

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

Statement by Directors and Audited Financial Statements
31 March 2009

Ernst & Young
AF : 0039

299740 W

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

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

**Performance review for the financial period ended 31 March 2009 and
commentary on the prospects.**

Bangkok Bank Berhad registered a profit before tax of RM6.0 million for the first quarter of 2009, which is marginally higher as compared to RM5.7 million recorded during the previous comparative period mainly due to the decrease in loan loss provisioning.

Net interest income deteriorated marginally by 4% to RM9.3 million from RM9.8 million a year ago largely due to decline in loan outstanding and squeeze on interest margin due to interest rate cuts initiated by Bank Negara Malaysia. Loan outstanding grew marginally from RM1.3 billion at end March 2008 to RM1.4 billion at end March 2009. Total customer deposit grew substantially from RM1.1 billion at end March 2008 to RM1.3 billion at end March 2009.

The decrease in loan loss and allowances, from RM2.8 million for the three months ended 31 March 2008 to RM1.7 million is mainly attributable to the lower general allowance made. Gross NPLs have also decreased from RM41.1 million in March 2008 to RM36.7 million in March 2009 due to writing off of some corporate accounts in the 3rd quarter of 2008. Net NPL ratio for March 2009 is 0.7% as compared to 0.9% in March 2008.

Despite the slowing economy, the banking industry in Malaysia still remains sound due to its strong capitalization and healthy asset quality.

The Bank will continue to focus on its core business of lending to selected niche areas but will be more cautious in its credit underwriting standards. The Bank will also continue to focus on maintaining or improving its current good liquidity position as well as expanding its deposit base.

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Bangkok Bank Berhad
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Statement by directors

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 4 to 57 are drawn up in accordance with the 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 2009 and of the results and the cash flows of the Group and of the Bank for the three-month period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

Loke Tan Cheng

Professor Dato' 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 4 to 57 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia modified by Bank Negara Malaysia guidelines so to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2009 and of the results and the cash flows of the Group and of the Bank for the three-month period then ended.

Loke Tan Cheng

Kuala Lumpur, Malaysia

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**Report on Review of Interim Financial Information to
Board of Directors of Bangkok Bank Berhad
for the three-month period ended 31 March 2009**

Report on the financial statements

Introduction

We have reviewed the accompanying balance sheet of Bangkok Bank Berhad as of 31 March 2009 and the related statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard of Review Engagements 2410, "Review of Interim Financial Information Performed by the Independence Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at 31 March 2009, and of its financial performance and its cash flows for the three-month period then ended in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines.

Bangkok Bank Berhad
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Balance sheets as at 31 March 2009

	Note	Group		Bank	
		31.3.2009 RM'000	31.12.2008 RM'000 (restated)	31.3.2009 RM'000	31.12.2008 RM'000 (restated)
Assets					
Cash and short-term funds	4	629,001	510,448	628,969	510,416
Securities Held-for-trading	5	9,880	25,929	9,880	25,929
Securities Available-for-sale	6	138,482	179,544	138,482	179,544
Securities Held-to-maturity	7	14,981	14,977	14,981	14,977
Loans, advances and financing	8	1,332,278	1,472,522	1,332,278	1,472,522
Other assets	9	5,608	7,270	5,608	7,270
Statutory deposit with Bank					
Negara Malaysia	10	12,000	40,000	12,000	40,000
Investment in subsidiary	11	-	-	10	10
Property and equipment	12	11,181	11,159	11,181	11,159
Intangible Assets	13	368	363	368	363
Deferred tax assets	14	6,302	6,256	6,302	6,256
Total assets		2,160,081	2,268,468	2,160,059	2,268,446
Liabilities and shareholder' equity					
Deposits from customers	15	1,338,708	1,277,325	1,338,708	1,277,325
Deposits and placements of banks and other financial institution	16	222,301	386,282	222,301	386,282
Obligation on securities sold under repurchase agreements		179,295	158,453	179,295	158,453
Bills and acceptances payable		20,313	46,824	20,313	46,824
Other liabilities	17	15,498	16,502	15,491	16,494
Total liabilities		1,776,115	1,885,386	1,776,108	1,885,378
Share capital	18	265,000	265,000	265,000	265,000
Statutory reserve	19	112,461	112,461	112,454	112,454
Revaluation reserve		(1,114)	2,293	(1,114)	2,293
Accumulated profits		7,619	3,328	7,611	3,321
Shareholder' equity		383,966	383,082	383,951	383,068
Total liabilities and shareholder' equity		2,160,081	2,268,468	2,160,059	2,268,446
Commitments and contingencies	27	1,320,901	1,036,303	1,320,901	1,036,303

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

Bangkok Bank Berhad
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Consolidated income statement
For the period ended 31 March 2009

	Note	Group Individual and Cumulative Quarter 3 months ended		Bank Individual and Cumulative Quarter 3 months ended	
		1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000
Interest income	20	21,661	28,112	21,661	28,112
Interest expense	21	(12,313)	(18,329)	(12,313)	(18,329)
Net interest income		9,348	9,783	9,348	9,783
Loans loss and allowances, net	22	(1,682)	(2,839)	(1,682)	(2,839)
		7,666	6,944	7,666	6,944
Non-interest income	23	2,847	2,951	2,846	2,949
Net income		10,513	9,895	10,512	9,893
Overhead expenses	24	(4,499)	(4,220)	(4,499)	(4,220)
Profit before taxation		6,014	5,675	6,013	5,673
Taxation	25	(1,723)	(1,805)	(1,723)	(1,805)
Net profit for the period		4,291	3,870	4,290	3,868
Earnings per share (sen)	26				
- basic		1.62	1.46	1.62	1.46
- diluted		1.62	1.46	1.62	1.46

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

Bangkok Bank Berhad
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Statements of changes in equity
For the period ended 31 March 2009

	<----- Group ----->				
	<----- Distributable ----->				
	Share capital	Non- distributable Statutory reserve	Revaluation reserve	Accumulated (losses)/ Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2008	265,000	101,726	(63)	(7,408)	359,255
Net profit for the period	-	-	-	3,870	3,870
Unrealised net gain on revaluation of available- for-sale securities	-	-	53	-	53
At 31 March 2008	<u>265,000</u>	<u>101,726</u>	<u>(10)</u>	<u>(3,538)</u>	<u>363,178</u>
At 1 January 2009	265,000	112,461	2,293	3,328	383,082
Net profit for the period	-	-	-	4,291	4,291
Unrealised net loss on revaluation of available- for-sale securities	-	-	(3,407)	-	(3,407)
At 31 March 2009	<u>265,000</u>	<u>112,461</u>	<u>(1,114)</u>	<u>7,619</u>	<u>383,966</u>

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

Bangkok Bank Berhad
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Statements of changes in equity
For the period ended 31 March 2009 (cont'd.)

	<----- Bank ----->				
	<----- Distributable ----->				
	Share capital RM'000	Non- distributable Statutory reserve RM'000	Revaluation reserve RM'000	Accumulated (losses)/ Retained profits RM'000	Total RM'000
At 1 January 2008	265,000	101,726	(63)	(7,408)	359,255
Net profit for the period	-	-	-	3,868	3,868
Unrealised net gain on revaluation of available- for-sale securities	-	-	53	-	53
At 31 March 2008	<u>265,000</u>	<u>101,726</u>	<u>(10)</u>	<u>(3,540)</u>	<u>363,176</u>
At 1 January 2009	265,000	112,454	2,293	3,321	383,068
Net profit for the period	-	-	-	4,290	4,290
Unrealised net loss on revaluation of available- for-sale securities	-	-	(3,407)	-	(3,407)
At 31 March 2009	<u>265,000</u>	<u>112,454</u>	<u>(1,114)</u>	<u>7,611</u>	<u>383,951</u>

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

Bangkok Bank Berhad
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Cash flow statements
For the period ended 31 March 2009

	Group		Bank	
	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000
Cash flows from operating activities				
Profit before taxation	6,014	5,675	6,013	5,673
Adjustments for:				
Depreciation	317	232	317	232
Amortisation of intangible assets	61	-	61	-
Allowance for losses on loans and financing, net	1,698	3,441	1,698	3,441
Unrealised foreign exchange gain	554	365	554	365
Net gain on revaluation of securities held for trading	184	100	184	100
Amortisation of premium net of accretion of discount	183	135	183	135
Interest in suspense	888	894	888	894
Operating profit before working capital changes	9,899	10,842	9,898	10,840
Decrease/(Increase) in loans and advances	137,658	(250,433)	137,658	(250,433)
Decrease in deposits and placements with banks	-	251,362	-	251,362
Increase in other assets	(4,072)	(1,095)	(4,072)	(1,095)
Decrease/(Increase) in statutory deposit with Bank Negara Malaysia	28,000	(2,500)	28,000	(2,500)
Increase in deposits from customers	61,383	28,389	61,383	28,389
(Decrease)/increase in deposits and placements of licensed banks	(163,981)	340,442	(163,981)	340,442
Increase in obligations sold under repo	20,842	(44,090)	20,842	(44,090)
Increase/(Decrease) in bills and acceptances payable	(26,511)	12,792	(26,511)	12,792
(Decrease)/increase in other liabilities	1,508	39,034	1,509	39,034
Cash (used in)/generated from operation	64,726	384,743	64,726	384,741
Taxes paid	(1,417)	(1,525)	(1,417)	(1,525)
Taxes refunded	2,316	-	2,316	-
Net cash (used in)/generated from operating activities	65,625	383,218	65,625	383,216

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Cash flow statements

For the period ended 31 March 2009 (cont'd.)

	Group		Bank	
	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(339)	(578)	(339)	(578)
Purchase of intangible assets	(66)	-	(66)	-
Purchase of securities held for trading	(94,435)	(34,928)	(94,435)	(34,928)
Purchase of securities available for sale	(48,494)	(35,148)	(48,494)	(35,148)
Purchase of held-to-maturity securities	-	-	-	-
Dividend received	-	-	-	-
Proceeds from disposal of securities held for trading	110,300	49,319	110,300	49,319
Proceeds from disposal of securities available for sale	85,962	-	85,962	-
Proceeds from maturity of held-to-maturity securities	-	-	-	-
Proceeds from disposal of property and equipment	-	-	-	-
Net cash (used in)/generated from investing activities	52,928	(21,335)	52,928	(21,335)
Net (decrease)/increase in cash and cash equivalents	118,553	361,883	118,553	361,881
Cash and cash equivalents at beginning of financial period	510,448	771,429	510,416	771,417
Cash and cash equivalents at end of financial period	629,001	1,133,312	628,969	1,133,298
Cash and cash equivalents comprise:				
Cash and short term funds	629,001	1,133,312	628,969	1,133,298

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

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Notes to the financial statements - 31 March 2009

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 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

The following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Bank.

FRS, Amendments to FRS and Interpretations:	Effective for financial periods beginning on or after
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financials statements of the Group and the Bank upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS

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2. Basis of preparation (cont'd.)

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

The Group and the Bank are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

(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.

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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.

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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.

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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.

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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%

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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
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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.

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3. Significant accounting policies (cont'd.)

(j) Liabilities and 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:

	31.3.2009	31.12.2008
Singapore Dollar	2.40	2.41
Thai Baht	0.10	0.10
United States Dollar	3.65	3.47

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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.

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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.

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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.

(r) Derivative instruments

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception and subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

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4. Cash and short-term funds

	Group		Bank	
	31.3.2009 RM'000	31.12.2008 RM'000	31.3.2009 RM'000	31.12.2008 RM'000
Cash and balances with banks and Bank Negara Malaysia	368,706	415,652	368,674	415,620
Money at call and deposit placements maturing within one month	260,295	94,796	260,295	94,796
	<u>629,001</u>	<u>510,448</u>	<u>628,969</u>	<u>510,416</u>

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

	Group and Bank	
	31.3.2009 %	31.12.2008 %
	per annum	per annum
Licensed banks	1.93	3.22
Bank Negara Malaysia	<u>2.03</u>	<u>3.26</u>

5. Securities held-for-trading

	Group and Bank	
	31.3.2009 RM'000	31.12.2008 RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	<u>9,880</u>	<u>25,929</u>

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6. Securities available-for-sale

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	97,371	128,120
Private Debt Securities	20,430	20,485
Cagamas Bonds	5,000	10,001
Government Investment Issue	14,809	20,066
Quoted securities in Malaysia:		
Debt converted shares *	-	-
	137,610	178,672
At cost		
Unquoted shares		
Shares	872	872
	138,482	179,544

* Quoted securities fully provided as at relevant balance sheet date.

7. Securities held-to-maturity

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
In Malaysia:		
Money market instruments:		
Malaysian Government Securities	14,961	14,961
Unquoted securities:		
Private debt securities	840	840
	15,801	15,801
Less: Amortisation of premium net of accretion of discount	7	3
Less: Accumulated impairment losses	(827)	(827)
	14,981	14,977

(i) Indicative fair value of securities:

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Malaysian Government Securities	15,341	15,231
Unquoted securities - private debt securities	13	13
	15,354	15,244

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7. Securities held-to-maturity (cont'd.)

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Maturing more than one year	14,961	14,961

- (iii) The weighted average effective interest rate as at balance sheet date was 3.86% (31.12.2008: 3.65%) per annum.

8. Loans, advances and financing

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Overdrafts	93,402	95,937
Term loans		
Housing loans	10,699	10,973
Syndicated term loan	55,646	54,668
Other term loans	260,892	260,608
Revolving credits	204,589	212,206
Bills receivables	15,308	17,160
Trust receipts	97,171	109,923
Bankers' acceptances	621,286	716,527
Other financing	26,363	47,369
Staff loans	1,727	1,795
	<u>1,387,083</u>	<u>1,527,166</u>
Unearned interest	(3,481)	(5,018)
	<u>1,383,602</u>	<u>1,522,148</u>
General allowance for bad and doubtful debts ("GA")	(24,540)	(23,540)
Specific allowance for bad and doubtful debts ("SA")	(26,784)	(26,086)
Net loans, advances and financing	<u>1,332,278</u>	<u>1,472,522</u>
Total loans, advances and financing less SA	<u>1,356,818</u>	<u>1,496,062</u>

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8. Loans, advances and financing (cont'd.)

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Maturing within one year	1,064,990	1,199,572
One year to three years	127,435	125,030
Three years to five years	84,553	95,107
Over five years	106,624	102,439
	<u>1,383,602</u>	<u>1,522,148</u>

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Purchase of securities	42,971	45,193
Purchase of transport vehicles	5,021	5,142
Purchase of residential properties	12,395	12,735
Purchase of non-residential properties	59,727	61,897
Purchase of fixed assets other than land and building	62,686	54,198
Personal use	5,111	5,012
Construction	24,125	27,257
Working capital	1,171,566	1,310,714
	<u>1,383,602</u>	<u>1,522,148</u>

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Domestic non-bank financial institutions	76,798	97,636
Domestic business enterprises		
- Small medium enterprises	385,953	429,312
- Others	903,267	977,371
Domestic other entities	50	53
Individuals	17,534	17,776
	<u>1,383,602</u>	<u>1,522,148</u>

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8. Loans, advances and financing (cont'd.)

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Fixed rate		
Housing loan	1,696	1,791
Other fixed rate loan/financing	3,504	3,762
Variable rate		
BLR plus	307,511	315,323
Cost-plus	972,325	1,077,282
Other variable rates	98,566	123,990
	<u>1,383,602</u>	<u>1,522,148</u>

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Balance as at 1 January	35,957	40,775
Classified as non-performing during the year	1,537	8,631
Reclassified as performing during the year	(319)	(1,206)
Amount recovered	(506)	(624)
Amount written off	-	(11,599)
Other adjustment	46	(20)
Balance as at 31 March/ 31 December	<u>36,715</u>	<u>35,957</u>
Specific allowance	<u>(26,784)</u>	<u>(26,086)</u>
Net non-performing loans, advances and financing	<u>9,931</u>	<u>9,871</u>
Ratio of net non-performing loans, advances and financing to total loans, advances and financing less SA	<u>0.73%</u>	<u>0.66%</u>

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8. Loans, advances and financing (cont'd.)

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
General Allowance		
Balance as at 1 January	23,540	16,999
Allowance made during the year	1,000	6,541
Balance as at 31 March/ 31 December	<u>24,540</u>	<u>23,540</u>
GA% of gross loans, advances and financing less SA	<u>1.81%</u>	<u>1.57%</u>
Specific Allowance		
Balance as at 1 January	26,086	29,279
Allowance made during the year	1,188	9,513
Written off	-	(11,599)
Recovered and written back	(490)	(1,107)
Balance as at 31 March/ 31 December	<u>26,784</u>	<u>26,086</u>

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Purchase of residential properties	2,261	2,162
Working capital	34,454	33,795
	<u>36,715</u>	<u>35,957</u>

(viii) The weighted average effective interest rate for loans, advances and financing at the balance sheet date was 4.49% (31.12.2008: 5.23%) per annum.

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9. Other assets

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000 (restated)
Other receivables, deposits and prepayments	2,914	2,762
Unrealised gain on derivatives	1,960	1,106
Tax recoverable	734	3,402
	<u>5,608</u>	<u>7,270</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

	Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Unquoted shares, at cost	<u>10</u>	<u>10</u>

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

Name of company	Percentage of equity held		Principal activity
	31.3.2009	31.12.2008	
BBL Nominees (Tempatan) Sdn. Bhd.	100	100	Provision of nominee services to local clients of the Bank

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12. 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
Group and Bank				
31 March 2009				
Cost				
At 1 January 2009	14,512	1,049	6,520	22,081
Additions	217	-	122	339
At 31 March 2009	<u>14,729</u>	<u>1,049</u>	<u>6,642</u>	<u>22,420</u>
Accumulated depreciation				
At 1 January 2008	6,172	787	3,963	10,922
Depreciation charge for the year	68	20	229	317
At 31 March 2009	<u>6,240</u>	<u>807</u>	<u>4,192</u>	<u>11,239</u>
Net carrying amount	<u>8,489</u>	<u>242</u>	<u>2,450</u>	<u>11,181</u>
31 December 2008				
Cost				
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>
Accumulated depreciation				
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>
Net carrying amount	<u>8,340</u>	<u>262</u>	<u>2,557</u>	<u>11,159</u>

Included in the above is freehold land costing RM714,490 (31.12.2008: RM714,490).

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12. 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:

	31.3.2009	31.12.2008
	RM'000	RM'000
Buildings	4,067	4,067
Motor vehicles	558	558
Office equipment, furniture and fittings and computer equipment	2,658	2,657
	<u>7,283</u>	<u>7,282</u>

13. Intangible assets

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Computer Software		
Cost:		
At 1 January	585	-
Additions	66	585
At 31 March/ 31 December	<u>651</u>	<u>585</u>
Accumulated amortisation:		
At 1 January	222	-
Amortisation charged (Note 24)	61	222
At 31 March/ 31 December	<u>283</u>	<u>222</u>
Net carrying amount	<u>368</u>	<u>363</u>

14. Deferred tax assets

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
At 1 January	6,256	6,842
Recognised in the income statement (Note 25)	46	(586)
At 31 March/31 December	<u>6,302</u>	<u>6,256</u>

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14. Deferred tax assets (cont'd.)

	Group and Bank	
	2008	2007
	RM'000	RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	6,821	6,692
Deferred tax liabilities	(519)	(436)
	<u>6,302</u>	<u>6,256</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

	General allowance RM'000	Others RM'000	Total RM'000
At 1 January 2009	6,482	210	6,692
Recognised in the income statement	129	-	129
At 31 March 2009	<u>6,611</u>	<u>210</u>	<u>6,821</u>
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>

Deferred tax liabilities

	Capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2009	(429)	(7)	(436)
Recognised in the income statement	(83)	-	(83)
At 31 March 2009	<u>(512)</u>	<u>(7)</u>	<u>(519)</u>
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>

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15. Deposits from customers

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Fixed deposits	1,118,816	1,060,062
Negotiable instruments of deposits	120,000	97,000
Current accounts	85,624	105,703
Savings deposits	9,159	9,090
Others	5,109	5,470
	<u>1,338,708</u>	<u>1,277,325</u>

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Due within six months	922,962	866,958
Six months to one year	302,198	274,106
One year to three years	13,296	15,188
Over three years	360	810
	<u>1,238,816</u>	<u>1,157,062</u>

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

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Government and statutory bodies	5,109	5,470
Business enterprises	1,054,796	1,009,719
Individuals	196,321	202,439
Others	82,482	59,697
	<u>1,338,708</u>	<u>1,277,325</u>

- (iii) The weighted average effective interest rate for deposits from customers at the balance sheet date was 2.50% (2008: 3.15%) per annum.

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16. Deposits and placements of banks and other financial institution

	Group and Bank	
	31.3.2009	31.12.2008
	RM'000	RM'000
Licensed banks and other financial institution	222,301	386,282

The weighted average effective interest rate for deposits and placements of banks and other financial institution at the balance sheet date was 1.79% (31.12.2008: 3.59%) per annum.

17. Other liabilities

	Group		Bank	
	31.3.2009	31.12.2008	31.3.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Accruals	1,319	1,023	1,319	1,023
Unrealised loss on derivatives	1,407	1,545	1,407	1,545
Other payables	12,772	13,934	12,765	13,926
	15,498	16,502	15,491	16,494

18. Share capital

	Number of ordinary shares of RM1 each		Amount	
	31.3.2009	31.12.2008	31.3.2009	31.12.2008
	'000	'000	RM'000	RM'000
Authorised	300,000	300,000	300,000	300,000
Issued and fully paid	265,000	265,000	265,000	265,000

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19. Statutory reserve

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

20. Interest income

	Group and Bank	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Loans and advances	16,579	16,405
Deposits and placements with banks and other financial institutions	3,182	10,683
Securities Held-for-Trading	41	91
Securities Available-for-Sale	1,903	917
Securities Held-to-Maturity	139	150
	<u>21,844</u>	<u>28,246</u>
Amortisation of premium net of accretion of discount	(183)	(134)
	<u>21,661</u>	<u>28,112</u>

21. Interest expense

	Group and Bank	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Deposits from customers	10,791	9,525
Deposits and placements of licensed banks	1,522	8,804
	<u>12,313</u>	<u>18,329</u>

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22. Loan loss and allowances, net

	Group and Bank	
	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000
General allowance for bad and doubtful debts	(1,000)	(3,441)
Specific allowance for bad and doubtful debts	(1,188)	-
Specific allowance written back	490	-
Bad debts recovered	16	602
	<u>(1,682)</u>	<u>(2,839)</u>

23. Non-interest income

	Group		Bank	
	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000
Fee income:				
Commission	505	788	504	786
Service charges and fees	118	221	118	221
Guarantee fees	257	298	257	298
	<u>880</u>	<u>1,307</u>	<u>879</u>	<u>1,305</u>
Investment income:				
Net (loss)/gain on sale of investment:				
Securities Held-for-Trading	(54)	29	(54)	29
Securities Available-for-Sale	680	-	680	-
Net gain on revaluation of securities				
Held-for-Trading	48	109	48	109
	<u>674</u>	<u>138</u>	<u>674</u>	<u>138</u>
Other income:				
Foreign exchange gain	1,465	2,125	1,465	2,125
Unrealised gain/(loss)				
on derivatives	(314)	(780)	(314)	(780)
Rental income	142	161	142	161
	<u>1,293</u>	<u>1,506</u>	<u>1,293</u>	<u>1,506</u>
	<u>2,847</u>	<u>2,951</u>	<u>2,846</u>	<u>2,949</u>

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24. Overhead expenses

	Group		Bank	
	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000	1.1.2009 to 31.3.2009 RM'000	1.1.2008 to 31.3.2008 RM'000
Personnel costs	2,860	2,686	2,860	2,686
Establishment costs	714	599	714	599
Marketing expenses	89	48	89	48
Administration and general expense:	811	862	811	862
Other non-interest expenses	25	25	25	25
	4,499	4,220	4,499	4,220
(i) Included in personnel costs are:				
Short term accumulating compensated absences	8	12	8	12
Defined contribution plan				
- Employees Provident Fund	344	306	344	306
Termination benefits	36	-	36	-
(ii) Included in the above overhead expenses are:				
Directors' remuneration (Note iii)	425	403	425	403
Hire of equipment	11	29	11	29
Auditors' remuneration:				
- statutory audit	16	31	16	31
- other services	23	4	23	4
Depreciation	317	232	317	232
Amortisation of intangible asset	61	-	61	-
(iii) Directors' remuneration				
Executive Director:				
Salary and other remuneration	253	220	253	220
Benefits-in-kind	6	6	6	6
	259	226	259	226
Non-executive directors:				
Fees	163	174	163	174
Other remuneration	9	9	9	9
	172	183	172	183
Total	431	409	431	409
Total excluding benefits-in-kind	425	403	425	403

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25. Taxation

	Group	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Income tax:		
Current year	1,769	2,378
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	(46)	(573)
	<u>1,723</u>	<u>1,805</u>

	Bank	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Income tax:		
Current year	1,769	2,378
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	(46)	(573)
	<u>1,723</u>	<u>1,805</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (31.12.2008: 26%) of the estimated assessable profit for the year.

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

	Group	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Profit before taxation	<u>6,014</u>	<u>5,675</u>
Taxation at Malaysian statutory tax rate of 25% (31.3.2008: 26%)	1,504	1,476
Effect of expenses not deductible for tax purposes	219	329
Tax expense for the year	<u>1,723</u>	<u>1,805</u>

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25. Taxation (cont'd.)

	Bank	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Profit before taxation	6,013	5,673
Taxation at Malaysian statutory tax rate of 25% (31.3.2008: 26%)	1,503	1,476
Effect of expenses not deductible for tax purposes	220	329
Tax expense for the year	<u>1,723</u>	<u>1,805</u>

26. Earning per share

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

	Group	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Net profit for the period (RM'000)	4,291	3,870
Number of ordinary shares in issue ('000)	265,000	265,000
Basic earnings per share (sen)	<u>1.62</u>	<u>1.46</u>

	Bank	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Net profit for the period (RM'000)	4,290	3,868
Number of ordinary shares in issue ('000)	265,000	265,000
Basic earnings per share (sen)	<u>1.62</u>	<u>1.46</u>

There is no dilutive potential in the ordinary shares as at 31 March 2009 and 31 March 2008.

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27. Commitments and contingencies

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

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

	Principal Amount ← RM'000	Credit Equivalent Amount* 31.3.2009 RM'000	Risk weighted amount → RM'000	Principal Amount ← RM'000	Credit Equivalent Amount* 31.12.2008 RM'000	Risk weighted amount → RM'000
Direct credit substitutes	20,445	20,445	20,440	21,308	21,308	20,804
Transaction-related contingent items	79,274	39,637	36,702	82,793	41,397	38,910
Short-term self-liquidating trade-related contingencies	24,178	4,836	4,836	33,932	6,786	6,786
Forward foreign exchange contracts						
- less than one year	337,607	3,665	2,722	139,831	2,278	1,834
Other commitments, such as formal standby facilities and credit lines, with an original						
- maturity more than one year	112	56	56	112	56	56
- maturity less than one year	829,006	165,801	166,060	728,310	145,662	145,921
Any commitment that are unconditionally cancelled at any time without prior notice	30,279	-	-	30,017	-	-
Total	1,320,901	234,440	230,816	1,036,303	217,487	214,311

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27. Commitments and contingencies (cont'd.)

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 March 2009, the amount of contracts which were not hedged and, hence, exposed to market risk is RM 2,586,000 (2008: RM1,752,000).

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 2009, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM3,666,000 (2008: RM2,278,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

28. Interest rate risk

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

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28. Interest rate risk (Contd.)

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
As at 31 March 2009									
Assets									
Cash and short-term funds	607,995	-	-	-	-	21,006	-	629,001	1.99
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Securities Held-for-Trading	-	-	-	-	-	-	9,880	9,880	2.86
Securities Available-for-Sale	-	-	5,000	102,828	29,782	872	-	138,482	3.75
Securities Held-to-Maturity	-	-	-	14,968	-	13	-	14,981	3.86
Loans, advances and financing									
- performing	1,341,687	-	31	3,445	1,724	-	-	1,346,887	4.36
- non-performing *	-	-	-	-	-	(14,609)	-	(14,609)	n/a
Other non-interest sensitive balances	-	-	-	-	-	35,207	-	35,207	n/a
Total assets	1,949,682	-	5,031	121,241	31,506	42,489	9,880	2,159,829	
Liabilities									
Deposits from customers	736,533	186,725	401,794	13,656	-	-	-	1,338,708	2.50
Deposits and placements of banks and other financial institution	203,954	18,237	-	-	-	110	-	222,301	1.79
Bills and acceptances payable	852	10,396	9,065	-	-	-	-	20,313	3.00
Obligation on securities sold under repurchase agreement	179,295	-	-	-	-	-	-	179,295	1.96
Other non-interest sensitive balances	-	-	-	-	-	15,498	-	15,498	n/a
Total liabilities	1,120,634	215,358	410,859	13,656	-	15,608	-	1,776,115	
Shareholder' equity	-	-	-	-	-	383,714	-	383,714	n/a
Total liabilities and shareholder' equity	1,120,634	215,358	410,859	13,656	-	399,322	-	2,159,829	

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28. Interest rate risk (Contd.)

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
As at 31 March 2009 (Contd.)									
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	829,048	(215,358)	(405,828)	107,585	31,506	(356,833)	9,880		

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

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
As at 31 December 2008									
Assets									
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
Total assets	1,975,344	150	10,000	152,763	32,667	70,509	25,929	2,267,362	

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28. Interest rate risk (Contd.)

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
As at 31 December 2008 (Contd.)									
Liabilities									
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
Total liabilities	1,088,020	412,821	351,935	15,998	-	15,506	-	1,884,280	
Shareholder' equity	-	-	-	-	-	383,082	-	383,082	n/a
Total liabilities and shareholder' equity	1,088,020	412,821	351,935	15,998	-	398,588	-	2,267,362	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	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.

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28. Interest rate risk (cont'd.)

Bank	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1-3 months	> 3-12 months	1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
As at 31 March 2009									
Assets									
Cash and short-term funds	607,995	-	-	-	-	20,974	-	628,969	1.99
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Securities Held-for-Trading	-	-	-	-	-	-	9,880	9,880	2.86
Securities Available-for-Sale	-	-	5,000	102,828	29,782	872	-	138,482	3.75
Securities Held-to-Maturity	-	-	-	14,968	-	13	-	14,981	3.86
Loans, advances and financing									
- performing	1,341,687	-	31	3,445	1,724	-	-	1,346,887	4.36
- non-performing *	-	-	-	-	-	(14,609)	-	(14,609)	n/a
Other non-interest sensitive balances	-	-	-	-	-	35,217	-	35,217	n/a
Total assets	1,949,682	-	5,031	121,241	31,506	42,467	9,880	2,159,807	
Liabilities									
Deposits from customers	736,533	186,725	401,794	13,656	-	-	-	1,338,708	2.50
Deposits and placements of banks and other financial institution	203,954	18,237	-	-	-	110	-	222,301	1.79
Bills and acceptances payable	852	10,396	9,065	-	-	-	-	20,313	3.00
Obligation on securities sold under repurchase agreement	179,295	-	-	-	-	-	-	179,295	1.96
Other non-interest sensitive balances	-	-	-	-	-	15,491	-	15,491	n/a
Total liabilities	1,120,634	215,358	410,859	13,656	-	15,601	-	1,776,108	
Shareholder' equity	-	-	-	-	-	383,699	-	383,699	n/a
Total liabilities and shareholder' equity	1,120,634	215,358	410,859	13,656	-	399,300	-	2,159,807	

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28. Interest rate risk (cont'd.)

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	%
As at									
31 March 2009									
(cont'd.)									
On-balance sheet interest sensitivity gap representing total interest sensitivity gap									
	829,048	(215,358)	(405,828)	107,585	31,506	(356,833)	9,880		

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

As at 31 December 2008**Assets**

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
Total assets	1,975,344	150	10,000	152,763	32,667	70,487	25,929	2,267,340	

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28. 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				
As at 31 December 2008 (cont'd.)									
Liabilities									
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
Total liabilities	1,088,020	412,821	351,935	15,998	-	15,498	-	1,884,272	
Shareholder' equity	-	-	-	-	-	383,068	-	383,068	n/a
Total liabilities and shareholder' equity	1,088,020	412,821	351,935	15,998	-	398,566	-	2,267,340	
On-balance sheet interest sensitivity gap representing total interest sensitivity									
gap	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.

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29. Significant related party transactions and balances

	Group and Bank	
	1.1.2009	1.1.2008
	to	to
	31.3.2009	31.3.2008
	RM'000	RM'000
Income		
Interest on advances to holding company and its branches	27	2,452
Expenditure		
Interest on advances from holding company and its branches	651	331
	31.03.2009	31.12.2008
	RM'000	RM'000
Amount due to		
Deposits and placements from holding company and its branches	21,995	156,282
Amount due from		
Cash and short-term funds placed with holding company and its branches	5,568	9,902

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

30. Capital adequacy

- (i) 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).
- (ii) The capital adequacy ratios of the Bank as at the balance sheet date, are as follows:

	31.03.2009	31.12.2008
	RM'000	RM'000
Core capital ratio	21.62%	20.37%
Risk-weighted capital ratio	23.04%	21.65%

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30. Capital adequacy (cont'd.)

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

	31.3.2009	31.12.2008
	RM'000	RM'000
Tier-1 Capital		
Paid-up share capital	265,000	265,000
Statutory reserve	112,454	112,454
Retained Profits	3,321	3,321
Less: Deferred tax assets	(6,256)	(6,256)
Total Tier-1 Capital	<u>374,519</u>	<u>374,519</u>
Tier-2 Capital		
General allowance for doubtful debts	24,540	23,540
Total Tier-2 Capital	<u>24,540</u>	<u>23,540</u>
Total capital	399,059	398,059
Less: Investment in subsidiary	(10)	(10)
Capital base	<u>399,049</u>	<u>398,049</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:

	Principal	Risk- Weighted	Principal	Risk- Weighted
	31.3.2009	31.3.2009	31.12.2008	31.12.2008
	RM'000	RM'000	RM'000	RM'000
0%	523,903	-	636,413	-
10%	-	-	-	-
20%	276,697	55,339	108,571	21,714
35%	5,210	1,824	5,201	1,820
50%	32,551	16,276	34,259	17,130
75%	41	31	41	31
100%	1,557,881	1,557,881	1,686,560	1,686,560
150%	5,788	<u>8,682</u>	9,714	<u>14,571</u>
Total risk-weighted assets for credit risk		1,640,033		1,741,826
Total risk-weighted assets for market risk		4,329		10,613
Total risk-weighted assets for operational risk		<u>87,879</u>		<u>85,826</u>
Total risk-weighted assets		<u>1,732,241</u>		<u>1,838,265</u>

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30. 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
31 March 2009				
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	490,822	490,822	-	-
Banks, Development Financial Institutions & MDBs	273,561	273,561	54,323	4,346
Corporates	1,363,122	1,363,122	1,319,612	105,569
Regulatory Retail	1	1	1	-
Residential Mortgages	9,572	9,572	4,005	320
Higher Risk Assets	-	-	-	-
Other Assets	19,729	19,729	19,832	1,587
Equity Exposure	872	872	341	27
Defaulted Exposures	9,951	9,951	11,103	888
Total for On-Balance Sheet Exposures	2,167,630	2,167,630	1,409,217	112,737
OTC Derivatives	-	-	-	-
Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	233,902	233,902	230,009	18,401
Defaulted Exposures	538	538	807	65
Total for Off-Balance Sheet Exposures	234,440	234,440	230,816	18,466
Total for On and Off-Balance Sheet Exposures	2,402,070	2,402,070	1,640,033	131,203
<u>Market Risk</u>				
	Long Position	Short Position		
Interest Rate Risk	177,188	166,685	10,503	137
Foreign Currency Risk	44,312	41,725	2,587	210
Operational Risk	-	-	87,879	7,030
Total RWA and Capital Requirements			1,732,241	138,580

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30. Capital adequacy (cont'd.)

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk weighted Assets RM'000	Capital Requirements RM'000
31 December 2008				
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
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
Total for On-Balance Sheet Exposures	2,263,274	2,263,274	1,527,515	122,201
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
Total for Off-Balance Sheet Exposures	217,487	217,487	214,311	17,145
Total for On and Off-Balance Sheet Exposures	2,480,761	2,480,761	1,741,826	139,346
<u>Market Risk</u>				
	Long Position	Short Position		
Interest Rate Risk	133,120		8,862	709
Foreign Currency Risk	9,762	8,011	1,751	140
Operational Risk		-	85,826	6,866
Total RWA and Capital Requirements			1,838,265	147,061

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30. 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		
As at 31 March 2009									
0%	490,822	-	31,591	-	-	1,489	-	523,902	-
20%	-	271,032	5,001	-	-	-	664	276,697	55,339
35%	-	-	-	-	5,210	-	-	5,210	1,824
50%	-	4,434	23,755	-	4,362	-	-	32,551	16,276
75%	-	-	-	41	-	-	-	41	31
100%	-	-	1,537,680	-	1,753	18,240	208	1,557,881	1,557,881
150%	-	-	5,788	-	-	-	-	5,788	8,682
Average Risk Weight								2,402,070	1,640,033
Deduction from Capital Base	-	-	-	-	-	-	-	-	-

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30. 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 FDI's RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Equity RM'000		
As at 31 December 2008									
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	17,130
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	-	-	-	-	-	-	-	-	-

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31. Financial instruments

Financial risk management policies

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

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

(a) Credit risk management

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

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

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

For corrective measures, loans which are 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.

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31. 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.

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31. 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:

	Group and Bank			
	31.3.2009		31.12.2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Securities Held for Trading	9,880	9,880	25,929	25,929
Securities Available for Sale	138,482	143,051	179,544	184,113
Securities Held to Maturity	14,981	15,354	14,977	15,244
Loans, advances and financing	1,332,278	1,332,278	1,472,522	1,472,522

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 5, 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:

	Group and Bank			
	31.3.2009		31.12.2008	
	Nominal/ notional amount RM'000	Net fair value RM'000	Nominal/ notional amount RM'000	Net fair value RM'000
Forward foreign exchange contracts	337,607	554	139,831	(439)

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31. 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.

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32. Comparative figures

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated to conform with current year's presentation:

	Group		Bank	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
Other assets	7,270	6,164	7,270	6,164
Other liabilities	16,502	15,396	16,494	15,396