

BANGKOK BANK BERHAD (299740 - W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2007

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

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BANGKOK BANK BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking and related financial services. The principal activity of the subsidiary is the provision of nominees services.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group and Bank RM'000
Net profit for the year	<u>6,463</u>

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

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

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year. The directors do not propose any final dividend in respect of the financial year ended 31 December 2007.

DIRECTORS

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

Staporn Kavitanon

Loke Tan Cheng

Prasong Uthaisangchai

Rushda Theeratharathorn

Toh Chong

YBhg Professor Dato' Ruslan Khalid

YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir

Chris Chia Woon Liat

YBhg Dato' Koay Soon Eng (appointed on 1 August 2007)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that 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 body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 24 to the financial statements or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTEREST

None of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Bank were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTD.)

- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render:
 - (i) the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

BUSINESS OVERVIEW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 AND OUTLOOK FOR THE FINANCIAL YEAR 2008

Bangkok Bank Berhad registered a profit before tax of RM9.0 million for the financial year ended 31 December 2007, which is below the RM25.7 million recorded in the previous financial year. The primary reason is that despite loan growth, the net interest income is offset by the substantial increase in loan loss and allowances resulting in a lower profit before tax.

Net interest income improved by 15% to RM35.9 million from RM31.3 million in the last financial year. Loan outstanding grew substantially from RM869 million at end December 2006 to RM1.1 billion at end December 2007 as new loans granted and has been the primary contributor to the rise in net interest income.

At the same time, non-interest income improved to RM12.1 million in 2007 from RM10.1 million in 2006. The increase is largely due to higher foreign exchange gain from favourable exchange rates and higher volume of foreign transactions. Additionally, the increase in the investment income as a result of the active treasury activities also contribute to the rise in non interest income.

The increase in loan loss and allowances, from RM5.1 million in 2006 to RM24.3 million in 2007 is mainly attributable to the additional specific allowance made in respect of newly classified non-performing loans during the year. Gross NPLs has also increased from RM16.3 million in December 2006 to RM40.8 million in December 2007. Net NPL ratio has also marginally increased from 1.0% to 1.1%.

Simultaneously, overhead expenses increase from RM10.6 million in 2007 to RM14.6 million in 2007. The increase of 38% is mainly contributed by higher personnel costs incurred due to staff recruitment to support business expansion and to enhance the risk and compliance functions.

The Bank will continue to aggressively expand its corporate customer base and be a significant bank in selected niche areas, such as trade finance without compromising its risk management standards. At the same time, the Bank will also diversify its revenue source into wholesale banking and treasury related products.

To support the expansionary intent, the Bank will continue to enhance its risk management framework to ensure that there is strong, well-defined, independent risk oversight of the various activities. At the same time, the Bank will also establish a program of systematic review and streamlining of current processes to increase efficiency and effectiveness.

PROFILE OF DIRECTORS

STAPORN KAVITANON

Chairman, Non-Independent Non-Executive Director

Mr Staporn Kavitanon, a Thai citizen, was appointed Chairman to the Board on 25 January 2006. He holds a Master's degree in Economics from Vanderbilt University, USA and a Bachelor's degree in Economics from Thammasat University, Thailand.

Presently, Mr Staporn is also the Vice Chairman of the Board of Directors of Bangkok Bank Public Co Ltd ("BBL") in Thailand and he has been serving as BBL's Director since 1994. Apart from this, he also sits on the Boards of Berli Jucker Public Co Ltd, Indo Rama Petrochemical Co Ltd, Kang Yong Electric Public Co Ltd, Beer Thai (1991) Public Co Ltd, Thai Beverage Co Ltd, Siam Food Co Ltd and T.C.C. Technology Co Ltd in Thailand.

Mr Staporn is currently the Chairman of Thai-Japanese Association, Thai-American Association, Thailand-US Business Council and Thammasat Chalermprakiet Hospital as well as an adviser of Thammasat Economic Association in Thailand.

His past appointments included being a Senator, Senate (1991-2000), President of Thammasat Economic Association (1991-2000), Secretary General of Board of Investment (1991-2001), Chairman of National Defence College, Class 30 (2000). Mr Staporn was also a Director of Foundation for Management Educational Institutions of Thailand (2000) and Foundation for International Human Resource Development, Thailand (2000).

LOKE TAN CHENG

Executive Director / Chief Executive Officer

Mr Loke Tan Cheng, a Malaysian, was appointed to the Board on 22 December 2006. He holds a Bachelor of Electrical Engineering and a Master of Business Administration (major in Marketing and Finance) from Concordia University, Canada. Mr Loke also holds a Postgraduate Diploma in Management from McGill University, Canada.

Mr Loke has more than 26 years experience in banking and finance industries prior to joining the Bank. He has worked with few multinational banks in Singapore and served in various senior management positions. Mr Loke was last attached to OCBC Bank Limited, Singapore as Vice President, Head of Credit Policy and Procedure, and has global responsibility for the group's credit risk policies and processes.

PROFILE OF DIRECTORS (CONTD.)

PRASONG UTHAISANGCHAI

Non-Independent Non-Executive Director

Mr Prasong Uthaisangchai, a Thai citizen, was appointed to the Board on 15 September 1994. He holds a Diploma in Business Studies from Norwood Technical College, United Kingdom.

Mr Prasong has extensive banking experience in the Asia Region, having worked for over 37 years with BBL. He began his banking career with BBL in Thailand as an officer, Export & Credit Divisions in 1971 and was then assigned to hold various senior management positions in Singapore branch (1978-1979), Taipei branch (1979-1988) and Hong Kong branch (1988 -1991).

Twenty years later after joining BBL, in 1991, he became the Executive Director and Senior Executive Vice President of BBL, heading the International Banking Group which supervises all overseas branches and the Bank.

RUSHDA THEERATHARATHORN

Non-Independent Non-Executive Director

Ms Rushda Theeratharathorn, a Thai citizen, was appointed to the Board on 17 September 1996. She first obtained a Bachelor of Accountancy degree from Chulalongkorn University, Thailand and later completed her Master of Management degree from Sasin Institute of Chulalongkorn University, Thailand.

Ms Rushda is currently the Executive Vice President, Chief Credit Officer of BBL. She joined BBL in 1991 as Vice President, Marketing Department and has assumed various senior positions in BBL, including as Senior Vice President, International Branch Credit Department (1993-1997), Executive Vice President and General Manager, BBL Singapore branch (1997-2001), and Executive Vice President, Head of Credit Acceptance (2001-2007).

PROFILE OF DIRECTORS (CONTD.)

TOH CHONG

Non-Independent Non-Executive Director

Mr Toh Chong, a Malaysian, was appointed to the Board on 25 January 2006. He holds a Bachelor of Arts (Hons) degree in Philosophy, Politics and Economics from the Oxford University, UK and a Master of Science degree in Management from the Massachusetts Institute of Technology, USA.

Mr Toh is presently the Executive Chairman of Bualuang Securities Public Co Ltd, the capital markets subsidiary of BBL, and the Executive Vice President in the International Banking Group of BBL. Prior to joining BBL in 1998, he was an Economist for the Government of Singapore Investment Corporation (1991- 1993) and worked in Morgan Stanley investment banking (1993-1996).

Currently, Mr Toh also sits on the Boards of Asia Cement Public Co Ltd, Bumrungrad Hospital Public Co Ltd, Bumrungrad International Ltd in Thailand and BBL (Cayman) Limited.

YBHG PROFESSOR DATO' RUSLAN KHALID

Independent Non-Executive Director

YBhg Professor Dato' Ruslan Khalid, a Malaysian, was appointed to the Board on 3 January 2001. He graduated from Architectural Association School of Architecture with an Architectural Association Diploma in 1967. He is an Associate of the Royal Institute of British Architects, the Malaysian Institute of Architects and the Institute of Interior Designers Malaysia.

Professor Dato' Ruslan had worked on various architectural projects in London and Switzerland (1958-1963). He then joined GLC Architect's Department (1967-1973) and founded Ruslan Khalid Associates in London (1973-1980). In 1984, he re-established Ruslan Khalid Associates in Kuala Lumpur.

He was a Senior Lecturer at Portsmouth Polytechnic (now University of Portsmouth) (1973 - 1976) . He also taught at the Architectural Association School, London as a part-time lecturer (1973 -1978). He was an Associate Professor at University Technology of Malaysia (1980-1982) and the Head and Founder of the School of Architecture at University Putra Malaysia (1998-2001). His articles on various architectural topics have been published both locally and internationally.

Professor Dato' Ruslan is currently a council member of United Nations Malaysia Association and Malaysian Structural Steel Association. He also holds the directorships in Gold Coin Malaysia Group Sdn Bhd and several other private companies.

PROFILE OF DIRECTORS (CONTD.)

YAM TUNKU MUHRIZ IBNI ALMARHOM TUANKU MUNAWIR

Independent Non-Executive Director

YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir, a Malaysian, was appointed to the Board on 5 October 2006. He graduated with a LLB (Hons) degree from the University of Wales, Aberystwyth, United Kingdom.

Tunku Muhriz started his working career with an international bank in Malaysia (1971-1972) and became a director of a company licensed as brokers in interbank foreign exchange and currency deposits market (1973-1981). He was the Chairman of a Malaysian joint venture with a worldwide advertising agency (1981-1992) .

Tunku Muhriz is currently a Director of Kandenko Engineering (Malaysia) Sdn Bhd, affiliated to Kandenko Co Ltd of Tokyo, which engaged in electrical engineering and sits on the Boards of several private companies.

CHRIS CHIA WOON LIAT

Independent Non-Executive Director

Mr Chris Chia Woon Liat, a Malaysian, was appointed to the Board on 5 October 2006. He holds a Bachelor of Commerce (Accounting & Finance) with First Class Honours as well as a Master in Accounting degree (with distinction) from the University of Western Australia. He also holds a M.B.A. from the Massachusetts Institute of Technology's Sloan School of Management, USA and a Master of Liberal Arts degree from Harvard University, USA.

Mr Chia started his career as an associate consultant with Arthur Andersen, Malaysia (1994-1996) prior to joining Goldman Sachs (Singapore) Pte Ltd, Singapore (1998-2000) as an associate.

He was a Vice President at Citigroup Global Markets (Southeast Asia Investment Banking Division), based in Singapore (2000-2004). At Citigroup, he had coverage responsibility for key Southeast Asian clients, with a focus on Singapore and Malaysia as well as Financial Buyers/Private Equity Funds. He was also responsible for all aspects of deal origination and management as well as execution of general corporate finance transactions. He has played a key role in the structuring and execution of capital markets transactions including the structuring of lending and leveraged finance, particularly in Mergers and Acquisitions and has deal experience across Hong Kong, Thailand, Indonesia, Singapore, Australia and Malaysia.

Mr Chris Chia is currently a Director of Kendall Court (Singapore) Pte Ltd and sits on the Boards of several private companies in Singapore.

PROFILE OF DIRECTORS (CONTD.)

YBHG DATO' KOAY SOON ENG

Non-Independent Non-Executive Director

YBhg Dato' Koay Soon Eng, a Malaysian, was appointed to the Board on 1 August 2007. He holds a Diploma in Accountancy and a Bachelor of Commerce from the University of Queensland. Dato' Koay is an Accountant by profession, being a Chartered Accountant of Malaysian Institute of Accountants and a Certified Practising Accountant of Australian Society of Certified Practising Accountants. He is also a Fellow of the Institute of Chartered Accountants in Australia.

Dato' Koay has been in public accountancy practices since 1970. He has wide experience in auditing, taxation, corporate secretarial and administration, liquidation and receivership as well as general and corporate finance consultancy serving from small and medium sized companies to major public listed corporations.

Dato' Koay is currently the Executive Chairman of Moores Rowland, a Malaysian firm of international practices of accountants and consultants, and holds the chairmanship for several companies within the Moores Rowland Group. He is also an Independent Director of Y.S.P. Southeast Asia Holding Berhad.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Board Composition

The Board of Bangkok Bank Berhad ("the Bank") currently comprises nine (9) members, of whom one (1) is the Executive Director/Chief Executive Officer ("CEO"), three (3) are Independent Non-Executive Directors, and five (5) are Non-Independent Non-Executive Directors.

The Board is constituted of individuals of caliber, credibility and integrity with the necessary skills, experience as well as qualifications to supervise the management of the business and affairs of the Bank. The Board, as a whole, provides a mixture of core competencies including banking, finance, accounting, economics, legal and business management for effective functioning and discharging of the responsibilities of the Board.

The presence of the three (3) Independent Non-Executive Directors provides the necessary checks and balances on the Board and facilitates the Board to exercise objective judgement in decision making.

A brief profile of each Director is presented on pages 5 to 9 of this Audited Financial Statements.

BOARD OF DIRECTORS (CONTD.)

Board's Duties and Responsibilities

The Board is led by the Chairman, Mr Staporn Kavitanon, who is a Non-Independent Non-Executive Director.

The roles of the Chairman and CEO are separated to ensure a balance of power and authority, such that no one individual has unfettered powers of decisions.

There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Bank are firmly in hand. The day-to-day conduct of the Bank's business is delegated to the Executive Director/CEO and the full-time employees of the Bank subject to the authority limit given.

The major duties and responsibilities of the Board are:

1. To review and approve management's proposal on strategies, business plan and significant policies and monitor management's performance in the implementation process;
2. To set corporate values and clear lines of responsibility and accountability that are communicated throughout the Bank;
3. To ensure there is a process to select and appoint key senior management officers who are qualified and competent to administer the affairs of the Bank effectively and soundly as well as to approve succession planning policy and effectively monitor senior executive officers' performance on an on-going basis;
4. To establish and ensure the effective functioning of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee;
5. To set up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering the traditional function of financial audit as well as the function of management audit;
6. To ensure the Bank establishes comprehensive risk management policies, processes and infrastructure to manage the various types of risks;
7. To ensure that the Bank has a beneficial influence on the economic well-being of its community;

BOARD OF DIRECTORS (CONTD.)

8. To supervise the management of the business and affairs of the Bank, and be regularly informed of the Bank's condition and management policies in ensuring that the Bank's business is soundly managed;
9. To adopt and follow sound policies and objectives which have been fully deliberated;
10. To ensure the operations of the Bank are conducted prudently and within the framework of relevant laws, rulings and regulations;
11. To establish policies to avoid self-serving practices and conflicts of interest including dealings of any form with related entities;
12. To approve quarterly, half-yearly and full year financial reports; and
13. To recommend/declare dividend (if any) to shareholders.

The Board also assumes various functions and responsibilities that are required of them by Bank Negara Malaysia ("BNM"), as specified in guidelines and directives issued by BNM from time to time.

Frequency and Conduct of Board Meetings

The Board meets on a scheduled basis, at least once in every two months, to review the management reports and to deliberate various matters which require its guidance and approval.

The agenda for each Board Meeting together with the detailed reports and proposal papers are circulated to the Directors well in advance of the meetings to enable them to make an informed decision and discharge their duties more effectively.

During the financial year ended 31 December 2007, six (6) Board Meetings were held.

All the Directors have complied with the BNM's requirement that individual Directors must at least attend 75% of the Board Meetings held in the financial year. Details of each Director's attendance at Board Meetings for the financial year are as follows:

	Board Members	Designation	Attendance
1.	Mr Staporn Kavitanon	Chairman, Non-Independent Non-Executive Director	6/6
2.	Mr Loke Tan Cheng	Executive Director/CEO	6/6
3.	Mr Saksith Tejasakulsin <i>(Resigned on 3.1.2007)</i>	Executive Director/CEO	Not Applicable
4.	Mr Prasong Uthaisangchai	Non-Independent Non-Executive Director	5/6

BOARD OF DIRECTORS (CONTD.)**Frequency and Conduct of Board Meetings (Contd.)**

	Board Members	Designation	Attendance
5.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	5/6
6.	Mr Toh Chong	Non-Independent Non-Executive Director	5/6
7.	YBhg Professor Dato' Ruslan Khalid	Independent Non-Executive Director	6/6
8.	YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir	Independent Non-Executive Director	6/6
9.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	5/6
10.	YBhg Dato' Koay Soon Eng (Appointed on 1.8.2007)	Non-Independent Non-Executive Director	3/3

Access to Information

The Directors have separate and independent access to the Bank's management and full access to the services of the Company Secretary, whose role includes ensuring that Board procedures, applicable rules and regulations are complied with.

The Directors also have a right to seek external independent professional advice in the furtherance of their duties as Directors, whether as a full Board or in their individual capacity at the Bank's expense.

Directors' Training

All the Directors receive continuous training to keep abreast with the latest developments in the banking and related sectors.

During the financial year ended 31 December 2007, the seminars and courses attended by the Directors are, inter-alia on areas relating to banking and related topics, BASEL II, Anti-Money Laundering and Anti Terrorism Act, 2001, financial reporting standards, budget 2008 etc.

The newly appointed Director, Dato' Koay Soon Eng has attended the in-house Orientation and Education Programme on 22 August 2007.

Board Performance

The Board has established a performance evaluation mechanism to assess the effectiveness of the Board, Board Committee and each Director's contribution annually. The Nomination Committee is responsible to undertake the performance evaluation in every year and submit the result to the Board for deliberation.

BOARD OF DIRECTORS (CONTD.)**Board Performance (Contd.)**

The Board, Board Committees and individual Directors' performance is evaluated against identified key areas and key performance indicators ("KPIs") that based on regulatory requirements and best practices. The key areas and KPIs including but not limited to the Board and Board Committees' structure, responsibilities, meeting operations, input in policy development, participation in decision making and attendance.

BOARD COMMITTEES

The Board has established various Board Committees to assist the Board in the execution of its duties and responsibilities. Each Board Committee operates within its terms of reference approved by the Board, which clearly define its duties and responsibilities.

The Board Committees of the Bank are as follows:

- a. Nomination Committee;
- b. Remuneration Committee;
- c. Risk Management Committee; and
- d. Audit Committee

NOMINATION COMMITTEE**Membership and Attendance**

The Nomination Committee met six (6) times for the financial year ended 31 December 2007.

The composition of the Nomination Committee and attendance of the members at the meetings held during the financial year are as follows:

	Committee Members	Designation	Attendance
1.	YBhg Professor Dato' Ruslan Khalid - Chairman	Independent Non-Executive Director	6/6
2.	Mr Loke Tan Cheng <i>(Appointed on 2.3.2007)</i>	Executive Director/CEO	5/5
3.	Mr Saksith Tejasakulsin <i>(Resigned on 3.1.2007)</i>	Executive Director/CEO	Not Applicable
4.	Mr Prasong Uthaisangchai <i>(Resigned on 4.5.2007)</i>	Non-Independent Non-Executive Director	2/2
5.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	4/6
6.	Mr Toh Chong	Non-Independent Non-Executive Director	5/6

NOMINATION COMMITTEE (CONTD.)**Membership and Attendance (Contd.)**

	Committee Members	Designation	Attendance
7.	YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir <i>(Appointed on 4.5.2007)</i>	Independent Non-Executive Director	4/4
8.	YBhg Dato' Koay Soon Eng <i>(Appointed on 24.10.2007)</i>	Non-Independent Non-Executive Director	1/1

Terms of Reference of Nomination CommitteeObjective

To provide a formal and transparent procedure for the appointment of Directors and CEO as well as assessment of effectiveness of individual Directors, Board as a whole and performance of CEO and key Senior Management Officers.

Composition

The Committee shall have a minimum of five (5) members, of which four (4) must be Non-Executive Directors and the Chairman must be an Independent Director.

Notice

Except in the case of emergency, seven (7) days notice of the Committee Meeting shall be given in writing to all the Committee members.

Quorum

A simple majority of the members of the Committee, of which one must be an Independent Director, present in person or participating by telephone or other instantaneous telecommunication device that permits all persons participating in the meeting to hear and be heard by one another.

Secretary to the Committee

The Company Secretary or in his absence, such other person as appointed by the Chairman of the Committee.

Frequency of Meetings

The Committee shall meet as and when required, at least once a year.

Decision Making

Questions arising at any meeting, when so required shall be determined by a majority of votes of the members present and in the case of an equality of votes, the Chairman shall have a second or casting vote, except where only two (2) Directors are competent to vote on the question at issue.

In order to avoid conflict of interest, a member of the Committee shall abstain from participating in discussions and decisions on matters involving him.

NOMINATION COMMITTEE (CONTD.)

Roles and Responsibilities

- (i) Establishes minimum requirements for the Board in terms of required mix of skills, experience, qualification and other core competencies. Establishes minimum requirements for the CEO. The requirements and criteria should be approved by the Board;
- (ii) Recommends and assesses the nominees for directorship, Board Committee members and the CEO. This includes assessing Directors for reappointment, before an application for approval is submitted to BNM. The decision on who shall be nominated for approval by BNM shall be the responsibility of the Board;
- (iii) Oversees through an annual review the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors;
- (iv) Recommends to the Board the removal of a Director or CEO from the Board or Management if the Director or CEO is ineffective, errant and negligent in discharging his responsibilities;
- (v) Establishes a mechanism for the formal annual assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various Committees and the performance of the CEO and other key Senior Management Officers. Assessment shall be based on the objective performance criteria approved by the Board;
- (vi) Ensures that all Directors receive an appropriate continuous training program in order to keep abreast with the latest developments in the banking industry;
- (vii) Oversees the appointment, management succession planning and performance evaluation of key Senior Management Officers;
- (viii) Recommends to the Board the removal of key Senior Management Officers if they are ineffective, errant and negligent in discharging their responsibilities;
- (ix) Assesses on an annual basis that individual Directors and key Senior Management Officers are not disqualified under Section 56 of the Banking and Financial Institutions Act, 1989 and continue to comply with the standards for "fit and proper" criteria as approved by the Board;
- (x) Determines annually whether a Director is "independent" as defined in the guideline issued by BNM;
- (xi) Carries out such other responsibilities as may be delegated by the Board from time to time;
- (xii) The Committee shall have no decision-making powers but shall report its recommendation(s) to the Board.

REMUNERATION COMMITTEE

Membership and Attendance

The Remuneration Committee met five (5) times for the financial year ended 31 December 2007.

The composition of Remuneration Committee and attendance of the members at the meetings held during the financial year are as follows:

	Committee Members	Designation	Attendance
1.	YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir - Chairman <i>(Appointed as member and Chairman on 4.5.2007)</i>	Independent Non-Executive Director	3/3
2.	YBhg Professor Dato' Ruslan Khalid <i>(Chairman until 4.5.2007)</i>	Independent Non-Executive Director	5/5
3.	Mr Prasong Uthaisangchai <i>(Resigned on 4.5.2007)</i>	Non-Independent Non-Executive Director	2/2
4.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	3/5
5.	Mr Toh Chong	Non-Independent Non-Executive Director	4/5
6.	YBhg Dato' Koay Soon Eng <i>(Appointed on 24.10.2007)</i>	Non-Independent Non-Executive Director	1/1

Terms of Reference of Remuneration Committee

Objective

To provide a formal and transparent procedure for developing remuneration policy for Directors, CEO and key Senior Management Officers and ensuring that compensation is competitive and consistent with the Bank's culture, objectives and strategy.

Composition

The Committee shall have a minimum of three (3) members, all of whom must be Non-Executive Directors and the Chairman must be an independent Director.

Notice

Except in the case of emergency, seven (7) days notice of the Committee Meeting shall be given in writing to all the Committee members.

REMUNERATION COMMITTEE (CONTD.)

Quorum

A simple majority of the members of the Committee, of which one must be an Independent Director, present in person or participating by telephone or other instantaneous telecommunication device that permits all persons participating in the meeting to hear and be heard by one another.

Secretary to the Committee

The Company Secretary or in his absence, such other person as appointed by the Chairman of the Committee.

Frequency of Meetings

The Committee shall meet as and when required, at least once a year.

Decision Making

Questions arising at any meeting, when so required shall be determined by a majority of votes of the members present and in the case of an equality of votes, the Chairman shall have a second or casting vote, except where only two (2) Directors are competent to vote on the question at issue.

In order to avoid conflict of interest, a member of the Committee shall abstain from participating in discussions and decisions on matters involving him.

Roles and Responsibilities

- (i) Recommends a framework of remuneration for Directors, the CEO and other key Senior Management Officers for the Board's approval;
- (ii) Recommends specific remuneration packages for Executive Director and the CEO as well as key Senior Management Officers;
- (iii) The Remuneration Committee shall meet at least once a year to review the remuneration packages of the Directors, CEO and key Senior Management Officers for the Board's approval;
- (iv) Recommends to the Board on the human resource policies relating to remuneration matters;
- (v) Recommends to the Board the proposed overall salary increment and overall annual bonus of the staff; and
- (vi) To carry out such other responsibilities as may be delegated by the Board from time to time.

RISK MANAGEMENT COMMITTEE

Membership and Attendance

The Risk Management Committee met four (4) times for the financial year ended 31 December 2007

The composition of Risk Management Committee and attendance of the members at the meetings held during the financial year are as follows:

	Committee Members	Designation	Attendance
1.	YBhg Professor Dato' Ruslan Khalid - Chairman	Independent Non-Executive Director	4/4
2.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	2/4
3.	Mr Toh Chong	Non-Independent Non-Executive Director	3/4
4.	Mr Chris Chia Woon Liat <i>(Appointed on 4.5.2007)</i>	Independent Non-Executive Director	2/3
5.	YBhg Dato' Koay Soon Eng <i>(Appointed on 7.9.2007)</i>	Non-Independent Non-Executive Director	2/2

Terms of Reference of Risk Management Committee

Objective

To oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning.

Composition

The Committee shall have a minimum of three (3) members, all of whom must be Non-Executive Directors and the Chairman must be an Independent Director.

Notice

Except in the case of emergency, seven (7) days notice of the Committee Meeting shall be given in writing to all the Committee members.

Quorum

A simple majority of the members of the Committee, of which one must be an Independent Director, present in person or participating by telephone or other instantaneous telecommunication device that permits all persons participating in the meeting to hear and be heard by one another.

Secretary to the Committee

The Company Secretary or in his absence, such other person as appointed by the Chairman of the Committee.

RISK MANAGEMENT COMMITTEE (CONTD.)

Frequency of Meetings

The Committee should hold regular meetings, at least once every quarter and should report regularly to the Board.

Decision Making

Questions arising at any meeting, when so required shall be determined by a majority of votes of the members present and in the case of an equality of votes, the Chairman shall have a second or casting vote, except where only two (2) Directors are competent to vote on the question at issue.

Roles and Responsibilities

- (i) Reviews and recommends risk management strategies, policies and risk tolerance for the Board's approval;
- (ii) Reviews and assesses adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- (iii) Ensures infrastructure, resources and systems are in place for risk management;
- (iv) Ensures that the staff responsible for implementing risk management systems perform these duties independently of the Bank's risk taking activities;
- (v) Reviews management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and
- (vi) Carries out such other responsibilities as may be delegated by the Board from time to time.

Risk Management Framework

The Board has in place a Risk Management Framework to provide greater clarity, focus and consistency across different risk areas in the governance of risk in the Bank. The underlying and standards adopted in the Framework is consistent with BASEL II adopted by BNM.

The guiding risk management principles with which the Bank operates are as follows:

- (i) Clear separation of risk-taking business lines and risk supervising unit;
- (ii) Identification and coverage of all relevant risk types in risk management;

RISK MANAGEMENT COMMITTEE (CONTD.)

- (iii) Measure risk in order to monitor and control them thereby enabling the implementation of more effective risk-based strategy, aid in decision making and management of portfolio transactions;
- (iv) Development of strong risk culture and continuous improvement of risk management skills throughout the Bank.

The Risk Management Framework of the Bank comprises three (3) levels and operates in the following manners:

- Level 1: Policies, especially those have impact on the risk framework and risk tolerances shall be approved at the Board level.
- Level 2: Subject-specific risk guidelines and standards are to be approved at Management Committee level, such as choice of appropriate statistical methodologies to compute specific product's market risk exposure.
- Level 3: Procedures supporting policy implementation shall be approved at departmental levels. These policies and procedures rely on constant communication, judgement, knowledge of products and markets, and controls by business and support units.

The Risk Management Department will be the central resource for quantifying and managing the portfolio of credit risk, market and liquidity risk and operational risk taken by the Board as a whole.

AUDIT COMMITTEE**Membership and Attendance**

The Audit Committee met ten (10) times for the financial year ended 31 December 2007.

The composition of Audit Committee and attendance of the members at the meetings held during the financial year are as follows:

	Committee Members	Designation	Attendance
1.	Mr Chris Chia Woon Liat - Chairman	Independent Non-Executive Director	9/10
2.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	6/10
3.	Mr Toh Chong	Non-Independent Non-Executive Director	9/10
4.	YBhg Professor Dato' Ruslan Khalid	Independent Non-Executive Director	9/10
5.	YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir	Independent Non-Executive Director	9/10

AUDIT COMMITTEE (CONTD.)

Terms of Reference of Audit Committee

Objective

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Bank's process for monitoring compliance with laws and regulations.

Authority

The Audit Committee has authority, within its scope of responsibility, to:

- (i) Have full and unrestricted access to any information pertaining to the Bank;
- (ii) Have full access to and co-operation by management;
- (iii) Have full discretion to invite any Director or executive officer to attend its meetings;
- (iv) Conduct or authorise investigations into any matters within its terms of reference; and
- (v) Obtain reasonable resources including external resources to enable it to discharge its functions.

Composition

The Audit Committee shall comprise only Non-Executive Directors with at least three (3) members, of which the majority should be Independent Directors. The Committee should be chaired by an Independent Director. At least one member should have accounting expertise or experience in the field of finance.

Meetings

Meetings shall be held at a frequency determined by the Audit Committee, at least once every quarter.

The Committee shall invite members of management, internal and external auditors or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

Quorum

A quorum shall consist of a simple majority of Non-Executive Directors, of which one must be an Independent, Non-Executive Director.

AUDIT COMMITTEE (CONTD.)

Secretary to Audit Committee

The Secretary to the Audit Committee shall be the Chief Internal Auditor or other person as appointed by the Chairman.

The Secretary shall be responsible for drawing up the agenda with the concurrence of the chairperson. The Secretary shall also be responsible for keeping the minutes of the meetings, circulating them to Committee members and to other members of the Board of Directors and for following up on outstanding matters.

In the absence of the appointed Secretary, the Company Secretary shall be appointed to act as Secretary of the Meeting.

Responsibilities

The Committee will carry out the following responsibilities:

(i) Financial Statements

- Ensure fair and transparent reporting and prompt publication of the financial statements;
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles; and
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

(ii) Internal Audit

- Oversee the functions of the Internal Audit Department and ensuring compliance with BNM/GP10 requirement;
- Review with management and the Chief Internal Auditor the charter, activities, staffing, and organisational structure of the internal audit function;
- Review and approve the annual audit plan and all major changes to the plan and ensure there are no unjustified restrictions or limitations made;
- Appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Chief Internal Auditor;

AUDIT COMMITTEE (CONTD.)

(ii) Internal Audit (Contd.)

- Review the scope of the internal audit program, internal audit findings and recommend actions to be taken by management; and
- On a regular basis, meet separately with the Chief Internal Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

(iii) Internal Controls

- Review the effectiveness of the Bank's internal control system, including information technology security and control;
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

(iv) External Auditors

- Select external auditors for appointment by the Board;
- Recommend not only the appointment but also the removal of auditors;
- Assess objectivity, performance and independence of external auditor;
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit;
- Review the external auditor's management letter and response;
- Approve the provision of non-audit service by the external auditor;
- Ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the auditors;
- Regularly review the audit findings and ensuring that issues are being managed and rectified appropriately and in a timely manner; and
- Have direct communication channels with the external auditors and meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

(v) Related Party Transactions

- Review all related party transactions and keep the Board informed of such transactions.

AUDIT AND CONTROL FUNCTIONS

The Audit & Control Department ("ACD") played a key role in assisting the Audit Committee to oversee that management has in place a sound system of risk management, internal controls and governance system. This was achieved through the review of and recommendations for improvements to current risk management, internal control systems and governance processes to provide reasonable assurance that such system continue to operate satisfactorily and effectively. In addition, reviews on compliance with established policies, procedures, guidelines and statutory requirements were also carried out.

The Chief Internal Auditor reports functionally to the Audit Committee and administratively to the CEO. The scope of internal Audit covers the audit of all units and operations. It is the responsibility of the ACD to provide the Audit Committee with independent and objective reports on the state of risk management, internal controls and governance processes. The audit reports, which provide the result of audit conducted in terms of the risk management of the unit, effectiveness of internal control, compliance with internal and regulatory requirements and overall management of the unit, are submitted to the Audit Committee for their review.

The Audit Committee reviews and approves the ACD's annual audit plan and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors. The internal audit functions were performed in accordance with the Audit Charter and BNM's Garis Panduan 10 (GP10) – Guidelines for Minimum Audit Standards for Internal Audit of Financial Institutions. The International Standards for the Professional Practice of Internal Auditing (SPPIA) of the Institute of Internal Auditors (IIA) and the Practice Advisories issued by IIA are used where relevant as authoritative guides.

RISK MANAGEMENT

All Banking activities include involvement in analysis, evaluation, acceptance and management of certain degree of risk or combination of risks. The key business risks are credit risk, market risk (including foreign exchange, interest rate and equity price risk), liquidity risk and operational risk.

The Bank's Risk Management policy has set out the broad overall risk policy of the Bank for the conduct of business and applies to all business functions within the Bank.

The Board of Directors is accountable for the management of risk. This is discharged by defining the scope of risk management activities within the Bank, distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set.

RISK MANAGEMENT (CONTD.)

The Board, through the independent Risk Management Committee, which determines Bank's risk appetite and sets Bank's standards and policies for risk measurement and management. These standards and policies are proposed by the CEO through Risk Management Committee, who is also accountable for providing independent assurance that risk is being managed, measured and controlled in conformity with policies and standards.

Management are accountable for the management of risk, collectively through Loan Committee, Loan Rehabilitation Committee, Asset and Liability Management Committee and Management Committee.

The respective support and business units are responsible for putting in place the appropriate discipline, operating and control procedures, as well as systems within their own units, consistent with the broad policies and guidelines set by the Bank. The respective units are accountable for all risks taken within their units, and should be aware of the type and quantum of risks taken.

MANAGEMENT INFORMATION

All Directors review Board reports prior to the Board Meeting. Information and materials, duly endorsed by the CEO and the relevant functional heads that are important to the Directors' understanding of the agenda items and related topics are distributed in advance of the meeting. The Board reports include among others, the monthly performance of the Bank, minutes of the various Board and Management Committees, any other prevailing regulatory developments as well as economic and business environments updates.

These reports are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

RELATED PARTY TRANSACTIONS

During the financial year ended 31 December 2007, the Bank has entered into transactions with its holding company, Bangkok Bank Public Co. Ltd. in the normal course of business. The details and nature of the transactions are disclosed on page 70 in Note No. 29 to this Audited Financial Statements.

299740 W

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2008.

Loke Tan Cheng

Professor Dato' Ruslan Khalid

Kuala Lumpur, Malaysia
28 MAR 2008

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

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

We, Loke Tan Cheng and Professor Dato' Ruslan Khalid, being two of the directors of Bangkok Bank Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 75 are drawn up in accordance with the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2007 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 March 2008.

Loke Tan Cheng

Professor Dato' Ruslan Khalid

Kuala Lumpur, Malaysia
28 MAR 2008

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

I, Loke Tan Cheng, being the director primarily responsible for the financial management of Bangkok Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 75 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.

Subscribed and solemnly declared by
the abovenamed Loke Tan Cheng at
Kuala Lumpur in Wilayah Persekutuan
on 28 MAR 2008

Loke Tan Cheng

Before me,

299740 W

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BANGKOK BANK BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 30 to 75. 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 Standards on Auditing 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 applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Bank as at 31 December 2007 and of the results and the cash flows of the Group and of the Bank for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiary have been properly kept in accordance with the provisions of the Act.

299740 W

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BANGKOK BANK BERHAD (CONTD.)
(Incorporated in Malaysia)**

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

The auditors' report on the financial statements of the subsidiary was not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

Gloria Goh Ewe Gim
No. 1685/04/09(J)
Partner

Kuala Lumpur, Malaysia
28 MAR 2008

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 DECEMBER 2007

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Cash and short-term funds	4	771,429	111,678	771,417	111,667
Deposits and placements with banks	5	347,182	24,300	347,182	24,300
Securities Held-for-trading	6	19,480	-	19,480	-
Securities Available-for-sale	7	41,736	31,339	41,736	31,339
Securities Held-to-maturity	8	15,023	82,279	15,023	82,279
Loans, advances and financing	9	1,046,617	843,510	1,046,617	843,510
Other assets	10	9,911	4,443	9,911	4,443
Statutory deposit with Bank					
Negara Malaysia	11	24,500	23,300	24,500	23,300
Investment in a subsidiary	12	-	-	10	10
Property and equipment	13	10,150	9,082	10,150	9,082
Deferred tax assets	14	6,842	6,141	6,842	6,141
TOTAL ASSETS		2,292,870	1,136,072	2,292,868	1,136,071
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	15	1,113,923	705,176	1,113,923	705,176
Deposits and placements of banks	16	696,328	32,982	696,328	32,982
Obligation on securities sold					
under repurchase agreements		65,002	-	65,002	-
Bills and acceptances payable		34,398	34,333	34,398	34,333
Other liabilities	17	23,964	10,166	23,962	10,165
Tax payable		-	481	-	481
TOTAL LIABILITIES		1,933,615	783,138	1,933,613	783,137
Share capital	18	265,000	265,000	265,000	265,000
Statutory reserve	19	101,726	98,494	101,726	98,494
Revaluation reserve		(63)	79	(63)	79
Accumulated losses		(7,408)	(10,639)	(7,408)	(10,639)
SHAREHOLDERS' EQUITY		359,255	352,934	359,255	352,934
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,292,870	1,136,072	2,292,868	1,136,071
COMMITMENTS AND CONTINGENCIES	27	1,053,185	786,545	1,053,185	786,545

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

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group and Bank	
		2007	2006
		RM'000	RM'000
Interest income	20	80,183	52,031
Interest expense	21	(44,286)	(20,729)
Net interest income		35,897	31,302
Loans loss and allowances, net	22	(24,355)	(5,133)
		11,542	26,169
Non-interest income	23	12,062	10,090
Net income		23,604	36,259
Overhead expenses	24	(14,578)	(10,557)
Profit before taxation		9,026	25,702
Taxation	25	(2,563)	(8,012)
Net profit for the period		6,463	17,690
Earnings per share (sen)	26		
- basic		2.44	6.68
- diluted		2.44	6.68

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

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	<----- Group and Bank ----->				
	Non-distributable				
	Share capital	Statutory reserve	Revaluation reserve	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	265,000	89,649	(55)	(19,484)	335,110
Net profit for the year	-	-	-	17,690	17,690
Unrealised net gain on revaluation of available-for-sale securities	-	-	134	-	134
Transfer to statutory reserve	-	8,845	-	(8,845)	-
At 31 December 2006	<u>265,000</u>	<u>98,494</u>	<u>79</u>	<u>(10,639)</u>	<u>352,934</u>
At 1 January 2007	265,000	98,494	79	(10,639)	352,934
Net profit for the year	-	-	-	6,463	6,463
Unrealised net loss on revaluation of available-for-sale securities	-	-	(142)	-	(142)
Transfer to statutory reserve	-	3,232	-	(3,232)	-
At 31 December 2007	<u>265,000</u>	<u>101,726</u>	<u>(63)</u>	<u>(7,408)</u>	<u>359,255</u>

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

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	9,026	25,702	9,026	25,702
Adjustments for:				
Depreciation	731	530	731	530
Allowance for losses on loans and financing, net	24,620	5,132	24,620	5,132
Property and equipment written off	-	30	-	30
Loss/(gain) on disposal of property and equipment	12	-	12	-
Net gain on revaluation of securities held for trading	(90)	-	(90)	-
Amortisation of premium net of accretion of discount	2,571	3,988	2,571	3,988
Interest in suspense	1,522	1,108	1,522	1,108
Dividend income	(65)	(61)	(65)	(61)
Operating profit before working capital changes	38,327	36,429	38,327	36,429
Increase in loans and advances	(229,249)	(213,593)	(229,249)	(213,593)
Decrease/(Increase) in deposits and placements with banks	(322,882)	25,700	(322,882)	25,700
Decrease/(Increase) in other assets	(1,697)	69	(1,697)	69
Increase in statutory deposit with Bank Negara Malaysia	(1,200)	(5,100)	(1,200)	(5,100)
Increase in deposits from customers	408,747	44,660	408,747	44,660
Increase in deposits and placements of licensed banks	663,346	27,976	663,346	27,976
Increase in obligations sold under repo	65,002	-	65,002	-
Increase in bills and acceptances payable	65	9,403	65	9,403
Increase/(decrease) in other liabilities	13,798	(1,401)	13,797	(1,401)
Cash used in operations	634,257	(75,857)	634,256	(75,857)
Taxes paid	(7,498)	(7,441)	(7,498)	(7,441)
Net cash generated from/(used in) operating activities	626,759	(83,298)	626,758	(83,298)

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(1,821)	(239)	(1,821)	(239)
Purchase of securities held for trading, net	(19,387)	-	(19,387)	-
Purchase of securities available for sale, net	(35,852)	(15,274)	(35,852)	(15,274)
Dividends received	47	44	47	44
Proceeds from disposal of available for sale securities	24,995	-	24,995	-
Proceeds from maturity of held-to-maturity securities	65,000	40,000	65,000	40,000
Proceeds from disposal of property and equipment	10	-	10	-
Net cash generated from/(used in) investing activities	<u>32,992</u>	<u>24,531</u>	<u>32,992</u>	<u>24,531</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	659,751	(58,767)	659,750	(58,767)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>111,678</u>	<u>170,445</u>	<u>111,667</u>	<u>170,434</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>771,429</u>	<u>111,678</u>	<u>771,417</u>	<u>111,667</u>
Cash and cash equivalents comprise:				
Cash and short term funds	<u>771,429</u>	<u>111,678</u>	<u>771,417</u>	<u>111,667</u>

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

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

1. CORPORATE INFORMATION

The principal activities of Bangkok Bank Berhad ("the Bank") are banking and related financial services. The principal activity of its subsidiary is described in Note 12. There have been no significant changes in the nature of the principal activities during the financial period.

The Bank is a public limited liability licensed bank, incorporated and domiciled in Malaysia. The principal place of business of the Bank is located at 105, Jalan Tun H.S. Lee, 50000 Kuala Lumpur.

The Bank is a wholly-owned subsidiary of its holding and ultimate holding company, Bangkok Bank Public Company Limited, a bank incorporated in Thailand.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2008.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in ("FRS") Malaysia modified by Bank Negara Malaysia guidelines.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(a) Adoption of New and Revised FRS and IC Interpretation

On 1 January 2007, the Group and the Bank had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 October 2006, as follows:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of these new or revised FRSs does not have any significant changes in accounting policies or financial impact on the Group and the Bank.

2. BASIS OF PREPARATION (CONTD.)

(a) Adoption of New and Revised FRS and IC Interpretation (Contd.)

The Group has not early adopted the revised FRSs and Issue Committee ("IC") Interpretations that are mandatory for financial periods beginning on or after 1 July 2007.

These FRSs and IC Interpretations are not expected to have significant impact to the Company's financial statements.

(b) Significant Accounting Estimates and Judgements

The preparation of financial statement in accordance with FRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continuously evaluated and are based on past experience, reasonable expectations of future events and other factors.

The key estimates made by management in the process of applying the Group's accounting policies are in relation to allowances for bad and doubtful debts. The Bank has developed certain criteria based on Bank Negara Malaysia guidelines to identify potential bad and doubtful debts and the relevant allowances to provide.

The directors have made key assumptions concerning the future and other key sources of estimation or certainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year in relation to impairment and recoverability of loans.

Significant judgment is required in determining the recoverability of the loans with consideration given to aging of the loans, historical and current conduct of loan accounts, internal ratings and other relevant factors.

During the financial year, the Bank made assumptions that loans specific to two customers are partly recoverable. The carrying amount of the loans as at year end is RM4,200,000.

Other than above, the directors are of the opinion, that there are no key assumptions concerning the future nor other key sources of estimation uncertainty at balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary and Basis of Consolidation

(i) Subsidiary

Subsidiary is an entity over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investment in subsidiary is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary at each balance sheet date. The financial statements of the subsidiary are prepared for the same reporting date as the Bank.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Revenue Recognition

(i) Interest and Financing Income Recognition

Interest income are recognised on an accrual basis. Interest income on housing and term loans is accounted for on a daily accrual basis by reference to the rest periods as stipulated in the loan agreements. Interest income includes the amortisation of premium or accretion of discount. Interest income on securities is recognised on an effective yield basis.

Where an account has turned non-performing, interest accrued previously but has not been received is reversed out of income, and set off against the accrued interest receivable in the balance sheet with retroactive adjustment made from the date of first default. Subsequently, interest earned on non-performing accounts shall be recognised as income on a cash basis until such time as the accounts are no longer classified as non-performing.

Customers' accounts are classified as non-performing where repayments are in arrears for three (3) months or more from the first day of default for loans and overdrafts. Trade bills, bankers' acceptances and trust receipts are classified as non-performing when they are due and unpaid for three (3) months from the first day of default.

(ii) Fee and Other Income Recognition

Other fees and commission on a variety of services and facilities extended to customers are recognised on inception of such transactions.

(iii) Dividend Income

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

(iv) Rental Income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Allowance for Bad and Doubtful Debts

Specific allowances are made for bad and doubtful debts which have been individually reviewed and specifically identified as bad or doubtful.

A general allowance based on a certain percentage of the loan portfolio, net of interest in suspense and specific allowance for bad and doubtful debts is made by the Bank against possible losses which are not specifically identified. The general allowance made by the Bank conforms with the minimum rate specified by Bank Negara Malaysia.

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

When computing specific allowances for non-performing loans, no value is assigned to the realisable value of the collateral for non-performing loans above 5 years.

(d) Securities

Securities include all equity instruments (excluding investment in subsidiary, associates and joint ventures), Government securities, corporate debt securities issued on conventional or Islamic principles and asset-backed securities. Securities are classified under the following categories and valuation methods as described thereon.

(i) Held-For-Trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.

(ii) Held-To-Maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent to hold to maturity. Held-to maturity securities are stated at cost adjusted for amortisation of premium or accretion of discount, if any, calculated on the effective yield basis, from the date of purchase to maturity date, less impairment losses. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Securities (Contd.)

(iii) Available-For-Sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statements.

(e) Property and Equipment and Depreciation

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 Group 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 period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property and equipment is provided for on a straight-line method to allocate their cost to their residual values over their estimated useful lives at the following annual rates:

Buildings	2 - 10%
Motor vehicles	16%
Office equipment, furniture and fittings, and computer equipment	8% - 40%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property and Equipment and Depreciation (Contd.)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each balance sheet date.

(f) Impairment of Assets

At each balance sheet date, the Group and the Bank review the carrying amounts of the assets, other than financial instruments to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risks specific to that asset. Impairment losses of continuing operations are recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Other Receivables

Other Receivables are stated at book value as reduced by the appropriate allowances for estimated irrecoverable amounts.

(h) Bills and Acceptances Payable

Bills and acceptances payable represents the Group's and the Bank's own bills and acceptance rediscounted and outstanding in the market.

(i) Liabilities & Other Payables

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(j) Obligation on Securities Sold under Repurchase Agreement.

The Group and the Bank have commitment to repurchase obligation on securities sold under Repurchase Agreements at future dates. Such financing transactions and corresponding obligations to repurchase the securities are reflected as liability on the balance sheet.

(k) Foreign Currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia, being the currency of the primary economic environment in which the Group operates ("the functional currency") at rates of exchange ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Foreign Currencies (Contd.)

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2007	2006
Singapore Dollar	2.30	2.30
Thai Baht	0.11	0.10
United States Dollar	3.31	3.52

(l) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Income Tax

Income tax on the profit or loss for the 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 not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period 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 to equity, or when it arises from a business combination that is an acquisition, in which case, the deferred tax is included in the resulting goodwill or negative goodwill.

(n) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash and bank balances and short-term funds with remaining maturity of less than one month.

(o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Financial Instruments (Contd.)

The accounting policies for financial instruments are as described in their respective specific notes above. The accounting policies for other financial instruments are as follows:

(i) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

(p) Provisions

Provisions are recognised when the Group 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. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

4. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and balances with banks and Bank Negara Malaysia	545,299	7,554	545,287	7,543
Money at call and deposit placements maturing within one month	226,130	104,124	226,130	104,124
	<u>771,429</u>	<u>111,678</u>	<u>771,417</u>	<u>111,667</u>

4. CASH AND SHORT-TERM FUNDS (CONTD.)

The weighted average effective interest rates at the balance sheet date were as follows:

	Group and Bank	
	2007	2006
	%	%
	per annum	per annum
Licensed banks	3.89	3.61
Bank Negara Malaysia	3.52	3.57

5. DEPOSITS AND PLACEMENTS WITH BANKS

	Group and Bank	
	2007	2006
	RM'000	RM'000
Licensed banks	347,182	-
Bank Negara Malaysia	-	24,300
	<u>347,182</u>	<u>24,300</u>

The weighted average effective interest rate and the average maturities of deposits as at the balance sheet date were 4.89% per annum (31.12.2006: 3.64% per annum) and 62 days (31.12.2006: 74 days) respectively.

6. SECURITIES HELD-FOR-TRADING

	Group and Bank	
	2007	2006
	RM'000	RM'000
In Malaysia:		
<u>At fair value</u>		
Money market instruments:		
Malaysian Government Securities ("MGS")	19,480	-

7. SECURITIES AVAILABLE-FOR-SALE

	Group and Bank	
	2007	2006
	RM'000	RM'000
In Malaysia:		
<u>At fair value</u>		
Money market instruments:		
Malaysian Government Securities ("MGS")	10,144	30,353
Private Debt Securities ("PDS")	20,671	-
Cagamas Bonds	9,991	-
Quoted securities in Malaysia:		
Debt converted shares	58	114
	40,864	30,467
<u>At cost</u>		
Unquoted shares in Malaysia:		
Shares	872	872
	41,736	31,339

8. SECURITIES HELD-TO-MATURITY

	Group and Bank	
	2007	2006
	RM'000	RM'000
In Malaysia:		
Money market instruments:		
Malaysian Government Securities ("MGS")	15,036	89,102
	15,036	89,102
Unquoted securities in Malaysia:		
Private debt securities	840	844
	15,876	89,946
Less: Amortisation of premium net of accretion of discount	(26)	(6,836)
Less: Accumulated impairment losses	(827)	(831)
	15,023	82,279

(i) Indicative fair value of securities:

	Group and Bank	
	2007	2006
	RM'000	RM'000
MGS	15,045	82,446
Unquoted securities - private debt securities	13	13

8. SECURITIES HELD-TO-MATURITY (CONTD.)

(ii) The maturity structure of money market instruments held for investments is as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Maturing within one year	15,036	74,066
One year to three years	-	15,036
	<u>15,036</u>	<u>89,102</u>

(iii) The weighted average effective interest rate as at balance sheet date was 3.82% (31.12.2006: 3.67%) per annum.

9. LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2007	2006
	RM'000	RM'000
Overdrafts	99,951	99,563
Term loans		
Housing loans	12,303	12,356
Syndicated term loan	50,777	1,075
Other term loans	217,015	140,611
Revolving credits	110,836	68,984
Bills receivables	99,568	15,347
Trust receipts	38,671	57,305
Bankers' acceptances	430,819	437,336
Other financing	34,452	35,323
Staff loans	1,611	1,579
	<u>1,096,003</u>	<u>869,479</u>
Unearned interest	(3,109)	(4,311)
	<u>1,092,894</u>	<u>865,168</u>
General allowance for bad and doubtful debts ("GA")	(16,999)	(13,997)
Specific allowance for bad and doubtful debts ("SA")	(29,279)	(7,661)
Net loans, advances and financing	<u>1,046,617</u>	<u>843,510</u>
Total loans, advances and financing less SA	<u>1,063,615</u>	<u>857,507</u>

9. LOANS, ADVANCES AND FINANCING (CONTD.)

(i) The maturity structure of loans, advances and financing are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Maturing within one year	841,793	736,434
One year to three years	24,500	19,225
Three years to five years	117,259	41,657
Over five years	109,342	67,852
	<u>1,092,894</u>	<u>865,168</u>

(ii) Loans, advances and financing according to economic purpose are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Purchase of securities	51,224	501
Purchase of transport vehicles	5,011	112
Purchase of residential properties	13,876	13,822
Purchase of non-residential properties	37,225	35,945
Purchase of fixed assets other than land and building	46,471	2,455
Personal use	9,843	9,733
Construction	40,081	32,160
Working capital	889,163	770,440
	<u>1,092,894</u>	<u>865,168</u>

(iii) Loans, advances and financing according to type of customer are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Domestic non-bank financial institutions	47,014	36,705
Domestic business enterprises		
- Small medium enterprises	326,260	281,652
- Others	695,533	522,808
Domestic other entities	65	83
Individuals	24,022	23,920
	<u>1,092,894</u>	<u>865,168</u>

9. LOANS, ADVANCES AND FINANCING (CONTD.)

(iv) Loans, advances and financing according to interest/profit rate sensitivity are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Fixed rate		
Housing loan	1,573	1,462
Other fixed rate loan/financing	576	116
Variable rate		
BLR plus	332,875	321,266
Cost-plus	539,896	498,412
Other variable rates	217,974	43,912
	<u>1,092,894</u>	<u>865,168</u>

(v) Movements in the non-performing loans, advances and financing are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Balance as at 1 January	16,278	18,383
Classified as non-performing during the year	27,105	11,313
Reclassified as performing during the year	(1,666)	(619)
Amount recovered	(942)	(1,720)
Amount written off	-	(11,079)
Balance as at 31 December	<u>40,775</u>	<u>16,278</u>
Specific allowance	<u>(29,279)</u>	<u>(7,661)</u>
Net non-performing loans, advances and financing	<u>11,496</u>	<u>8,617</u>
Ratio of net non-performing loans, advances and financing to total loans, advances and financing less SA	<u>1.08%</u>	<u>1.00%</u>

9. LOANS, ADVANCES AND FINANCING (CONTD.)

(vi) Movements in the allowance for bad and doubtful debts are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
General Allowance ("GA")		
Balance as at 1 January	13,997	20,546
Allowance made during the year	6,600	4,288
Transfer to specific allowance	(3,598)	(8,670)
Amount written off	-	(2,167)
Balance as at 31 December	<u>16,999</u>	<u>13,997</u>
GA% of gross loans, advances and financing less SA	<u>1.60%</u>	<u>1.63%</u>
Specific Allowance ("SA")		
Balance as at 1 January	7,661	6,682
Allowance made during the year	18,851	1,620
Transfer from general allowance	3,598	8,670
Recovered and written back	(831)	(400)
Amount written off	-	(8,911)
Balance as at 31 December	<u>29,279</u>	<u>7,661</u>

(vii) Non-performing loans according to purpose are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Purchase of residential properties	1,827	1,224
Working capital	38,948	15,054
	<u>40,775</u>	<u>16,278</u>

(viii) The weighted average effective interest rate for loans, advances and financing at the balance sheet date was 5.92% (31.12.2006: 5.84%) per annum.

10. OTHER ASSETS

	Group and Bank	
	2007	2006
	RM'000	RM'000
Other receivables, deposits and prepayments	4,008	2,311
Tax recoverable	5,903	2,132
	<u>9,911</u>	<u>4,443</u>

11. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Ordinance, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities.

12. INVESTMENT IN SUBSIDIARY

	Bank	
	2007	2006
	RM'000	RM'000
Unquoted shares, at cost	<u>10</u>	<u>10</u>

Details of the subsidiary, which is incorporated in Malaysia, are as follows:

Name of company	Percentage of equity held		Principal activity
	2007	2006	
BBL Nominees (Tempatan) Sdn. Bhd.	100	100	Provision of nominee services to local clients of the Bank

13. PROPERTY AND EQUIPMENT

Group and Bank	Freehold land and buildings* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings, and computer equipment RM'000	Total RM'000
2007				
Cost				
At 1 January 2007	13,712	702	4,164	18,578
Additions	319	347	1,155	1,821
Disposals	-	-	(37)	(37)
Write Offs	-	-	(303)	(303)
At 31 December 2007	<u>14,031</u>	<u>1,049</u>	<u>4,979</u>	<u>20,059</u>
Accumulated Depreciation				
At 1 January 2007	5,640	562	3,294	9,496
Depreciation charge	262	114	355	731
Disposals	-	-	(15)	(15)
Write Offs	-	-	(303)	(303)
At 31 December 2007	<u>5,902</u>	<u>676</u>	<u>3,331</u>	<u>9,909</u>
Net carrying amount	<u>8,129</u>	<u>373</u>	<u>1,648</u>	<u>10,150</u>
31 December 2006				
Cost				
At 1 January 2006	13,712	703	4,469	18,884
Additions	-	-	239	239
Write offs	-	-	(544)	(544)
At 31 December 2006	<u>13,712</u>	<u>703</u>	<u>4,164</u>	<u>18,579</u>
Accumulated Depreciation				
At 1 January 2006	5,400	504	3,577	9,481
Depreciation charge	240	59	231	530
Write offs	-	-	(514)	(514)
At 31 December 2006	<u>5,640</u>	<u>563</u>	<u>3,294</u>	<u>9,497</u>
Net carrying amount	<u>8,072</u>	<u>140</u>	<u>870</u>	<u>9,082</u>

* Included in the above is freehold land costing RM714,490 (31.12.2006: RM714,490).

13. PROPERTY AND EQUIPMENT (CONTD.)

Included in the property and equipment of the Group and the Bank are the following cost of fully depreciated assets which are still in use:

	2007	2006
	RM'000	RM'000
Buildings	4,067	4,067
Motor vehicles	335	335
Office equipment, furniture and fittings and computer equipment	2,432	2,603
	<u>6,834</u>	<u>7,005</u>

14. DEFERRED TAX ASSETS

	Group and Bank	
	2007	2006
	RM'000	RM'000
At 1 January	6,141	6,235
Recognised in the income statement (Note 25)	701	(94)
At 31 December	<u>6,842</u>	<u>6,141</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	7,039	6,260
Deferred tax liabilities	(197)	(119)
	<u>6,842</u>	<u>6,141</u>

The components and movements of deferred tax assets and liabilities during the financial period prior to offsetting are as follows:

Group and Bank**Deferred tax assets**

	General allowance	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2007	5,854	406	6,260
Recognised in the income statement	780	(1)	779
At 31 December 2007	<u>6,634</u>	<u>405</u>	<u>7,039</u>
At 1 January 2006	5,753	597	6,350
Recognised in the income statement	101	(191)	(90)
At 31 December 2006	<u>5,854</u>	<u>406</u>	<u>6,260</u>

14. DEFERRED TAX ASSETS (CONTD.)**Group and Bank****Deferred tax liabilities**

	Capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2007	(112)	(7)	(119)
Recognised in the income statement	(78)	-	(78)
At 31 December 2007	<u>(190)</u>	<u>(7)</u>	<u>(197)</u>
At 1 January 2006	(108)	(7)	(115)
Recognised in the income statement	(4)	-	(4)
At 31 December 2006	<u>(112)</u>	<u>(7)</u>	<u>(119)</u>

15. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2007	2006
	RM'000	RM'000
Fixed deposits	887,352	547,295
Negotiable instruments of deposits	93,500	61,950
Current accounts	114,194	78,523
Savings deposits	11,101	10,344
Others	7,776	7,064
	<u>1,113,923</u>	<u>705,176</u>

- (i) The maturity structure of fixed deposits and negotiable instruments of deposits is as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Due within six months	775,711	418,137
Six months to one year	181,934	165,492
One year to three years	16,947	20,366
Over three years	6,260	5,250
	<u>980,852</u>	<u>609,245</u>

15. DEPOSITS FROM CUSTOMERS (CONTD.)

(ii) The deposits are sourced from the following customers:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Government and statutory bodies	7,775	7,063
Business enterprises	875,609	504,797
Individuals	195,491	174,901
Others	35,048	18,415
	<u>1,113,923</u>	<u>705,176</u>

(iii) The weighted average effective interest rate for deposits from customers at the balance sheet date was 3.10% (31.12.2006: 3.07%) per annum.

16. DEPOSITS AND PLACEMENTS OF BANKS

	Group and Bank	
	2007	2006
	RM'000	RM'000
Licensed banks	200,353	32,982
Bank Negara Malaysia	495,975	-
	<u>696,328</u>	<u>32,982</u>

The weighted average effective interest rate for deposits and placements of banks and other financial institutions at the balance sheet date was 4.75% (31.12.2006: 5.43%) per annum.

17. OTHER LIABILITIES

	Group		Bank	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Accruals	854	817	854	817
Other payables	23,110	9,349	23,108	9,348
	<u>23,964</u>	<u>10,166</u>	<u>23,962</u>	<u>10,165</u>

18. SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	2007	2006	2007	2006
	'000	'000	RM'000	RM'000
Authorised	300,000	300,000	300,000	300,000
Issued and fully paid	265,000	265,000	265,000	265,000

19. STATUTORY RESERVE

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

20. INTEREST INCOME

	Group and Bank	
	2007	2006
	RM'000	RM'000
Loans and advances	54,517	41,602
Deposits and placements with banks and other financial institutions	21,458	5,376
Held-for-trading securities	53	-
Available-for-sale securities	1,988	1,033
Held-to-maturity securities	4,739	7,778
Profit sharing from Islamic Debt Securities	-	230
	<u>82,755</u>	<u>56,019</u>
Amortisation of premium net of accretion of discount	(2,572)	(3,988)
	<u>80,183</u>	<u>52,031</u>

21. INTEREST EXPENSE

	Group and Bank	
	2007	2006
	RM'000	RM'000
Deposits from customers	28,387	18,369
Deposits and placements of licensed banks	15,899	2,360
	<u>44,286</u>	<u>20,729</u>

22. LOAN LOSS AND ALLOWANCES, NET

	Group and Bank	
	2007	2006
	RM'000	RM'000
General allowance for bad and doubtful debts	(6,600)	(4,288)
Specific allowance for bad and doubtful debts	(18,851)	(1,620)
Specific allowance written back	831	400
Bad debts recovered	265	375
	<u>(24,355)</u>	<u>(5,133)</u>

23. NON-INTEREST INCOME

	Group and Bank	
	2007	2006
	RM'000	RM'000
Fee income:		
Commission	2,998	2,811
Service charges and fees	850	657
Guarantee fees	989	823
	<u>4,837</u>	<u>4,291</u>
Investment income:		
Net gain on sale of investment:		
Securities Held-for-Trading	364	-
Securities Available for Sale	18	-
Net gain on revaluation of securities		
Held for Trading	91	-
Gross dividends from investment securities	65	61
	<u>538</u>	<u>61</u>
Other income:		
Foreign exchange gain/(loss)		
- realised	5,915	4,458
- unrealised	(3)	479
Rental income	744	794
Others	31	7
	<u>6,687</u>	<u>5,738</u>
	<u>12,062</u>	<u>10,090</u>

24. OVERHEAD EXPENSES

	Group and Bank	
	2007	2006
	RM'000	RM'000
Personnel costs	9,108	6,432
Establishment costs	2,370	1,805
Marketing expenses	243	129
Administration and general expenses	2,717	2,101
Other non-interest expenses	140	90
	<u>14,578</u>	<u>10,557</u>
	Group and Bank	
	2007	2006
	RM'000	RM'000
(i) Included in personnel costs are:		
Short term accumulating compensated absences	9	34
Defined contribution plan		
- Employees Provident Fund	979	667
	<u>979</u>	<u>667</u>
(ii) Included in the above overhead expenses are:		
Directors' remuneration (Note iii)	2,085	1,269
Hire of equipment	98	26
Auditors' remuneration:		
- statutory audit	53	48
- other services	44	40
Property and equipment written off	-	30
Loss on disposal of property and equipment	12	-
Depreciation	731	530
	<u>731</u>	<u>530</u>
(iii) Directors' remuneration		
Chief Executive Officer: <i>(including former CEO)</i>		
Salary and other remuneration	1,401	756
Bonus	-	57
Benefits-in-kind	33	88
	<u>1,434</u>	<u>901</u>

24. OVERHEAD EXPENSES (CONTD.)

	Group and Bank	
	2007	2006
	RM'000	RM'000
(iii) Directors' remuneration (Contd.)		
Non-executive directors:		
Fees	646	424
Other remuneration	38	32
	<u>684</u>	<u>456</u>
Total	<u>2,118</u>	<u>1,357</u>
Total excluding benefits-in-kind	<u>2,085</u>	<u>1,269</u>
(iv) Key Management personnel		
Salaries and emoluments	1,616	847
Defined contribution plan	158	-
	<u>1,774</u>	<u>847</u>

25. TAXATION

	Group and Bank	
	2007	2006
	RM'000	RM'000
Income tax:		
Current year	3,264	7,881
Under provision in prior years	-	37
Deferred tax:		
Relating to reduction in Malaysian income tax rate	-	446
Relating to origination and reversal of temporary differences (Note 14)	(701)	(352)
	<u>2,563</u>	<u>8,012</u>

Income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year.

25. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Profit before taxation	9,026	25,702
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	2,437	7,197
Effect of changes in Malaysian income tax rate	-	446
Effect of expenses not deductible for tax purposes	126	332
Under/(over) provision in prior years	-	37
Tax expense for the year	<u>2,563</u>	<u>8,012</u>

26. EARNINGS PER SHARE

Basic earnings per share of the Bank is calculated by dividing the net profit attributable to shareholders for the financial year by the number of ordinary shares in issue during the financial period as follows:

	Group and Bank	
	2007	2006
Net profit for the period (RM'000)	6,463	17,690
Number of ordinary shares in issue ('000)	265,000	265,000
Basic earnings per share (sen)	<u>2.44</u>	<u>6.68</u>

There is no dilutive potential in the ordinary shares as at 31 December 2007.

27. COMMITMENTS AND CONTINGENCIES

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

27. COMMITMENTS AND CONTINGENCIES (CONTD.)

Risk weighted exposures of the Bank as at the balance sheet date:

	← Principal Amount RM'000	Credit Equivalent Amount* 2007 RM'000	Risk weighted amount RM'000	← Principal Amount RM'000	Credit Equivalent Amount* 2006 RM'000	Risk weighted amount RM'000
Direct credit substitutes	27,603	27,603	27,603	29,832	29,832	29,122
Transaction-related contingent items	75,742	37,871	37,313	29,566	14,783	14,158
Short-term self-liquidating trade-related contingencies	56,824	11,365	11,365	49,251	9,850	9,850
Irrevocable commitments to extend credit						
- maturity more than one year	977	488	488	601	300	300
- maturity less than one year	673,887	-	-	544,018	-	-
Forward foreign exchange contracts						
- less than one year	218,152	2,438	1,199	127,159	1,697	1,132
Miscellaneous	-	-	-	6,118	-	-
Total	1,053,185	79,765	77,968	786,545	56,462	54,562

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

The forward foreign exchange contracts are subject to market risk and credit risk.

27. COMMITMENTS AND CONTINGENCIES (CONTD.)**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2007, the amount of contracts which were not hedged and, hence, exposed to market risk is RM 2,854,000 (31.12.2006: RM5,163,000).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 31 December 2007, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM2,437,000 (31.12.2006: RM1,697,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

28. INTEREST RATE RISK

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

28. INTEREST RATE RISK (CONTD.)

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
As at 31 December 2007									
Assets									
Cash and short-term funds	760,330	-	-	-	-	11,099	-	771,429	3.63
Deposits and placements with banks and other financial institutions	-	347,182	-	-	-	-	-	347,182	4.89
Securities Held-for-Trading	-	-	-	-	-	-	19,480	19,480	n/a
Securities Available-for-Sale	-	-	10,143	30,662	-	931	-	41,736	5.03
Securities Held-to-Maturity	-	-	15,010	-	-	13	-	15,023	3.82
Loans, advances and financing									
- performing	1,049,999	-	541	5	1,603	-	-	1,052,148	5.78
- non-performing *	-	-	-	-	-	(5,531)	-	(5,531)	n/a
Other non-interest sensitive balances	-	-	-	-	-	51,403	-	51,403	n/a
Total assets	1,810,329	347,182	25,694	30,667	1,603	57,915	19,480	2,292,870	
Liabilities									
Deposits from customers	632,128	220,794	237,794	23,207	-	-	-	1,113,923	3.48
Deposits and placements of banks and other financial institutions	200,353	495,975	-	-	-	-	-	696,328	4.75
Bills and acceptances payable	12,405	21,993	-	-	-	-	-	34,398	3.50
Obligation on securities sold under repurchase agreement	65,002	-	-	-	-	-	-	65,002	2.96
Other non-interest sensitive balances	-	-	-	-	-	23,964	-	23,964	n/a
Total liabilities	909,888	738,762	237,794	23,207	-	23,964	-	1,933,615	
Shareholders' equity	-	-	-	-	-	359,255	-	359,255	n/a
Total liabilities and shareholders' equity	909,888	738,762	237,794	23,207	-	383,219	-	2,292,870	

28. INTEREST RATE RISK (CONTD.)

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
As at 31 December 2007 (Contd.)									
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	900,441	(391,580)	(212,100)	7,460	1,603	(325,304)	19,480		

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
As at 31 December 2006									
Assets									
Cash and short-term funds	104,124	-	-	-	-	7,554	-	111,678	3.57
Deposits and placements with Bank Negara Malaysia	-	24,300	-	-	-	-	-	24,300	3.64
Available-for-sale securities	-	-	-	-	-	-	31,339	31,339	n/a
Held-to-maturity securities	-	15,104	52,138	15,024	-	13	-	82,279	3.67
Loans, advances and financing									
- performing	845,692	-	-	85	1,493	-	-	847,270	5.24
- non-performing *	-	-	-	-	-	(3,760)	-	(3,760)	n/a
Other non-interest sensitive balances	-	-	-	-	-	42,966	-	42,966	n/a
Total assets	949,816	39,404	52,138	15,109	1,493	46,773	31,339	1,136,072	

28. INTEREST RATE RISK (CONTD.)

Group	Non-trading book							Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000				
As at 31 December 2006 (Contd.)										
Liabilities										
Deposits from customers	324,603	124,347	230,610	25,616	-	-	-	705,176	3.19	
Deposits and placements of licensed banks	17,623	14,098	-	-	-	1,261	-	32,982	5.43	
Bills and acceptances payable	7,488	21,665	5,180	-	-	-	-	34,333	3.50	
Other non-interest sensitive balances	-	-	-	-	-	10,647	-	10,647	n/a	
Total liabilities	349,714	160,110	235,790	25,616	-	11,908	-	783,138		
Shareholders' equity	-	-	-	-	-	352,934	-	352,934	n/a	
Total liabilities and shareholders' equity	349,714	160,110	235,790	25,616	-	364,842	-	1,136,072		
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	600,102	(120,706)	(183,652)	(10,507)	1,493	(318,069)	31,339			

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

28. INTEREST RATE RISK (CONTD.)

Bank	← Non-trading book →					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 31 December 2007									
Assets									
Cash and short-term funds	760,330	-	-	-	-	11,087	-	771,417	3.63
Deposits and placements with banks and other financial institutions	-	347,182	-	-	-	-	-	347,182	4.89
Securities Held-for-Trading	-	-	-	-	-	-	19,480	19,480	n/a
Securities Available-for-Sale	-	-	10,143	30,662	-	931	-	41,736	5.03
Securities Held-to-Maturity	-	-	15,010	-	-	13	-	15,023	3.82
Loans, advances and financing									
- performing	1,049,999	-	541	5	1,603	-	-	1,052,148	5.78
- non-performing *	-	-	-	-	-	(5,531)	-	(5,531)	n/a
Other non-interest sensitive balances	-	-	-	-	-	51,413	-	51,413	n/a
Total assets	1,810,329	347,182	25,694	30,667	1,603	57,913	19,480	2,292,868	
Liabilities									
Deposits from customers	632,128	220,794	237,794	23,207	-	-	-	1,113,923	3.48
Deposits and placements of banks and other financial institutions	200,353	495,975	-	-	-	-	-	696,328	4.75
Bills and acceptances payable	12,405	21,993	-	-	-	-	-	34,398	3.50
Obligation on securities sold under repurchase agreement	65,002	-	-	-	-	-	-	65,002	2.96
Other non-interest sensitive balances	-	-	-	-	-	23,962	-	23,962	n/a
Total liabilities	909,888	738,762	237,794	23,207	-	23,962	-	1,933,613	
Shareholders' equity	-	-	-	-	-	359,255	-	359,255	n/a
Total liabilities and shareholders' equity	909,888	738,762	237,794	23,207	-	383,217	-	2,292,868	

28. INTEREST RATE RISK (CONTD.)

Bank	← Non-trading book →					Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 31 December 2007 (Contd.)									
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	900,441	(391,580)	(212,100)	7,460	1,603	(325,304)	19,480		

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

As at 31 December 2006

Assets									
Cash and short-term funds	104,124	-	-	-	-	7,543	-	111,667	3.57
Deposits and placements with Bank Negara Malaysia	-	24,300	-	-	-	-	-	24,300	3.64
Available-for-sale securities	-	-	-	-	-	-	31,339	31,339	n/a
Held-to-maturity securities	-	15,104	52,138	15,024	-	13	-	82,279	3.67
Loans, advances and financing - performing	845,692	-	-	85	1,493	-	-	847,270	5.24
- non-performing *	-	-	-	-	-	(3,760)	-	(3,760)	n/a
Other non-interest sensitive balances	-	-	-	-	-	42,976	-	42,976	n/a
Total assets	949,816	39,404	52,138	15,109	1,493	46,772	31,339	1,136,071	

28. INTEREST RATE RISK (CONTD.)

Bank	← Non-trading book →					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1-3 months	> 3-12 months	1-5 years	Over 5 years				
As at 31 December 2006									
(Contd.)									
Liabilities									
Deposits from customers	324,603	124,347	230,610	25,616	-	-	-	705,176	3.19
Deposits and placements of licensed banks	17,623	14,098	-	-	-	1,261	-	32,982	5.43
Bills and acceptances payable	7,488	21,665	5,180	-	-	-	-	34,333	3.50
Other non-interest sensitive balances	-	-	-	-	-	10,646	-	10,646	n/a
Total liabilities	349,714	160,110	235,790	25,616	-	11,907	-	783,137	
Shareholders' equity	-	-	-	-	-	352,934	-	352,934	n/a
Total liabilities and shareholders' equity	349,714	160,110	235,790	25,616	-	364,841	-	1,136,071	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap									
	600,102	(120,706)	(183,652)	(10,507)	1,493	(318,069)	31,339		

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

	Group and Bank	
	2007	2006
	RM'000	RM'000
Income		
Interest on advances to holding company and its branches	3,036	129
Expenditure		
Interest on advances from holding company and its branches	1,502	571
	2007	2006
	RM'000	RM'000
Amount due to		
Deposits and placements from holding company and its branches	46,983	21,523
Amount due from		
Cash and short-term funds placed with holding company and its branches	83,465	2,486

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

30. CAPITAL ADEQUACY

The capital adequacy ratios of the Bank as at the balance sheet date, are as follows:

	2007	2006
	RM'000	RM'000
Core capital ratio:		
Credit risk	27.52%	37.80%
Credit and market risks	25.49%	35.45%
Risk-weighted capital ratio:		
Credit risk	28.84%	39.32%
Credit and market risks	26.72%	36.88%

30. CAPITAL ADEQUACY (CONTD.)

- (i) The components of Tier-1 and Tier-2 capital (excluding deferred tax assets) of the Bank are as follows:

	2007	2006
	RM'000	RM'000
Tier-1 Capital		
Paid-up share capital	265,000	265,000
Statutory reserve	101,726	98,494
Accumulated losses	(7,408)	(10,639)
Less: Deferred tax assets	(6,842)	(6,141)
Total Tier-1 Capital	<u>352,476</u>	<u>346,714</u>
Tier-2 Capital		
General allowance for doubtful debts	<u>16,999</u>	<u>13,997</u>
Total Tier-2 Capital	<u>16,999</u>	<u>13,997</u>
Total capital	369,475	360,711
Less: Investment in subsidiary	(10)	(10)
Capital base	<u>369,465</u>	<u>360,701</u>

- (ii) The breakdown of risk-weighted assets (excluding deferred tax assets) of the Bank in the various categories of risk-weights are as follows:

	Principal	Risk- Weighted	Principal	Risk- Weighted
	2007	2007	2006	2006
	RM'000	RM'000	RM'000	RM'000
0%	623,699	-	230,302	-
10%	-	-	-	-
20%	589,387	117,878	71,053	14,211
50%	12,938	6,469	13,347	6,673
100%	1,156,558	<u>1,156,558</u>	896,348	<u>896,348</u>
Total risk-weighted assets for credit risk		1,280,905		917,232
Total risk-weighted assets for market risk		<u>101,939</u>		<u>60,827</u>
Total risk-weighted assets for credit and market risks		<u>1,382,844</u>		<u>978,059</u>

31. FINANCIAL INSTRUMENTS

Financial Risk Management Policies

Risk management is one of the critical success factors in banking and is an essential element of the Bank's overall business strategy. The Board of Directors recognises that a critical factor in the Bank's continued survival, profitability and success depends on the effectiveness of its risk management capabilities and risk return management. Therefore, the Bank's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Bank's business whilst managing its foreign exchange, interest rate, credit and liquidity risks. The Bank operates within clearly defined guidelines that are approved by the Board.

Major areas of the Bank's risk management are as follows:

(a) Credit Risk Management

Credit risk is the potential loss of revenue and principal losses in the form of specific allowances as a result of partial or total default of a loan by the borrower. As such, management of credit risk is not only vital in protecting the Bank's assets quality but also to sustain profits. Various credit committees are set up to supervise credit activities and management of credit risks.

The Bank's credit risk grading system is used to grade the quality of all commercial and business loans. A key objective of the rating system is to track the movement of the Bank's credit risk profile and to assist in the early detection of weak borrowers to commence early rehabilitation and to prevent the emergence of new NPLs.

An effective preventive measure to identify and manage emerging problem loans is the independent review of performing loans by a special unit. This review is carried out with the prime objective of implementing prompt pre-emptive measures on loans where credit risks have increased.

For corrective measures, loans which are in excess or are three months in arrears and above would be under the purview of the Loan Rehabilitation Committee. This committee would meet monthly to direct efforts towards effective collection, restructuring and rehabilitation of delinquent loans to prevent and recover NPLs expeditiously.

31. FINANCIAL INSTRUMENTS (CONTD.)

(b) Market Risk Management

Market risk is the risk of loss arising from movement in the level of market prices or rates, the two key components being interest rate risk and foreign currency exchange risk.

In order to manage risk in investment holding, the Bank mark-to-market its investment positions and makes comparisons against predetermined market risk limits. The market risk limits are set taking into consideration the risk appetite of the Bank, which has traditionally been prudent.

Foreign currency exchange risk arises from exchange rate movements, which may affect the profit of the Bank from its foreign exchange open positions taken from time to time. This risk is principally managed by setting predetermined limits on open foreign exchange positions against these limits and the setting and monitoring of cut-loss mechanisms.

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rates and shifts in the composition of the assets and liabilities. The Bank's Asset Liabilities Management Committee regularly reviews the interest rate outlook, assesses the vulnerability of net interest income and develops strategies to mitigate interest rate risk.

(c) Liquidity Risk Management

Liquidity risk relates to the ability of the Bank to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

The primary tool used for monitoring liquidity is the Bank Negara Malaysia New Liquidity Framework ("NLF"). The NLF is further supplemented with the Bank's internal liquidity risk management policies set by the Board of Directors and incorporated in the Asset and Liabilities Management policies and procedures. These policies ensure that the liquidity surpluses are within the limit. The liquidity risk management activities are carried out through a combination of Cash Flow Report, maintenance of high quality long-term and short-term marketable securities that can be readily converted to cash, diversification of the funding base and proactive management of the Bank's customer deposits.

31. FINANCIAL INSTRUMENTS (CONTD.)**(d) Fair Values**

The following table summarises the carrying amounts and fair values of the financial assets and liabilities, which were not presented at fair value in the Group and the Bank's balance sheets:

	Group and Bank			
	2007		2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Securities Held for Trading	19,480	19,480	-	-
Securities Available for Sale	41,736	46,000	31,339	35,324
Securities Held to Maturity	15,023	15,058	82,279	82,459
Loans, advances and financing	1,046,617	1,046,617	843,510	843,510

The fair values of the Bank's quoted securities, money market instruments are estimated at their market values as disclosed in Notes 6, 7 and 8.

The fair value of loans is based on the carrying value of the loans and accrued interest receivable net of allowance for bad and doubtful debts as most of the loans are floating rate loans.

The nominal/notional amount and net fair value of financial instruments not recognised in the balance sheet are:

	Group and Bank			
	2007		2006	
	Nominal/ notional amount RM'000	Net fair value RM'000	Nominal/ notional amount RM'000	Net fair value RM'000
Forward foreign exchange contracts	218,151	(3)	127,159	479

31. FINANCIAL INSTRUMENTS (CONTD.)

(d) Fair Values (Contd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Deposits and Placements with Bank Negara Malaysia, Deposits from Customers and Banks, Obligation on securities sold under Repurchase Agreement, Bills and Acceptances Payable, Other Assets/Liabilities

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

(ii) Securities Held-for-Trading, Held-to-Maturities and Available-for-Sale

The fair value of quoted securities is determined by reference to stock exchange quoted market bid prices at the close of business of the balance sheet date. The fair value of money market instruments is determined by reference to market bid prices at the close of the business on the balance sheet date. The fair value of Islamic debt securities is determined by reference to last done trade price of the securities.

The fair values of investments in unquoted shares and private debt securities approximate their carrying amounts due to the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

(iii) Derivative Financial Instruments

The fair value of the forward foreign currency contracts is the estimated amount which the Bank would expect to pay or receive on the termination of the outstanding position arising from such contracts. At the end of the financial year, the fair value of such contracts is determined by reference to the current forward exchange rate for contracts of similar maturity profiles.

32. COMPARATIVES FIGURES

Certain comparatives figures has been reclassified to conform with the current year presentation.