

**BANGKOK BANK BERHAD (299740 - W)**  
**(Incorporated in Malaysia)**  
**Financial Statements as at 31 March 2007**  
**Together with Statement by Directors and**  
**Auditors' Report**

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

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

**STATEMENT BY DIRECTORS**

We, Loke Tan Cheng and Dato' Professor 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 3 to 45 are drawn up in accordance with 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 March 2007 and of the results and the cash flows of the Group and of the Bank for the three months period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 11 May 2007

Loke Tan Cheng

Dato' Professor Ruslan Khalid

Kuala Lumpur, Malaysia

**STATEMENT BY DIRECTOR RESPONSIBLE FOR FINANCIAL MANAGEMENT**

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 3 to 45 are drawn up in accordance with applicable MASB Approved Accounting 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 the Bank as at 31 March 2007 and of the results and the cash flows of the Group and of the Bank for the 3 months period then ended.

Loke Tan Cheng

Kuala Lumpur, Malaysia

299740 W

## **REPORT OF THE AUDITORS**

To the Directors of  
BANGKOK BANK BERHAD  
Ground Floor, Bangkok Bank Building  
105, Jalan Tun H.S. Lee  
50000 Kuala Lumpur

We have conducted a limited review of the financial statements of BANGKOK BANK BERHAD and its subsidiary for the three months ended 31 March 2007 as set out on pages 3 to 45.

We conducted our review in accordance with the approved professional standard in Malaysia applicable to review engagements. A review engagement is limited primarily to analytical procedures applied to financial data and inquiries of Bank personnel responsible for financial reporting and accounting matters. It is substantially less in scope than an audit conducted in accordance with Approved Standards on Auditing in Malaysia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion, nor any opinion on individual items of the financial statements.

Based on our review, we are not aware of any material modifications that should be made to the profit after taxation of the Group and of the Bank as set out on pages 4 and 5 for conformity with applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines.

Ernst & Young  
AF: 0039  
Chartered Accountants

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

Kuala Lumpur

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

**BALANCE SHEETS AS AT 31 MARCH 2007**

	Note	Group		Bank	
		31.3.2007 RM'000	31.12.2006 RM'000	31.3.2007 RM'000	31.12.2006 RM'000
<b>ASSETS</b>					
Cash and short-term funds	4	159,098	111,678	159,086	111,667
Deposits and placements with Bank Negara Malaysia	5	31,300	24,300	31,300	24,300
Available-for-sale securities	6	31,350	31,339	31,350	31,339
Held-to-maturity securities	7	66,601	82,279	66,601	82,279
Loans, advances and financing	8	888,626	843,510	888,626	843,510
Other assets	9	5,213	4,443	5,213	4,443
Statutory deposit with Bank Negara Malaysia	10	25,600	23,300	25,600	23,300
Investment in subsidiary	11	-	-	10	10
Property and equipment	12	9,334	9,082	9,334	9,082
Deferred tax assets	13	6,479	6,141	6,479	6,141
<b>TOTAL ASSETS</b>		<u>1,223,601</u>	<u>1,136,072</u>	<u>1,223,599</u>	<u>1,136,071</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits from customers	14	777,874	705,176	777,874	705,176
Deposits and placements of licensed banks		22,078	32,982	22,078	32,982
Bills and acceptances payable		54,380	34,333	54,380	34,333
Other liabilities	15	11,318	10,166	11,316	10,165
Tax payable		389	481	389	481
<b>TOTAL LIABILITIES</b>		<u>866,039</u>	<u>783,138</u>	<u>866,037</u>	<u>783,137</u>
Share capital	16	265,000	265,000	265,000	265,000
Statutory reserve	17	98,494	98,494	98,494	98,494
Revaluation reserve		150	79	150	79
Accumulated losses		(6,082)	(10,639)	(6,082)	(10,639)
<b>SHAREHOLDERS' EQUITY</b>		<u>357,562</u>	<u>352,934</u>	<u>357,562</u>	<u>352,934</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>1,223,601</u>	<u>1,136,072</u>	<u>1,223,599</u>	<u>1,136,071</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	25	<u>856,241</u>	<u>786,545</u>	<u>856,241</u>	<u>786,545</u>

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

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

**INCOME STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2007**

	Note	Group and Bank Individual and Cumulative Quarter	
		1.1.2007 to 31.3.2007 RM'000	1.1.2006 to 31.3.2006 RM'000
Interest and Islamic income	18	14,830	11,694
Interest expense	19	(6,198)	(4,767)
Net interest income		<u>8,632</u>	<u>6,927</u>
Loan loss and allowances, net	20	(1,444)	(848)
		<u>7,188</u>	<u>6,079</u>
Non-interest income	21	2,403	2,280
Net income		<u>9,591</u>	<u>8,359</u>
Overhead expenses	22	(3,215)	(2,490)
Profit before taxation		<u>6,376</u>	<u>5,869</u>
Taxation	23	(1,819)	(1,720)
Net profit for the period		<u>4,557</u>	<u>4,149</u>
Earnings per share (sen)	24		
- basic		1.72	1.57
- diluted		<u>1.72</u>	<u>1.57</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 PERIOD ENDED 31 MARCH 2007**

	<b>Group and Bank</b>				
	<b>Share</b>	<b>Non-</b>		<b>Accumulated</b>	
	<b>capital</b>	<b>distributable</b>	<b>Revaluation</b>	<b>losses</b>	<b>Total</b>
	<b>RM'000</b>	<b>Statutory</b>	<b>reserve</b>	<b>reserve</b>	<b>RM'000</b>
		<b>reserve</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January 2006</b>	265,000	89,649	(55)	(19,484)	335,110
Net profit for the period	-	-	-	4,149	4,149
Unrealised net loss on revaluation of available-for-sale securities	-	-	(19)	-	(19)
<b>At 31 March 2006</b>	<u>265,000</u>	<u>89,649</u>	<u>(74)</u>	<u>(15,335)</u>	<u>339,240</u>
<b>At 1 January 2007</b>	265,000	98,494	79	(10,639)	352,934
Net profit for the period	-	-	-	4,557	4,557
Unrealised net gain on revaluation of available-for-sale securities	-	-	71	-	71
<b>At 31 March 2007</b>	<u>265,000</u>	<u>98,494</u>	<u>150</u>	<u>(6,082)</u>	<u>357,562</u>

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

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

**CASH FLOW STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2007**

	<b>Group</b>		<b>Bank</b>	
	<b>1.1.2007</b> <b>to</b> <b>31.3.2007</b> <b>RM'000</b>	<b>1.1.2006</b> <b>to</b> <b>31.3.2006</b> <b>RM'000</b>	<b>1.1.2007</b> <b>to</b> <b>31.3.2007</b> <b>RM'000</b>	<b>1.1.2006</b> <b>to</b> <b>31.3.2006</b> <b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	6,376	5,869	6,376	5,869
Adjustments for:				
Depreciation	161	115	161	115
Allowance for losses on loans and financing	1,444	900	1,444	900
Loss on disposal of property and equipment	12	-	12	-
Property and equipment written off	-	30	-	30
Unrealised foreign exchange gain	(465)	(85)	(465)	(85)
Amortisation of premium less accretion of discount	738	1,002	738	1,002
Operating profit before working capital changes	8,266	7,831	8,266	7,831
Increase in loans and advances	(46,557)	(33,074)	(46,558)	(33,074)
(Increase)/decrease in deposits and placements with Bank Negara Malaysia	(7,000)	20,000	(7,000)	20,000
Increase in other assets	(305)	(1,025)	(305)	(1,025)
Increase in statutory deposit with Bank Negara Malaysia	(2,300)	(600)	(2,300)	(600)
Increase/(decrease) in deposits from customers	72,698	(9,832)	72,698	(9,832)
(Decrease)/increase in deposits and placements of licensed banks	(10,905)	20,870	(10,905)	20,870
Increase in bills and acceptances payable	20,046	17,894	20,046	17,894
Increase/(decrease) in other liabilities	1,151	(2,841)	1,151	(2,841)
Cash generated from operations	35,094	19,223	35,093	19,223
Taxes paid	(2,249)	(1,648)	(2,249)	(1,648)
Net cash generated from operating activities	32,845	17,575	32,844	17,575



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

**CASH FLOW STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2006**

	<b>Group</b>		<b>Bank</b>	
	<b>1.1.2007</b> <b>to</b> <b>31.3.2007</b> <b>RM'000</b>	<b>1.1.2006</b> <b>to</b> <b>31.3.2006</b> <b>RM'000</b>	<b>1.1.2007</b> <b>to</b> <b>31.3.2007</b> <b>RM'000</b>	<b>1.1.2006</b> <b>to</b> <b>31.3.2006</b> <b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(435)	(43)	(435)	(43)
Proceeds from sale of property and equipment	10	-	10	-
Purchase of investment securities	-	(5,323)	-	(5,323)
Proceeds from maturity of investment securities	15,000	-	15,000	-
Net cash generated from/(used in) investing activities	<u>14,575</u>	<u>(5,366)</u>	<u>14,575</u>	<u>(5,366)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
	47,420	12,209	47,419	12,209
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD</b>				
	<u>111,678</u>	<u>170,445</u>	<u>111,667</u>	<u>170,434</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>				
	<u>159,098</u>	<u>182,654</u>	<u>159,086</u>	<u>182,643</u>
Cash and cash equivalents comprise:				
Cash and short term funds	<u>159,098</u>	<u>182,654</u>	<u>159,086</u>	<u>182,643</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007**

**1. CORPORATE INFORMATION**

The principal activities of Bangkok Bank Berhad ("the Bank") are banking and related financial services. The principal activity of its subsidiary is described in Note 11. There have been no significant changes in the nature of the principal activities during the financial period.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 11 May 2007.

**2. BASIS OF PREPARATION**

**(a) Basis of Preparation**

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

**(b) Adoption of New and Revised FRS**

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

FRS 117	Leases
FRS 124	Related Party Disclosures

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

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

## **2. BASIS OF PREPARATION**

### **(c) Significant Accounting Estimates and Judgements**

The preparation of financial statement in accordance with FRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually 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 is 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 are of the opinion, that there are no key assumptions concerning the future nor other key sources of estimation uncertainty at balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Subsidiary and Basis of Consolidation**

#### **(i) Subsidiary**

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

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

#### **(ii) Basis of Consolidation**

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(a) Subsidiary and Basis of Consolidation (Contd.)**

##### **(ii) Basis of Consolidation (Contd.)**

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

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

#### **(b) Revenue Recognition**

##### **(i) Interest and Financing Income Recognition**

Interest income and profit sharing from Islamic debt securities 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(b) Revenue Recognition (Contd.)**

##### **(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.

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (d) Securities

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

##### (i) Held-For-Trading

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

##### (ii) Held-To-Maturity

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

##### (iii) Available-For-Sale

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (e) Property and Equipment and Depreciation

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

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

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

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

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

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (f) Impairment of Assets

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

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

#### (g) Bills and Acceptances Payable

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

#### (h) Liabilities

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.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (i) Foreign Currencies

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

All exchange rate differences are taken to the income statement.

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

	<b>31.3.2007</b>	<b>31.12.2006</b>
Singapore Dollar	2.28	2.30
Thai Baht	0.11	0.10
United States Dollar	<u>3.46</u>	<u>3.52</u>

#### (j) 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (j) Employee Benefits (Contd.)

##### (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.

#### (k) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(l) 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.

#### **(m) Financial Instruments**

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

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

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.

#### **(n) 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**

	<b>Group</b>		<b>Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and Bank Negara Malaysia	11,614	7,554	11,602	7,543
Money at call and deposit placements maturing within one month	147,484	104,124	147,484	104,124
	<u>159,098</u>	<u>111,678</u>	<u>159,086</u>	<u>111,667</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>%</b>	<b>%</b>
	<b>per annum</b>	<b>per annum</b>
Licensed banks	3.62	3.61
Bank Negara Malaysia	<u>3.55</u>	<u>3.57</u>

**5. DEPOSITS AND PLACEMENTS WITH BANK NEGARA MALAYSIA**

	<b>Group and Bank</b>	
	<b>31.3.2006</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	<u>31,300</u>	<u>24,300</u>

The weighted average effective interest rate and the average maturities of deposits as at the balance sheet date were 3.59% per annum (31.12.2006: 3.64% per annum) and 56 days (31.12.2006: 74 days) respectively.

**6. AVAILABLE-FOR-SALE SECURITIES**

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia:		
<b><u>At fair value</u></b>		
Money market instruments:		
Malaysian Government Securities ("MGS")	30,321	30,353
Quoted securities in Malaysia:		
Debt converted shares	157	114
	<u>30,478</u>	<u>30,467</u>
<b><u>At cost *</u></b>		
Unquoted securities in Malaysia:		
Shares	872	872
	<u>31,350</u>	<u>31,339</u>

\* Unquoted equity securities are stated at cost less accumulated impairment losses as the fair value of these securities cannot be reliably measured in the absence of quoted market prices.

**7. HELD-TO-MATURITY SECURITIES**

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia:		
Money market instruments:		
Malaysian Government Securities ("MGS")	72,612	89,102
	<u>72,612</u>	<u>89,102</u>
Unquoted securities in Malaysia:		
Private debt securities	840	844
	<u>73,452</u>	<u>89,946</u>
Less: Amortisation of premium net of accretion of discount	(6,024)	(6,836)
Less: Accumulated impairment losses	(827)	(831)
	<u>66,601</u>	<u>82,279</u>

**7. HELD-TO-MATURITY SECURITIES (CONTD.)**

(i) Indicative fair value of securities:

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
MGS	66,779	82,446
Unquoted securities - private debt securities	13	13
	<u>66,779</u>	<u>82,446</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	57,576	74,066
One year to three years	15,036	15,036
	<u>72,612</u>	<u>89,102</u>

(iii) The weighted average effective interest rate as at balance sheet date was 3.71% (31.12.2006: 3.67%) per annum.

**8. LOANS, ADVANCES AND FINANCING**

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	96,687	99,563
Term loans		
Housing loans	12,405	12,356
Syndicated term loan	941	1,075
Other term loans	145,930	140,611
Revolving credits	103,259	68,984
Bills receivables	17,020	15,347
Trust receipts	57,957	57,305
Bankers' acceptances	433,484	437,336
Other financing	46,260	35,323
Staff loans	1,386	1,579
	<u>915,329</u>	<u>869,479</u>
Unearned interest	(3,545)	(4,311)
	<u>911,784</u>	<u>865,168</u>

**8. LOANS, ADVANCES AND FINANCING (CONTD.)**

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
General allowance for bad and doubtful debts ("GA")	(15,497)	(13,997)
Specific allowance for bad and doubtful debts ("SA")	(7,661)	(7,661)
Net loans, advances and financing	<u>888,626</u>	<u>843,510</u>
Total loans, advances and financing less SA	<u>904,123</u>	<u>857,507</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	775,539	736,434
One year to three years	31,526	19,225
Three years to five years	45,606	41,657
Over five years	59,113	67,852
	<u>911,784</u>	<u>865,168</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	302	501
Purchase of transport vehicles	108	112
Purchase of residential properties	13,683	13,822
Purchase of non-residential properties	35,166	35,945
Purchase of fixed assets other than land and building	2,536	2,455
Personal use	4,882	9,733
Construction	27,067	32,160
Working capital	<u>828,040</u>	<u>770,440</u>
	<u>911,784</u>	<u>865,168</u>

**8. LOANS, ADVANCES AND FINANCING (CONTD.)**

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions	36,588	36,705
Domestic business enterprises		
- Small medium enterprises	288,402	281,652
- Others	567,972	522,808
Domestic other entities	73	83
Individuals	18,749	23,920
	<u>911,784</u>	<u>865,168</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
Housing loan	1,278	1,462
Other fixed rate loan/financing	1,050	116
Variable rate		
BLR plus	311,954	321,266
Cost-plus	520,340	498,412
Other variable rates	77,162	43,912
	<u>911,784</u>	<u>865,168</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	16,278	18,383
Classified as non-performing during the period	647	11,313
Reclassified as performing during the period	(902)	(619)
Amount recovered	(728)	(1,720)
Amount written off	-	(11,079)
Balance as at 31 March/31December	<u>15,295</u>	<u>16,278</u>
Specific allowance	(7,661)	(7,661)
Net non-performing loans, advances and financing	<u>7,634</u>	<u>8,617</u>



**8. LOANS, ADVANCES AND FINANCING (CONTD.)**

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
Ratio of net non-performing loans, advances and financing to total loans, advances and financing less SA	<u>0.84%</u>	<u>1.00%</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General Allowance ("GA")</b>		
Balance as at 1 January	13,997	20,546
Allowance made during the period	1,500	4,288
Transfer to specific allowance	-	(8,670)
Amount written off	-	(2,167)
Balance as at 31 March/31 December	<u>15,497</u>	<u>13,997</u>
GA% of gross loans, advances and financing less SA	<u>1.71%</u>	<u>1.63%</u>

**Specific Allowance ("SA")**

Balance as at 1 January	7,661	6,682
Allowance made during the period	-	1,620
Transfer from general allowance	-	8,670
Recovered and written back	-	(400)
Amount written off	-	(8,911)
Balance as at 31 March/31 December	<u>7,661</u>	<u>7,661</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of residential properties	1,593	1,224
Working capital	13,702	15,054
	<u>15,295</u>	<u>16,278</u>

(viii) The weighted average effective interest rate for loans, advances and financing at the balance sheet date was 5.82% (31.12.2006: 5.84%) per annum.

**9. OTHER ASSETS**

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Other receivables, deposits and prepayments	3,081	2,311
Tax recoverable	2,132	2,132
	<u>5,213</u>	<u>4,443</u>

**10. 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.

**11. INVESTMENT IN SUBSIDIARY**

	<b>Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</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>31.3.2007</b>	<b>31.12.2006</b>	
	BBL Nominees (Tempatan) Sdn. Bhd.	100	

**12. PROPERTY AND EQUIPMENT**

<b>Group and Bank</b>	<b>Freehold land and buildings* RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Office equipment, furniture and fittings, computer equipment and related software RM'000</b>	<b>Total RM'000</b>
<b>31 March 2007</b>				
<b>Cost</b>				
At 1 January 2007	13,712	702	4,164	18,578
Additions	-	347	87	434
Disposals			(36)	(36)
At 31 March 2007	13,712	1,049	4,215	18,976
<b>Accumulated Depreciation</b>				
At 1 January 2007	5,640	562	3,294	9,496
Depreciation charge for the period	65	29	67	161
Disposals	-	-	(15)	(15)
At 31 March 2007	5,705	591	3,346	9,642
<b>Net carrying amount</b>	<b>8,007</b>	<b>458</b>	<b>869</b>	<b>9,334</b>
<b>31 December 2006</b>				
<b>Cost</b>				
At 1 January 2006	13,712	702	4,469	18,883
Additions	-	-	239	239
Write offs	-	-	(544)	(544)
At 31 December 2006	13,712	702	4,164	18,578
<b>Accumulated Depreciation</b>				
At 1 January 2006	5,400	503	3,577	9,480
Depreciation charge for the period	240	59	231	530
Write offs	-	-	(514)	(514)
At 31 December 2006	5,640	562	3,294	9,496
<b>Net carrying amount</b>	<b>8,072</b>	<b>140</b>	<b>870</b>	<b>9,082</b>

**12. PROPERTY AND EQUIPMENT (CONTD.)**

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

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

	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Buildings	4,067	4,067
Motor vehicles	335	335
Office equipment, furniture and fittings, and computer equipment	2,609	2,603
	<u>7,011</u>	<u>7,005</u>

**13. DEFERRED TAX ASSETS**

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	6,141	6,235
Recognised in the income statement (Note 23)	338	(94)
At 31 March/31 December	<u>6,479</u>	<u>6,141</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	6,649	6,260
Deferred tax liabilities	(170)	(119)
	<u>6,479</u>	<u>6,141</u>

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

**Group and Bank****Deferred tax assets**

	<b>General allowance RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2007	5,854	406	6,260
Recognised in the income statement	390	(1)	389
At 31 March 2007	<u>6,244</u>	<u>405</u>	<u>6,649</u>
At 1 January 2006	5,753	597	6,350
Recognised in the income statement	101	(191)	(90)
At 31 December 2006	<u>5,854</u>	<u>406</u>	<u>6,260</u>

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

	<b>Capital allowances RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2007	(112)	(7)	(119)
Recognised in the income statement	(51)	-	(51)
At 31 March 2007	<u>(163)</u>	<u>(7)</u>	<u>(170)</u>
At 1 January 2006	(108)	(7)	(115)
Recognised in the income statement	(4)	-	(4)
At 31 December 2006	<u>(112)</u>	<u>(7)</u>	<u>(119)</u>

**14. DEPOSITS FROM CUSTOMERS**

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits	619,523	547,295
Negotiable instruments of deposits	59,950	61,950
Current accounts	80,264	78,523
Savings deposits	11,296	10,344
Others	6,841	7,064
	<u>777,874</u>	<u>705,176</u>

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	449,186	418,137
Six months to one year	199,178	165,492
One year to three years	16,359	20,366
Over three years	14,750	5,250
	<u>679,473</u>	<u>609,245</u>

**14. DEPOSITS FROM CUSTOMERS (CONTD.)**

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

	<b>Group and Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	6,840	7,063
Business enterprises	566,688	504,797
Individuals	185,334	174,901
Others	19,012	18,415
	<u>777,874</u>	<u>705,176</u>

(iii) The weighted average effective interest rate for deposits from customers at the balance sheet date was 3.53% (31.12.2006: 3.19%) per annum.

**15. OTHER LIABILITIES**

	<b>Group</b>		<b>Bank</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Accruals	947	817	947	817
Other payables	10,371	9,349	10,369	9,348
	<u>11,318</u>	<u>10,166</u>	<u>11,316</u>	<u>10,165</u>

**16. SHARE CAPITAL**

	<b>Number of Ordinary Shares of RM1 each</b>		<b>Amount</b>	
	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>'000</b>	<b>'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised:</b>				
At 1 January/31 March/ 31 December	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
<b>Issued and fully paid:</b>				
At 1 January/31 March/ 31 December	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>

**17. 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.

**18. INTEREST AND ISLAMIC INCOME**

	<b>Group and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	12,679	8,749
Deposits and placements with banks and other financial institutions	1,145	1,654
Available-for-sale securities	314	232
Held-to-maturity securities	1,414	2,061
Other interest income	16	
	<u>15,568</u>	<u>12,696</u>
Amortisation of premium net of accretion of discount	(738)	(1,002)
	<u>14,830</u>	<u>11,694</u>

**19. INTEREST EXPENSE**

	<b>Group and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	5,473	4,335
Deposits and placements of licensed banks	725	432
	<u>6,198</u>	<u>4,767</u>

**20. LOANS LOSS AND ALLOWANCES, NET**

	<b>Group and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
General allowance for bad and doubtful debts	(1,500)	(900)
Bad debts recovered	56	52
	<u>(1,444)</u>	<u>(848)</u>

**21. NON-INTEREST INCOME**

	<b>Group and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Fee income:		
Commission	178	691
Service charges and fees	699	148
Guarantee fees	195	222
	<u>1,072</u>	<u>1,061</u>
Other income:		
Foreign exchange gain		
- realised	679	936
- unrealised	465	85
Rental income	183	196
Others	4	2
	<u>1,331</u>	<u>1,219</u>
	<u>2,403</u>	<u>2,280</u>



**22. OVERHEAD EXPENSES**

	<b>Group and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs	1,957	1,499
Establishment costs	526	421
Marketing expenses	37	28
Administration and general expenses	673	504
Other non-interest expenses	22	38
	<u>3,215</u>	<u>2,490</u>
 (i) Included in personnel costs are:		
Short term accumulating compensated absences	9	9
Defined contribution plan - Employees Provident Fund	207	160
	<u>207</u>	<u>160</u>
 (ii) Included in the above overhead expenses are:		
Directors' remuneration (Note iii)	324	334
Hire of equipment	10	5
Auditors' remuneration:		
- statutory audit	27	27
Property and equipment written off	-	30
Loss from disposal of fixed assets	12	-
Depreciation	161	115
	<u>161</u>	<u>115</u>
 (iii) Directors' remuneration		
Chief Executive Officer:		
Salary and other remuneration	165	189
Bonus	-	57
Benefits-in-kind	5	22
	<u>170</u>	<u>268</u>
Non-executive directors:		
Fees	150	82
Other remuneration	9	6
	<u>159</u>	<u>88</u>
Total	<u>329</u>	<u>356</u>
 Total excluding benefits-in-kind	<u>324</u>	<u>334</u>

**23. TAXATION**

	<b>Group and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax for:		
current period	2,157	1,688
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 13)	(338)	32
	<u>1,819</u>	<u>1,720</u>

Income tax is calculated at the Malaysian statutory tax rate of 27% (31.12.2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008. The computation of deferred tax as at 31 March 2007 has reflected these changes.

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 and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	<u>6,376</u>	<u>5,869</u>
Taxation at Malaysian statutory tax rate of 27% (31.3.2006: 28%)	1,722	1,643
Effect of expenses not deductible for tax purposes	97	77
Tax expense for the period	<u>1,819</u>	<u>1,720</u>

**24. EARNINGS PER SHARE**

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

	<b>Group and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit for the period	4,557	4,149
Number of ordinary shares in issue	265,000	265,000
Basic earning per share (sen)	<u>1.72</u>	<u>1.57</u>

**24. EARNINGS PER SHARE (CONTD.)**

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

**25. 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:

	<b>Principal Amount</b> ←	<b>Credit Equivalent Amount*</b> 31.03.2007	<b>Risk weighted amount</b> →	<b>Principal Amount</b> ←	<b>Credit Equivalent Amount*</b> 31.12.2006	<b>Risk weighted amount</b> →
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	51,141	51,141	50,509	29,832	29,832	29,122
Transaction-related contingent items	29,640	14,820	14,073	29,566	14,783	14,158
Short-term self-liquidating trade-related contingencies	42,242	8,448	8,448	49,251	9,850	9,850
Irrevocable commitments to extend credit						
- maturity more than one year	312	156	156	601	300	300
- maturity less than one year	566,304	-	-	544,018	-	-
Forward foreign exchange contracts						
- less than one year	159,238	1,970	1,361	127,159	1,697	1,132
Miscellaneous	7,364	-	-	6,118	-	-
<b>Total</b>	<b>856,241</b>	<b>76,535</b>	<b>74,547</b>	<b>786,545</b>	<b>56,462</b>	<b>54,562</b>

## 25. COMMITMENTS AND CONTINGENCIES (CONTD.)

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

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

### **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 March 2007, the amount of contracts which were not hedged and, hence, exposed to market risk is RM4,418,000 (31.12.2006: RM5,163,000).

### **Credit risk**

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 31 March 2007, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM1,970,000 (31.12.2006: RM1,697,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

## 26. 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.

Group	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1-3 months	> 3-12 months	1-5 years	Over 5 years				
As at 31 March 2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>									
Cash and short-term funds	147,484	-	-	-	-	11,614	-	159,098	3.59
Deposits and placements with Bank Negara Malaysia	-	31,300	-	-	-	-	-	31,300	3.59
Available-for-sale securities	-	-	-	-	-	-	31,350	31,350	n/a
Held-to-maturity securities	-	-	51,567	15,021	-	13	-	66,601	3.71
Loans, advances and financing									
- performing	210,027	302,014	262,058	77,001	45,389	-	-	896,489	5.76
- non-performing *	-	-	-	-	-	(7,863)	-	(7,863)	n/a
Other non-interest sensitive balances	-	-	-	-	-	46,626	-	46,626	n/a
<b>Total assets</b>	<b>357,511</b>	<b>333,314</b>	<b>313,625</b>	<b>92,022</b>	<b>45,389</b>	<b>50,390</b>	<b>31,350</b>	<b>1,223,601</b>	
<b>Liabilities</b>									
Deposits from customers	371,130	115,467	260,168	31,109	-	-	-	777,874	3.18
Deposits and placements of licensed banks	3,456	17,282	-	-	-	1,340	-	22,078	5.36
Bills and acceptances payable	10,761	38,200	5,419	-	-	-	-	54,380	3.32
Other non-interest sensitive balances	-	-	-	-	-	11,707	-	11,707	n/a
<b>Total liabilities</b>	<b>385,347</b>	<b>170,949</b>	<b>265,587</b>	<b>31,109</b>	<b>-</b>	<b>13,047</b>	<b>-</b>	<b>866,039</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357,562</b>	<b>-</b>	<b>357,562</b>	
<b>Total liabilities and shareholders' funds</b>	<b>385,347</b>	<b>170,949</b>	<b>265,587</b>	<b>31,109</b>	<b>-</b>	<b>370,609</b>	<b>-</b>	<b>1,223,601</b>	
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>									
	(27,836)	162,365	48,038	60,913	45,389	(320,219)	31,350		

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

## 26. INTEREST RATE RISK (CONTD.)

Group	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1-3 months	> 3-12 months	1-5 years	Over 5 years				
As at 31 December 2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>									
Cash and short-term funds	104,124	-	-	-	-	7,554	-	111,678	3.57
Deposits and placements with Bank Negara Malaysia	-	24,300	-	-	-	-	-	24,300	3.64
Available-for-sale securities	-	-	-	-	-	-	31,339	31,339	n/a
Held-to-maturity securities	-	15,104	52,138	15,024	-	13	-	82,279	3.67
Loans, advances and financing									
- performing	115,812	241,126	368,179	54,555	67,598	-	-	847,270	5.24
- non-performing *	-	-	-	-	-	(3,760)	-	(3,760)	n/a
Other non-interest sensitive balances	-	-	-	-	-	42,966	-	42,966	n/a
<b>Total assets</b>	<b>219,936</b>	<b>280,530</b>	<b>420,317</b>	<b>69,579</b>	<b>67,598</b>	<b>46,773</b>	<b>31,339</b>	<b>1,136,072</b>	
<b>Liabilities</b>									
Deposits from customers	324,603	124,347	230,610	25,616	-	-	-	705,176	3.19
Deposits and placements of licensed banks	17,623	14,098	-	-	-	1,261	-	32,982	5.43
Bills and acceptances payable	7,488	21,665	5,180	-	-	-	-	34,333	3.50
Other non-interest sensitive balances	-	-	-	-	-	10,647	-	10,647	n/a
<b>Total liabilities</b>	<b>349,714</b>	<b>160,110</b>	<b>235,790</b>	<b>25,616</b>	<b>-</b>	<b>11,908</b>	<b>-</b>	<b>783,138</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>352,934</b>	<b>-</b>	<b>352,934</b>	<b>n/a</b>
<b>Total liabilities and shareholders' funds</b>	<b>349,714</b>	<b>160,110</b>	<b>235,790</b>	<b>25,616</b>	<b>-</b>	<b>364,842</b>	<b>-</b>	<b>1,136,072</b>	
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>									
	(129,778)	120,420	184,527	43,963	67,598	(318,069)	31,339		

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

## 26. 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.

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 March 2007</b>									
<b>Assets</b>									
Cash and short-term funds	147,484	-	-	-	-	11,602	-	159,086	3.59
Deposits and placements with Bank Negara Malaysia	-	31,300	-	-	-	-	-	31,300	3.59
Available-for-sale securities	-	-	-	-	-	-	31,350	31,350	n/a
Held-to-maturity securities	-	-	51,567	15,021	-	13	-	66,601	3.71
Loans, advances and financing									
- performing	210,027	302,014	262,058	77,001	45,389	-	-	896,489	5.76
- non-performing *	-	-	-	-	-	(7,863)	-	(7,863)	n/a
Other non-interest sensitive balances	-	-	-	-	-	46,636	-	46,636	n/a
<b>Total assets</b>	<b>357,511</b>	<b>333,314</b>	<b>313,625</b>	<b>92,022</b>	<b>45,389</b>	<b>50,388</b>	<b>31,350</b>	<b>1,223,599</b>	
<b>Liabilities</b>									
Deposits from customers	371,130	115,467	260,168	31,109	-	-	-	777,874	3.18
Deposits and placements of licensed banks	3,456	17,282	-	-	-	1,340	-	22,078	5.36
Bills and acceptances payable	10,761	38,200	5,419	-	-	-	-	54,380	3.32
Other non-interest sensitive balances	-	-	-	-	-	11,705	-	11,705	n/a
<b>Total liabilities</b>	<b>385,347</b>	<b>170,949</b>	<b>265,587</b>	<b>31,109</b>	<b>-</b>	<b>13,045</b>	<b>-</b>	<b>866,037</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357,562</b>	<b>-</b>	<b>357,562</b>	
<b>Total liabilities and shareholders' funds</b>	<b>385,347</b>	<b>170,949</b>	<b>265,587</b>	<b>31,109</b>	<b>-</b>	<b>370,607</b>	<b>-</b>	<b>1,223,599</b>	
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>									
	(27,836)	162,365	48,038	60,913	45,389	(320,219)	31,350		

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

## 26. INTEREST RATE RISK (CONTD.)

Bank	← Non-trading book →					Non- interest sensitive RM'000	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				Total RM'000
<b>As at 31 December 2006</b>									
<b>Assets</b>									
Cash and short-term funds	104,124	-	-	-	-	7,543	-	111,667	3.57
Deposits and placements with Bank Negara Malaysia	-	24,300	-	-	-	-	-	24,300	3.64
Available-for-sale securities	-	-	-	-	-	-	31,339	31,339	n/a
Held-to-maturity securities	-	15,104	52,138	15,024	-	13	-	82,279	3.67
Loans, advances and financing									
- performing	115,812	241,126	368,179	54,555	67,598	-	-	847,270	5.24
- non-performing *	-	-	-	-	-	(3,760)	-	(3,760)	n/a
Other non-interest sensitive balances	-	-	-	-	-	42,976	-	42,976	n/a
<b>Total assets</b>	<b>219,936</b>	<b>280,530</b>	<b>420,317</b>	<b>69,579</b>	<b>67,598</b>	<b>46,772</b>	<b>31,339</b>	<b>1,136,071</b>	
<b>Liabilities</b>									
Deposits from customers	324,603	124,347	230,610	25,616	-	-	-	705,176	3.19
Deposits and placements of licensed banks	17,623	14,098	-	-	-	1,261	-	32,982	5.43
Bills and acceptances payable	7,488	21,665	5,180	-	-	-	-	34,333	3.50
Other non-interest sensitive balances	-	-	-	-	-	10,646	-	10,646	n/a
<b>Total liabilities</b>	<b>349,714</b>	<b>160,110</b>	<b>235,790</b>	<b>25,616</b>	<b>-</b>	<b>11,907</b>	<b>-</b>	<b>783,137</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>352,934</b>	<b>-</b>	<b>352,934</b>	<b>n/a</b>
<b>Total liabilities and shareholders' funds</b>	<b>349,714</b>	<b>160,110</b>	<b>235,790</b>	<b>25,616</b>	<b>-</b>	<b>364,841</b>	<b>-</b>	<b>1,136,071</b>	
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>									
	(129,778)	120,420	184,527	43,963	67,598	(318,069)	31,339		

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



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

	<b>Group and Bank</b>	
	<b>1.1.2007</b>	<b>1.1.2006</b>
	<b>to</b>	<b>to</b>
	<b>31.3.2007</b>	<b>31.3.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income</b>		
Interest on cash and short term funds advances to holding company and its branches	24	23
<b>Expenditure</b>		
Interest on deposits and placements advances from holding company and its branches	180	157
	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amount due to</b>		
Deposits and placements from holding company and its branches	6,987	2,486
<b>Amount due from</b>		
Cash and short-term funds placed with holding company and its branches	21,612	21,523

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.

**28. CAPITAL ADEQUACY**

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

	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Core capital ratio:</b>		
Credit risk	35.28%	37.80%
Credit and market risks	32.92%	35.45%
<b>Risk-weighted capital ratio:</b>		
Credit risk	36.85%	39.32%
Credit and market risks	34.39%	36.88%

**28. CAPITAL ADEQUACY (CONTD.)**

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

	<b>31.3.2007</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier-1 Capital</b>		
Paid-up share capital	265,000	265,000
Statutory reserve	98,494	98,494
Accumulated profit/(losses)	(10,639)	(10,639)
Less: Deferred tax assets	(6,141)	(6,141)
Total Tier-1 Capital	<u>346,714</u>	<u>346,714</u>
<b>Tier-2 Capital</b>		
General allowance for doubtful debts	15,497	13,997
Total Tier-2 Capital	<u>15,497</u>	<u>13,997</u>
Total capital	362,211	360,711
Less: Investment in subsidiary	(10)	(10)
Capital base	<u>362,201</u>	<u>360,701</u>

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

	<b>Principal</b>	<b>Risk-Weighted</b>	<b>Principal</b>	<b>Risk-Weighted</b>
	<b>31.3.2007</b>	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.12.2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
0%	237,645	-	230,302	-
10%	-	-	-	-
20%	106,929	21,386	71,053	14,211
50%	13,011	6,506	13,347	6,673
100%	954,953	<u>954,953</u>	896,348	<u>896,348</u>
Total risk-weighted assets for credit risk		982,845		917,232
Total risk-weighted assets for market risk		<u>70,509</u>		<u>60,827</u>
Total risk-weighted assets for credit and market risks		<u>1,053,354</u>		<u>978,059</u>

## 29. FINANCIAL INSTRUMENTS

### **Financial Risk Management Policies**

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

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

#### **(a) Credit Risk Management**

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

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

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

For corrective measures, loans which are in excess or are three months in arrears and above would be under the purview of the Loan 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.

## **29. FINANCIAL INSTRUMENTS (CONTD.)**

### **(b) Market Risk Management**

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

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

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

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rates and shifts in the composition of the assets and liabilities. The Bank's Asset Liabilities 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 Cash Flow Report, maintenance of high quality long-term and short-term marketable securities that can be readily converted to cash, diversification of the funding base and proactive management of the Bank's customer deposits.

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

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

	<b>Group and Bank</b>			
	<b>31.3.2007</b>		<b>31.12.2006</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>
Available-for-sale securities	31,350	35,335	31,339	35,324
Held-to-maturity securities	66,601	66,792	82,279	82,459
Loans and advances	888,625	888,625	843,510	843,510

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

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>31.3.2007</b>		<b>31.12.2006</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	159,238	465	127,159	479

## **29. FINANCIAL INSTRUMENTS (CONTD.)**

### **(d) Fair Values (Contd.)**

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

#### **(i) Cash and Cash Equivalents, Deposits and Placements with Bank Negara Malaysia, Deposits from Customers and Banks, Bills and Acceptances Payable, Other Assets/Liabilities**

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

#### **(ii) Securities held-for-trading, held-to-maturities and available-for-sale**

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

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

#### **(iii) Derivative Financial Instruments**

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

## **30. DIRECTORS' REVIEW OF THE PERFORMANCE FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007 AND COMMENTARY ON THE PROSPECTS**

For the first quarter ended 31 March 2007, Bangkok Bank Berhad recorded a higher profit before tax of RM6.4 million compared to RM5.9 million for the corresponding period of 2006.

Net interest income for first quarter ended 31 March 2007 totalled RM8.6 million exceeding the RM6.9 million recorded for the same period last year. Substantial rise in loan outstanding from RM703 million at end March 2006 to RM918 million at end March 2007 has been the primary contributor to the higher interest income.

**30. DIRECTORS' REVIEW OF THE PERFORMANCE FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007 AND COMMENTARY ON THE PROSPECTS (CONTD.)**

However, the higher net income of RM9.6 million as compared to RM8.4 million recorded a year ago is largely offset by the increase in overhead expenses. Overhead expenses, in particular personnel cost expanded from RM2.5 million for the first quarter 2006 to RM3.2 million in 2007.

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

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