Kuwait University. His current position as a Shariah Consultant, Dallah Al-Barakah Banking Group and Director of Department of Financial Instruments at Al-Barakah Investment Co., Saudi Arabia.He is a committee member for various organisations such as Islamic Law Encyclopaedia (Kuwait Awqaf Ministry),AAOIFI, Dar Istithmar, Islamic Fiqh Academy Jeddah, Dow Jones Islamic, Qatar Islamic Bank. He has written various books and articles on Fiqh Muamalat.

SHEIKH AL-MULLA WALEED MOHAMMED BIN HADI

Sheikh Al-Mulla Waleed Mohammed bin Hadi (Qatari) Educated at University of Qatar; he obtained a B.A in Shariah and Usuluddin (1991) He holds a Masters in Shariah and Law from Omdurman Islamic University (Sudan), 2002. He started his career as a Judge at Shariah Court, Qatar (1991). He is a committee member for various organisations within and outside Qatar such as Qatar Islamic Bank, Qatar International Islamic Bank, Bank al-Rayyan, Arab Finance House (AFH), European Finance House (EFH), Solidarity Family Islamic Insurance Co. (Bahrain) and Syrian International Islamic Bank. He has written various books and articles on Islamic Faith, Hadith, and Usul al-Fiqh, Islamic Economy, Islamic Finance and Shariah Audit.



DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DISCLOSURE OF SHARIAH COMMITTEES (CONTINUED)

DATO' DR.ABDULLAH BIN ABU BAKAR (Resigned 14 January 2008)

Dato' Dr.Abdullah Bin Abu Bakar (Malaysian) Educated at al-Azhar University, he obtained a B.A in Shariah. He holds a Masters in Laws and Letters (LL.M), University of Sheffield (1979) and PhD in Laws from International Islamic University Malaysia (1995). He started his career as a Lecturer, University Malaya (1979-1985). Lecturer, International University Malaysia (1985-1999). Associate Professor, International University Malaysia (1987-1999). Director, Yayasan Islam Terengganu (2000-2001). Ketua Hakim Syarie, Mahkamah Syariah Negeri Terengganu (2002-2004). He is a committee member for various organisations such as EON Bank Berhad (2000-2002), Amanah Saham Darul Iman (2002-2004) Muassasah Gadaian Islam Terengganu (2002-2004). He has written various books and articles on Islamic Law.

OTHER STATUTORY INFORMATION

- (I) As at the end of financial year
- (a) Before the income statement and balance sheet of the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
 - (ii) to ensure that any current assets other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
 - (b) In the opinion of the directors, the results of the operations of the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.
 - (c) In the opinion of the directors, the results of the operations of the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.
- (II) From the end of the financial year to the date of this report
- (a) The directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements misleading; and
 - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.



DIRECTORS' REPORT

OTHERS STATUTORY INFORMATION (CONTINUED)

- (b) In the opinion of the directors:
- (i) the results of the operations of the Bank for the financial year ended 31 Decemebr 2007 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Bank to meet their obligations as and when they fall due.
- (III) As at the date of this report
- (a) There are no charges on the assets of the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
 - (b) There are no contingent liabilities which had arisen since the end of the financial year.
 - (c) The directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

SIGNIFICANT EVENT DURING THE YEAR

The Bank has been awarded a license to operate a representative office in Jakarta by Bank Indonesia on the 6 December 2007.

The Bank has entered into a Memorandum of Understanding with Amanah Raya Berhad to establish, sponsor, manage and administer an Islamic Marine Fund. The Islamic Marine Fund is designed as a "core plus" marine fund, investing in performance-proven vessels that show characteristics for capital and income enhancement through re-deployment strategies.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2008.

ABDUL LATIF ABDULLA Z. AL-MAHMOUD

SALAH MOHD I. AL JAIDAH



Balance Sheet As At 31 December 2007

	Note	31.12.2007 RM	31.12.2006 RM
ASSETS			
Cash and short-term funds	5	1,008,115,436	1,053,944
Deposits and placements with banks and other financial institutions	6	100,000,000	352,534,269
Securities available-for-sale	7	32,734,350	-
Financing and advances	8	90,789,188	-
Other assets	9	4,916,448	1,523,551
Deferred taxation	10	1,638,275	-
Property, plant and equipment	11	5,499,652	6,787,382
Intangible assets	12	9,110,568	-
TOTAL ASSETS		1,252,803,917	361,899,146
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from customers	13	828,699,571	-
Deposits and placements of banks and other financial institutions	14	68,807,183	-
Other liabilities	15	8,812,702	11,421,404
		906,319,456	11,421,404
Ordinary share capital	16	355,020,010	355,020,010
Available-for-sale reserve	17	(239,253)	-
Accumulated losses	17	(8,296,296)	(4,542,268)
Shareholders' equity		346,484,461	350,477,742
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,252,803,917	361,899,146
COMMITMENTS AND CONTINGENCIES	28	12,039,028	9,954,568



Income Statement For The Financial Year Ended 31 December 2007

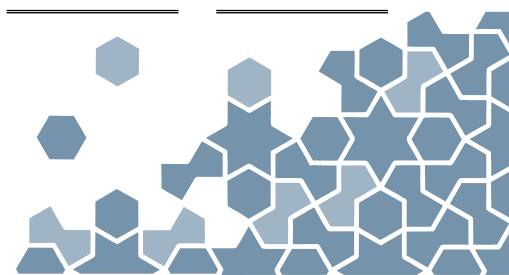
	Note	31.12.2007 RM	31.12.2005 to 31.12.2006 RM
Income derived from investment of depositors' funds	18	14,074,542	-
Income derived from investment of shareholders' funds	19	13,737,051	15,436
Allowances for losses on financing and advances	20	(2,515,782)	-
Total distributable income		25,295,811	15,436
Income attributable to the depositors	21	(12,800,690)	-
Total net income		12,495,121	15,436
Personnel expenses	22	(10,078,157)	(2,134,154)
Other overheads and expenditures	23	(7,719,992)	(2,423,550)
Loss before taxation		(5,303,028)	(4,542,268)
Taxation	25	1,549,000	-
Net loss for the financial year/period		(3,754,028)	(4,542,268)
Basic loss per share	26	(1.06)	(1.28)

Statement Of Changes In Shareholders' Equity For The Financial Year Ended 31 December 2007

	Share Capital RM	Accumulated Losses RM	AFS Reserve RM	Total RM
31.12.2007				
Balance as at 1.1.2007	355,020,010	(4,542,268)	-	350,477,742
Unrealised net loss on revaluation of securities available-for-sale	-	-	(328,528)	(328,528)
Deferred taxation	-	-	89,275	89,275
Net loss for the financial year	-	(3,754,028)	-	(3,754,028)
Balance as at 31.12.2007	355,020,010	(8,296,296)	(239,253)	346,484,461

31.12.2006

As at beginning of financial period/date of incorporation	2	-	-	2
Issuance during the financial period	355,020,008	-	-	355,020,008
Net loss for the financial period	-	(4,542,268)	-	(4,542,268)
Balance as at 31.12.2006	355,020,010	(4,542,268)	-	350,477,742



Cash Flow Statement For The Financial Year Ended 31 December 2007

	Note	31.12.2007 RM	31.12.2005 to 31.12.2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation for the financial year/period		(5,303,028)	(4,542,268)
Adjustments for:			
Depreciation of property, plant and equipment		2,717,172	244,852
Income from:			
Investment in securities available-for-sale		(1,211,547)	-
Operating loss before working capital changes		(3,797,403)	(4,297,416)
Decrease/(increase) in operating assets:			
Deposits and placements with financial institutions		252,534,269	(352,534,269)
Financing and advances		(90,789,188)	-
Other assets		(3,392,897)	(1,523,551)
Increase/(decrease) in operating liabilities:			
Deposits from customers		828,699,571	-
Deposits and placements of banks and other financial institutions		68,807,183	-
Other liabilities		(2,608,702)	11,421,404
Net cash generated from/(used in) operating activities		1,049,452,833	(346,933,832)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,540,010)	(7,032,234)
Purchase of securities available-for-sale		(31,851,331)	-
Net cash used in investing activities		(42,391,341)	(7,032,234)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	355,020,010
ANALYSIS OF CASH AND CASH EQUIVALENT			
Net increase in cash and cash equivalents		1,007,061,492	1,053,944
Cash and cash equivalent at beginning of financial year/period		1,053,944	-
Cash and cash equivalent at end of financial year/period	5	1,008,115,436	1,053,944



Notes To The Financial Statements For Financial Year Ended 31 December 2007

1. GENERAL INFORMATION

The Bank is principally engaged in the Islamic banking business and related financial services. There have been no significant changes in the principal activities of the Bank during the financial year. The address of the registered office of the Bank is 2nd Floor Podium Block, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared under the historical cost convention (unless otherwise indicated), and in accordance with the directives and guidelines issued by Bank Negara Malaysia ('BNM'), Financial Reporting Standards ('FRS'), the Malaysian Accounting Standard Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other than Private Entities, the provisions of the Companies Act, 1965 and Shariah requirements.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965, FRS, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia ('BNM') Guidelines requires the use of estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from these estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

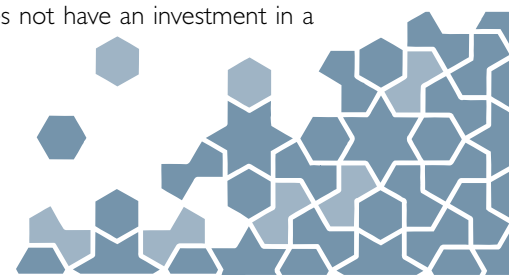
(a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards and amendments to published standards effective for the Bank's financial periods beginning 1 January 2007 are as follows:

- FRS 124 Related Party Disclosures
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Bank will apply this standard when effective. Nevertheless, the accounting policies of the Bank have already incorporated the requirements of BNM/GP8-i which include selected principles of FRS 139.

(b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant for the bank's operations

- FRS 6 - Exploration for and Evaluation of Mineral Resources. FRS 6 is not relevant to the Bank's operations as the Bank do not carry out exploration for and evaluation of mineral resources.
- FRS 117 Leases - is not relevant to the Bank's operations as the Bank does not have leasing operation.
- Amendment to FRS 119²⁰⁰⁴ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures. The amendment is not relevant to Bank's operations as the Bank does not have an employee benefit plan which requires actuarial valuation.
- Amendment to FRS 121 the Effects of Changes in Foreign Exchange Rates – Net investment in a Foreign Operation. The amendment is not relevant as the Banks does not have an investment in a foreign operation.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Recognition of finance income

Financing income is recognised on an accrual basis in accordance with the Shariah principles and BNM/GP8-i. Income earned on term financing and Tawarruq is recognised on daily basis over the period of the financing as stipulated in the financing agreement.

Where a financing account is classified as non-performing, income will be suspended until it is realised on cash basis. Financing income recognised prior to the non-performing classification will not be clawed-back to the first day of default in conformity with BNM guidelines.

(b) Recognition of fees and other income

Financing arrangement, management and participation fees and brokerage fees are recognised as income based on contractual arrangements and when all conditions precedent are fulfilled. Guarantee fees are recognised as income upon issuance of guarantees.

(c) Allowances for losses on financing

Specific allowances are made for non-performing debts and financing which have been individually reviewed and specifically identified as bad, doubtful or substandard.

A general allowance based on a percentage of the financing portfolio is also made to cover possible losses which are not specifically identified. These percentages are reviewed annually in the light of past experience and prevailing circumstances and an adjustment is made on the overall general allowance, if necessary.

An uncollectible financing or portion of 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.

(d) Other provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(e) Securities

The Bank classifies its securities portfolio into the following categories: held for trading securities, available-for-sale securities and held-to-maturity securities. Management determines the classification of its securities at initial recognition.

(i) Held for trading securities

Held for trading securities ("HFT") are securities that are acquired and held principally for the purpose of selling in the short term to generate a profit from short-term fluctuations in price or from dealers' margin, and are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised directly in the current year's income statement.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Securities (continued)

(i) Held for trading securities (continued)

The realised gains and losses on derecognition of HFT securities, which are derived on the difference between the proceeds received and the carrying value of the securities, are credited or charged to the current year's income statement.

(ii) Held-to-maturity securities

Held-to-maturity securities ('HTM') are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. HTM securities are measured at fair value at initial recognition and then at amortised cost using the effective profit method.

The amortisation of premium and accretion of discount on HTM securities is recognised as profit/income using the effective profit method.

The realised gains or losses on derecognition of HTM securities, which are derived based on the difference between the proceeds received and the carrying value of the securities, are credited or charged to the current year's income statement.

When impairment is determined to have occurred on HTM securities carried at amortised cost, the amount of impairment loss is measured as the difference between the carrying value and the present value of expected future cash flows discounted at the security's original effective profit rate. For HTM securities carried at cost, the amount of impairment loss is measured as the difference between the carrying value and the present value of expected future cash flows discounted at the current market rate of return for similar security. The carrying amount of the securities is reduced through use of an allowance account and the amount of impairment loss is recognised in the current year's income statement.

If, in subsequent years, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in the income statement, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the current year's income statement. For HTM securities stated at cost, no reversal of impairment is allowed when the amount of impairment loss decreases.

If the Bank sold or reclassified more than an insignificant amount of the HTM securities portfolio before maturity (other than under those conditions specified in BNM/GP8-i) during the current financial year or the last two preceding financial years, the entire category would be tainted and reclassified as available-for-sale securities at fair value. The difference between the carrying value and fair value at the date of reclassification is recognised directly in shareholders' funds.

(iii) Available-for-sale securities

Available-for-sale securities ('AFS') are securities not classified as HFT or HTM securities and are subsequently measured at fair value, with unrealised gains or losses arising from changes in fair value recognised in shareholders' funds, net of income tax, until such securities are sold, collected or otherwise disposed of, or until such securities are determined to be impaired.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Securities (continued)

(iii) Available-for-sale securities (continued)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost, less impairment losses by the Bank.

The amortisation of premium and accretion of discount on AFS securities is recognised as profit/income using the effective profit method.

The realised gains or losses on derecognition of AFS securities, which are derived based on the difference between the proceeds received and the carrying value of the securities plus any cumulative unrealised gains and losses arising from changes in fair value previously recognised in shareholders' funds, are credited or charged to the current year's income statement.

Any gain or loss arising from foreign exchange will be recognised in the income statement.

When a decline in fair value of AFS securities has been recognised directly in shareholders' funds and there is objective evidence that the security is impaired, the cumulative loss that has been recognised directly in shareholders' funds is removed from equity and recognised in the current year's income statement even though the security has not been derecognised. The amount of cumulative loss is the difference between the acquisition price (net of principal repayment and amortisation) and current fair value, less any impairment loss on that security previously recognised in the income statement.

If, in subsequent years, 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 the income statement, that portion of impairment loss is reversed through the income statement. For equity instruments, no reversal of impairment loss through the income statement is allowed when there is an increase in fair value of the equity instrument in subsequent year.

(f) Property, plant and equipment

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Renovations	10 - 20%
Computers	20% - 33 1/3%
Equipment, furniture and fittings	20% - 33 1/3%
Motor Vehicle	20%

Capital work-in-progress is not depreciated until such time when the assets are ready for their intended use.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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

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

(g) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

Cost associated with developed computer software programmes that will generate economic benefits beyond one year are recognised as intangible assets. Such costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of five years.

Licenses

Acquired licenses are shown at cost. Licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is derived using the straight-line method to allocate the cost of licenses over their estimated useful lives, not exceeding a period of five years.

(h) Impairment of non-financial assets

The carrying amounts of assets, other than deferred tax 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 to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets (continued)

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss for an asset is recognised in the income statement.

(i) Currency conversion and translation

The financial statements are presented in Ringgit Malaysia.

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities outstanding at balance sheet date are translated into Ringgit Malaysia at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The exchange rates at balance sheet date are as follows:

USD 1 = RM3.3065
EURO 1 = RM4.8758

(j) Taxation

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits

Short-term employee benefits

Wages, salaries and other salary related expenses are recognised as an expense in the year in which the associated services are rendered by employees of the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contributions

Defined contribution plans are post-employment benefit plans under which the Bank pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement when incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(l) Cash and cash equivalents

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Allowance for losses on financing and advances

The Bank makes allowance for losses on financing and advances based on assessment of recoverability. Whilst management's judgement is guided by the relevant BNM guidelines judgement is made about the future and other key factors in respect of the recovery of financing and advances. Among the factors considered are the Bank's aggregate exposure to the customer; the net realisable value of the underlying collateral value, the viability of customer's business model and the capacity to generate sufficient cash flow to service financing obligations and the aggregate amount and ranking of all other creditor claims.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

5. CASH AND SHORT-TERM FUNDS

	31.12.2007 RM	31.12.2006 RM
Cash and balances with banks and other financial institutions	3,395,436	1,053,944
Money at call and deposit placements maturing within one month	<u>1,004,720,000</u>	-
	<u><u>1,008,115,436</u></u>	<u><u>1,053,944</u></u>

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.12.2007 RM	31.12.2006 RM
Licensed banks	-	352,534,269
Bank Negara Malaysia	<u>100,000,000</u>	<u>-</u>

7. SECURITIES AVAILABLE-FOR-SALE

	31.12.2007 RM	31.12.2006 RM
At fair value		
Unquoted securities outside Malaysia		
Foreign corporate debt securities held	<u>32,734,350</u>	<u>-</u>

The foreign corporate debt securities above is equivalent to USD10 million.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

8. FINANCING AND ADVANCES

	31.12.2007 RM	31.12.2006 RM
(i) By type		
Term financing		
- other term financing: corporate	72,322,032	-
Staff financing	208,375	-
Others	27,575,525	-
	100,105,932	-
Less: Unearned income	(6,800,962)	-
Gross financing and advances	93,304,970	-
Less : Allowance for bad and doubtful financing:		
- general	(2,515,782)	-
Net financing and advances	90,789,188	-
(ii) By type of customer		
Domestic business enterprises		
- Others	93,096,595	-
Individuals	208,375	-
	93,304,970	-
(iii) Financing and advances analysed by contract are as follows:		
Tawarruq	93,096,595	-
Qardhul Hassan	208,375	-
	93,304,970	-



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

8. FINANCING AND ADVANCES (CONTINUED)

	31.12.2007 RM	31.12.2006 RM
(iv) By profit rate sensitivity		
Fixed rate		
- Other fixed rate financing	93,096,595	-
Non-profit sensitive		
-Others	208,375	-
	<u>93,304,970</u>	
(v) By purpose		
Purchase of landed property:		
- Residential	65,968,830	-
Working Capital	27,127,765	-
Personal Use	108,725	-
Purchase of transport vehicles	99,650	-
	<u>93,304,970</u>	-
(vi) Movement in allowance for bad and doubtful financing		
General allowance		
Allowance made during the year/period	2,515,782	-
Balance carried forward	2,515,782	-
As % of gross financing and advances less specific allowance	<u>2.7%</u>	<u>0.0%</u>

9. OTHER ASSETS

	31.12.2007 RM	31.12.2006 RM
Income receivable from placements and securities	2,909,864	-
Other debtors, deposits and prepayments	2,006,584	1,523,551
	<u>4,916,448</u>	<u>1,523,551</u>



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

10. DEFERRED TAXATION

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

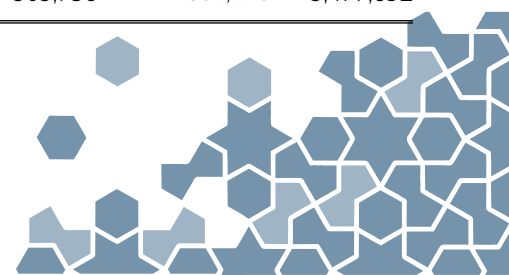
Deferred tax assets
31.12.2007

	Property, plant and equipment RM	Securities available-for- sale RM	General allowance on financing and advances RM	Other temporary differences RM	Total RM
(Charged)/Credited to income statement	(1,519,000)	-	679,000	2,389,000	1,549,000
Charged to equity	-	89,275	-	-	89,275
At end of year	(1,519,000)	89,275	679,000	2,389,000	1,638,275

11. PROPERTY, PLANT AND EQUIPMENT

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

Cost	Renovations RM	Computers RM	Equipment, furniture and fittings RM	Motor vehicle RM	Capital work-in- progress RM	Total RM
At 1 January 2007	3,650,356	653,429	807,133	645,620	1,275,696	7,032,234
Additions	205,078	69,975	246,944	4,689	2,148,671	2,675,357
Transfer	-	-	-	-	(2,816,569)	(2,816,569)
Written-off	-	-	-	(4,689)	-	(4,689)
At 31 December 2007	3,855,434	723,404	1,054,077	645,620	607,798	6,886,333
Accumulated depreciation	Renovations RM	Computers RM	Equipment, furniture and fittings RM	Motor vehicle RM	Capital work-in- progress RM	Total RM
At 1 January 2007	182,000	12,111	39,981	10,760	-	244,852
Charge for the year	740,633	81,595	190,477	129,827	-	1,142,532
Written-off	-	-	-	(703)	-	(703)
At 31 December 2007	922,633	93,706	230,458	139,884	-	1,386,681
Net Book Value	Renovations RM	Computers RM	Equipment, furniture and fittings RM	Motor vehicle RM	Capital work-in- progress RM	Total RM
At 31 December 2007	2,932,801	629,698	823,619	505,736	607,798	5,499,652



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost	Renovations RM	Computers RM	Equipment, furniture and fittings RM	Motor vehicle RM	Capital work-in- progress RM	Total RM
Additions	3,650,356	653,429	807,133	645,620	1,275,696	7,032,234
At 31 December 2006	3,650,356	653,429	807,133	645,620	1,275,696	7,032,234
Accumulated depreciation	Renovations RM	Computers RM	Equipment, furniture and fittings RM	Motor vehicle RM	Capital work-in- progress RM	Total RM
Charge for the period	182,000	12,111	39,981	10,760	-	244,852
At 31 December 2006	182,000	12,111	39,981	10,760	-	244,852
Net Book Value	Renovations RM	Computers RM	Equipment, furniture and fittings RM	Motor vehicle RM	Capital work-in- progress RM	Total RM
At 31 December 2006	3,468,356	641,318	767,152	634,860	1,275,696	6,787,382



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

12. INTANGIBLE ASSETS

Computer Software

Cost

As at beginning of financial year/date of incorporation -
Additions 7,868,639
Transfer 2,816,569

As at end of financial year/period 10,685,208

Accumulated depreciation

As at beginning of financial year/date of incorporation -
Charge for the year/period 1,574,640

As at end of financial year/period 1,574,640

Net Book Value

As at end of financial year/period 9,110,568

31.12.2007
RM

31.12.2006
RM

13. DEPOSITS FROM CUSTOMERS

Non-Mudharabah Funds:

Demand deposits 3,883,915
Savings deposits 2,196,827

31.12.2007
RM

31.12.2006
RM

Mudharabah Funds:

General investment deposits 6,177,239
Special investment deposits 816,441,590

Total deposits 828,699,571

(i) The deposits are sourced from the following classes of customers:

Business enterprises 822,490,358
Individuals 6,209,213

822,490,358
6,209,213
828,699,571



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.12.2007 RM	31.12.2006 RM
Non-Mudharabah Funds:		
Licensed Islamic banks	33,065,000	-
Other financial institutions	20,342,183	-
Mudharabah Fund:		
Licensed Islamic banks	600,000	-
Other financial institutions	14,800,000	-
	68,807,183	-

15. OTHER LIABILITIES

	31.12.2007 RM	31.12.2006 RM
Income payable	2,316,617	-
Sundry creditors	5,487,378	2,257,206
Amount due to shareholders	-	8,961,798
Other provisions and accruals	1,008,707	202,400
	8,812,702	11,421,404

16. ORDINARY SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each	
	2007	2006
Authorised:		
Ordinary shares of RM1.00 each		
As at beginning/end of financial year/period	1,000,000,000	1,000,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
As at beginning of financial year/ date of incorporation	355,020,010	2
Issued during the financial year/period	-	355,020,008
As at end of financial year/ period	355,020,010	355,020,010

17. RESERVES

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

The AFS revaluation reserve recognises unrealised gains or losses arising from a change in fair value of investments classified as available-for-sale securities. The gains or losses are transferred to the income statement upon de-recognition or impairment of the investment.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

18. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUND

	31.12.2007 RM	31.12.2006 RM
Income derived from investment of:-		
(i) General investment deposit	112,125	-
(ii) Other deposits	13,962,417	-
	14,074,542	-
(i) Income derived from investment of general investment deposits		
Finance income and hibah:		
Financing and advances	10,900	-
Securities available-for-sale	5,452	-
Money at call and deposits with financial institutions	95,773	-
	112,125	-
(ii) Income derived from investment of other deposits		
Finance income and hibah:		
Financing and advances	1,595,210	-
Securities available-for-sale	795,832	-
Money at call and deposit with financial institutions	11,571,375	-
	13,962,417	-

19. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUND

	31.12.2007 RM	31.12.2006 RM
Finance income and hibah		
Financing and advances	830,954	-
Securities available-for-sale	410,263	-
Money at call and deposits with financial institutions	11,576,617	15,436
Total finance income and hibah	12,817,834	15,436
Other operating income (note a)	919,217	-
	13,737,051	15,436
a) Fee income:		
Service charges and fees	895,307	-
Other fee income	23,910	-
Total other operating income	919,217	-



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

20. ALLOWANCES FOR LOSSES ON FINANCING AND ADVANCES

	31.12.2007 RM	31.12.2006 RM
Allowance for bad and doubtful financing:		
General allowance		
- Made during the financial year/period	2,515,782	-
	<hr/>	<hr/>

21. INCOME ATTRIBUTABLE TO DEPOSITORS

	31.12.2007 RM	31.12.2006 RM
Deposits from customers:		
- Mudharabah funds	9,672,929	-
- Non-mudharabah funds	229,608	-
Deposits and placements of banks and other financial institutions:		
- Mudharabah funds	598,987	-
- Non-mudharabah funds	2,299,166	-
	<hr/>	<hr/>
	12,800,690	-
	<hr/>	<hr/>

22. PERSONNEL EXPENSES

	31.12.2007 RM	31.12.2006 RM
Salaries, allowances and bonuses	8,363,153	1,897,948
Contributions to Employee Provident Fund and SOCSO	745,630	123,840
Medical related expenses	330,122	5,385
Travelling and parking	207,928	4,463
House rental	246,500	31,029
Other staff related cost	184,824	71,489
	<hr/>	<hr/>
	10,078,157	2,134,154
	<hr/>	<hr/>



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

23 OTHER OVERHEADS AND EXPENDITURES

	31.12.2007 RM	28.11.2005 to 31.12.2006 RM
Establishment expenses		
- Depreciation	2,717,172	244,852
- Rental of premises	1,094,003	647,897
- Software and hardware maintenance	834,543	-
- Rental of equipment and network line	765,098	5,167
- Deposit insurance	250,000	-
- Security expenses	158,211	16,203
- Others	81,988	197,908
	5,901,015	1,112,027
Marketing expenses		
- Advertising and promotional activities	323,688	13,899
- Entertainment expenses	23,245	4,299
- Travelling expenses	10,221	351,197
- Others	5,320	-
	362,474	369,395
Administration and general expenses		
- License and association fees and levies	304,229	-
- Travelling, transport and accomodation expenses	230,015	-
- Printing, stationery, postage and clearing charges	182,647	194,646
- Telecommunication charges	172,180	86,405
- Shariah Committee remunerations	146,290	-
- Electricity and water	141,732	18,449
- Directors related fees	129,000	-
- Other professional fees	64,954	621,918
- Auditors remuneration	42,000	18,000
- Donations	21,184	-
- Others	22,272	2,710
	1,456,503	942,128
	7,719,992	2,423,550

Included in the administration and general expenses of the Bank is the directors' remuneration totalling RM129,000 as disclosed in Note 24.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

24. REMUNERATION OF KEY MANAGEMENT PERSONNEL - CHIEF EXECUTIVE OFFICER ('CEO'), DIRECTORS AND SHARIAH COMMITTEE

	31.12.2007 RM	28.11.2005 to 31.12.2006 RM
Non-Executive Directors		
- Fees	129,000	-
Chief Executive Officer ('CEO')		
- Salary and other remuneration	1,222,367	627,072
- Benefit-in-kind	451,075	91,994
	1,673,442	719,066
Shariah Committee members fees	146,290	-
	1,948,732	719,066

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The movement and details of the directors of the Bank in office and their shareholdings in the Bank and related corporations are reported in the Directors' Report.

The remuneration of the directors is within the following bands

	31.12.2007	28.11.2005 to 31.12.2006
Non-Executive Below RM50,000	9	-

25. TAXATION

Deferred tax:
Relating to origination & reversal of temporary differences
Relating to reduction in Malaysian income tax rate
Others

	31.12.2007 RM	28.11.2005 to 31.12.2006 RM
	(1,058,000)	-
	(127,000)	-
	(364,000)	-
	(1,549,000)	-

The numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate are as follows:

	31.12.2007 RM	28.11.2005 to 31.12.2006 RM
Loss before taxation	(5,303,028)	(4,542,268)
Taxation at Malaysian statutory tax rate of 27%/20%	(1,431,817)	(908,454)
Effect on opening deferred tax of reduction in Malaysian income tax rate	(127,000)	-
Expenses not deductible for tax purposes	373,817	908,454
Others	(364,000)	-
Tax expense for the year	(1,549,000)	-



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

26. EARNINGS PER SHARE

Earnings per ordinary share are calculated as follows:

Basic:

Net loss for the financial year/period

Weighted average number of ordinary shares in issue

Basic loss per share (sen)

	31.12.2007 RM	31.12.2006 RM
Net loss for the financial year/period	(3,754,028)	(4,542,268)
Weighted average number of ordinary shares in issue	355,020,010	355,020,010
Basic loss per share (sen)	(1.06)	(1.28)

27. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related parties and relationships

The related parties of and their relationship with the Bank are as follows:

Related parties	Relationship
Qatar Islamic Bank ('QIB')	Shareholder
RUSD Investment Bank ('RUSD')	Shareholder
Global Investment House ('GIH')	Shareholder
Pacific-Interlink Sdn Bhd ('PIL')	Director-owned company
Directors and CEO	Key Management Personnel

(b) In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

The significant related party transactions and balances described below were carried out on terms and conditions obtainable on transactions with unrelated parties. Profit rates on all related party transactions are at normal commercial rates.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

For the financial year ended 31.12.2007

Expenditure

Reimbursement of operating expenses to shareholders

Shareholders RM	Director- owned company RM	Key management personnel RM
31,965	-	-

Amount due to

Current account and investment deposits

-	135,457	114,120
---	---------	---------

Amount due from

Reimbursement of operating expenses from shareholders

16,306	-	-
--------	---	---

Financing and advances

-	17,085,643	99,650
---	------------	--------

16,306	17,085,643	99,650
--------	------------	--------

The financing and advances to the director-owned company is repayable upon maturity at profit rate of LIBOR + 0.75%.

For the financial period from 28.11.2005 to 31.12.2006

Expenditure

Reimbursement of operating expenses to shareholders

293,107	-	-
---------	---	---

Amount due to

Other liabilities

8,961,798	-	-
-----------	---	---

Amount due from

Other receivables

-	46,992	-
---	--------	---



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

28. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to customers. No material losses are anticipated as a result of this transaction, which needs to be adjusted.

Risk weighted exposures of the Bank are as follows:

	31.12.2007		
	Principal amount RM	Credit equivalent amount * RM	Risk weighted amount RM
Transaction-related contingent items	2,332,961	2,332,961	-
Irrevocable commitments to extend credit:			
- maturity more than one year	4,031,170	2,015,585	2,015,585
- maturity less than one year	500,000	-	-
Miscellaneous	5,174,897	-	-
Total	12,039,028	4,348,546	2,015,585

	31.12.2006		
	Principal amount RM	Credit equivalent amount * RM	Risk weighted amount RM
Miscellaneous	9,954,568	-	-

* The credit equivalent amount is arrived at using credit conversion factors as per Bank Negara Malaysia's guidelines.

29. CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	31.12.2007 RM	31.12.2006 RM
Authorised and contracted for	5,174,897	9,954,568

The capital commitments are attributed to property, plant and equipment and intangible assets.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

30. LEASE COMMITMENTS

The Bank has operating lease commitment in respect of rented premises as follows:

	31.12.2007 RM	31.12.2006 RM
Not later than one year	1,437,240	1,437,240
Later than one year and not later than five years	616,620	2,053,860

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 Overview and organisation

Risk is inherent in banking business and sound risk management is cornerstone of prudent and successful banking. In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors (Board) through the Bank's Risk Management Department (RMD) and Board Risk Committee (BRC) is responsible for identifying principal risk and ensuring that there is an ongoing process to continuously manage the Bank's risks proactively.

The BRC provides oversight and management of all risks in an integrated way. Risk Management Division (RMD) is independent and reports directly to this committee. RMD is independent and reports directly to this committee. RMD through BRC assists the Board to formulate risk related policies, advises the Board on the risk impact of business strategies, and reviews compliance by the management to the risk policy framework that is approved by the Board.

Primary responsibility for managing risks, however, rests with business managers. They are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits. Additionally, the management of risks associated with financial instruments is continuously carried out in the organisation. The Board has set up policies and procedures to manage the risks that may arise in connection with the use of financial instruments.

31.2 Market risk management

Market risk is the risk of potential loss resulting from adverse movements in the level of market prices or rates, the two key components being profit rate risk and foreign currency exchange risks. It is incurred as a result of trading and non-trading activities.

The primary objective of market risk management is to ensure that losses from market risk can be promptly addressed, such that losses are contained within acceptable levels.

A framework of approved risk policies, measurement methodologies and limits as approved by the Board, controls financial market activities. The Asset Liability Committee (ALCO) comprising key officers of the banks, plays a fundamental role in the asset/liability management of the bank, and establishes strategies which assist in controlling and reducing any potential exposures to market risk. RMD plays an independent role in the monitoring and assessing of risk exposures arising from these, and reports independently to the BRC.

Apart from monitoring compliance with risk policies, methodologies and limits, scenario analysis and stress testing examine the impact of unusual market forces on the existing portfolios.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Some specific methods for managing the various types of market risks are:

(a) Currency risk

Currency risk refers to the risk that earnings and value of financial instruments will fluctuate due to changes in foreign exchange rates.

There is an approved position limit for each currency and an overall total limit. Trading loss limits are imposed on each trading desk and on each individual dealer. The level of these exposures (including off-balance sheet items) by currency and overall total for both intra-day and overnight positions are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by ALCO.

Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.

The Bank currently maintains a natural hedge by borrowing in the currency in which the asset is denominated in.

(b) Profit rate risk

Profit rate risk is the risk to earnings and the value of financial instruments held by the Bank caused by fluctuation in the profit rates. Profit rate risks arise from differences in maturities and repricing dates of assets, liabilities and off-balance sheet items.

The ALCO monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to profit rate movements. There are set limits on the level of mismatch of profit rate repricing that may be undertaken, which are monitored monthly. Market Risk Measurement and sensitivity analysis are undertaken to provide guidance towards limiting profit rate risks. The tables shown summarise the exposure to profit rate risk.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.2 Market risk management (continued)

(b) Profit rate risk (continued)

The table below summarises the Bank's exposure to profit rate risk. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates.

← Non-Trading Book →

31.12.2007	Up to 1 month RM	1-3 months RM	3-12 months RM	1-5 years RM	Over 5 years RM	Non-profit sensitive RM	Trading book RM	Total RM	Effective profit rate %
Assets									
Cash and short term funds	1,004,720,000	-	-	-	-	3,395,436	-	1,008,115,436	3.57
Deposits and placements with financial institutions	-	100,000,000	-	-	-	-	-	100,000,000	3.60
Securities available-for-sale	-	-	-	32,734,350	-	-	-	32,734,350	7.64
Financing and advances - performing	-	-	27,235,939	66,069,031	-	(2,515,782)	-	90,789,188	7.98
Other assets	-	-	-	-	-	4,916,448	-	4,916,448	-
Deferred taxation assets	-	-	-	-	-	1,638,275	-	1,638,275	-
Property, plant and equipment	-	-	-	-	-	5,499,652	-	5,499,652	-
Intangible assets	-	-	-	-	-	9,110,568	-	9,110,568	-
Total assets	1,004,720,000	100,000,000	27,235,939	98,803,381	-	22,044,597	-	1,252,803,917	



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.2 Market risk management (continued)

(b) Profit rate risk (continued)

31.12.2007	Non-Trading Book						Trading book RM	Total RM	Effective profit rate %
	Up to 1 month RM	1-3 months RM	3-12 months RM	1-5 years RM	Over 5 years RM	Non-profit sensitive RM			
Liabilities									
Deposits from customers	661,603,458	154,285,161	12,574,676	236,276	-	-	-	828,699,571	3.48
Deposits and placements of banks and other financial institutions	68,207,183	-	600,000	-	-	-	-	68,807,183	3.91
Other liabilities	-	-	-	-	-	8,812,702	-	8,812,702	-
Total liabilities	729,810,641	154,285,161	13,174,676	236,276	-	8,812,702	-	906,319,456	
Total shareholders equity	-	-	-	-	346,484,461	-	-	346,484,461	
	729,810,641	154,285,161	13,174,676	236,276	346,484,461	8,812,702	-	1,252,803,917	
Total profit-sensitivity gap	274,909,359	(54,285,161)	14,061,263	98,567,105	(346,484,461)	13,231,895	-	-	



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.2 Market risk management (continued)

(c) Liquidity risk

The primary objective of liquidity risk management is to ensure that the Bank maintains sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity is assessed based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into account consideration of realisable cash value of eligible liquefiable securities. The Bank sets limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities, to ensure adequate cover for withdrawals at unexpected level of demand. The Bank constantly ensures compliance with Bank Negara Malaysia's Liquidity Framework. The Bank's liquidity framework is subject to periodic stress tests and the results are constantly reviewed.

(d) Credit risk management

Credit risk represents the possibility of loss due to changes in the quality of counter-parties and the market price for credit risk assets (collateral).

The primary objective of credit risk management is to keep the Bank's exposure to credit risk within its capability and financial capacity to withstand potential financial losses.

The credit risk policy is to develop a strong credit culture with the objective of maintaining a well diversified, evaluated and current portfolio, fully satisfied for credit risk, giving no concern for unexpected losses and which ensures a reliable and satisfactory risk weighted return. This policy, the bedrock of credit risk management, is in the form of a written statement of credit standards, principles and guidelines, which is distributed bank-wide and used as a common source of reference.

Stringent measures and processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being independently evaluated by the RMD. The Executive Committee of the Board sanction credits beyond the discretionary limit of the Credit Committee. The strict adherence to the discretionary powers sanctioned by the Board is monitored by the RMD.

A risk rating system is used to categorize the risk of individual credits and determine whether the Bank is adequately compensated. Client accounts will be reviewed at regular intervals and weakening credits will be closely monitored.

The Bank strives to maintain a diverse credit profile and track changing risk concentrations in response to market changes and external events. Risks are further mitigated through counterparty, industry and product exposure limits and risk reward mapping.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.2 Market risk management (continued)

(d) Credit risk management (continued)

31.12.2007	Short-term funds and placements with financial institutions	Securities available-for-sale	Financing and advances #	Other financial assets *	On balance sheet total	Commitment and contingencies
Agriculture, hunting, forestry and fishing	-	-	27,127,766	-	27,127,766	500,000
Finance, insurance and business services	1,104,720,000	32,734,350	-	-	1,137,454,350	600,000
Construction	-	-	65,968,830	-	65,968,830	4,031,170
Others	-	-	208,375	-	208,375	1,732,961
	1,104,720,000	32,734,350	93,304,971	-	1,230,759,321	6,864,131
Assets not subject to credit risk	3,395,436	-	-	4,916,448	8,311,884	5,174,897
	1,108,115,436	32,734,350	93,304,971	4,916,448	1,239,071,205	12,039,028

Excludes general allowance amounting to RM2,515,782

* Excludes deferred taxation assets of RM11,638,275; property, plant and equipment of RM5,499,652 and intangible assets of RM9,110,568



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31.2 Market risk management (continued)

(e) Operational risk

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

The management of operational risk is an important feature of sound risk management practice in today's banking operations. Policies and procedures, internal controls and internal reviews or compliance monitoring and audit processes are primary means to control operational risk. The operational risk function is responsible for development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on the operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Operating processes and policies are continually being refined and strengthened to prevent or minimize unexpected losses.

As the Bank implements its Basel II initiatives, RMD is putting in place the key risk indicators (KRIs) to support various business units and support group to manage and monitor their operational risk more effectively.

The Bank has its ongoing business continuity planning (BCP) programme for its major critical business operations and activities at the Head Office, Datacentre, and branches locations. The BCP programme is subject to regular testing's to ensure efficacy, reliability and functionality.

The Human Resource Division has in place an established policy and procedures in ensuring quality people with integrity are recruited, trained and retained. Operational risk awareness training is also part of the bank's Learning Centre/HR initiatives for targeted staff.

All new products/services introduced by the Bank are evaluated by RMD before they are being approved by the Board.

(f) Information technology ('IT') risk

As for IT risk, there is a continuous process of risk assessment and risk mitigation on the existing hardware, software and the processes.

IT risk management is the process that balances the operational and economic costs of protective measures of IT systems and data against the goal of the organization.

Dedicated disaster recovery plan (DRP) hot site is established for the mainframe system, as well as for the other specific software systems that Bank has.

The Bank allocates substantial time and dedicated staff to constantly review, revamp and develop new policy and procedures to cater for the constant change of the financial industry.

There are no comparatives to this note as the Bank only commenced its operations from 19 January 2007.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

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

Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial institutions of similar financing risk and remaining period to maturity.

Held for trading, available-for-sale and held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative profit yields or net tangible asset backing of investee.

Financing and advances

The following table summarises the carrying amounts and the estimated fair values of those financial assets not presented on the Bank balance sheet at their fair value:

31.12.2007	Carrying value RM	Fair value RM
Financial assets:		
Financing and advances	90,789,189	90,191,201

There are no comparatives to this note as the Bank commenced its operations from 19 January 2007.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

For variable rate financing, the carrying value is generally a reasonable estimate of fair value. For fixed rate financing, the fair value is estimated by discounting the estimated future cash flows using prevailing market rates of financing with similar financing risks and maturities.

The fair values of non-performing variable and fixed rate financing are represented by their carrying value, net of specific allowance and income-in-suspense, being the expected recoverable amount.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market profit rates.

Deposits from customers

For deposits from customers with maturities less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market profit rates with similar remaining period to maturities.

Financing related commitment and contingencies

The net fair value of these items as not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to financing risks and attract fees in line with market prices for similar arrangements.

They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

33. CAPITAL ADEQUACY

Tier I Capital

Paid-up ordinary share capital
Accumulated losses

Less :
Deferred tax assets

Total Tier I capital

Tier II Capital

General allowance for bad and doubtful financing

Total Tier II capital

Total capital base

Capital ratios

Inclusive of market risk :

Core capital ratio (inclusive of market risk)

Risk-weighted capital ratio (inclusive of market risk)

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

(i) Credit Risk

20%

100%

(ii) Market Risk Capital Adequacy Framework #

	31.12.2007 RM
Paid-up ordinary share capital	355,020,010
Accumulated losses	(8,296,296)
	346,723,714
Less : Deferred tax assets	(1,638,275)
Total Tier I capital	345,085,439
General allowance for bad and doubtful financing	2,515,782
Total Tier II capital	2,515,782
Total capital base	347,601,221
Capital ratios	
Inclusive of market risk :	
Core capital ratio (inclusive of market risk)	210.39%
Risk-weighted capital ratio (inclusive of market risk)	211.92%
	Risk Weighted RM
20%	151,951
100%	150,929,141
	151,081,092
(ii) Market Risk Capital Adequacy Framework #	12,940,456
	164,021,548

The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework, which is effective from 1 April 2005. There are no comparatives to this note as the Bank only commenced its business operations from 19 January 2007.



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

34. SEGMENT INFORMATION

All inter-segment transactions are conducted on an arms-length basis and on normal commercial terms not more favourable than those generally available to the public.

The Bank's divisional segment can be organised into the following main segments reflecting the Bank's internal reporting structure: -

Domestic banking

Domestic banking caters to financing needs of corporate customers including public listed corporations and its related entities, multinationals corporations, Financial Institutions, Government and state owned entities, small and medium enterprises. Domestic banking also focuses on providing products and services to individual customers. The products and services offered to customers include trade finance, contract financing, capital goods financing, asset purchase financing, project financing, home financing and personal financing.

Investment and international banking

Treasury operations involve managing the Bank's funding requirement, investment and compliance requirements. Treasury also involve proprietary trading in treasury related products such as foreign exchange, money market and fixed income. Investment banking provides services related to the capital markets such as corporate finance advisory and Sukuk issuance as well as syndicated and structured finance for corporate clients. We further develop investment products such as property investment funds with a view to provide investors from GCC with an avenue to invest in the Asian properties.

	Domestic banking RM	Investment and International banking RM	Others* RM	Elimination RM	Total RM
External revenue	2,642,492	25,145,164	23,937	-	27,811,593
Inter-segment revenue	(1,082,779)	1,082,779	-	-	-
Total revenue	1,559,713	26,227,943	23,937	-	27,811,593
Depositors' payout	(88,170)	(12,712,520)	-	-	(12,800,690)
Net income	1,471,543	13,515,423	23,937	-	15,010,903
Operating overheads	(6,671,293)	(2,239,219)	(11,403,419)	-	(20,313,931)
Segmental results/loss before Taxation	(5,199,750)	11,276,204	(11,379,482)	-	(5,303,028)
Taxation					1,549,000
Loss for the financial year					(3,754,028)



Notes To The Financial Statements For Financial Year Ended 31 December 2007 (Continued)

34. SEGMENT INFORMATION (CONTINUED)

	Domestic banking RM	Investment and International banking RM	Others* RM	Elimination RM	Total RM
Segment assets	94,476,142	1,142,177,725	14,511,775	-	1,251,165,642
Deferred tax assets	-	89,275	1,549,000	-	1,638,275
Unallocated assets	-	-	-	-	-
Total assets	94,476,142	1,142,267,000	16,060,775	-	1,252,803,917
Segment liabilities	829,343,880	68,162,874	8,812,702	-	906,319,456
Taxation	-	-	-	-	-
Total liabilities	829,343,880	68,162,874	8,812,702	-	906,319,456
Other segment items					
Capital expenditure	2,880,611	935,839	6,727,546	-	10,543,996
Depreciation	743,418	241,518	1,732,236	-	2,717,172
Financing loss provision	2,515,782	-	-	-	2,515,782

* Others comprise of Business Support and Independent Support Units

There are no comparatives to this note as the Bank only commenced its operations from 19 January 2007.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 April 2008.



STATEMENT BY DIRECTORS

Pursuant to Section 169 (15) of the Companies Act, 1965

We, Abdul Latif Abdulla Z. Al-Mahmoud and Salah Mohd I. Al Jaidah, being two of the directors of ASIAN FINANCE BANK BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 12 to 47 are drawn up in accordance with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Bank as at 31 December 2007 and of the results and cash flows of the Bank for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2008.

ABDUL LATIF ABDULLA Z. AL-MAHMOUD

SALAH MOHD I. AL JAIDAH

STATUTORY DECLARATION

Pursuant to Section 169 (16) of the Companies Act, 1965

I, Faisal Mohamed Saeed Ahmad Naser Alshowaikh, being the director primarily responsible for the financial management of ASIAN FINANCE BANK BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 47 are in my opinion 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.

FAISAL MOHAMED SAEED AHMAD NASER ALSHOWAIKH

Subscribed and solemnly declared by the abovenamed Faisal Mohamed Saeed Ahmad Naser Alshowaikh at Kuala Lumpur before me, on 30 April 2008.

COMMISSIONER FOR OATHS



REPORT OF SHARIAH COMMITTEE

I, Sheikh Dr. Abdul Sattar Abu Ghuddah being the chairman of the Shariah Committee of Asian Finance Bank Berhad, do hereby confirm on behalf of the members of the Shariah Committee that the operations of the Bank for the financial year ended 31 December 2007 have been, generally conducted in compliance with Shariah principles, and we have not observed major violations in such operations.

On behalf of the Shariah Committee

SHEIKH DR. ABDUL SATTAR ABU GHUDDAH
Chairman



REPORT OF THE AUDITORS TO THE MEMBERS OF ASIAN FINANCE BANK BERHAD

We have audited the financial statements set out on pages 12 to 47. These financial statements are the responsibility of the Bank's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Bank as at 31 December 2007 and of the results and the cash flows of the Bank for the financial year then ended; and
- (b) 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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/10 (J))
Partner

Kuala Lumpur, Malaysia
30 April 2008

