

BANGKOK BANK BERHAD
(299740 W)
(Incorporated in Malaysia)
Financial Statements as at 30 September 2008
Together with Statement by Directors and Auditors'
Report

Ernst & Young
AF : 0039

299740 W

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

Contents	Page
Performance review and commentary on the prospects	1
Statement by directors	2
Statement by director responsible for financial management	2
Report of the auditors	3
Balance sheets	4
Income statements	5 - 6
Statements of changes in equity	7 - 8
Cash flow statements	9 - 10
Notes to the financial statements	11 - 57

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

**Performance review for the financial period ended 30 September 2008 and
commentary on the prospects.**

Bangkok Bank Berhad registered a profit before tax of RM22.3 million for the nine months of 2008, which is higher as compared to RM10.2 million recorded in the previous comparative period. The primary reasons for the higher profit are due to higher loan growth which resulted in higher net interest income and loan recovery.

Net interest income improved 13% to RM30.4 million from RM26.9 million a year ago. Loan outstanding grew substantially from RM1.01 billion at end September 2007 to RM1.45 billion at end September 2008 and new loans granted have been the primary contributor to the rise in net interest income.

The decrease in loan loss and allowances, from RM14.7 million for the nine months ended 30 September 2007 to RM3.8 million is mainly due to intensive recovery effort during the period. We were successfully in recovering RM6.5million from an NPL due to sale of collateral pledged to us.

Gross NPLs has increased from RM28.3 million in September 2007 to RM32.3 million in September 2008 as a result of large corporate accounts turning non-performing at end of 2007. However, the net NPL ratio has improved with net NPL ratio for September 2008 at 0.7% as compared to 0.9% in September 2007 as the loans portfolio has expanded.

Overhead expenses increased from RM10.5 million for the nine months ended 30 September 2007 to RM13.0 million in 2008. The increase is mainly contributed by higher personnel costs incurred due to arrears paid to unionised staff and additional staff force as well as enhancement of various risk and compliance functions.

The Bank will continue to focus on its core business of lending to selected niche areas as well as expanding its deposit base.

299740 W

**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 4 to 57 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 2008 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.

Loke Tan Cheng

Professor Dato' Ruslan Khalid

Kuala Lumpur, Malaysia
5 November 2008

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 as to give a true and fair view of the financial position of the Group and of the Bank as at 30 September 2008 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
5 November 2008

299740 W

Report on Review of Interim Financial Information to
Board of Directors of Bangkok Bank Berhad for the period ended 30 September 2008

Report on the financial statements

Introduction

We have reviewed the accompanying balance sheet of Bangkok Bank Berhad as of 30 September 2008 and the related statements of income, changes in equity and cash flows for the nine-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 Independent 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 30 September 2008, and of its financial performance and its cash flows for the nine-month period then ended in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines.

5 November 2008

Bangkok Bank Berhad
(Incorporated in Malaysia)

Balance sheets as at 30 September 2008

	Note	Group		Bank	
		30.9.2008 RM'000	31.12.2007 RM'000	30.9.2008 RM'000	31.12.2007 RM'000
Assets					
Cash and short-term funds	4	636,879	771,429	636,567	771,417
Deposits and placements with banks	5	60,000	347,182	60,000	347,182
Securities Held-for-trading	6	32,959	19,480	32,959	19,480
Securities Available-for-sale	7	113,223	41,736	113,223	41,736
Securities Held-to-maturity	8	13	15,023	13	15,023
Loans, advances and financing	9	1,403,428	1,046,617	1,403,428	1,046,617
Other assets	10	7,194	9,911	7,194	9,911
Statutory deposit with Bank Negara Malaysia	11	38,500	24,500	38,500	24,500
Investment in subsidiary	12	-	-	10	10
Property and equipment	13	10,670	10,150	10,670	10,150
Intangible Assets	14	357	-	357	-
Deferred tax assets	15	7,732	6,842	7,732	6,842
Total assets		2,310,955	2,292,870	2,310,653	2,292,868
Liabilities and shareholders' equity					
Deposits from customers	16	1,170,257	1,113,923	1,170,257	1,113,923
Deposits and placements of banks	17	623,421	696,328	623,421	696,328
Obligation on securities sold under repurchase agreements		77,839	65,002	77,839	65,002
Bills and acceptances payable		49,145	34,398	49,145	34,398
Other liabilities	18	17,956	23,964	17,664	23,962
Total liabilities		1,938,618	1,933,615	1,938,326	1,933,613
Share capital	19	265,000	265,000	265,000	265,000
Statutory reserve	20	101,726	101,726	101,726	101,726
Revaluation reserve		(3,081)	(63)	(3,081)	(63)
Accumulated profits/(losses)		8,692	(7,408)	8,682	(7,408)
Shareholders' equity		372,337	359,255	372,327	359,255
Total liabilities and shareholders' equity		2,310,955	2,292,870	2,310,653	2,292,868
Commitments and contingencies	28	1,035,811	1,053,185	1,035,811	1,053,185

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

299740 W

Bangkok Bank Berhad
(Incorporated in Malaysia)

Consolidated income statement
For the period ended 30 September 2008

		Group			
		Current Quarter		Cumulative Quarter	
		3 months ended		9 months ended	
		1.7.2008	1.7.2007	1.1.2008	1.1.2007
		to	to	to	to
Note		30.9.2008	30.9.2007	30.9.2008	30.9.2007
		RM'000	RM'000	RM'000	RM'000
Interest income	21	25,264	22,792	78,148	55,115
Interest expense	22	(14,856)	(13,395)	(47,737)	(28,186)
Net interest income		10,408	9,397	30,411	26,929
Loans loss and allowances, net	23	3,738	(7,716)	(3,778)	(14,740)
		14,146	1,681	26,633	12,189
Non-interest income	24	3,055	3,105	8,625	8,505
Net income		17,201	4,786	35,258	20,694
Overhead expenses	25	(4,167)	(3,442)	(12,979)	(10,487)
Profit before taxation		13,034	1,344	22,279	10,207
Taxation	26	(3,414)	(484)	(6,179)	(2,933)
Net profit for the period		9,620	860	16,100	7,274
Earnings per share (sen)	27				
- basic		3.63	0.32	6.08	2.74
- diluted		3.63	0.32	6.08	2.74

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

299740 W

Bangkok Bank Berhad
(Incorporated in Malaysia)

Income statement

For the period ended 30 September 2008

		Bank			
		Current Quarter		Cumulative Quarter	
		3 months ended		9 months ended	
		1.7.2008	1.7.2007	1.1.2008	1.1.2007
		to	to	to	to
	Note	30.9.2008	30.9.2007	30.9.2008	30.9.2007
		RM'000	RM'000	RM'000	RM'000
Interest income	21	25,264	22,792	78,148	55,115
Interest expense	22	(14,856)	(13,395)	(47,737)	(28,186)
Net interest income		10,408	9,397	30,411	26,929
Loans loss and allowances, net	23	3,738	(7,716)	(3,778)	(14,740)
		14,146	1,681	26,633	12,189
Non-interest income	24	3,050	3,105	8,610	8,505
Net income		17,196	4,786	35,243	20,694
Overhead expenses	25	(4,167)	(3,442)	(12,978)	(10,487)
Profit before taxation		13,029	1,344	22,265	10,207
Taxation	26	(3,412)	(484)	(6,175)	(2,933)
Net profit for the period		9,617	860	16,090	7,274
Earnings per share (sen)	27				
- basic		3.63	0.32	6.07	2.74
- diluted		3.63	0.32	6.07	2.74

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 2008

	----- Group ----->				
	Share capital	Non- distributable Statutory reserve	Revaluation reserve	Accumulated (losses)/ profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007	265,000	98,494	79	(10,639)	352,934
Net profit for the period	-	-	-	7,274	7,274
Unrealised net loss 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>
At 1 January 2008	265,000	101,726	(63)	(7,408)	359,255
Net profit for the period	-	-	-	16,100	16,100
Unrealised net loss on revaluation of available- for-sale securities	-	-	(3,018)	-	(3,018)
At 30 September 2008	<u>265,000</u>	<u>101,726</u>	<u>(3,081)</u>	<u>8,692</u>	<u>372,337</u>

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the period ended 30 September 2008 (cont'd.)

	<----- Bank ----->				
	Share capital	Non- distributable Statutory reserve	Revaluation reserve	Accumulated (losses)/ profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007	265,000	98,494	79	(10,639)	352,934
Net profit for the period	-	-	-	7,274	7,274
Unrealised net loss 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>
At 1 January 2008	265,000	101,726	(63)	(7,408)	359,255
Net profit for the period	-	-	-	16,090	16,090
Unrealised net loss on revaluation of available- for-sale securities	-	-	(3,018)	-	(3,018)
At 30 September 2008	<u>265,000</u>	<u>101,726</u>	<u>(3,081)</u>	<u>8,682</u>	<u>372,327</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 2008

	Group		Bank	
	1.1.2008 to 30.9.2008 RM'000	1.1.2007 to 30.9.2007 RM'000	1.1.2008 to 30.9.2008 RM'000	1.1.2007 to 30.9.2007 RM'000
Cash flows from operating activities				
Profit before taxation	22,279	10,207	22,265	10,207
Adjustments for:				
Depreciation	728	525	728	525
Amortisation of intangible assets	134	-	134	-
Allowance for losses on loans and financing, net	10,089	14,965	10,089	14,965
Loss on disposal of property and equipment	-	12	-	12
Unrealised foreign exchange loss	385	198	385	198
Net gain on revaluation of securities held for trading	89	-	89	-
Amortisation of premium net of accretion of discount	253	2,074	253	2,074
Interest in suspense	2,638	548	2,638	548
Dividend Income	(55)	(43)	(55)	(43)
Operating profit before working capital changes	36,540	28,486	36,526	28,486
Increase in loans and advances	(369,538)	(146,396)	(369,538)	(146,396)
Decrease/(increase) in deposits and placements with banks	287,182	(44,895)	287,182	(44,895)
Increase in other assets	(290)	(1,724)	(290)	(1,723)
(Increase)/decrease in statutory deposit with Bank Negara Malaysia	(14,000)	100	(14,000)	100
Increase in deposits from customers	56,334	327,987	56,334	327,987
(Decrease)/increase in deposits and placements of licensed banks	(72,907)	158,899	(72,907)	158,899
Increase in obligations sold under repo	12,837	47,985	12,837	47,985
Increase in bills and acceptances payable	14,747	436	14,747	436
(Decrease)/increase in other liabilities	(6,012)	8,680	(6,298)	8,680
Cash (used in)/generated from operations	(55,107)	379,558	(55,407)	379,559
Taxes paid	(4,442)	(6,423)	(4,442)	(6,423)
Net cash (used in)/generated from operating activities	(59,549)	373,135	(59,849)	373,136

Bangkok Bank Berhad
(Incorporated in Malaysia)

Cash flow statements
For the period ended 30 September 2008 (cont'd.)

	Group		Bank	
	1.1.2008 to 30.9.2008 RM'000	1.1.2007 to 30.9.2007 RM'000	1.1.2008 to 30.9.2008 RM'000	1.1.2007 to 30.9.2007 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(1,248)	(1,554)	(1,248)	(1,554)
Purchase of intangible assets	(491)	-	(491)	-
Purchase of securities held for trading	(152,900)	-	(152,900)	-
Purchase of securities available for sale	(84,814)	(35,852)	(84,814)	(35,852)
Dividend received	54	31	54	31
Proceeds from disposal of securities held for trading	139,391	-	139,391	-
Proceeds from disposal of securities available for sale	10,007	14,995	10,007	14,995
Proceeds from maturity of held-to-maturity securities	15,000	15,000	15,000	15,000
Proceeds from disposal of property and equipment	-	10	-	10
Net cash used in investing activities	<u>(75,001)</u>	<u>(7,370)</u>	<u>(75,001)</u>	<u>(7,370)</u>
Net (decrease)/increase in cash and cash equivalents	(134,550)	365,765	(134,850)	365,766
Cash and cash equivalents at beginning of financial period	<u>771,429</u>	<u>111,678</u>	<u>771,417</u>	<u>111,667</u>
Cash and cash equivalents at end of financial period	<u>636,879</u>	<u>477,443</u>	<u>636,567</u>	<u>477,433</u>
Cash and cash equivalents comprise:				
Cash and short term funds	<u>636,879</u>	<u>477,443</u>	<u>636,567</u>	<u>477,433</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 2008

1. Corporate information

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

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

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

(a) Adoption of new and revised FRSs and IC Interpretation

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

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

2. Basis of preparation (cont'd.)

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

3. Significant accounting policies

(a) Subsidiary and basis of consolidation

(i) Subsidiary

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

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

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

(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.

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

(b) Revenue recognition (cont'd.)

(i) Interest and financing income recognition (cont'd.)

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.

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

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

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.

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

(d) Securities (cont'd.)

(iii) Available-for-sale

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

(e) Property and equipment and depreciation

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

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

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

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

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

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

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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Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

(g) Impairment of assets

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

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

(h) Other receivables

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

(i) Bills and acceptances payable

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

(j) Liabilities & other payables

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

(k) 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.

(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 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:

	30.9.2008	31.12.2007
Singapore Dollar	2.40	2.30
Thai Baht	0.10	0.11
United States Dollar	3.43	3.31

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

(m) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Termination benefits

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

(n) Income tax

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

(n) Income tax (cont'd.)

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

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

(o) Cash and cash equivalents

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

(p) Financial instruments

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

3. Significant accounting policies (cont'd.)

(p) Financial instruments (cont'd.)

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

(i) Equity instruments

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

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

(q) Provisions

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

4. Cash and short-term funds

	Group		Bank	
	30.9.2008	31.12.2007	30.9.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	298,596	545,299	298,284	545,287
Money at call and deposit placements maturing within one month	338,283	226,130	338,283	226,130
	636,879	771,429	636,567	771,417

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

	Group and Bank	
	30.9.2008	31.12.2007
	%	%
	per annum	per annum
Licensed banks	3.43	3.89
Bank Negara Malaysia	3.50	3.52
	<u>3.43</u>	<u>3.89</u>
	<u>3.50</u>	<u>3.52</u>

5. Deposits and placements with banks

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Licensed Banks	60,000	347,182
Bank Negara Malaysia	-	-
	<u>60,000</u>	<u>347,182</u>

The weighted average effective interest rate and the average maturities of deposits as at the balance sheet date were 3.62% per annum (31.12.2007: 4.89% per annum) and 41 days (31.12.2007: 62 days) respectively.

6. Securities Held-for-trading

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities ("MGS")	-	19,480
Malaysian Government Treasury Bills ("TB")	2,979	-
Bank Negara Malaysia Monetary Notes	29,980	-
	<u>32,959</u>	<u>19,480</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

7. Securities available-for-sale

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities ("MGS")	62,621	10,144
Private Debt Securities ("PDS")	20,466	20,671
Cagamas Bonds	10,001	9,991
Government Investment Issue ("GII")	19,263	-
Quoted securities in Malaysia:		
Debt converted shares	-	58
	<u>112,351</u>	<u>40,864</u>
At cost		
Unquoted shares in Malaysia:		
Shares	872	872
	<u>113,223</u>	<u>41,736</u>

8. Securities held-to-maturity

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
In Malaysia:		
Money market instruments:		
Malaysian Government Securities ("MGS")	-	15,036
	<u>-</u>	<u>15,036</u>
Unquoted securities in Malaysia:		
Private debt securities	840	840
	<u>840</u>	<u>15,876</u>
Less: Amortisation of premium net of accretion of discount	-	(26)
Less: Accumulated impairment losses	(827)	(827)
	<u>13</u>	<u>15,023</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

(i) Indicative fair value of securities:

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
MGS	-	15,045
Unquoted securities - private debt securities	13	13
	<u>13</u>	<u>13</u>

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Maturing within one year	-	15,036
	<u>-</u>	<u>15,036</u>

(iii) The weighted average effective interest rate as at balance sheet date was nil (31.12.2007: 3.82%) per annum.

9. Loans, advances and financing

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Overdrafts	94,695	99,951
Term loans		
Housing loans	11,311	12,303
Syndicated term loan	48,097	50,777
Other term loans	260,174	217,015
Revolving credits	153,494	110,836
Bills receivables	17,798	20,724
Trust receipts	144,637	117,515
Bankers' acceptances	671,281	430,819
Other financing	50,670	34,452
Staff loans	1,816	1,611
	<u>1,453,973</u>	<u>1,096,003</u>
Unearned interest	(5,777)	(3,109)
	<u>1,448,196</u>	<u>1,092,894</u>
General allowance for bad and doubtful debts ("GA")	(22,040)	(16,999)
Specific allowance for bad and doubtful debts ("SA")	(22,728)	(29,279)
Net loans, advances and financing	<u>1,403,428</u>	<u>1,046,617</u>
Total loans, advances and financing less SA	<u>1,425,468</u>	<u>1,063,615</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Maturing within one year	1,130,057	841,793
One year to three years	123,180	24,500
Three years to five years	97,065	117,259
Over five years	97,894	109,342
	<u>1,448,196</u>	<u>1,092,894</u>

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Purchase of securities	48,427	51,224
Purchase of transport vehicles	4,903	5,011
Purchase of residential properties	13,223	13,876
Purchase of non-residential properties	61,978	37,225
Purchase of fixed assets other than land and building	44,085	46,471
Personal use	4,909	9,843
Construction	73,256	40,081
Working capital	1,197,415	889,163
	<u>1,448,196</u>	<u>1,092,894</u>

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Domestic non-bank financial institutions	59,724	47,014
Domestic business enterprises		
- Small medium enterprises	430,131	326,260
- Others	940,228	695,533
Domestic other entities	56	65
Individuals	18,057	24,022
	<u>1,448,196</u>	<u>1,092,894</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Fixed rate		
Housing loan	1,812	1,573
Other fixed rate loan/financing	4,015	576
Variable rate		
BLR plus	308,034	332,875
Cost-plus	975,999	539,896
Other variable rates	158,336	217,974
	<u>1,448,196</u>	<u>1,092,894</u>

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Balance as at 1 January	40,775	16,278
Classified as non-performing during the period/year	4,599	27,105
Reclassified as performing during the period/year	(742)	(1,666)
Amount recovered	(613)	(942)
Amount written off	(11,599)	-
Other Adjustment	(100)	-
Balance as at 30 September/31 December	<u>32,320</u>	<u>40,775</u>
Specific allowance	<u>(22,728)</u>	<u>(29,279)</u>
Net non-performing loans, advances and financing	<u>9,592</u>	<u>11,496</u>
Ratio of net non-performing loans, advances and financing to total loans, advances and financing less SA	<u>0.67%</u>	<u>1.08%</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
General Allowance ("GA")		
Balance as at 1 January	16,999	13,997
Allowance made during the period/year	5,041	6,600
Transfer to specific allowance	-	(3,598)
Balance as at 30 September/31 December	<u>22,040</u>	<u>16,999</u>
GA% of gross loans, advances and financing less SA	<u>1.55%</u>	<u>1.60%</u>

Specific Allowance ("SA")

Balance as at 1 January	29,279	7,661
Allowance made during the period/year	5,740	18,851
Transfer from general allowance	-	3,598
Written Off	(11,599)	-
Recovered and written back	(692)	(831)
Balance as at 30 September/31 December	<u>22,728</u>	<u>29,279</u>

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Purchase of residential properties	2,277	1,827
Working capital	30,043	38,948
	<u>32,320</u>	<u>40,775</u>

(viii) The weighted average effective interest rate for loans, advances and financing at the balance sheet date was 5.37% (31.12.2007: 5.92%) per annum.

Bangkok Bank Berhad
(Incorporated in Malaysia)

10. Other assets

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Other receivables, deposits and prepayments	3,914	4,008
Tax recoverable	3,280	5,903
	<u>7,194</u>	<u>9,911</u>

11. Statutory deposit with bank negara Malaysia

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

12. Investment in subsidiary

	Bank	
	30.9.2008	31.12.2007
	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
	30.9.2008	31.12.2007	
BBL Nominees (Tempatan) Sdn. Bhd	100	100	Provision of nominee services to local clients of the Bank

Bangkok Bank Berhad
(Incorporated in Malaysia)

13. Property and equipment

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 2008				
Cost				
At 1 January 2008	14,031	1,049	4,979	20,059
Additions	-	-	1,248	1,248
At 30 September 2008	<u>14,031</u>	<u>1,049</u>	<u>6,227</u>	<u>21,307</u>
Accumulated Depreciation				
At 1 January 2008	5,902	676	3,331	9,909
Depreciation charge for the period	203	86	439	728
At 30 September 2008	<u>6,105</u>	<u>762</u>	<u>3,770</u>	<u>10,637</u>
Net carrying amount	<u>7,926</u>	<u>287</u>	<u>2,457</u>	<u>10,670</u>
31 December 2007				
Cost				
At 1 January 2007	13,712	702	4,164	18,578
Additions	319	347	1,155	1,821
Disposals	-	-	(37)	(37)
Write offs	-	-	(303)	(303)
At 31 December 2007	<u>14,031</u>	<u>1,049</u>	<u>4,979</u>	<u>20,059</u>
Accumulated Depreciation				
At 1 January 2007	5,640	562	3,294	9,496
Depreciation charge for the period	262	114	355	731
Disposals	-	-	(15)	(15)
Write offs	-	-	(303)	(303)
At 31 December 2007	<u>5,902</u>	<u>676</u>	<u>3,331</u>	<u>9,909</u>
Net carrying amount	<u>8,129</u>	<u>373</u>	<u>1,648</u>	<u>10,150</u>

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

13. Property and equipment (cont'd.)

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

	30.9.2008	31.12.2007
	RM'000	RM'000
Buildings	4,067	4,067
Motor vehicles	335	335
Office equipment, furniture and fittings and computer equipment	2,603	2,603
	<u>7,005</u>	<u>7,005</u>

14. Intangible assets

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Computer Software		
Cost:		
At 1 January	-	-
Additions	491	-
At 30 September/31 December	<u>491</u>	<u>-</u>
Accumulated amortisation:		
At 1 January	-	-
Amortisation charged (Note 25)	134	-
At 30 September/31 December	<u>134</u>	<u>-</u>
Net carrying amount	<u>357</u>	<u>-</u>

15. Deferred tax assets

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
At 1 January	6,842	6,141
Recognised in the income statement (Note 26)	890	701
At 30 September/31 December	<u>7,732</u>	<u>6,842</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

15. Deferred tax assets (cont'd.)

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	8,036	7,039
Deferred tax liabilities	(304)	(197)
	<u>7,732</u>	<u>6,842</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 RM'000	Others RM'000	Total RM'000
At 1 January 2008	6,634	405	7,039
Recognised in the income statement	1,260	(263)	997
At 30 September 2008	<u>7,894</u>	<u>142</u>	<u>8,036</u>
At 1 January 2007	5,854	406	6,260
Recognised in the income statement	780	(1)	779
At 31 December 2007	<u>6,634</u>	<u>405</u>	<u>7,039</u>

Deferred tax liabilities

	Capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2008	(190)	(7)	(197)
Recognised in the income statement	(107)	-	(107)
At 30 September 2008	<u>(297)</u>	<u>(7)</u>	<u>(304)</u>
At 1 January 2007	(112)	(7)	(119)
Recognised in the income statement	(78)	-	(78)
At 31 December 2007	<u>(190)</u>	<u>(7)</u>	<u>(197)</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

16. Deposits from customers

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Fixed deposits	904,195	887,352
Negotiable instruments of deposits	155,000	93,500
Current accounts	95,971	114,194
Savings deposits	9,221	11,101
Others	5,870	7,776
	<u>1,170,257</u>	<u>1,113,923</u>

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Due within six months	942,881	775,711
Six months to one year	97,325	181,934
One year to three years	17,729	16,947
Over three years	1,260	6,260
	<u>1,059,195</u>	<u>980,852</u>

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

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Government and statutory bodies	5,870	7,775
Business enterprises	908,856	875,609
Individuals	218,566	195,491
Others	36,965	35,048
	<u>1,170,257</u>	<u>1,113,923</u>

- (iii) The weighted average effective interest rate for deposits from customers at the balance sheet date was 3.19% (31.12.2007: 3.10%) per annum.

Bangkok Bank Berhad
(Incorporated in Malaysia)

17. Deposits and placements of banks

	Group and Bank	
	30.9.2008	31.12.2007
	RM'000	RM'000
Licensed banks	349,181	200,353
Bank Negara Malaysia	274,240	495,975
	<u>623,421</u>	<u>696,328</u>

The weighted average effective interest rate for deposits and placements of banks and other financial institutions at the balance sheet date was 3.14% (31.12.2007: 4.75%) per annum.

18. Other liabilities

	Group		Bank	
	30.9.2008	31.12.2007	30.9.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Accruals	2,105	854	2,105	854
Other payables	15,847	23,110	15,559	23,108
Tax payable	4	-	-	-
	<u>17,956</u>	<u>23,964</u>	<u>17,664</u>	<u>23,962</u>

19. Share capital

	Number of Ordinary Shares of RM1 each		Amount	
	30.9.2008	31.12.2007	30.9.2008	31.12.2007
	'000	'000	RM'000	RM'000
Authorised	300,000	300,000	300,000	300,000
Issued and fully paid	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>	<u>265,000</u>

20. Statutory reserve

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

21. Interest income

	Group and Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Loans and advances	18,579	14,027	52,438	39,590
Deposits and placements with banks and other financial institutions	5,250	7,583	21,889	12,419
Securities Held-for-Trading	3	-	100	-
Securities Available-for-Sale	1,279	642	3,528	1,302
Securities Held-to-Maturity	148	1,233	445	3,877
	<u>25,259</u>	<u>23,485</u>	<u>78,400</u>	<u>57,188</u>
Amortisation of premium net of accretion of discount	5	(693)	(252)	(2,073)
	<u>25,264</u>	<u>22,792</u>	<u>78,148</u>	<u>55,115</u>

22. Interest expense

	Group and Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	10,161	7,959	28,717	19,603
Deposits and placements of licensed banks	4,695	5,436	19,020	8,583
	<u>14,856</u>	<u>13,395</u>	<u>47,737</u>	<u>28,186</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

23. Loan loss and allowances, net

	Group and Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
General allowance for bad and doubtful debts	(500)	(2,500)	(5,041)	(6,600)
Specific allowance for bad and doubtful debts	(1,447)	(5,227)	(5,740)	(8,365)
Specific allowance written back	-	-	692	-
Bad debts recovered	5,685	11	6,311	225
	<u>3,738</u>	<u>(7,716)</u>	<u>(3,778)</u>	<u>(14,740)</u>

24. Non-interest income

	Group			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	763	781	2,283	2,234
Service charges and fees	400	227	822	559
Guarantee fees	248	258	839	709
	<u>1,411</u>	<u>1,266</u>	<u>3,944</u>	<u>3,502</u>
Investment income:				
Net (loss)/gain on sale of investment:				
Securities Held-for-Trading	(12)	45	(57)	364
Securities Available-for-Sale	-	(12)	-	18
Net (loss)/gain on revaluation of securities				
Held-for-Trading	(21)	-	89	-
Gross dividends from investment securities	27	-	55	43
	<u>(6)</u>	<u>33</u>	<u>87</u>	<u>425</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

	Group			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Other income:				
Foreign exchange gain	1,874	2,009	3,744	3,801
Unrealised (loss)/gain on derivatives	(378)	(407)	385	197
Rental income	150	186	461	558
Others	4	18	4	22
	<u>1,650</u>	<u>1,806</u>	<u>4,594</u>	<u>4,578</u>
	<u>3,055</u>	<u>3,105</u>	<u>8,625</u>	<u>8,505</u>
	Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	758	781	2,268	2,234
Service charges and fees	400	227	822	559
Guarantee fees	248	258	839	709
	<u>1,406</u>	<u>1,266</u>	<u>3,929</u>	<u>3,502</u>
Investment income:				
Net (loss)/gain on sale of investment:				
Securities Held-for-Trading	(12)	45	(57)	364
Securities Available-for-Sale	-	(12)	-	18
Net (loss)/gain on revaluation of securities				
Held-for-Trading	(21)	-	89	-
Gross dividends from investment securities	27	-	55	43
	<u>(6)</u>	<u>33</u>	<u>87</u>	<u>425</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

	Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Other income:				
Foreign exchange gain	1,874	2,009	3,744	3,801
Unrealised (loss)/gain on derivatives	(378)	(407)	385	197
Rental income	150	186	461	558
Others	4	18	4	22
	<u>1,650</u>	<u>1,806</u>	<u>4,594</u>	<u>4,578</u>
	<u>3,050</u>	<u>3,105</u>	<u>8,610</u>	<u>8,505</u>

25. Overhead expenses

	Group			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Personnel costs	2,503	2,202	8,163	6,558
Establishment costs	730	517	2,026	1,635
Marketing expenses	61	28	208	201
Administration and general expenses	823	669	2,444	2,012
Other non-interest expenses	50	26	138	81
	<u>4,167</u>	<u>3,442</u>	<u>12,979</u>	<u>10,487</u>
(i) Included in personnel costs are:				
Short term accumulating compensated absences	15	33	37	53
Defined contribution plan - Employees Provident Fund	310	260	938	715

Bangkok Bank Berhad
(Incorporated in Malaysia)

25. Overhead expenses (cont'd.)

	Group			
	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	1.7.2008 to 30.9.2008 RM'000	1.7.2007 to 30.9.2007 RM'000	1.1.2008 to 30.9.2008 RM'000	1.1.2007 to 30.9.2007 RM'000
(ii) Included in the above overhead expenses are:				
Directors' remuneration (Note iii)	408	316	1,211	995
Hire of equipment	11	30	52	69
Auditors' remuneration:				
- statutory audit	16	22	63	73
- other services	16	4	36	-
Loss on disposal of property and equipment	-	-	-	12
Depreciation	249	191	728	525
Amortisation of intangible assets	98	-	134	-
	<u>413</u>	<u>322</u>	<u>1,229</u>	<u>1,012</u>
(iii) Directors' remuneration				
Executive Director:				
Salary and other remuneration	220	145	660	495
Benefits-in-kind	5	6	18	17
	<u>225</u>	<u>151</u>	<u>678</u>	<u>512</u>
Non-executive directors:				
Fees	174	168	522	472
Other remuneration	14	3	29	28
	<u>188</u>	<u>171</u>	<u>551</u>	<u>500</u>
Total	<u>413</u>	<u>322</u>	<u>1,229</u>	<u>1,012</u>
Total excluding benefits-in-kind	<u>408</u>	<u>316</u>	<u>1,211</u>	<u>995</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

25. Overhead expenses (cont'd.)

	Bank			
	Current Quarter 3 months ended		Cumulative Quarter 9 months ended	
	1.7.2008 to 30.9.2008 RM'000	1.7.2007 to 30.9.2007 RM'000	1.1.2008 to 30.9.2008 RM'000	1.1.2007 to 30.9.2007 RM'000
Personnel costs	2,503	2,202	8,163	6,558
Establishment costs	730	517	2,026	1,635
Marketing expenses	61	28	208	201
Administration and general expenses	823	669	2,443	2,012
Other non-interest expenses	50	26	138	81
	<u>4,167</u>	<u>3,442</u>	<u>12,978</u>	<u>10,487</u>
 (i) Included in personnel costs are:				
Short term accumulating compensated absences	15	33	37	53
Defined contribution plan - Employees Provident Fund	310	260	938	715
 (ii) Included in the above overhead expenses are:				
Directors' remuneration (Note iii)	408	316	1,211	995
Hire of equipment	11	30	52	69
Auditors' remuneration:				
- statutory audit	16	24	62	73
- other services	16	-	36	-
Loss on disposal of property and equipment	-	-	-	12
Depreciation	249	191	728	525
Amortisation of intangible assets	98	-	134	-
 (iii) Directors' remuneration				
Executive Director:				
Salary and other remuneration	220	145	660	495
Benefits-in-kind	5	6	18	17
	<u>225</u>	<u>151</u>	<u>678</u>	<u>512</u>
Non-executive directors:				
Fees	174	168	522	472
Other remuneration	14	3	29	28
	<u>188</u>	<u>171</u>	<u>551</u>	<u>500</u>
Total	<u>413</u>	<u>322</u>	<u>1,229</u>	<u>1,012</u>
Total excluding benefits-in-kind	<u>408</u>	<u>316</u>	<u>1,211</u>	<u>995</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

26. Taxation

	Group			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	3,491	975	7,069	3,545
	<u>3,491</u>	<u>975</u>	<u>7,069</u>	<u>3,545</u>
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	(77)	(491)	(890)	(612)
	<u>3,414</u>	<u>484</u>	<u>6,179</u>	<u>2,933</u>

	Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	3,489	975	7,065	3,545
	<u>3,489</u>	<u>975</u>	<u>7,065</u>	<u>3,545</u>
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	(77)	(491)	(890)	(612)
	<u>3,412</u>	<u>484</u>	<u>6,175</u>	<u>2,933</u>

Income tax is calculated at the Malaysian statutory tax rate of 26% (30.9.2007: 27%) 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:

Bangkok Bank Berhad
(Incorporated in Malaysia)

26. Taxation (cont'd.)

	Group			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	13,034	1,344	22,279	10,207
Taxation at Malaysian statutory tax rate of 26% (30.9.2007: 27%)	3,389	363	5,793	2,756
Effect of expenses not deductible for tax purposes	25	121	386	177
Tax expense for the period	3,414	484	6,179	2,933
	Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	13,029	1,344	22,265	10,207
Taxation at Malaysian statutory tax rate of 26% (30.9.2007: 27%)	3,388	363	5,789	2,756
Effect of expenses not deductible for tax purposes	24	121	386	177
Tax expense for the period	3,412	484	6,175	2,933

Bangkok Bank Berhad
(Incorporated in Malaysia)

27. Earning 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 Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Net profit for the period (RM'000)	9,620	860	16,100	7,274
Number of ordinary shares in issue ('000)	265,000	265,000	265,000	265,000
Basic earnings per share (sen)	3.63	0.32	6.08	2.74

	Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008	1.7.2007	1.1.2008	1.1.2007
	to	to	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
Net profit for the period (RM'000)	9,617	860	16,090	7,274
Number of ordinary shares in issue ('000)	265,000	265,000	265,000	265,000
Basic earnings per share (sen)	3.63	0.32	6.07	2.74

There is no dilutive potential in the ordinary shares as at 30 September 2008.

28. Commitments and contingencies

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

28. Commitments and contingencies (cont'd.)

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

	Principal Amount ← RM'000	Credit Equivalent Amount* 30.9.2008 RM'000	Risk weighted amount → RM'000	Principal Amount ← RM'000	Credit Equivalent Amount* 31.12.2007 RM'000	Risk weighted amount → RM'000
Direct credit substitutes	21,099	21,099	20,515	27,603	27,603	27,603
Transaction-related contingent items	85,299	42,650	39,997	75,742	37,871	37,313
Short-term self-liquidating trade-related contingencies	74,425	14,885	14,875	56,824	11,365	11,365
Forward foreign exchange contracts						
- less than one year	158,448	3,641	2,785	218,152	2,438	1,199
Other commitments, such as formal standby facilities and credit lines, with an original						
- maturity more than one year	338	169	169	977	488	488
- maturity less than one year	667,233	133,447	133,432	673,887	-	-
Any commitment that are unconditionally cancelled at any time without prior notice	28,969	-	-	-	-	-
Total	1,035,811	215,891	211,773	1,053,185	79,765	77,968

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

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

28. Commitments and contingencies (cont'd.)

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 2008, the amount of contracts which were not hedged and, hence, exposed to market risk is RM 2,034,000 (31.12.2007: RM2,854,000).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 30 September 2008, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM3,642,000 (31.12.2007: RM2,437,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

29. Interest rate risk

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

29. Interest rate risk (cont'd.)

Group	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000					
As at 30 September 2008										
Assets										
Cash and short-term funds	613,683	-	-	-	-	23,196	-	636,879	3.46	
Deposits and placements with banks and other financial institutions	-	60,000	-	-	-	-	-	60,000	3.62	
Securities Held-for-Trading	29,980	2,979	-	-	-	-	-	32,959	3.55	
Securities Available-for-Sale	-	-	10,001	74,055	28,294	873	-	113,223	4.18	
Securities Held-to-Maturity	-	-	-	-	-	13	-	13	n/a	
Loans, advances and financing										
- performing	1,413,856	210	-	3	1,808	-	-	1,415,877	5.27	
- non-performing *	-	-	-	-	-	(12,449)	-	(12,449)	n/a	
Other non-interest sensitive balances	-	-	-	-	-	64,453	-	64,453	n/a	
Total assets	2,057,519	63,189	10,001	74,058	30,102	76,086	-	2,310,955		
Liabilities										
Deposits from customers	679,578	266,522	205,167	18,990	-	-	-	1,170,257	3.19	
Deposits and placements of licensed banks	434,240	154,260	34,280	-	-	641	-	623,421	3.14	
Bills and acceptances payable	10,931	24,409	13,805	-	-	-	-	49,145	3.50	
Obligation on securities sold under repurchase agreement	77,839	-	-	-	-	-	-	77,839	3.42	
Other non-interest sensitive balances	-	-	-	-	-	17,956	-	17,956	n/a	
Total liabilities	1,202,588	445,191	253,252	18,990	-	18,597	-	1,938,618		
Shareholders' equity	-	-	-	-	-	372,337	-	372,337	n/a	
Total liabilities and shareholders' equity	1,202,588	445,191	253,252	18,990	-	390,934	-	2,310,955		

Bangkok Bank Berhad
(Incorporated in Malaysia)

29. Interest rate risk (cont'd.)

Group	Non-trading book					Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 30 September 2008 (Contd.)									
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	854,931	(382,002)	(243,251)	55,068	30,102	(314,848)	-		

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

Group	Non-trading book					Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 31 December 2007									
Assets									
Cash and short-term funds	760,330	-	-	-	-	11,099	-	771,429	3.63
Deposits and placements with banks and other financial institutions	-	347,182	-	-	-	-	-	347,182	4.89
Securities Held-for-Trading	-	-	-	-	-	-	19,480	19,480	n/a
Securities Available-for-Sale	-	-	10,143	30,662	-	931	-	41,736	5.03
Securities Held-to-Maturity	-	-	15,010	-	-	13	-	15,023	3.82
Loans, advances and financing									
- performing	1,049,999	-	541	5	1,603	-	-	1,052,148	5.78
- non-performing *	-	-	-	-	-	(5,531)	-	(5,531)	n/a
Other non-interest sensitive balances	-	-	-	-	-	51,403	-	51,403	n/a
Total assets	1,810,329	347,182	25,694	30,667	1,603	57,915	19,480	2,292,870	

Bangkok Bank Berhad
(Incorporated in Malaysia)

29. Interest rate risk (cont'd.)

Group	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000					
As at 31 December 2007 (Contd.)										
Liabilities										
Deposits from customers	632,128	220,794	237,794	23,207	-	-	-	1,113,923	3.48	
Deposits and placements of banks and other financial institutions	200,353	495,975	-	-	-	-	-	696,328	4.75	
Bills and acceptances payable	12,405	21,993	-	-	-	-	-	34,398	3.50	
Obligation on securities sold under repurchase agreement	65,002	-	-	-	-	-	-	65,002	2.96	
Other non-interest sensitive balances	-	-	-	-	-	23,964	-	23,964	n/a	
Total liabilities	909,888	738,762	237,794	23,207	-	23,964	-	1,933,615		
Shareholders' equity	-	-	-	-	-	359,255	-	359,255	n/a	
Total liabilities and shareholders' equity	909,888	738,762	237,794	23,207	-	383,219	-	2,292,870		
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	900,441	(391,580)	(212,100)	7,460	1,603	(325,304)	19,480			

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

29. Interest rate risk (cont'd.)

Bank	← Non-trading book →					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
As at 30 September 2008									
Assets									
Cash and short-term funds	613,683	-	-	-	-	22,884	-	636,567	3.46
Deposits and placements with banks and other financial institutions	-	60,000	-	-	-	-	-	60,000	3.62
Securities Held-for-Trading	29,980	2,979	-	-	-	-	-	32,959	3.55
Securities Available-for-Sale	-	-	10,001	74,055	28,294	873	-	113,223	4.18
Securities Held-to-Maturity	-	-	-	-	-	13	-	13	n/a
Loans, advances and financing									
- performing	1,413,856	210	-	3	1,808	-	-	1,415,877	5.27
- non-performing *	-	-	-	-	-	(12,449)	-	(12,449)	n/a
Other non-interest sensitive balances	-	-	-	-	-	64,463	-	64,463	n/a
Total assets	2,057,519	63,189	10,001	74,058	30,102	75,784	-	2,310,653	
Liabilities									
Deposits from customers	679,578	266,522	205,167	18,990	-	-	-	1,170,257	3.19
Deposits and placements of licensed banks	434,240	154,260	34,280	-	-	641	-	623,421	3.14
Bills and acceptances payable	10,931	24,409	13,805	-	-	-	-	49,145	3.50
Obligation on securities sold under repurchase agreement	77,839	-	-	-	-	-	-	77,839	3.42
Other non-interest sensitive balances	-	-	-	-	-	17,664	-	17,664	n/a
Total liabilities	1,202,588	445,191	253,252	18,990	-	18,305	-	1,938,326	
Shareholders' equity	-	-	-	-	-	372,327	-	372,327	n/a
Total liabilities and shareholders' equity	1,202,588	445,191	253,252	18,990	-	390,632	-	2,310,653	

Bangkok Bank Berhad
(Incorporated in Malaysia)

29. 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				
As at 30 September 2008 (cont'd.)										
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	854,931	(382,002)	(243,251)	55,068	30,102	(314,848)	-			

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

As at 31 December 2007

Assets										
Cash and short-term funds	760,330	-	-	-	-	11,087	-	771,417	3.63	
Deposits and placements with banks and other financial institutions	-	347,182	-	-	-	-	-	347,182	4.89	
Securities Held-for-Trading	-	-	-	-	-	-	19,480	19,480	n/a	
Securities Available-for-Sale	-	-	10,143	30,662	-	931	-	41,736	5.03	
Securities Held-to-Maturity	-	-	15,010	-	-	13	-	15,023	3.82	
Loans, advances and financing										
- performing	1,049,999	-	541	5	1,603	-	-	1,052,148	5.78	
- non-performing *	-	-	-	-	-	(5,531)	-	(5,531)	n/a	
Other non-interest sensitive balances	-	-	-	-	-	51,413	-	51,413	n/a	
Total assets	1,810,329	347,182	25,694	30,667	1,603	57,913	19,480	2,292,868		

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

29. Interest rate risk (cont'd.)

Bank	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Over 5 years RM'000				
As at 31 December 2007 (cont'd.)										
Liabilities										
Deposits from customers	632,128	220,794	237,794	23,207	-	-	-	1,113,923	3.48	
Deposits and placements of banks and other financial institutions	200,353	495,975	-	-	-	-	-	696,328	4.75	
Bills and acceptances payable	12,405	21,993	-	-	-	-	-	34,398	3.50	
Obligation on securities sold under repurchase agreement	65,002	-	-	-	-	-	-	65,002	2.96	
Other non-interest sensitive balances	-	-	-	-	-	23,962	-	23,962	n/a	
Total liabilities	909,888	738,762	237,794	23,207	-	23,962	-	1,933,613		
Shareholders' equity	-	-	-	-	-	359,255	-	359,255	n/a	
Total liabilities and shareholders' equity	909,888	738,762	237,794	23,207	-	383,217	-	2,292,868		
On-balance sheet interest sensitivity gap representing total interest sensitivity gap										
	900,441	(391,580)	(212,100)	7,460	1,603	(325,304)	19,480			

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

30. Significant related party transactions and balances

	Group and Bank			
	Current Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	1.7.2008 to 30.9.2008 RM'000	1.7.2007 to 30.9.2007 RM'000	1.1.2008 to 30.9.2008 RM'000	1.1.2007 to 30.9.2007 RM'000
Income				
Interest on advances to holding company and its branches	446	508	3,832	665
Expenditure				
Interest on advances from holding company and its branches	1,938	559	3,365	1,028
			30.9.2008 RM'000	31.12.2007 RM'000
Amount due to				
Deposits and placements from holding company and its branches			188,743	46,983
Amount due from				
Cash and short-term funds placed with holding company and its branches			75,606	83,465

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

31. Capital adequacy

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

	30.9.2008 RM'000	31.12.2007 RM'000
Core capital ratio	19.66%	25.49%
Risk-weighted capital ratio	20.87%	26.72%

Bangkok Bank Berhad
(Incorporated in Malaysia)

31. Capital adequacy (cont'd.)

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

	30.9.2008	31.12.2007
	RM'000	RM'000
Tier-1 Capital		
Paid-up share capital	265,000	265,000
Statutory reserve	101,726	101,726
Accumulated losses	(935)	(7,408)
Less: Deferred tax assets	(7,655)	(6,842)
Total Tier-1 Capital	<u>358,136</u>	<u>352,476</u>
Tier-2 Capital		
General allowance for doubtful debts	<u>22,040</u>	<u>16,999</u>
Total Tier-2 Capital	<u>22,040</u>	<u>16,999</u>
Total capital	380,176	369,475
Less: Investment in subsidiary	(10)	(10)
Capital base	<u>380,166</u>	<u>369,465</u>

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

	Principal	Risk- Weighted	Principal	Risk- Weighted
	30.9.2008	30.9.2008	31.12.2007	31.12.2007
	RM'000	RM'000	RM'000	RM'000
0%	425,129	-	623,699	-
10%	-	-	-	-
20%	418,426	83,685	589,387	117,878
35%	5,434	1,902	-	-
50%	28,124	14,062	12,938	6,469
75%	60	45	-	-
100%	1,622,962	1,622,962	1,156,558	1,156,558
150%	9,089	13,634	-	-
Total risk-weighted assets for credit risk		<u>1,736,290</u>		<u>1,280,905</u>
Total risk-weighted assets for market risk		2,613		101,939
Total risk-weighted assets for operational risk		<u>82,534</u>		<u>-</u>
Total risk-weighted assets		<u>1,821,437</u>		<u>1,382,844</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

31. Capital adequacy (cont'd.)

With effect from 1 January 2008, capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's revised Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

32. Financial instruments

Financial risk management policies

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

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

(a) Credit risk management

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

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

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

For corrective measures, loans which are 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.

Bangkok Bank Berhad
(Incorporated in Malaysia)

32. Financial instruments (cont'd.)

(b) Market risk management

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

In order to manage risk in investment holding, the Bank 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.

Bangkok Bank Berhad
(Incorporated in Malaysia)

32. Financial instruments (cont'd.)

(d) Fair values

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

	Group and Bank			
	30.9.2008		31.12.2007	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Securities Held for Trading	32,959	32,959	19,480	19,480
Securities Available for Sale	113,223	117,792	41,736	46,000
Securities Held to Maturity	13	13	15,023	15,058
Loans, advances and financing	<u>1,403,428</u>	<u>1,403,428</u>	<u>1,046,617</u>	<u>1,046,617</u>

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

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

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

	Group and Bank			
	30.9.2008		31.12.2007	
	Nominal/ notional amount RM'000	Net fair value RM'000	Nominal/ notional amount RM'000	Net fair value RM'000
Forward foreign exchange contracts	<u>158,448</u>	<u>385</u>	<u>218,151</u>	<u>(3)</u>

Bangkok Bank Berhad
(Incorporated in Malaysia)

32. Financial instruments (cont'd.)

(d) Fair values (cont'd.)

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

(i) Cash and cash equivalents, deposits and placements with Bank Negara Malaysia, deposits from customers and banks, 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.