

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

**Directors' Report and Audited Financial Statements**  
**31 December 2008**

Ernst & Young  
AF : 0039

**299740 W**

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

<b>Contents</b>	<b>Page</b>
Directors' report	1 - 18
Statement by directors	19
Statutory declaration	19
Independent auditors' report	20 - 21
Balance sheets	22
Income statements	23 - 24
Statements of changes in equity	25 - 26
Cash flow statements	27 - 28
Notes to the financial statements	29 - 75

299740 W

**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 2008.

**Principal activities**

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

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

**Results**

	<b>Group</b> <b>RM'000</b>	<b>Bank</b> <b>RM'000</b>
Net profit for the year	<u>21,471</u>	<u>21,457</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 2008.

**299740 W**

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**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:

Mr Staporn Kavitanon  
Mr Prasong Uthaisangchai  
Mr Loke Tan Cheng  
Ms Rushda Theeratharathorn  
Mr Toh Chong  
YBhg Professor Dato' Ruslan Khalid  
YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir  
(resigned with effect from 1 January 2009)  
YBhg Dato' Koay Soon Eng  
Mr Chris Chia Woon Liat

**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 25 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' interests**

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.

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**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 writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and 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.
- (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 written off for bad debts or 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.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Other statutory information (cont'd.)**

- (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 2008 and outlook for the financial year 2009**

Bangkok Bank Berhad registered a profit before tax of RM29.0 million for the financial year 2008, which is higher as compared to RM9.0 million recorded in 2007. The primary reasons for the higher profit are the higher loan growth which resulted in higher net interest income and lower loan loss provisioning.

Net interest income improved by 14% to RM40.8 million from RM35.9 million in the last financial year. Loan outstanding grew substantially from RM1.1 billion at end December 2007 to RM1.5 billion at end December 2008 and new loans granted have been the primary contributor to the rise in net interest income.

The decrease in loan loss and allowances, from RM24.3 million in 2007 to RM8.6 million in 2008 is mainly due to intensive recovery efforts during the period. We were successful in recovering RM6.5 million from an NPL due to sale of collateral pledged to us.

Gross NPLs has decreased from RM40.8 million in 2007 to RM36.0 million in 2008 due to writing off of large corporate accounts during the 3rd quarter of 2008. The net NPL ratio has improved with net NPL ratio for 2008 at 0.7% as compared to 1.1% in 2007 as the loans portfolio has expanded.

Non interest income improved to RM14.5 million in 2008 as compared to RM12.1 million in 2007. The increase is mainly due to a recovery from Danaharta on one of the corporate loans sold in 1999.

Overhead expenses increased from RM14.6 million in 2007 to RM17.8 million in 2008. The increase is mainly contributed by higher personnel costs incurred due to arrears paid to unionised staff and additional staff force as well as enhancements of various risk and compliance functions. The increase is also contributed by higher administration and general expenses incurred due to higher depreciation resulting from the increase in capital expenditure.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Business overview for the financial year ended 31 December 2008 and outlook for the financial year 2009 (cont'd.)**

The current deteriorating financial and economic situation in the United States has raised the risk of a more pronounced downturn in other industrialized and developing countries. As such, the growth in the Malaysian economy is expected to be slower in 2009 due to higher inflation and tougher operating environment. The Government has lowered the GDP growth forecast for 2009, despite the various measures to cushion the economic slowdown.

However, the Bank will continue to focus on its core business of lending to selected niche sectors but will be more cautious on its credit assessments. The Bank will also focus on maintaining or improving its current good liquidity position as well as expanding its deposit base.

**Profile of directors**

**Mr Staporn Kavitanon  
Chairman, Non-Independent Non-Executive Director**

Mr Staporn Kavitanon, a Thai citizen, was appointed Chairman of 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, 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 include 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).

**299740 W**

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Profile of directors (cont'd.)**

**Mr Prasong Uthaisangchai  
Vice Chairman, Non-Independent Non-Executive Director**

Mr Prasong Uthaisangchai, a Thai citizen, was appointed to the Board on 15 September 1994 and was redesignated as the Vice Chairman of the Board on 1 January 2009. He holds a Diploma in Business Studies from Norwood Technical College, United Kingdom.

Mr Prasong has extensive banking experiences in the Asia Region, having worked for over 38 years with BBL. He began his banking career with BBL in Thailand as an officer, Export Division in 1971 and was then assigned to hold various senior management positions in Singapore branch, Taipei branch, Hong Kong branch, International Branch Activities Division and International Banking Group.

In 1999, 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.

**Mr 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 industry prior to joining the Bank. He has worked with a few multinational banks in Singapore and served in various senior management positions.

**Ms 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).



**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Profile of directors (cont'd.)**

**Mr 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 an Executive Vice President in the International Banking Group in BBL. He is also currently the Executive Chairman of Bualuang Securities Public Co Ltd, the capital markets subsidiary of BBL. Prior to joining BBL, he was an Economist for the Government of Singapore Investment Corporation and had worked in Morgan Stanley investment bank.

Currently, Mr Toh also serves 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 directorships in Gold Coin Malaysia Group Sdn Bhd and several other private companies.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Profile of directors (cont'd.)**

**YBhg Dato' Koay Soon Eng  
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 practice 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 small and medium sized companies to major public listed corporations.

Dato' Koay is currently an Independent Director of Y.S.P Southeast Asia Holding Berhad and holds chairmanship/directorship in several private companies.

**Mr 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 Chris 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 in its Investment Banking Division. He was part of the firm's Asia Pacific Mergers and Acquisitions practice.

After Goldman Sachs, he joined Citigroup Global Markets (Southeast Asia Investment Banking Division), based in Singapore (2000-2004). At Citigroup, as Vice President, 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.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Profile of directors (cont'd.)**

**Mr Chris Chia Woon Liat  
Independent Non-Executive Director (cont'd.)**

Mr Chris Chia is currently the Managing Partner of Kendall Court, an investment partnership focused on investing in Southeast Asia. Kendall Court manages approximately USD300 million in assets and makes direct investments in public and private companies. He is also a member of the Money Policy Advisory Committee and Investment Advisory Committee under SPRING Singapore (a statutory board under the Ministry of Trade and Industry of Singapore. It is the main agency for enterprise development, and it aims to enhance the competitiveness of enterprises to develop a strong base of dynamic and innovative Singapore enterprises. It is also the national standards and conformance body).

**Corporate governance**

**Board of directors**

**Board composition**

During the financial year, the Board of Bangkok Bank Berhad (“the Bank”) comprised 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 consists of individuals of caliber, credibility and integrity with the necessary skills, experiences 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 during the financial year provides the necessary checks and balances on the Board and facilitates the Board to exercise objective judgement in decision making.

Subsequently, on 1 January 2009, Mr Prasong Uthaisangchai was re-designated as the Vice Chairman of the Board and YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir resigned as an Independent Non-Executive Director due to his proclamation as the Yang Di-Pertuan Besar of Negeri Sembilan. On 19 February 2009, YBhg Dato' Koay Soon Eng was re-designated as an Independent Non-Executive Director.

A brief profile of each Director is presented on pages 6 to 9 of this Audited Financial Statements.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Board of directors (cont'd.)**

**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 Terms of Reference of the Board include the following:

1. Review and approval of management's proposal on strategies, business plan and significant policies and monitor of management's performance in the implementation process;
2. Establishment of a comprehensive risk management policies, processes and infrastructure to manage the various types of risks; and
3. Ensuring the conduct of the operations of the Bank are carried out prudently and within the framework of relevant laws, rulings and regulations.

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.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Board of directors (cont'd.)**

**Frequency and conduct of board meetings**

The Board meets on a scheduled basis, at least once in every two (2) months, to review the management reports and to deliberate various matters which require its guidance and approval.

During the financial year, the Board held (6) meetings and the meetings were attended by all the members except for YAM Tunku Muhriz who attended five (5) meetings.

**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, the seminars and courses attended by the Directors are, inter-alia on areas relating to banking and related topics, Financial Reporting Standards, Anti-Money Laundering and Counter Financing of Terrorism, Risk Management, Economic, Corporate Governance etc.

**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.

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

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**Board committees**

The Board has established Nomination Committee, Remuneration Committee, Risk Management Committee and Audit Committee to assist the Board in the execution of its duties and responsibilities. Each Board Committee operates within its own terms of reference approved by the Board, which clearly define its duties and responsibilities.

The composition of the Board Committees are as follows:

Name of Director	Nomination Committee	Remuneration Committee	Risk Management Committee	Audit Committee
YBhg Professor Dato' Ruslan Khalid ( <i>Independent Non-Executive Director</i> )	CH	M	CH	M
YAM Tunku Muhriz Ibni Almarhom Tuanku Munawir ( <i>Independent Non-Executive Director</i> )	M*	CH*	-	M*
Mr Chris Chia Woon Liat ( <i>Independent Non-Executive Director</i> )	-	-	M	CH
Mr Loke Tan Cheng ( <i>Executive Director/CEO</i> )	M	-	-	-
Ms Rushda Theeratharathorn ( <i>Non-Independent Non-Executive Director</i> )	M	M	M	M
Mr Toh Chong ( <i>Non-Independent Non-Executive Director</i> )	M	M	M	M
YBhg Dato' Koay Soon Eng ( <i>Independent Non-Executive Director</i> )	M	CH#	M	M#

Note:

CH - Chairman

M - Member

\* On 1 January 2009, YAM Tunku Muhriz resigned as the Chairman of the Remuneration Committee as well as member of the Nomination Committee and Audit Committee.

# On 19 February 2009, YBhg Dato' Koay Soon Eng was re-designated as an Independent Non-Executive Director and was appointed as the Chairman of the Remuneration Committee and a member of the Audit Committee to replace YAM Tunku Muhriz.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Nomination committee**

During the financial year, the Nomination Committee held four (4) meetings and the meetings were attended by all the members.

The Nomination Committee is established 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.

The Terms of Reference of Nomination Committee include the following:

- (i) Establishment of the minimum requirements for the Board in terms of required mix of skills, experience, qualification and other core competencies;
- (ii) Establishment of the minimum requirements for the CEO, recommendation and assessment of the nominees for directorship, Board Committee members and the CEO;
- (iii) Oversight of the overall composition of the Board through an annual review in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors; and
- (iv) Establishment of 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.

**Remuneration committee**

During the financial year, the Remuneration Committee held two (2) meetings and the meetings were attended by all the members.

The Remuneration Committees is established 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.

The Terms of Reference of the Remuneration Committee include the following:

- (i) Recommendation of a framework of remuneration for Directors, the CEO and other key Senior Management Officers for the Board's approval; and
- (ii) Review of the remuneration packages of the Directors, CEO and key Senior Management Officers for the Board's approval.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Risk management committee**

During the financial year, the Risk Management Committee held six (6) meetings and the meetings were attended by all the members.

The Risk Management Committee is established 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.

The Terms of Reference of the Risk Management Committee include the following:

- (i) Review and recommendation of risk management strategies, policies and risk tolerance for the Board's approval; and
- (ii) Review of management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

**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 risks in the Bank. The underlying 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;
- (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; and
- (iv) Development of strong risk culture and continuous improvement of risk management skills throughout the Bank.



**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Risk management framework (cont'd.)**

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

- Level 1: Policies, especially those which have impact on the risk framework and risk tolerances shall be approved at the Board's 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's 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**

During the financial year, the Audit Committee held eight (8) meetings and the meetings were attended by all the members except for Mr Toh Chong and Ms Rushda who has attended seven (7) and six (6) six meetings respectively.

The Audit Committee is established 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.

The Terms of Reference of the Audit Committee includes the following:

- (i) Review of 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;
- (ii) Review of interim financial reports, the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
- (iii) Oversight of the functions of the Internal Audit Department to ensure it complies with BNM/GP10 requirement;
- (iv) Review and approval of the annual audit plan and all major changes to the plan to ensure that there are no unjustified restrictions or limitations made;

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Audit Committee (cont'd.)**

- (v) Review of the scope of the internal audit program, internal audit findings and recommend actions to be taken by management;
- (vi) Review of the effectiveness of the Bank's internal control system, including information technology security and control;
- (vii) Selection of external auditors for appointment by the Board;
- (viii) Assessment of performance and independence of external auditors' objectivity;
- (ix) Review of the external auditors' proposed audit scope and approach;
- (x) Review of the external auditor's management letter and managements' responses;
- (xi) Approval of the provision of non-audit service by the external auditor; and
- (xii) Review of the audit findings regularly to ensure that issues are being managed and rectified appropriately and in a timely manner.

**Audit and control functions**

The Audit & Control Department ("ACD") plays a key role in assisting the Audit Committee to oversee that the management has in place a sound system of risk management, internal controls and governance process. This was achieved through the review of the recommendations for improvements to the current risk management, internal control systems and governance processes to provide reasonable assurance that such systems 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 results of audits conducted in terms of the risk management of the units, effectiveness of internal control, compliance with internal and regulatory requirements and overall management of the units, 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.

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**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 is applicable 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.

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

Management is accountable for the management of risk, collectively through the 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 the risks taken within their units, and should be aware of the type and quantum of risks taken.

The Bank uses various methodologies to identify, monitor, manage and control these risks. Various processes have been established to analyse and identify any weaknesses in these risk areas such as the identification of "red flags", analysis of trends on market volatility etc. These risks are assessed and measured using various models, methodologies and reports such as Credit Risk Rating ("CRR") models, Net Interest Income ("NII") Impact methodology, Maximum Cumulative Outflow ("MCO") reports, etc. Processes and procedures have also been established to monitor and control these risks. These policies and procedures are reviewed periodically and necessary changes would be made to ensure that they are operationally robust. Stress tests covering credit, liquidity and market risks are also performed under various scenarios to assess the Bank's risk weighted capital adequacy.

**299740 W**

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

### **Management information**

All the Directors have reviewed the Board reports prior to the Board Meetings. 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 environment updates.

These reports are issued timely 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 2008, the Bank 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 in Note 30 to this Audited Financial Statements.

### **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 23 March 2009.

Loke Tan Cheng

Professor Dato' Ruslan Khalid

Kuala Lumpur, Malaysia

**299740 W**

**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 22 to 75 are drawn up in accordance with the provision 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 the financial position of the Group and of the Bank as at 31 December 2008 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 23 March 2009.

Loke Tan Cheng

Professor Dato' Ruslan Khalid

Kuala Lumpur, Malaysia

**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 22 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 23 March 2009

Loke Tan Cheng

Before me,

299740 W

**Independent auditors' report to the members of  
Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Report on the financial statements**

We have audited the financial statements of Bangkok Bank Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 75.

**Directors' responsibility for the financial statements**

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

**Auditors' responsibility**

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

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

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

299740 W

**Independent auditors' report to the members of  
Bangkok Bank Berhad (cont'd.)  
(Incorporated in Malaysia)**

**Opinion**

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

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 ("Act") in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary that have been consolidated with the financial statements of the Company 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.
- (c) The auditors' reports on the accounts of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Other Matters**

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

Ernst & Young  
AF: 0039  
Chartered Accountants

Gladys Leong  
No. 1902/04/10(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
23 March 2009

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**Balance sheets as at 31 December 2008**

	Note	Group		Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Assets</b>					
Cash and short-term funds	4	510,448	771,429	510,416	771,417
Deposits and placements with banks	5	-	347,182	-	347,182
Securities Held-for-trading	6	25,929	19,480	25,929	19,480
Securities Available-for-sale	7	179,544	41,736	179,544	41,736
Securities Held-to-maturity	8	14,977	15,023	14,977	15,023
Loans, advances and financing	9	1,472,522	1,046,617	1,472,522	1,046,617
Other assets	10	6,164	9,911	6,164	9,911
Statutory deposit with Bank Negara Malaysia	11	40,000	24,500	40,000	24,500
Investment in subsidiary	12	-	-	10	10
Property and equipment	13	11,159	10,150	11,159	10,150
Intangible Assets	14	363	-	363	-
Deferred tax assets	15	6,256	6,842	6,256	6,842
<b>Total assets</b>		<b>2,267,362</b>	<b>2,292,870</b>	<b>2,267,340</b>	<b>2,292,868</b>
<b>Liabilities and shareholder' equity</b>					
Deposits from customers	16	1,277,325	1,113,923	1,277,325	1,113,923
Deposits and placements of banks and other financial institution	17	386,282	696,328	386,282	696,328
Obligation on securities sold under repurchase agreements		158,453	65,002	158,453	65,002
Bills and acceptances payable		46,824	34,398	46,824	34,398
Other liabilities	18	15,396	23,964	15,388	23,962
<b>Total liabilities</b>		<b>1,884,280</b>	<b>1,933,615</b>	<b>1,884,272</b>	<b>1,933,613</b>
Share capital	19	265,000	265,000	265,000	265,000
Statutory reserve	20	112,461	101,726	112,454	101,726
Revaluation reserve		2,293	(63)	2,293	(63)
Accumulated profits/(losses)		3,328	(7,408)	3,321	(7,408)
<b>Shareholder' equity</b>		<b>383,082</b>	<b>359,255</b>	<b>383,068</b>	<b>359,255</b>
<b>Total liabilities and shareholder' equity</b>		<b>2,267,362</b>	<b>2,292,870</b>	<b>2,267,340</b>	<b>2,292,868</b>
<b>Commitments and contingencies</b>	28	<b>1,036,303</b>	<b>1,053,185</b>	<b>1,036,303</b>	<b>1,053,185</b>

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



299740 W

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**Consolidated income statement**  
**For the year ended 31 December 2008**

		<b>Group</b>	
	<b>Note</b>	<b>2008</b>	<b>2007</b>
		<b>RM'000</b>	<b>RM'000</b>
Interest income	21	103,581	80,183
Interest expense	22	(62,732)	(44,286)
Net interest income		40,849	35,897
Loans loss and allowances, net	23	(8,626)	(24,355)
		32,223	11,542
Non-interest income	24	14,552	12,062
Net income		46,775	23,604
Overhead expenses	25	(17,770)	(14,578)
Profit before taxation		29,005	9,026
Taxation	26	(7,534)	(2,563)
Net profit for the period		21,471	6,463
Earnings per share (sen)	27		
- basic		8.10	2.44
- diluted		8.10	2.44

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

299740 W

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**Income statement**  
**For the year ended 31 December 2008**

		<b>Bank</b>	
	<b>Note</b>	<b>2008</b>	<b>2007</b>
		<b>RM'000</b>	<b>RM'000</b>
Interest income	21	103,581	80,183
Interest expense	22	(62,732)	(44,286)
Net interest income		<u>40,849</u>	<u>35,897</u>
Loans loss and allowances, net	23	(8,626)	(24,355)
		<u>32,223</u>	<u>11,542</u>
Non-interest income	24	14,531	12,062
Net income		<u>46,754</u>	<u>23,604</u>
Overhead expenses	25	(17,768)	(14,578)
Profit before taxation		<u>28,986</u>	<u>9,026</u>
Taxation	26	(7,529)	(2,563)
Net profit for the period		<u>21,457</u>	<u>6,463</u>
Earnings per share (sen)	27		
- basic		8.10	2.44
- diluted		<u>8.10</u>	<u>2.44</u>

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 2008**

	<----- Group ----->				
	Non-distributable		<----- Distributable ----->		
	Share capital	Statutory reserve	Revaluation reserve	Accumulated (losses)/ Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2007</b>	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)	-
<b>At 31 December 2007</b>	<b>265,000</b>	<b>101,726</b>	<b>(63)</b>	<b>(7,408)</b>	<b>359,255</b>
<b>At 1 January 2008</b>	265,000	101,726	(63)	(7,408)	359,255
Net profit for the year	-	-	-	21,471	21,471
Unrealised net profit on revaluation of available-for-sale securities	-	-	2,356	-	2,356
Transfer to statutory reserve		10,735		(10,735)	-
<b>At 31 December 2008</b>	<b>265,000</b>	<b>112,461</b>	<b>2,293</b>	<b>3,328</b>	<b>383,082</b>

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

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**Statements of changes in equity**  
For the period ended 31 December 2008 (cont'd.)

	<----- Bank ----->				
	Non-distributable		<----- Distributable ----->		
	Share capital	Statutory reserve	Revaluation reserve	Accumulated (losses)/ Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2007</b>	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)	
<b>At 31 December 2007</b>	<u>265,000</u>	<u>101,726</u>	<u>(63)</u>	<u>(7,408)</u>	<u>359,255</u>
<b>At 1 January 2008</b>	265,000	101,726	(63)	(7,408)	359,255
Net profit for the year	-	-	-	21,457	21,457
Unrealised net loss on revaluation of available-for-sale securities	-	-	2,356	-	2,356
Transfer to statutory reserve		10,728		(10,728)	-
<b>At 31 December 2008</b>	<u>265,000</u>	<u>112,454</u>	<u>2,293</u>	<u>3,321</u>	<u>383,068</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 2008**

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	29,005	9,026	28,986	9,026
Adjustments for:				
Depreciation	1,013	731	1,013	731
Amortisation of intangible assets	222	-	222	-
Allowance for losses on loans and financing, net	14,947	24,620	14,947	24,620
Loss on disposal of property and equipment	-	12	-	12
Unrealised foreign exchange loss	(439)	-	(439)	-
Net gain on revaluation of securities held for trading	(87)	(90)	(87)	(90)
Amortisation of premium net of accretion of discount	293	2,571	293	2,571
Interest in suspense	3,489	1,522	3,489	1,522
Dividend Income	(69)	(65)	(69)	(65)
Operating profit before working capital changes	48,374	38,327	48,355	38,327
Increase in loans and advances	(444,341)	(229,249)	(444,341)	(229,249)
Decrease/(increase) in deposits and placements with banks	347,182	(322,882)	347,182	(322,882)
Decrease/(increase) in other assets	1,246	(1,697)	1,246	(1,697)
Increase in statutory deposit with Bank Negara Malaysia	(15,500)	(1,200)	(15,500)	(1,200)
Increase in deposits from customers	163,402	408,747	163,402	408,747
(Decrease)/increase in deposits and placements of licensed banks	(310,046)	663,346	(310,046)	663,346
Increase in obligations sold under repo	93,451	65,002	93,451	65,002
Increase in bills and acceptances payable	12,426	65	12,426	65
(Decrease)/increase in other liabilities	(8,134)	13,798	(8,135)	13,797
Cash (used in)/generated from operations	(111,940)	634,257	(111,960)	634,256
Taxes paid	(4,442)	(7,498)	(4,442)	(7,498)
Net cash (used in)/generated from operating activities	(116,382)	626,759	(116,402)	626,758

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**Cash flow statements**  
For the year ended 31 December 2008 (cont'd.)

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(2,022)	(1,821)	(2,022)	(1,821)
Purchase of intangible assets	(585)	-	(585)	-
Purchase of securities held for trading	(229,485)	(19,387)	(229,485)	(19,387)
Purchase of securities available for sale	(145,833)	(35,852)	(145,833)	(35,852)
Purchase of held-to-maturity securities	(14,961)	-	(14,961)	-
Dividend received	69	47	69	47
Proceeds from disposal of securities held for trading	223,211	-	223,211	-
Proceeds from disposal of securities available for sale	10,007	24,995	10,007	24,995
Proceeds from maturity of held-to-maturity securities	15,000	65,000	15,000	65,000
Proceeds from disposal of property and equipment	-	10	-	10
Net cash (used in)/generated from investing activities	<u>(144,599)</u>	<u>32,992</u>	<u>(144,599)</u>	<u>32,992</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(260,981)	659,751	(261,001)	659,750
<b>Cash and cash equivalents at beginning of financial period</b>	<u>771,429</u>	<u>111,678</u>	<u>771,417</u>	<u>111,667</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>510,448</u>	<u>771,429</u>	<u>510,416</u>	<u>771,417</u>
Cash and cash equivalents comprise:				
Cash and short term funds	<u>510,448</u>	<u>771,429</u>	<u>510,416</u>	<u>771,417</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 2008**

**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 year.

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.

**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 provision of companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia as 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 FRSs and IC Interpretation**

At the beginning of the financial year, the Group and the Company had adopted new and revised FRSs applicable to the Group and Company which are mandatory for financial periods beginning on or after 1 July 2007, as follows:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to	The Effects of Changes in Foreign Exchange Rates
FRS 121	- Net Investment in a Foreign Operation

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.

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**2. Basis of preparation (cont'd.)**

**(a) Adoption of new and revised FRSs and IC Interpretation (cont'd.)**

The Group and the Company have not early adopted FRSs and IC Interpretations which are effective for periods beginning on or after 1 July 2009. These FRSs and IC Interpretations are not expected to have any significant changes in the accounting policies or financial impact on the Group and the Bank.

**(b) Significant accounting estimates and judgements**

The preparation of financial statements 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 uncertainty 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.

Other than the 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**

The 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.



**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**3. Significant accounting policies (cont'd.)**

**(a) Subsidiary and basis of consolidation (cont'd.)**

**(i) Subsidiary (cont'd.)**

In the Company's separate financial statements, the 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.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtained control, and continues 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.

The acquisitions of the subsidiary is 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 Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Bank'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.

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**3. Significant accounting policies (cont'd.)**

**(b) Revenue recognition (cont'd.)**

**(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.

**(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.

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**3. Significant accounting policies (cont'd.)**

**(c) Allowance for bad and doubtful debts (cont'd.)**

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 collaterals, 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 collaterals for non-performing loans above 5 years.

**(d) Securities**

Securities include all equity instruments (excluding investment in subsidiary), 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.

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**3. Significant accounting policies (cont'd.)**

**(d) Securities (cont'd.)**

**(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 is 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%

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**3. Significant accounting policies (cont'd.)**

**(e) Property and equipment and depreciation (cont'd.)**

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.

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) Intangible asset**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets are amortised over their finite useful lives as follows:

Computer Software

2 - 5 years

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**3. Significant accounting policies (cont'd.)**

**(g) 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.

**(h) Other receivables**

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

**(i) Bills and acceptances payable**

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

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**3. Significant accounting policies (cont'd.)**

**(j) 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.

**(k) Obligations on securities sold under repurchase agreement.**

The Group and the Bank have commitment to repurchase obligations 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.

**(l) 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 rates that existed when the values were determined.

All exchange rate differences are taken to the income statement.

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

	<b>31.12.2008</b>	<b>31.12.2007</b>
Singapore Dollar	2.41	2.30
Thai Baht	0.10	0.11
United States Dollar	3.47	3.31

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**3. Significant accounting policies (cont'd.)**

**(m) 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.

**(n) 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.



**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**3. Significant accounting policies (cont'd.)**

**(n) Income tax (cont'd.)**

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.

**(o) 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.

**(p) Financial instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. 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.

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**3. Significant accounting policies (cont'd.)**

**(p) Financial instruments (cont'd.)**

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.

**(q) 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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and balances with banks and Bank Negara Malaysia	415,652	545,299	415,620	545,287
Money at call and deposit placements maturing within one month	94,796	226,130	94,796	226,130
	<u>510,448</u>	<u>771,429</u>	<u>510,416</u>	<u>771,417</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**4. Cash and short-term funds (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>
	<b>per annum</b>	<b>per annum</b>
Licensed banks	3.22	3.89
Bank Negara Malaysia	3.26	3.52

**5. Deposits and placements with banks**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed Banks	-	347,182

The weighted average effective interest rate and the average maturities of deposits as at 31.12.2007 was 4.89% per annum and 62 days respectively.

**6. Securities held-for-trading**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia:		
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Securities	25,929	19,480

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**7. Securities available-for-sale**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia:		
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Securities	128,120	10,144
Private Debt Securities	20,485	20,671
Cagamas Bonds	10,001	9,991
Government Investment Issue	20,066	-
Quoted securities in Malaysia:		
Debt converted shares	-	58
	<u>178,672</u>	<u>40,864</u>
<b>At cost</b>		
Unquoted shares		
Shares	872	872
	<u>179,544</u>	<u>41,736</u>

**8. Securities held-to-maturity**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia:		
Money market instruments:		
Malaysian Government Securities	14,961	15,036
Unquoted securities:		
Private debt securities	840	840
	<u>15,801</u>	<u>15,876</u>
Less: Amortisation of premium net of accretion of discount	3	(26)
Less: Accumulated impairment losses	(827)	(827)
	<u>14,977</u>	<u>15,023</u>

(i) Indicative fair value of securities:

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Securities	15,231	15,045
Unquoted securities - private debt securities	13	13
	<u>15,244</u>	<u>15,058</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**8. Securities held-to-maturity (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	-	15,036
Maturing more than one year	14,961	-
	<u>14,961</u>	<u>15,036</u>

(iii) The weighted average effective interest rate as at balance sheet date was 3.65% (2007: 3.82%) per annum.

**9. Loans, advances and financing**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	95,937	99,951
Term loans		
Housing loans	10,973	12,303
Syndicated term loan	54,668	50,777
Other term loans	260,608	217,015
Revolving credits	212,206	110,836
Bills receivables	17,160	20,724
Trust receipts	109,923	117,515
Bankers' acceptances	716,527	430,819
Other financing	47,369	34,453
Staff loans	1,795	1,611
	<u>1,527,166</u>	<u>1,096,004</u>
Unearned interest	(5,018)	(3,109)
	<u>1,522,148</u>	<u>1,092,895</u>
General allowance for bad and doubtful debts ("GA")	(23,540)	(16,999)
Specific allowance for bad and doubtful debts ("SA")	(26,086)	(29,279)
Net loans, advances and financing	<u>1,472,522</u>	<u>1,046,617</u>
Total loans, advances and financing less SA	<u>1,496,062</u>	<u>1,063,616</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**9. Loans, advances and financing (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	1,199,572	841,793
One year to three years	125,030	24,500
Three years to five years	95,107	117,259
Over five years	102,439	109,342
	<u>1,522,148</u>	<u>1,092,894</u>

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	45,193	51,224
Purchase of transport vehicles	5,142	5,011
Purchase of residential properties	12,735	13,876
Purchase of non-residential properties	61,897	37,225
Purchase of fixed assets other than land and building	54,198	46,471
Personal use	5,012	9,843
Construction	27,257	40,081
Working capital	1,310,714	889,163
	<u>1,522,148</u>	<u>1,092,894</u>

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions	97,636	47,014
Domestic business enterprises		
- Small medium enterprises	429,312	326,260
- Others	977,371	695,533
Domestic other entities	53	65
Individuals	17,776	24,022
	<u>1,522,148</u>	<u>1,092,894</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**9. Loans, advances and financing (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
Housing loan	1,791	1,573
Other fixed rate loan/financing	3,762	576
Variable rate		
BLR plus	315,323	332,875
Cost-plus	1,077,282	539,896
Other variable rates	123,990	217,974
	<u>1,522,148</u>	<u>1,092,894</u>

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	40,775	16,278
Classified as non-performing during the year	8,631	27,105
Reclassified as performing during the year	(1,206)	(1,666)
Amount recovered	(624)	(942)
Amount written off	(11,599)	-
Other adjustment	(20)	-
Balance as at 31 December	<u>35,957</u>	<u>40,775</u>
Specific allowance	<u>(26,086)</u>	<u>(29,279)</u>
Net non-performing loans, advances and financing	<u>9,871</u>	<u>11,496</u>
Ratio of net non-performing loans, advances and financing to total loans, advances and financing less SA	<u>0.66%</u>	<u>1.08%</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**9. Loans, advances and financing (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General Allowance</b>		
Balance as at 1 January	16,999	13,997
Allowance made during the year	6,541	6,600
Transfer to specific allowance	-	(3,598)
Balance as at 31 December	<u>23,540</u>	<u>16,999</u>
 GA% of gross loans, advances and financing less SA	 <u>1.57%</u>	 <u>1.60%</u>

**Specific Allowance**

Balance as at 1 January	29,279	7,661
Allowance made during the year	9,513	18,851
Transfer from general allowance	-	3,598
Written off	(11,599)	-
Recovered and written back	(1,107)	(831)
Balance as at 31 December	<u>26,086</u>	<u>29,279</u>

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of residential properties	2,162	1,827
Working capital	33,795	38,948
	<u>35,957</u>	<u>40,775</u>

(viii) The weighted average effective interest rate for loans, advances and financing at the balance sheet date was 5.23% (2007: 5.92%) per annum.



**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**10. Other assets**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Other receivables, deposits and prepayments	2,762	4,008
Tax recoverable	3,402	5,903
	<u>6,164</u>	<u>9,911</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**

	<b>Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	<u>10</u>	<u>10</u>

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

<b>Name of company</b>	<b>Percentage of equity held</b>		<b>Principal activity</b>
	<b>2008</b>	<b>2007</b>	
BBL Nominees (Tempatan) Sdn. Bhd.	100	100	Provision of nominee services to local clients of the Bank

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**13. Property and equipment**

	Freehold land and buildings* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings, and computer equipment RM'000	Total RM'000
<b>Group and Bank</b>				
<b>31 December 2008</b>				
<b>Cost</b>				
At 1 January 2008	14,031	1,049	4,979	20,059
Additions	481	-	1,541	2,022
At 31 December 2008	<u>14,512</u>	<u>1,049</u>	<u>6,520</u>	<u>22,081</u>
<b>Accumulated Depreciation</b>				
At 1 January 2008	5,902	676	3,331	9,909
Depreciation charge for the year	270	111	632	1,013
At 31 December 2008	<u>6,172</u>	<u>787</u>	<u>3,963</u>	<u>10,922</u>
<b>Net carrying amount</b>	<u>8,340</u>	<u>262</u>	<u>2,557</u>	<u>11,159</u>
<b>31 December 2007</b>				
<b>Cost</b>				
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>
<b>Accumulated Depreciation</b>				
At 1 January 2007	5,640	562	3,294	9,496
Depreciation charge for the year	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>
<b>Net carrying amount</b>	<u>8,129</u>	<u>373</u>	<u>1,648</u>	<u>10,150</u>

\* Included in the above is freehold land costing RM714,490 (31.12.2007: RM714,490).

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**13. Property and equipment (cont'd.)**

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

	<b>2008</b> <b>RM'000</b>	<b>2007</b> <b>RM'000</b>
Buildings	4,067	4,067
Motor vehicles	558	335
Office equipment, furniture and fittings and computer equipment	2,657	2,603
	<u>7,282</u>	<u>7,005</u>

**14. Intangible assets**

	<b>Group and Bank</b>	
	<b>2008</b> <b>RM'000</b>	<b>2007</b> <b>RM'000</b>
<b>Computer Software</b>		
<b>Cost:</b>		
At 1 January	-	-
Additions	585	-
At 31 December	<u>585</u>	<u>-</u>
<b>Accumulated amortisation:</b>		
At 1 January	-	-
Amortisation charged (Note 25)	222	-
At 31 December	<u>222</u>	<u>-</u>
<b>Net carrying amount</b>	<u>363</u>	<u>-</u>

**15. Deferred tax assets**

	<b>Group and Bank</b>	
	<b>2008</b> <b>RM'000</b>	<b>2007</b> <b>RM'000</b>
At 1 January	6,842	6,141
Recognised in the income statement (Note 26)	(586)	701
At 31 December	<u>6,256</u>	<u>6,842</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**15. Deferred tax assets (cont'd.)**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Presented after appropriate offsetting as follows:		
Deferred tax assets	6,692	7,039
Deferred tax liabilities	(436)	(197)
	<u>6,256</u>	<u>6,842</u>

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

**Group and Bank**

**Deferred tax assets**

	<b>General allowance RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2008	6,634	405	7,039
Recognised in the income statement	(152)	(195)	(347)
At 31 December 2008	<u>6,482</u>	<u>210</u>	<u>6,692</u>
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>

**Deferred tax liabilities**

	<b>Capital allowances RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2008	(190)	(7)	(197)
Recognised in the income statement	(239)	-	(239)
At 31 December 2008	<u>(429)</u>	<u>(7)</u>	<u>(436)</u>
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>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**16. Deposits from customers**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits	1,060,062	887,352
Negotiable instruments of deposits	97,000	93,500
Current accounts	105,703	114,194
Savings deposits	9,090	11,101
Others	5,470	7,776
	<u>1,277,325</u>	<u>1,113,923</u>

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	866,958	775,711
Six months to one year	274,106	181,934
One year to three years	15,188	16,947
Over three years	810	6,260
	<u>1,157,062</u>	<u>980,852</u>

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

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	5,470	7,775
Business enterprises	1,009,719	875,609
Individuals	202,439	195,491
Others	59,697	35,048
	<u>1,277,325</u>	<u>1,113,923</u>

- (iii) The weighted average effective interest rate for deposits from customers at the balance sheet date was 3.15% (2007: 3.10%) per annum.

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**17. Deposits and placements of banks and other financial institution**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks and other financial institution	386,282	200,353
Bank Negara Malaysia	-	495,975
	<u>386,282</u>	<u>696,328</u>

The weighted average effective interest rate for deposits and placements of banks and other financial institution at the balance sheet date was 3.59% (2007: 4.75%) per annum.

**18. Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Accruals	1,023	854	1,023	854
Unrealised loss on derivatives	439	3	439	3
Other payables	13,934	23,107	13,926	23,105
	<u>15,396</u>	<u>23,964</u>	<u>15,388</u>	<u>23,962</u>

**19. Share capital**

	<b>Number of ordinary shares of RM1 each</b>		<b>Amount</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>'000</b>	<b>'000</b>	<b>RM'000</b>	<b>RM'000</b>
Authorised	300,000	300,000	300,000	300,000
Issued and fully paid	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>

**20. 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.

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**21. Interest income**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	71,875	54,517
Deposits and placements with banks and other financial institutions	26,304	21,458
Securities Held-for-Trading	177	53
Securities Available-for-Sale	4,948	1,988
Securities Held-to-Maturity	571	4,739
	<u>103,875</u>	<u>82,755</u>
Amortisation of premium net of accretion of discount	(294)	(2,572)
	<u>103,581</u>	<u>80,183</u>

**22. Interest expense**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	35,947	28,387
Deposits and placements of licensed banks	26,785	15,899
	<u>62,732</u>	<u>44,286</u>

**23. Loan loss and allowances, net**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
General allowance for bad and doubtful debts	(6,541)	(6,600)
Specific allowance for bad and doubtful debts	(9,513)	(18,851)
Specific allowance written back	1,107	831
Bad debts recovered	6,321	265
	<u>(8,626)</u>	<u>(24,355)</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**24. Non-interest income**

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Fee income:		
Commission	2,835	2,998
Service charges and fees	1,013	850
Guarantee fees	1,109	989
	<u>4,957</u>	<u>4,837</u>
Investment income:		
Net (loss)/gain on sale of investment:		
Securities Held-for-Trading	(13)	364
Securities Available-for-Sale	-	18
Net gain on revaluation of securities		
Held-for-Trading	348	91
Gross dividends from investment securities	69	65
	<u>404</u>	<u>538</u>
Other income:		
Foreign exchange gain	6,389	5,915
Unrealised loss on derivatives	(439)	(3)
Rental income	603	744
Recovery from Danaharta	2,634	-
Others	4	31
	<u>9,191</u>	<u>6,687</u>
	<u>14,552</u>	<u>12,062</u>
	<b>Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Fee income:		
Commission	2,814	2,998
Service charges and fees	1,013	850
Guarantee fees	1,109	989
	<u>4,936</u>	<u>4,837</u>



**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**24. Non-interest income (cont'd.)**

	<b>Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment income:		
Net (loss)/gain on sale of investment:		
Securities Held-for-Trading	(13)	364
Securities Available-for-Sale	-	18
Net gain on revaluation of securities Held-for-Trading	348	91
Gross dividends from investment securities	69	65
	<u>404</u>	<u>538</u>
Other income:		
Foreign exchange gain	6,389	5,915
Unrealised loss on derivatives	(439)	(3)
Rental income	603	744
Recovery from Danaharta	2,634	-
Others	4	31
	<u>9,191</u>	<u>6,687</u>
	<u>14,531</u>	<u>12,062</u>

**25. Overhead expenses**

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs	10,451	9,108
Establishment costs	2,836	2,370
Marketing expenses	302	243
Administration and general expenses	4,009	2,717
Other non-interest expenses	172	140
	<u>17,770</u>	<u>14,578</u>
(i) Included in personnel costs are:		
Short term accumulating compensated absences	(20)	9
Defined contribution plan		
- Employees Provident Fund	1,208	979
Termination benefits	36	369
	<u>36</u>	<u>369</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

## 25. Overhead expenses (cont'd.)

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
(ii) Included in the above overhead expenses are:		
Directors' remuneration (Note iii)	2,719	2,085
Hire of equipment	63	98
Auditors' remuneration:		
- statutory audit	66	57
- other services	39	38
Loss on disposal of property and equipment	-	12
Depreciation	1,013	731
Amortisation of intangible assets	222	-
	<u>2,719</u>	<u>2,085</u>
(iii) Directors' remuneration		
Executive Director:		
Salary and other remuneration	1,391	1,401
Benefits-in-kind	24	33
	<u>1,415</u>	<u>1,434</u>
Non-executive directors:		
Fees	1,286	646
Other remuneration	42	38
	<u>1,328</u>	<u>684</u>
Total	<u>2,743</u>	<u>2,118</u>
Total excluding benefits-in-kind	<u>2,719</u>	<u>2,085</u>
(iv) Key management personnel		
Salary and emoluments	1,657	1,616
Defined contribution plan	182	158
	<u>1,839</u>	<u>1,774</u>
	<b>Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs	10,451	9,108
Establishment costs	2,836	2,370
Marketing expenses	302	243
Administration and general expenses	4,007	2,717
Other non-interest expenses	172	140
	<u>17,768</u>	<u>14,578</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**25. Overhead expenses (cont'd.)**

	<b>Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Included in personnel costs are:		
Short term accumulating compensated absences	(20)	9
Defined contribution plan		
- Employees Provident Fund	1,208	979
Termination benefits	36	369
	<hr/>	<hr/>
(ii) Included in the above overhead expenses are:		
Directors' remuneration (Note iii)	2,719	2,085
Hire of equipment	63	98
Auditors' remuneration:		
- statutory audit	65	56
- other services	39	38
Loss on disposal of property and equipment	-	12
Depreciation	1,013	731
Amortisation of intangible assets	222	-
	<hr/>	<hr/>
(iii) Directors' remuneration		
Executive Director:		
Salary and other remuneration	1,391	1,401
Benefits-in-kind	24	33
	<hr/>	<hr/>
	1,415	1,434
Non-executive directors:		
Fees	1,286	646
Other remuneration	42	38
	<hr/>	<hr/>
	1,328	684
Total	<hr/>	<hr/>
	2,743	2,118
	<hr/>	<hr/>
Total excluding benefits-in-kind	2,719	2,085
	<hr/>	<hr/>
(iv) Key management personnel		
Salary and emoluments	1,657	1,616
Defined contribution plan	182	158
	<hr/>	<hr/>
	1,839	1,774
	<hr/>	<hr/>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**26. Taxation**

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
Current year	9,188	3,264
Overprovision in prior years	(2,240)	-
	<u>6,948</u>	<u>3,264</u>
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 15)	586	(701)
	<u>7,534</u>	<u>2,563</u>
	<b>Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
Current year	9,183	3,264
Overprovision in prior years	(2,240)	-
	<u>6,943</u>	<u>3,264</u>
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 15)	586	(701)
	<u>7,529</u>	<u>2,563</u>

Income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 25% from the current year's rate of 26% with effect from the year of assessment 2009.

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:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	<u>29,005</u>	<u>9,026</u>
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	7,541	2,437
Overprovision of tax expense in prior years	(2,240)	-
Effect of expenses not deductible for tax purposes	521	126
Overprovision of deferred tax in prior years	1,712	-
Tax expense for the year	<u>7,534</u>	<u>2,563</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**26. Taxation (cont'd.)**

	<b>Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	28,986	9,026
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	7,536	2,437
Overprovision of tax expense in prior years	(2,240)	-
Effect of expenses not deductible for tax purposes	521	126
Overprovision of deferred tax in prior years	1,712	-
Tax expense for the year	<u>7,529</u>	<u>2,563</u>

**27. Earning 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 year as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit for the period (RM'000)	21,471	6,463
Number of ordinary shares in issue ('000)	265,000	265,000
Basic earnings per share (sen)	<u>8.10</u>	<u>2.44</u>

	<b>Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit for the period (RM'000)	21,457	6,463
Number of ordinary shares in issue ('000)	265,000	265,000
Basic earnings per share (sen)	<u>8.10</u>	<u>2.44</u>

There is no dilutive potential in the ordinary shares as at 31 December 2008.

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**28. 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.

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

	Principal Amount ←	Credit Equivalent Amount* 31.12.2008	Risk weighted amount →	Principal Amount ←	Credit Equivalent Amount* 31.12.2007	Risk weighted amount →
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	21,308	21,308	20,804	27,603	27,603	27,603
Transaction-related contingent items	82,793	41,397	38,910	75,742	37,871	37,313
Short-term self-liquidating trade-related contingencies	33,932	6,786	6,786	56,824	11,365	11,365
Forward foreign exchange contracts - less than one year	139,831	2,278	1,834	218,152	2,438	1,199
Other commitments, such as formal standby facilities and credit lines, with an original - maturity more than one year	112	56	56	977	488	488
- maturity less than one year	728,310	145,662	145,921	673,887	-	-
Any commitment that are unconditionally cancelled at any time without prior notice	30,017	-	-	-	-	-
<b>Total</b>	<b>1,036,303</b>	<b>217,487</b>	<b>214,311</b>	<b>1,053,185</b>	<b>79,765</b>	<b>77,968</b>

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**28. Commitments and contingencies (cont'd.)**

With effect from 1 January 2008, the credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors as defined in Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework: Standardised Approach (Basel II).

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

**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 2008, the amount of contracts which were not hedged and, hence, exposed to market risk is RM 1,752,000 (2007: RM2,854,000).

**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 2008, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM2,278,000 (2007: RM2,437,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**29. 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.

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

## 29. Interest rate risk (Contd.)

Group	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				
<b>As at 31 December 2008</b>									
<b>Assets</b>									
Cash and short-term funds	491,096	-	-	-	-	19,352	-	510,448	3.25
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Securities Held-for-Trading	-	-	-	-	-	-	25,929	25,929	3.20
Securities Available-for-Sale	-	-	10,000	137,796	30,876	872	-	179,544	3.77
Securities Held-to-Maturity	-	-	-	14,964	-	13	-	14,977	3.65
Loans, advances and financing									
- performing	1,484,248	150	-	3	1,791	-	-	1,486,192	5.11
- non-performing *	-	-	-	-	-	(13,670)	-	(13,670)	n/a
Other non-interest sensitive balances	-	-	-	-	-	63,942	-	63,942	n/a
<b>Total assets</b>	<b>1,975,344</b>	<b>150</b>	<b>10,000</b>	<b>152,763</b>	<b>32,667</b>	<b>70,509</b>	<b>25,929</b>	<b>2,267,362</b>	
<b>Liabilities</b>									
Deposits from customers	694,905	220,222	346,200	15,998	-	-	-	1,277,325	3.15
Deposits and placements of banks and other financial institution	219,115	167,057	-	-	-	110	-	386,282	3.59
Bills and acceptances payable	15,547	25,542	5,735	-	-	-	-	46,824	3.50
Obligation on securities sold under repurchase agreement	158,453	-	-	-	-	-	-	158,453	3.21
Other non-interest sensitive balances	-	-	-	-	-	15,396	-	15,396	n/a
<b>Total liabilities</b>	<b>1,088,020</b>	<b>412,821</b>	<b>351,935</b>	<b>15,998</b>	<b>-</b>	<b>15,506</b>	<b>-</b>	<b>1,884,280</b>	
<b>Shareholder' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,082</b>	<b>-</b>	<b>383,082</b>	<b>n/a</b>
<b>Total liabilities and shareholder' equity</b>	<b>1,088,020</b>	<b>412,821</b>	<b>351,935</b>	<b>15,998</b>	<b>-</b>	<b>398,588</b>	<b>-</b>	<b>2,267,362</b>	



**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

## 29. Interest rate risk (Contd.)

Group	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				
<b>As at 31 December 2008 (Contd.)</b>									
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>									
	887,324	(412,671)	(341,935)	136,765	32,667	(328,079)	25,929		

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

Group	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				
<b>As at 31 December 2007</b>									
<b>Assets</b>									
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
<b>Total assets</b>	<b>1,810,329</b>	<b>347,182</b>	<b>25,694</b>	<b>30,667</b>	<b>1,603</b>	<b>57,915</b>	<b>19,480</b>	<b>2,292,870</b>	

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

## 29. 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			
<b>As at 31 December 2007 (Contd.)</b>									
<b>Liabilities</b>									
Deposits from customers	632,128	220,794	237,794	23,207	-	-	-	1,113,923	3.48
Deposits and placements of banks and other financial institution	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
<b>Total liabilities</b>	<b>909,888</b>	<b>738,762</b>	<b>237,794</b>	<b>23,207</b>	<b>-</b>	<b>23,964</b>	<b>-</b>	<b>1,933,615</b>	
<b>Shareholder' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>359,255</b>	<b>-</b>	<b>359,255</b>	<b>n/a</b>
<b>Total liabilities and shareholder' equity</b>	<b>909,888</b>	<b>738,762</b>	<b>237,794</b>	<b>23,207</b>	<b>-</b>	<b>383,219</b>	<b>-</b>	<b>2,292,870</b>	
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>	<b>900,441</b>	<b>(391,580)</b>	<b>(212,100)</b>	<b>7,460</b>	<b>1,603</b>	<b>(325,304)</b>	<b>19,480</b>		

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

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

## 29. Interest rate risk (cont'd.)

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				
<b>As at 31 December 2008</b>									
<b>Assets</b>									
Cash and short-term funds	491,096	-	-	-	-	19,320	-	510,416	3.25
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Securities Held-for-Trading	-	-	-	-	-	-	25,929	25,929	3.20
Securities Available-for-Sale	-	-	10,000	137,796	30,876	872	-	179,544	3.77
Securities Held-to-Maturity	-	-	-	14,964	-	13	-	14,977	3.65
Loans, advances and financing									
- performing	1,484,248	150	-	3	1,791	-	-	1,486,192	5.11
- non-performing *	-	-	-	-	-	(13,670)	-	(13,670)	n/a
Other non-interest sensitive balances	-	-	-	-	-	63,952	-	63,952	n/a
<b>Total assets</b>	<b>1,975,344</b>	<b>150</b>	<b>10,000</b>	<b>152,763</b>	<b>32,667</b>	<b>70,487</b>	<b>25,929</b>	<b>2,267,340</b>	
<b>Liabilities</b>									
Deposits from customers	694,905	220,222	346,200	15,998	-	-	-	1,277,325	3.15
Deposits and placements of banks and other financial institution	219,115	167,057	-	-	-	110	-	386,282	3.59
Bills and acceptances payable	15,547	25,542	5,735	-	-	-	-	46,824	3.50
Obligation on securities sold under repurchase agreement	158,453	-	-	-	-	-	-	158,453	3.21
Other non-interest sensitive balances	-	-	-	-	-	15,388	-	15,388	n/a
<b>Total liabilities</b>	<b>1,088,020</b>	<b>412,821</b>	<b>351,935</b>	<b>15,998</b>	<b>-</b>	<b>15,498</b>	<b>-</b>	<b>1,884,272</b>	
<b>Shareholder' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,068</b>	<b>-</b>	<b>383,068</b>	<b>n/a</b>
<b>Total liabilities and shareholder' equity</b>	<b>1,088,020</b>	<b>412,821</b>	<b>351,935</b>	<b>15,998</b>	<b>-</b>	<b>398,566</b>	<b>-</b>	<b>2,267,340</b>	

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

## 29. Interest rate risk (cont'd.)

Bank	Non-trading book						Trading book 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		Total RM'000	rate %
<b>As at 31 December 2008 (cont'd.)</b>									
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>	<b>887,324</b>	<b>(412,671)</b>	<b>(341,935)</b>	<b>136,765</b>	<b>32,667</b>	<b>(328,079)</b>	<b>25,929</b>		

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

**As at 31 December 2007**

<b>Assets</b>									
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
<b>Total assets</b>	<b>1,810,329</b>	<b>347,182</b>	<b>25,694</b>	<b>30,667</b>	<b>1,603</b>	<b>57,913</b>	<b>19,480</b>	<b>2,292,868</b>	

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

## 29. Interest rate risk (cont'd.)

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				
<b>As at 31 December 2007</b>									
<b>(cont'd.)</b>									
<b>Liabilities</b>									
Deposits from customers	632,128	220,794	237,794	23,207	-	-	-	1,113,923	3.48
Deposits and placements of banks and other financial institution	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
<b>Total liabilities</b>	<b>909,888</b>	<b>738,762</b>	<b>237,794</b>	<b>23,207</b>	<b>-</b>	<b>23,962</b>	<b>-</b>	<b>1,933,613</b>	
<b>Shareholder' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>359,255</b>	<b>-</b>	<b>359,255</b>	<b>n/a</b>
<b>Total liabilities and shareholder' equity</b>	<b>909,888</b>	<b>738,762</b>	<b>237,794</b>	<b>23,207</b>	<b>-</b>	<b>383,217</b>	<b>-</b>	<b>2,292,868</b>	
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>									
	<b>900,441</b>	<b>(391,580)</b>	<b>(212,100)</b>	<b>7,460</b>	<b>1,603</b>	<b>(325,304)</b>	<b>19,480</b>		

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

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**30. Significant related party transactions and balances**

	<b>Group and Bank</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income</b>		
Interest on advances to holding company and its branches	3,969	3,036
<b>Expenditure</b>		
Interest on advances from holding company and its branches	5,156	1,502
	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amount due to</b>		
Deposits and placements from holding company and its branches	156,282	46,983
<b>Amount due from</b>		
Cash and short-term funds placed with holding company and its branches	9,902	83,465

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.

**31. Capital adequacy**

- (i) With effect from 1 January 2008, capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's revised Risk Weighted Capital Adequacy Framework (RWCAF): Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II). The comparative capital adequacy ratios for 31 December 2007 has not been restated based on RWCAF - Basel II guidelines, as they represent actual amounts reported for regulatory compliance purposes as of that date.
- (ii) The capital adequacy ratios of the Bank as at the balance sheet date, are as follows:

	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Core capital ratio	20.37%	25.49%
Risk-weighted capital ratio	21.65%	26.72%

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**31. Capital adequacy (cont'd.)**

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

	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier-1 Capital</b>		
Paid-up share capital	265,000	265,000
Statutory reserve	112,454	101,726
Retained Profits/(Accumulated losses)	3,321	(7,408)
Less: Deferred tax assets	(6,256)	(6,842)
Total Tier-1 Capital	<u>374,519</u>	<u>352,476</u>
<b>Tier-2 Capital</b>		
General allowance for doubtful debts	23,540	16,999
Total Tier-2 Capital	<u>23,540</u>	<u>16,999</u>
Total capital	398,059	369,475
Less: Investment in subsidiary	(10)	(10)
Capital base	<u>398,049</u>	<u>369,465</u>

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

	<b>Principal</b>	<b>Risk-</b>	<b>Principal</b>	<b>Risk-</b>
	<b>2008</b>	<b>Weighted</b>	<b>2007</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>2008</b>	<b>RM'000</b>	<b>2007</b>
		<b>RM'000</b>		<b>RM'000</b>
0%	636,413	-	623,699	-
10%	-	-	-	-
20%	108,571	21,714	589,387	117,878
35%	5,201	1,820	-	-
50%	34,259	17,130	12,938	6,469
75%	41	31	-	-
100%	1,686,560	1,686,560	1,156,558	1,156,558
150%	9,714	14,571	-	-
Total risk-weighted assets for credit risk		<u>1,741,826</u>		<u>1,280,905</u>
Total risk-weighted assets for market risk		10,613		101,939
Total risk-weighted assets for operational risk		<u>85,826</u>		<u>-</u>
Total risk-weighted assets		<u>1,838,265</u>		<u>1,382,844</u>

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**31. Capital adequacy (cont'd.)**

(v) Disclosures relating to credit risk and market risk

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk weighted Assets RM'000	Capital Requirements RM'000
<b>31 December 2008</b>				
<b><u>Credit Risk</u></b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	603,610	603,610	-	-
Banks, Development Financial Institutions & MDBs	102,551	102,551	22,119	1,770
Corporates	1,506,981	1,506,981	1,463,153	117,052
Regulatory Retail	1	1	1	-
Residential Mortgages	10,008	10,008	4,223	338
Higher Risk Assets	-	-	-	-
Other Assets	29,383	29,383	26,685	2,135
Equity Exposure	872	872	341	27
Defaulted Exposures	9,868	9,868	10,993	879
<b>Total for On-Balance Sheet Exposures</b>	<b>2,263,274</b>	<b>2,263,274</b>	<b>1,527,515</b>	<b>122,201</b>
OTC Derivatives	-	-	-	-
Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	217,028	217,028	213,622	17,090
Defaulted Exposures	459	459	689	55
<b>Total for Off-Balance Sheet Exposures</b>	<b>217,487</b>	<b>217,487</b>	<b>214,311</b>	<b>17,145</b>
<b>Total for On and Off-Balance Sheet Exposures</b>	<b>2,480,761</b>	<b>2,480,761</b>	<b>1,741,826</b>	<b>139,346</b>
<b><u>Market Risk</u></b>				
	Long Position	Short Position		
Interest Rate Risk	133,120	8,862	8,862	709
Foreign Currency Risk	9,762	8,011	1,751	140
Operational Risk	-	-	85,826	6,866
<b>Total RWA and Capital Requirements</b>	<b>2,488,772</b>	<b>2,491,374</b>	<b>1,838,265</b>	<b>147,061</b>



299740 W

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**31. Capital adequacy (cont'd.)**

**Credit Risk Disclosures on Risk Weights**

Risk Weights	← Exposures after Netting and Credit Risk Mitigation →							Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Equity RM'000		
<b>As at 31 December 2008</b>									
0%	603,610	-	30,105	-	-	2,698	-	636,413	-
20%	-	97,794	10,114	-	-	-	664	108,572	21,714
35%	-	-	-	-	5,202	-	-	5,202	1,821
50%	-	5,787	23,666	-	4,806	-	-	34,259	17,129
75%	-	-	-	41	-	-	-	41	31
100%	-	-	1,658,011	-	1,656	26,685	208	1,686,560	1,686,560
150%	-	-	9,714	-	-	-	-	9,714	14,571
Average Risk Weight								2,480,761	1,741,826
Deduction from Capital Base	-	-	-	-	-	-	-	-	

**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**32. 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 three months in arrears and above would be under the purview of the Loan Review and 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.

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**32. Financial instruments (cont'd.)**

**(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 marks-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 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 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 management of Cash Flow Reports, 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.

**Bangkok Bank Berhad**  
(Incorporated in Malaysia)

**32. Financial instruments (cont'd.)**

**(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:

	<b>Group and Bank</b>			
	<b>31.12.2008</b>		<b>31.12.2007</b>	
	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>
Securities Held for Trading	25,929	25,929	19,480	19,480
Securities Available for Sale	179,544	184,113	41,736	46,000
Securities Held to Maturity	14,977	15,244	15,023	15,058
Loans, advances and financing	<u>1,472,522</u>	<u>1,472,522</u>	<u>1,046,617</u>	<u>1,046,617</u>

The fair values of the Bank's quoted securities, money market instruments and Private debt securities 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:

	<b>Group and Bank</b>			
	<b>31.12.2008</b>		<b>31.12.2007</b>	
	<b>Nominal/ notional amount RM'000</b>	<b>Net fair value RM'000</b>	<b>Nominal/ notional amount RM'000</b>	<b>Net fair value RM'000</b>
Forward foreign exchange contracts	<u>139,831</u>	<u>(439)</u>	<u>218,151</u>	<u>(3)</u>

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)**

**32. Financial instruments (cont'd.)**

**(d) Fair values (cont'd.)**

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, obligations 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 prices 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 period, the fair value of such contracts is determined by reference to the current forward exchange rates for contracts of similar maturity profiles.