

BANGKOK BANK BERHAD (299740 W)
(Incorporated in Malaysia)
Financial Statements as at 30 September 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 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 3 to 51 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia 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 30 September 2007 and of the results and the cash flows of the Group and of the Bank for the nine-month period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 November 2007.

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 3 to 51 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia 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 30 September 2007 and of the results and the cash flows of the Group and of the Bank for the nine-month period then ended.

Loke Tan Cheng

Kuala Lumpur, Malaysia
9 November 2007

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 nine months period ended 30 September 2007 as set out on pages 3 to 51.

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 modified by Bank Negara Malaysia guidelines.

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
9 November 2007

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 30 SEPTEMBER 2007

	Note	Group		Bank	
		30.9.2007 RM'000	31.12.2006 RM'000	30.9.2007 RM'000	31.12.2006 RM'000
ASSETS					
Cash and short-term funds	4	477,443	111,678	477,433	111,667
Deposits and placements with					
Bank Negara Malaysia	5	69,195	24,300	69,195	24,300
Available-for-sale securities	6	51,854	31,339	51,854	31,339
Held-to-maturity securities	7	65,421	82,279	65,421	82,279
Loans, advances and financing	8	974,393	843,510	974,393	843,510
Other assets	9	8,377	4,443	8,377	4,443
Statutory deposit with Bank					
Negara Malaysia	10	23,200	23,300	23,200	23,300
Investment in subsidiary	11	-	-	10	10
Property and equipment	12	10,089	9,082	10,089	9,082
Deferred tax assets	13	6,753	6,141	6,753	6,141
TOTAL ASSETS		1,686,725	1,136,072	1,686,725	1,136,071
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	14	1,033,163	705,176	1,033,163	705,176
Deposits and placements of					
licensed banks		191,881	32,982	191,881	32,982
Obligation on securities sold					
under repurchase agreements		47,985	-	47,985	-
Bills and acceptances payable		34,769	34,333	34,769	34,333
Other liabilities	15	18,845	10,166	18,845	10,165
Tax payable		-	481	-	481
TOTAL LIABILITIES		1,326,643	783,138	1,326,643	783,137
Share capital	16	265,000	265,000	265,000	265,000
Statutory reserve	17	98,494	98,494	98,494	98,494
Revaluation reserve		(47)	79	(47)	79
Accumulated losses		(3,365)	(10,639)	(3,365)	(10,639)
SHAREHOLDERS' EQUITY		360,082	352,934	360,082	352,934
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,686,725	1,136,072	1,686,725	1,136,071
COMMITMENTS AND CONTINGENCIES	25	999,242	786,545	999,242	786,545

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

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2007

	Note	Group			
		Current		Cumulative	
		3 months ended		9 months ended	
		30.9.2007	30.9.2006	30.9.2007	30.9.2006
		RM'000	RM'000	RM'000	RM'000
Interest income	18	22,792	13,088	55,115	37,805
Interest expense	19	(13,395)	(5,129)	(28,186)	(15,058)
Net interest income		9,397	7,959	26,929	22,747
Loans loss and allowances, net	20	(7,716)	(840)	(14,740)	(2,557)
		1,681	7,119	12,189	20,190
Non-interest income	21	3,105	2,890	8,505	7,785
Net income		4,786	10,009	20,694	27,975
Overhead expenses	22	(3,442)	(2,560)	(10,487)	(7,639)
Profit before taxation		1,344	7,449	10,207	20,336
Taxation	23	(484)	(2,152)	(2,933)	(5,975)
Net profit for the period		860	5,297	7,274	14,361
Earnings per share (sen)	24				
- basic		0.32	2.00	2.74	5.42
- diluted		0.32	2.00	2.74	5.42

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

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2007

	Note	Bank			
		Current		Cumulative	
		3 months ended		9 months ended	
		30.9.2007	30.9.2006	30.9.2007	30.9.2006
		RM'000	RM'000	RM'000	RM'000
Interest income	18	22,792	13,088	55,115	37,805
Interest expense	19	(13,395)	(5,129)	(28,186)	(15,058)
Net interest income		9,397	7,959	26,929	22,747
Loans loss and allowances, net	20	(7,716)	(840)	(14,740)	(2,557)
		1,681	7,119	12,189	20,190
Non-interest income	21	3,105	2,885	8,505	7,780
Net income		4,786	10,004	20,694	27,970
Overhead expenses	22	(3,442)	(2,560)	(10,487)	(7,639)
Profit before taxation		1,344	7,444	10,207	20,331
Taxation	23	(484)	(2,152)	(2,933)	(5,975)
Net profit for the period		860	5,292	7,274	14,356
Earnings per share (sen)	24				
- basic		0.32	2.00	2.74	5.42
- diluted		0.32	2.00	2.74	5.42

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 30 SEPTEMBER 2007

	<----- Group ----->				
	Non-distributable				
	Share capital	Statutory reserve	Revaluation reserve	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	265,000	89,649	(55)	(19,484)	335,110
Net profit for the period	-	-	-	14,361	14,361
Unrealised net loss on revaluation of available-for-sale securities	-	-	37	-	37
At 30 September 2006	<u>265,000</u>	<u>89,649</u>	<u>(18)</u>	<u>(5,123)</u>	<u>349,508</u>
At 1 January 2007	265,000	98,494	79	(10,639)	352,934
Net profit for the period	-	-	-	7,274	7,274
Unrealised net profit on revaluation of available-for-sale securities	-	-	(126)	-	(126)
At 30 September 2007	<u>265,000</u>	<u>98,494</u>	<u>(47)</u>	<u>(3,365)</u>	<u>360,082</u>

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 (CONTD.)

	<----- Bank ----->				
	Non-distributable				
	Share capital	Statutory reserve	Revaluation reserve	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006	265,000	89,649	(55)	(19,484)	335,110
Net profit for the period	-	-	-	14,356	14,356
Unrealised net loss on revaluation of available-for-sale securities	-	-	37	-	37
At 30 September 2006	<u>265,000</u>	<u>89,649</u>	<u>(18)</u>	<u>(5,128)</u>	<u>349,503</u>
At 1 January 2007	265,000	98,494	79	(10,639)	352,934
Net profit for the period	-	-	-	7,274	7,274
Unrealised net profit on revaluation of available-for-sale securities	-	-	(126)	-	(126)
At 30 September 2007	<u>265,000</u>	<u>98,494</u>	<u>(47)</u>	<u>(3,365)</u>	<u>360,082</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 30 SEPTEMBER 2007

	Group		Bank	
	1.1.2007 to 30.9.2007 RM'000	1.1.2006 to 30.9.2006 RM'000	1.1.2007 to 30.9.2007 RM'000	1.1.2006 to 30.9.2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	10,207	20,331	10,207	20,331
Adjustments for:				
Depreciation	525	389	525	389
Allowance for losses on loans and financing, net	14,965	2,557	14,965	2,557
Property and equipment written off	-	30	-	30
Loss/(gain) on disposal of property and equipment	12	-	12	-
Unrealised foreign exchange gain	198	19	198	19
Amortisation of premium net of accretion of discount	2,074	3,057	2,074	3,057
Interest in suspense	548	919	548	919
Dividend income	(43)	(43)	(43)	(43)
Operating profit before working capital changes	28,486	27,259	28,486	27,259
Increase in loans and advances	(146,396)	(149,311)	(146,396)	(149,311)
Increase in deposits and placements with Bank Negara Malaysia	(44,895)	50,000	(44,895)	50,000
Increase in other assets	(1,724)	(1,303)	(1,723)	(1,303)
(Decrease)/increase in statutory deposit with Bank Negara Malaysia	100	(3,100)	100	(3,100)
Increase/(decrease) in deposits from customers	327,987	(9,536)	327,987	(9,536)
Increase in deposits and placements of licensed banks	158,899	661	158,899	661
Increase in obligations sold under repo	47,985	-	47,985	-
Increase in bills and acceptances payable	436	12,076	436	12,076
Increase/(decrease) in other liabilities	8,680	(891)	8,680	(890)
Cash used in operations	379,558	(74,145)	379,559	(74,144)
Taxes paid	(6,423)	(5,338)	(6,423)	(5,338)
Net cash generated from/(used in) operating activities	373,135	(79,483)	373,136	(79,482)

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2007 (CONTD.)

	Group		Bank	
	1.1.2007 to 30.9.2007 RM'000	1.1.2006 to 30.9.2006 RM'000	1.1.2007 to 30.9.2007 RM'000	1.1.2006 to 30.9.2006 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(1,554)	(147)	(1,554)	(147)
Purchase of investment securities	(35,852)	(15,276)	(35,852)	(15,276)
Dividends received	31	31	31	31
Proceeds from disposal of available for sale securities	14,995	-	14,995	-
Proceeds from maturity of held-to-maturity securities	15,000	10,000	15,000	10,000
Proceeds from disposal of property and equipment	10	-	10	-
Net cash generated from/(used in) investing activities	<u>(7,370)</u>	<u>(5,392)</u>	<u>(7,370)</u>	<u>(5,392)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	365,765	(84,875)	365,766	(84,874)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	<u>111,678</u>	<u>170,445</u>	<u>111,667</u>	<u>170,434</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	<u>477,443</u>	<u>85,570</u>	<u>477,433</u>	<u>85,560</u>
Cash and cash equivalents comprise:				
Cash and short term funds	<u>477,443</u>	<u>85,570</u>	<u>477,433</u>	<u>85,560</u>

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

BANGKOK BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 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 6 November 2007.

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 applicable Financial Reporting Standards in ("FRS") Malaysia modified by Bank Negara Malaysia guidelines.

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

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 October 2006, as follows:

FRS 117	Leases
FRS 124	Related Party Disclosures

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

The Group has not early adopted all other revised FRSs and IC Interpretations that are mandatory for financial periods beginning on or after 1 July 2007.

2. BASIS OF PREPARATION (CONTD.)

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

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

(b) Significant Accounting Estimates and Judgements

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

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

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

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

During the current period, the Bank made assumptions that loans specific to two customers are partly recoverable. The carrying amount of the loans as at period end is RM7,500,000.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary and Basis of Consolidation

(i) Subsidiary

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(i) Subsidiary (Contd.)

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

(ii) Basis of Consolidation

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

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

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

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

(b) Revenue Recognition

(i) Interest and Financing Income Recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Revenue Recognition (Contd.)

(i) Interest and Financing Income Recognition (Contd.)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Allowance for Bad and Doubtful Debts (Contd.)

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

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

(d) Securities

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

(i) Held-For-Trading

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

(ii) Held-To-Maturity

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

(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) Obligation on Securities Sold under Repurchase Agreement.

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

(j) 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:

	30.9.2007	31.12.2006
Singapore Dollar	2.29	2.30
Thai Baht	0.11	0.10
United States Dollar	3.41	3.52

(k) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Employee Benefits (Contd.)

(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.

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Income Tax (Contd.)

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.

(m) 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.

(n) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

4. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	30.9.2007	31.12.2006	30.9.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	13,826	7,554	13,816	7,543
Money at call and deposit placements maturing within one month	463,617	104,124	463,617	104,124
	<u>477,443</u>	<u>111,678</u>	<u>477,433</u>	<u>111,667</u>

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

	Group and Bank	
	30.9.2007	31.12.2006
	%	%
	per annum	per annum
Licensed banks	3.78	3.61
Bank Negara Malaysia	<u>3.54</u>	<u>3.57</u>

5. DEPOSITS AND PLACEMENTS WITH BANK NEGARA MALAYSIA

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Bank Negara Malaysia	<u>69,195</u>	<u>24,300</u>

5. DEPOSITS AND PLACEMENTS WITH BANK NEGARA MALAYSIA (CONTD.)

The weighted average effective interest rate and the average maturities of deposits as at the balance sheet date were 4.88% per annum (31.12.2006: 3.64% per annum) and 62 days (31.12.2006: 74 days) respectively.

6. AVAILABLE-FOR-SALE SECURITIES

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
In Malaysia:		
<u>At fair value</u>		
Money market instruments:		
Malaysian Government Securities ("MGS")	20,202	30,353
Private Debt Securities ("PDS")	20,709	-
Cagamas Bonds	10,013	-
Quoted securities in Malaysia:		
Debt converted shares	58	114
	50,982	30,467
<u>At cost</u>		
Unquoted shares in Malaysia:		
Shares	872	872
	51,854	31,339

7. HELD-TO-MATURITY SECURITIES

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
In Malaysia:		
Money market instruments:		
Malaysian Government Securities ("MGS")	72,612	89,102
	72,612	89,102
Unquoted securities in Malaysia:		
Private debt securities	840	844
	73,452	89,946
Less: Amortisation of premium net of accretion of discount	(7,204)	(6,836)
Less: Accumulated impairment losses	(827)	(831)
	65,421	82,279

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

(i) Indicative fair value of securities:

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
MGS	65,460	82,446
Unquoted securities - private debt securities	13	13
	<u>65,460</u>	<u>82,446</u>

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Maturing within one year	72,612	74,066
One year to three years	-	15,036
	<u>72,612</u>	<u>89,102</u>

(iii) The weighted average effective interest rate as at balance sheet date was 4.25% (31.12.2006: 3.67%) per annum.

8. LOANS, ADVANCES AND FINANCING

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Overdrafts	90,457	99,563
Term loans		
Housing loans	12,571	12,356
Syndicated term loan	672	1,075
Other term loans	194,716	140,611
Revolving credits	97,559	68,984
Bills receivables	72,571	15,347
Trust receipts	43,684	57,305
Bankers' acceptances	466,017	437,336
Other financing	34,811	35,323
Staff loans	1,709	1,579
	<u>1,014,767</u>	<u>869,479</u>
Unearned interest	(3,751)	(4,311)
	<u>1,011,016</u>	<u>865,168</u>
General allowance for bad and doubtful debts ("GA")	(16,999)	(13,997)
Specific allowance for bad and doubtful debts ("SA")	(19,624)	(7,661)
Net loans, advances and financing	<u>974,393</u>	<u>843,510</u>
Total loans, advances and financing less SA	<u>991,392</u>	<u>857,507</u>

8. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Maturing within one year	844,341	736,434
One year to three years	17,955	19,225
Three years to five years	74,061	41,657
Over five years	74,659	67,852
	<u>1,011,016</u>	<u>865,168</u>

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Purchase of securities	555	501
Purchase of transport vehicles	3,111	112
Purchase of residential properties	14,281	13,822
Purchase of non-residential properties	32,801	35,945
Purchase of fixed assets other than land and building	49,013	2,455
Personal use	3,618	9,733
Construction	47,675	32,160
Working capital	859,962	770,440
	<u>1,011,016</u>	<u>865,168</u>

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Domestic non-bank financial institutions	40,516	36,705
Domestic business enterprises		
- Small medium enterprises	335,251	281,652
- Others	617,224	522,808
Domestic other entities	68	83
Individuals	17,957	23,920
	<u>1,011,016</u>	<u>865,168</u>

8. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Fixed rate		
Housing loan	1,640	1,462
Other fixed rate loan/financing	741	116
Variable rate		
BLR plus	373,395	321,266
Cost-plus	537,511	498,412
Other variable rates	97,729	43,912
	<u>1,011,016</u>	<u>865,168</u>

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Balance as at 1 January	16,278	18,383
Classified as non-performing during the period/year	14,380	11,313
Reclassified as performing during the period/year	(1,508)	(619)
Amount recovered	(815)	(1,720)
Amount written off	-	(11,079)
Balance as at 30 Sept/31 December	<u>28,335</u>	<u>16,278</u>
Specific allowance	<u>(19,624)</u>	<u>(7,661)</u>
Net non-performing loans, advances and financing	<u>8,711</u>	<u>8,617</u>
Ratio of net non-performing loans, advances and financing to total loans, advances and financing less SA	<u>0.88%</u>	<u>1.00%</u>

8. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
General Allowance ("GA")		
Balance as at 1 January	13,997	20,546
Allowance made during the period/year	6,600	4,288
Transfer to specific allowance	(3,598)	(8,670)
Amount written off	-	(2,167)
Balance as at 31 March/31 December	<u>16,999</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/year	8,365	1,620
Transfer from general allowance	3,598	8,670
Recovered and written back	-	(400)
Amount written off	-	(8,911)
Balance as at 31 March/31 December	<u>19,624</u>	<u>7,661</u>

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Purchase of residential properties	1,498	1,224
Working capital	26,837	15,054
	<u>28,335</u>	<u>16,278</u>

(viii) The weighted average effective interest rate for loans, advances and financing at the balance sheet date was 5.89% (31.12.2006: 5.84%) per annum.

9. OTHER ASSETS

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Other receivables, deposits and prepayments	3,836	2,311
Tax recoverable	4,541	2,132
	<u>8,377</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

	Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Unquoted shares, at cost	<u>10</u>	<u>10</u>

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

Name of company	Percentage of equity held		Principal activity
	30.9.2007	31.12.2006	
BBL Nominees (Tempatan) Sdn. Bhd.	100	100	Provision of nominee services to local clients of the Bank

12. PROPERTY AND EQUIPMENT

Group and Bank	Freehold land and buildings* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings, and computer equipment RM'000	Total RM'000
30 September 2007				
Cost				
At 1 January 2007	13,712	702	4,164	18,578
Additions	57	347	1,150	1,554
Disposals	-	-	(37)	(37)
At 30 September 2007	<u>13,769</u>	<u>1,049</u>	<u>5,277</u>	<u>20,095</u>
Accumulated Depreciation				
At 1 January 2007	5,640	562	3,294	9,496
Depreciation charge for the period	196	86	243	525
Disposals	-	-	(15)	(15)
At 30 September 2007	<u>5,836</u>	<u>648</u>	<u>3,522</u>	<u>10,006</u>
Net carrying amount	<u>7,933</u>	<u>401</u>	<u>1,755</u>	<u>10,089</u>
31 December 2006				
Cost				
At 1 January 2006	13,712	703	4,469	18,884
Additions	-	-	239	239
Write offs	-	-	(544)	(544)
At 31 December 2006	<u>13,712</u>	<u>703</u>	<u>4,164</u>	<u>18,579</u>
Accumulated Depreciation				
At 1 January 2006	5,400	504	3,577	9,481
Depreciation charge for the period	240	59	231	530
Write offs	-	-	(514)	(514)
At 31 December 2006	<u>5,640</u>	<u>563</u>	<u>3,294</u>	<u>9,497</u>
Net carrying amount	<u>8,072</u>	<u>140</u>	<u>870</u>	<u>9,082</u>

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

12. PROPERTY AND EQUIPMENT (CONTD.)

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

	30.9.2007	31.12.2006
	RM'000	RM'000
Buildings	4,067	4,067
Motor vehicles	335	335
Office equipment, furniture and fittings and computer equipment	2,735	2,603
	<u>7,137</u>	<u>7,005</u>

13. DEFERRED TAX ASSETS

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
At 1 January	6,141	6,235
Recognised in the income statement (Note 23)	612	(94)
At 30 September/31 December	<u>6,753</u>	<u>6,141</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	7,039	6,260
Deferred tax liabilities	(286)	(119)
	<u>6,753</u>	<u>6,141</u>

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

Group and Bank**Deferred tax assets**

	General allowance	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2007	5,854	406	6,260
Recognised in the income statement	780	(1)	779
At 30 September 2007	<u>6,634</u>	<u>405</u>	<u>7,039</u>
At 1 January 2006	5,753	597	6,350
Recognised in the income statement	101	(191)	(90)
At 31 December 2006	<u>5,854</u>	<u>406</u>	<u>6,260</u>

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

	Capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2007	(112)	(7)	(119)
Recognised in the income statement	(167)	-	(167)
At 30 September 2007	<u>(279)</u>	<u>(7)</u>	<u>(286)</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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Fixed deposits	847,041	547,295
Negotiable instruments of deposits	82,150	61,950
Current accounts	85,868	78,523
Savings deposits	10,211	10,344
Others	7,893	7,064
	<u>1,033,163</u>	<u>705,176</u>

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Due within six months	810,360	418,137
Six months to one year	95,635	165,492
One year to three years	14,836	20,366
Over three years	8,360	5,250
	<u>929,191</u>	<u>609,245</u>

14. DEPOSITS FROM CUSTOMERS (CONTD.)

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

	Group and Bank	
	30.9.2007	31.12.2006
	RM'000	RM'000
Government and statutory bodies	7,893	7,063
Business enterprises	801,006	504,797
Individuals	205,662	174,901
Others	18,602	18,415
	<u>1,033,163</u>	<u>705,176</u>

(iii) The weighted average effective interest rate for deposits from customers at the balance sheet date was 3.48% (31.12.2006: 3.19%) per annum.

15. OTHER LIABILITIES

	Group		Bank	
	30.9.2007	31.12.2006	30.9.2007	31.12.2006
	RM'000	RM'000	RM'000	RM'000
Accruals	1,875	817	1,875	817
Other payables	16,970	9,349	16,970	9,348
	<u>18,845</u>	<u>10,166</u>	<u>18,845</u>	<u>10,165</u>

16. SHARE CAPITAL

	Number of Ordinary Shares of RM1 each		Amount	
	30.9.2007	31.12.2006	30.9.2007	31.12.2006
	'000	'000	RM'000	RM'000
Authorised:				
At 1 January/30 September/ 31 December	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:				
At 1 January/30 September/ 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 INCOME

	Group and Bank			
	Cumulative		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Loans and advances	14,027	10,587	39,590	29,448
Deposits and placements with banks and other financial institutions	7,583	1,242	12,419	4,497
Available-for-sale securities	642	244	1,302	716
Held-to-maturity securities	1,233	2,049	3,877	6,201
	<u>23,485</u>	<u>14,122</u>	<u>57,188</u>	<u>40,862</u>
Amortisation of premium net of accretion of discount	(693)	(1,034)	(2,073)	(3,057)
	<u>22,792</u>	<u>13,088</u>	<u>55,115</u>	<u>37,805</u>

19. INTEREST EXPENSE

	Group and Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	7,959	4,641	19,603	13,433
Deposits and placements of licensed banks	5,436	488	8,583	1,625
	<u>13,395</u>	<u>5,129</u>	<u>28,186</u>	<u>15,058</u>

20. LOAN LOSS AND ALLOWANCES, NET

	Group and Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
General allowance for bad and doubtful debts	(2,500)	(1,120)	(6,600)	(3,100)
Specific allowance for bad and doubtful debts	(5,227)	-	(8,365)	-
Specific allowance written back	-	221	-	399
Bad debts recovered	11	59	225	144
	<u>(7,716)</u>	<u>(840)</u>	<u>(14,740)</u>	<u>(2,557)</u>

21. NON-INTEREST INCOME

	Group			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	781	773	2,234	2,120
Service charges and fees	227	212	559	514
Guarantee fees	258	200	709	608
	<u>1,266</u>	<u>1,185</u>	<u>3,502</u>	<u>3,242</u>
Investment income:				
Gross dividends from investment securities	-	-	43	43
Other income:				
Foreign exchange gain/(loss)				
- realised	2,009	1,567	3,801	3,921
- unrealised	(407)	(62)	197	(19)
Rental income	186	200	558	595
Gain/(loss) on sale of investment	33	-	382	-
Others	18	-	22	3
	<u>1,839</u>	<u>1,705</u>	<u>4,960</u>	<u>4,500</u>
	<u>3,105</u>	<u>2,890</u>	<u>8,505</u>	<u>7,785</u>

21. NON-INTEREST INCOME (CONTD.)

	Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	781	768	2,234	2,115
Service charges and fees	227	212	559	514
Guarantee fees	258	200	709	608
	<u>1,266</u>	<u>1,180</u>	<u>3,502</u>	<u>3,237</u>
Investment income:				
Gross dividends from investment securities	-	-	43	43
Other income:				
Foreign exchange gain/(loss)				
- realised	2,009	1,567	3,801	3,921
- unrealised	(407)	(62)	197	(19)
Rental income	186	200	558	595
Gain on sale of investment investment	33	-	382	-
Others	18	-	22	3
	<u>1,839</u>	<u>1,705</u>	<u>4,960</u>	<u>4,500</u>
	<u>3,105</u>	<u>2,885</u>	<u>8,505</u>	<u>7,780</u>

22. OVERHEAD EXPENSES

	Group and Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Personnel costs	2,202	1,535	6,558	4,622
Establishment costs	517	466	1,635	1,324
Marketing expenses	28	14	201	84
Administration and general expenses	669	534	2,012	1,542
Other non-interest expenses	26	11	81	67
	<u>3,442</u>	<u>2,560</u>	<u>10,487</u>	<u>7,639</u>

22. OVERHEAD EXPENSES (CONTD.)

	Group and Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
(i) Included in personnel costs are:				
Short term accumulating compensated absences	33	10	53	20
Defined contribution plan - Employees Provident Fund	260	168	715	489
	260	168	715	489
(ii) Included in the above overhead expenses are:				
Directors' remuneration (Note iii)	316	301	995	923
Hire of equipment	30	5	69	15
Auditors' remuneration:				
- statutory audit	24	22	73	68
- other services	-	4	-	11
Property and equipment written off	-	-	-	30
Loss on disposal of property and equipment	-	-	12	-
Depreciation	191	135	525	389
	191	135	525	389
(iii) Directors' remuneration				
Chief Executive Officer:				
Salary and other remuneration	145	189	495	567
Bonus	-	-	-	57
Benefits-in-kind	6	22	17	66
	151	211	512	690
Non-executive directors:				
Fees	168	108	472	278
Other remuneration	3	4	28	21
	171	112	500	299
Total	322	323	1,012	989
Total excluding benefits-in-kind	316	301	995	923

23. TAXATION

	Group and Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	975	3,758	3,545	6,037
	<u>975</u>	<u>3,758</u>	<u>3,545</u>	<u>6,037</u>
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 13)	(491)	(1,606)	(612)	(62)
	<u>484</u>	<u>2,152</u>	<u>2,933</u>	<u>5,975</u>

Income tax is calculated at the Malaysian statutory tax rate of 27% (30.9.2006: 28%) of the estimated assessable profit for the period.

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			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	1,344	7,449	10,207	20,336
Taxation at Malaysian statutory tax rate of 27% (30.9.2006: 28%)	363	2,086	2,756	5,694
Effect of expenses not deductible for tax purposes	121	66	177	281
Tax expense for the period	<u>484</u>	<u>2,152</u>	<u>2,933</u>	<u>5,975</u>

23. TAXATION (CONTD.)

	Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	1,344	7,444	10,207	20,331
Taxation at Malaysian statutory tax rate of 27% (30.9.2006: 28%)	363	2,086	2,756	5,693
Effect of expenses not deductible for tax purposes	121	66	177	282
Tax expense for the period	484	2,152	2,933	5,975

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 period as follows:

	Group			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
Net profit for the period (RM'000)	860	5,297	7,274	14,361
Number of ordinary shares in issue ('000)	265,000	265,000	265,000	265,000
Basic earnings per share (sen)	0.32	2.00	2.74	5.42

	Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
Net profit for the period (RM'000)	860	5,292	7,274	14,356
Number of ordinary shares in issue ('000)	265,000	265,000	265,000	265,000
Basic earnings per share (sen)	0.32	2.00	2.74	5.42

There is no dilutive potential in the ordinary shares as at 30 September 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:

	← Principal Amount RM'000	Credit Equivalent Amount* 30.9.2007 RM'000	Risk weighted amount RM'000	← Principal Amount RM'000	Credit Equivalent Amount* 31.12.2006 RM'000	Risk weighted amount RM'000
Direct credit substitutes	51,492	51,492	50,860	29,832	29,832	29,122
Transaction-related contingent items	36,959	18,479	18,237	29,566	14,783	14,158
Short-term self-liquidating trade-related contingencies	73,170	14,634	14,634	49,251	9,850	9,850
Irrevocable commitments to extend credit						
- maturity more than one year	1,021	511	511	601	300	300
- maturity less than one year	615,201	-	-	544,018	-	-
Forward foreign exchange contracts						
- less than one year	221,399	2,631	1,976	127,159	1,697	1,132
Miscellaneous	-	-	-	6,118	-	-
Total	999,242	87,747	86,218	786,545	56,462	54,562

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

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

25. COMMITMENTS AND CONTINGENCIES (CONTD.)

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 30 September 2007, the amount of contracts which were not hedged and, hence, exposed to market risk is RM 2,198,000 (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 30 September 2007, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM2,631,000 (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 (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 30 September 2007									
Assets									
Cash and short-term funds	463,617	-	-	-	-	13,826	-	477,443	3.63
Deposits and placements with Bank Negara Malaysia	-	69,195	-	-	-	-	-	69,195	4.88
Available-for-sale securities	-	-	-	-	-	-	51,854	51,854	n/a
Held-to-maturity securities	-	50,394	15,014	-	-	13	-	65,421	4.25
Loans, advances and financing									
- performing	140,851	420,784	257,501	88,887	74,658	-	-	982,681	5.78
- non-performing *	-	-	-	-	-	(8,288)	-	(8,288)	n/a
Other non-interest sensitive balances	-	-	-	-	-	48,419	-	48,419	n/a
Total assets	604,468	540,373	272,515	88,887	74,658	53,970	51,854	1,686,725	
Liabilities									
Deposits from customers	449,916	373,038	187,013	23,196	-	-	-	1,033,163	3.48
Deposits and placements of licensed banks	34,130	136,520	20,478	-	-	753	-	191,881	5.61
Bills and acceptances payable	13,361	16,161	5,247	-	-	-	-	34,769	3.50
Obligation on securities sold under repurchase agreement	47,985	-	-	-	-	-	-	47,985	3.21
Other non-interest sensitive balances	-	-	-	-	-	18,845	-	18,845	n/a
Total liabilities	545,392	525,719	212,738	23,196	-	19,598	-	1,326,643	
Shareholders' equity	-	-	-	-	-	360,082	-	360,082	n/a
Total liabilities and shareholders' equity	545,392	525,719	212,738	23,196	-	379,680	-	1,686,725	

26. 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 30 September 2007 (Contd.)									
On-balance sheet interest sensitivity gap representing total interest sensitivity gap									
	59,076	14,654	59,777	65,691	74,658	(325,710)	51,854		

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

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

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
As at 31 December 2006									
Assets									
Cash and short-term funds	104,124	-	-	-	-	7,554	-	111,678	3.57
Deposits and placements with Bank Negara Malaysia	-	24,300	-	-	-	-	-	24,300	3.64
Available-for-sale securities	-	-	-	-	-	-	31,339	31,339	n/a
Held-to-maturity securities	-	15,104	52,138	15,024	-	13	-	82,279	3.67
Loans, advances and financing									
- performing	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
Total assets	219,936	280,530	420,317	69,579	67,598	46,773	31,339	1,136,072	

26. INTEREST RATE RISK (CONTD.)

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

Bank	← Non-trading book →					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 30 September 2007									
Assets									
Cash and short-term funds	463,617	-	-	-	-	13,816	-	477,433	3.63
Deposits and placements with Bank Negara Malaysia	-	69,195	-	-	-	-	-	69,195	4.88
Available-for-sale securities	-	-	-	-	-	-	51,854	51,854	n/a
Held-to-maturity securities	-	50,394	15,014	-	-	13	-	65,421	4.25
Loans, advances and financing - performing	140,851	420,784	257,501	88,887	74,658	-	-	982,681	5.78
- non-performing *	-	-	-	-	-	(8,288)	-	(8,288)	n/a
Other non-interest sensitive balances	-	-	-	-	-	48,429	-	48,429	n/a
Total assets	604,468	540,373	272,515	88,887	74,658	53,970	51,854	1,686,725	
Liabilities									
Deposits from customers	449,916	373,038	187,013	23,196	-	-	-	1,033,163	3.48
Deposits and placements of licensed banks	34,130	136,520	20,478	-	-	753	-	191,881	5.61
Bills and acceptances payable	13,361	16,161	5,247	-	-	-	-	34,769	3.50
Obligation on securities sold under repurchase agreement	47,985	-	-	-	-	-	-	47,985	3.21
Other non-interest sensitive balances	-	-	-	-	-	18,845	-	18,845	n/a
Total liabilities	545,392	525,719	212,738	23,196	-	19,598	-	1,326,643	
Shareholders' equity	-	-	-	-	-	360,082	-	360,082	n/a
Total liabilities and shareholders' equity	545,392	525,719	212,738	23,196	-	379,680	-	1,686,725	

26. INTEREST RATE RISK (CONTD.)

Bank	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 30 September 2007 (Contd.)									
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	59,076	14,654	59,777	65,691	74,658	(325,710)	51,854		

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

As at 31 December 2006

Assets									
Cash and short-term funds	104,124	-	-	-	-	7,543	-	111,667	3.57
Deposits and placements with Bank Negara Malaysia	-	24,300	-	-	-	-	-	24,300	3.64
Available-for-sale securities	-	-	-	-	-	-	31,339	31,339	n/a
Held-to-maturity securities	-	15,104	52,138	15,024	-	13	-	82,279	3.67
Loans, advances and financing									
- performing	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
Total assets	219,936	280,530	420,317	69,579	67,598	46,772	31,339	1,136,071	

26. INTEREST RATE RISK (CONTD.)

Bank	← Non-trading book →					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 31 December 2006									
(Contd.)									
Liabilities									
Deposits from customers	324,603	124,347	230,610	25,616	-	-	-	705,176	3.19
Deposits and placements of licensed banks	17,623	14,098	-	-	-	1,261	-	32,982	5.43
Bills and acceptances payable	7,488	21,665	5,180	-	-	-	-	34,333	3.50
Other non-interest sensitive balances	-	-	-	-	-	10,646	-	10,646	n/a
Total liabilities	349,714	160,110	235,790	25,616	-	11,907	-	783,137	
Shareholders' equity	-	-	-	-	-	352,934	-	352,934	n/a
Total liabilities and shareholders' equity	349,714	160,110	235,790	25,616	-	364,841	-	1,136,071	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap									
	(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

	Group and Bank			
	Current		Cumulative	
	3 months ended		9 months ended	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
	RM'000	RM'000	RM'000	RM'000
Income				
Interest on advances to holding company and its branches	508	62	665	96
Expenditure				
Interest on advances from holding company and its branches	559	38	1,028	324
			30.9.2007	31.12.2006
			RM'000	RM'000
Amount due to				
Deposits and placements from holding company and its branches			13,762	21,523
Amount due from				
Cash and short-term funds placed with holding company and its branches			11,906	2,486

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

28. CAPITAL ADEQUACY

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

	30.9.2007	31.12.2006
	RM'000	RM'000
Core capital ratio:		
Credit risk	30.46%	37.80%
Credit and market risks	28.40%	35.45%
Risk-weighted capital ratio:		
Credit risk	31.93%	39.32%
Credit and market risks	29.77%	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:

	30.9.2007	31.12.2006
	RM'000	RM'000
Tier-1 Capital *		
Paid-up share capital	265,000	265,000
Statutory reserve	98,494	98,494
Accumulated losses	(4,225)	(10,639)
Less: Deferred tax assets	(6,262)	(6,141)
Total Tier-1 Capital	<u>353,007</u>	<u>346,714</u>
Tier-2 Capital		
General allowance for doubtful debts	<u>16,999</u>	<u>13,997</u>
Total Tier-2 Capital	<u>16,999</u>	<u>13,997</u>
Total capital	370,006	360,711
Less: Investment in subsidiary	(10)	(10)
Capital base	<u>369,996</u>	<u>360,701</u>

* Accumulated losses as stated in the above Tier-1 capital is based on the financial statement as at 30 June 2007 which has been approved by Bank Negara Malaysia.

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

	Principal	Risk- Weighted	Principal	Risk- Weighted
	30.9.2007	30.9.2007	31.12.2006	31.12.2006
	RM'000	RM'000	RM'000	RM'000
0%	436,646	-	230,302	-
10%	-	-	-	-
20%	224,837	45,422	71,053	14,211
50%	12,394	6,922	13,347	6,673
100%	1,026,177	<u>1,106,577</u>	896,348	<u>896,348</u>
Total risk-weighted assets for credit risk		1,158,922		917,232
Total risk-weighted assets for market risk		<u>84,040</u>		<u>60,827</u>
Total risk-weighted assets for credit and market risks		<u>1,242,962</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:

	Group and Bank			
	30.9.2007		31.12.2006	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Available for sales	51,854	56,118	31,339	35,324
Held-to-maturity securities	65,421	65,473	82,279	82,459
Loans, advances and financing	974,393	974,393	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:

	Group and Bank			
	30.9.2007		31.12.2006	
	Nominal/ notional amount RM'000	Net fair value RM'000	Nominal/ notional amount RM'000	Net fair value RM'000
Forward foreign exchange contracts	221,399	198	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, Obligation on securities sold under Repurchase Agreement, Bills and Acceptances Payable, Other Assets/Liabilities

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

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

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

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

(iii) Derivative Financial Instruments

The fair value of the forward foreign currency contracts is the estimated amount which the Bank would expect to pay or receive on the termination of the outstanding position arising from such contracts. At the end of the financial 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 30 SEPTEMBER 2007 AND COMMENTARY ON THE PROSPECTS.

Bangkok Bank Berhad registered a profit before tax of RM10.2 million for the third quarter of 2007, which is below the RM20.3 million recorded during the previous comparative period. The primary reason is that despite loan growth, the net interest income is offset by the substantial increase in loan losses and allowances resulting in lower profit before tax.

Net interest income improved by 19% to RM26.9 million from RM22.7 million a year ago. Loan outstanding grew substantially from RM813 million at 30 September 2006 to RM1.0 billion at 30 September 2007 and has been the primary contributor to the rise in net interest income.

The increase in loan loss and allowances, from RM2.6 million for the nine months ended 30 September 2006 to RM14.7 million is mainly attributable to the additional specific allowance made in respect of a newly classified non-performing loan. Gross NPLs has also increased from RM24.7 million in September 2006 to RM28.3 million in September 2007. Despite the increase in gross NPLs, net NPL ratio has decreased from 1.3% to 0.9% due to higher loan loss and allowances made during the nine months period ended 30 September 2007.

Simultaneously, overhead expenses increased from RM7.6 million for the nine months ended 30 September 2006 to RM10.5 million for the nine months ended 30 September 2007. The increase of 38% is mainly contributed by higher personnel costs incurred due to staff recruitment to support business expansion and to enhance risk and compliance functions.

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

To support the expansionary intent, the Bank will 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.