

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

Directors' Report and Audited Financial Statements
30 September 2009

Ernst & Young
AF : 0039

299740 W

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

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

**Performance review for the financial period ended 30 September 2009 and
commentary on the prospects.**

Bangkok Bank Berhad registered a profit before tax of RM13.5 million for the nine months of 2009, which is lower as compared to RM22.3 million recorded during the previous comparative period mainly due to the increase in loan loss provisioning and lower net interest income.

Net interest income deteriorated by 13% to RM26.3 million from RM30.4 million a year ago largely due to slowdown in customers' utilisation of loan facilities in the current economic turmoil and Overnight Policy Rate (OPR) cuts initiated by Bank Negara Malaysia. Loan outstanding declined marginally from RM1.52 billion at end December 2008 to RM1.38 billion at end September 2009. Customers' deposits grew substantially from RM1.27 billion at end December 2008 to RM1.47 billion at end September 2009.

The increase in loan loss and allowances, from RM3.8 million for the nine months ended 30 September 2008 to RM5.5 million (or 46% increase) is mainly attributable to the recoveries of RM6.5 million from an NPL due to sale of collateral pledged during the previous corresponding period. Gross NPLs have also marginally increased from RM35.9 million in December 2008 to RM37.9 million in September 2009 as a result of corporate accounts turning non-performing during the 1st half of 2009.

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

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

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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 4 to 66 are drawn up in accordance with Financial Reporting Standard 134: Interim Financial Reporting as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 September 2009 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
4 November 2009

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 66 are drawn up in accordance with Financial Reporting Standard 134: Interim Financial Reporting as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 September 2009 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
4 November 2009

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**Report on Review of Interim Financial Statement to the
Board of Directors of Bangkok Bank Berhad
for the nine-month period ended 30 September 2009**

Introduction

We have reviewed the accompanying interim financial statements of Bangkok Bank Berhad as at 30 September 2009, comprising of the consolidated and bank level balance sheets, the consolidated and bank level income statements, the consolidated and bank level statements of changes in equity and the consolidated and bank level cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Directors are responsible for the preparation and presentation of these interim financial statements in accordance with Financial Reporting Standard 134: Interim Financial Reporting ("FRS 134") as modified by Bank Negara Malaysia guidelines. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Malaysian Approved Standard on Review, ISRE 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 Approved Standards on Auditing in Malaysia 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 statements are not prepared, in all material respects, in accordance with FRS 134 as modified by Bank Negara Malaysia guidelines.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
4 November 2009

Bangkok Bank Berhad
(Incorporated in Malaysia)

Balance sheets as at 30 September 2009

	Note	Group		Bank	
		30.9.2009 RM'000	31.12.2008 RM'000 (restated)	30.9.2009 RM'000	31.12.2008 RM'000 (restated)
Assets					
Cash and short-term funds	4	390,592	510,448	390,564	510,416
Deposits and placements with banks	5	50,000	-	50,000	-
Securities held-for-trading	6	5,123	25,929	5,123	25,929
Securities available-for-sale	7	132,343	179,544	132,343	179,544
Securities held-to-maturity	8	45,286	14,977	45,286	14,977
Loans, advances and financing	9	1,324,289	1,472,522	1,324,289	1,472,522
Other assets	10	5,202	7,270	5,201	7,270
Statutory deposit with Bank Negara Malaysia	11	10,500	40,000	10,500	40,000
Investment in subsidiary	12	-	-	10	10
Property and equipment	13	10,945	11,006	10,945	11,006
Intangible assets	14	355	516	355	516
Deferred tax assets	15	7,935	5,683	7,935	5,683
Total assets		1,982,570	2,267,895	1,982,551	2,267,873
Liabilities and shareholder's equity					
Deposits from customers	16	1,470,662	1,271,855	1,470,662	1,271,855
Deposits and placements of banks and other financial institution	17	101,505	438,576	101,505	438,576
Obligation on securities sold under repurchase agreements		-	158,453	-	158,453
Other liabilities	18	20,365	16,502	20,363	16,494
Tax payable		-	-	-	-
Total liabilities		1,592,532	1,885,386	1,592,530	1,885,378
Share capital	19	265,000	265,000	265,000	265,000
Statutory reserve	20	112,461	112,461	112,454	112,454
Revaluation reserve		(1,201)	1,720	(1,201)	1,720
Retained profits		13,778	3,328	13,768	3,321
Shareholder's equity		390,038	382,509	390,021	382,495
Total liabilities and shareholder's equity		1,982,570	2,267,895	1,982,551	2,267,873
Commitments and contingencies	28	1,510,954	1,036,303	1,510,954	1,036,303

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 2009

	Note	Group			
		Current Quarter		Cumulative Quarters	
		3 months ended		9 months ended	
		1.7.2009	1.7.2008	1.1.2009	1.1.2008
		to	to		
		30.9.2009	30.9.2008	30.9.2009	30.9.2008
		RM'000	RM'000	RM'000	RM'000
Interest income	21	17,639	25,264	57,163	78,148
Interest expense	22	(9,087)	(14,856)	(30,828)	(47,737)
Net interest income		8,552	10,408	26,335	30,411
Loans loss and allowances, net	23	(1,982)	3,738	(5,533)	(3,778)
		6,570	14,146	20,802	26,633
Non-interest income	24	2,162	3,055	7,027	8,625
Net income		8,732	17,201	27,829	35,258
Overhead expenses	25	(4,835)	(4,167)	(14,328)	(12,979)
Profit before taxation		3,897	13,034	13,501	22,279
Taxation	26	(1,146)	(3,414)	(3,051)	(6,179)
Net profit for the period		2,751	9,620	10,450	16,100
Earnings per share (sen)	27				
- basic		1.04	3.63	3.94	6.08
- diluted		1.04	3.63	3.94	6.08

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 2009

	Note	Bank			
		Current Quarter		Cumulative Quarters	
		3 months ended		9 months ended	
		1.7.2009	1.7.2008	1.1.2009	1.1.2008
		to	to		
		30.9.2009	30.9.2008	30.9.2009	30.9.2008
		RM'000	RM'000	RM'000	RM'000
Interest income	21	17,639	25,264	57,163	78,148
Interest expense	22	(9,087)	(14,856)	(30,828)	(47,737)
Net interest income		8,552	10,408	26,335	30,411
Loans loss and allowances, net	23	(1,982)	3,738	(5,533)	(3,778)
		6,570	14,146	20,802	26,633
Non-interest income	24	2,160	3,050	7,022	8,610
Net income		8,730	17,196	27,824	35,243
Overhead expenses	25	(4,834)	(4,167)	(14,327)	(12,978)
Profit before taxation		3,896	13,029	13,497	22,265
Taxation	26	(1,146)	(3,412)	(3,050)	(6,175)
Net profit for the period		2,750	9,617	10,447	16,090
Earnings per share (sen)	27				
- basic		1.04	3.63	3.94	6.07
- diluted		1.04	3.63	3.94	6.07

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 2009

	<----- Group ----->				
	<---Non-distributable--->			Distributable	
	Share	Statutory	Revaluation	(Accumulated	
	capital	reserve	reserve	losses)/	Total
	RM'000	RM'000	RM'000	Retained	RM'000
	RM'000	RM'000	RM'000	profits	RM'000
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)
Deferred tax recognised in equity(restated)	-	-	770	-	770
At 30 September 2008	<u>265,000</u>	<u>101,726</u>	<u>(2,311)</u>	<u>8,692</u>	<u>373,107</u>
At 1 January 2009					
- as previously stated	265,000	112,461	2,293	3,328	383,082
- reclassified from deferred tax	-	-	(573)	-	(573)
- as restated	<u>265,000</u>	<u>112,461</u>	<u>1,720</u>	<u>3,328</u>	<u>382,509</u>
Net profit for the period	-	-	-	10,450	10,450
Unrealised net loss on revaluation of available- for-sale securities	-	-	(3,895)	-	(3,895)
Deferred tax recognised in equity	-	-	974	-	974
At 30 September 2009	<u>265,000</u>	<u>112,461</u>	<u>(1,201)</u>	<u>13,778</u>	<u>390,038</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 2009 (cont'd.)

	<----- Bank ----->				
	<---Non-distributable--->			Distributable	
	Share	Statutory	Revaluation	(Accumulated	
	capital	reserve	reserve	losses)/	Retained
	RM'000	RM'000	RM'000	profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2008	265,000	101,726	(63)	(7,408)	359,255
Net profit for the period	-	-	-	16,090	16,090
Unrealised net loss on revaluation of available- for-sale securities	-	-	(3,018)	-	(3,018)
Deferred tax recognised in equity(restated)	-	-	770	-	770
At 30 September 2008	265,000	101,726	(2,311)	8,682	373,097
At 1 January 2009					
- as previously stated	265,000	112,454	2,293	3,321	383,068
- reclassified from deferred tax	-	-	(573)	-	(573)
- as restated	265,000	112,454	1,720	3,321	382,495
Net profit for the period	-	-	-	10,447	10,447
Unrealised net loss on revaluation of available- for-sale securities	-	-	(3,895)	-	(3,895)
Deferred tax recognised in equity	-	-	974	-	974
At 30 September 2009	265,000	112,454	(1,201)	13,768	390,021

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 2009

	Group		Bank	
	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000
Cash flows from operating activities				
Profit before taxation	13,501	22,279	13,497	22,265
Adjustments for:				
Depreciation	917	734	917	734
Amortisation of intangible assets	231	128	231	128
Allowance for losses on loans and financing, net	6,802	10,089	6,802	10,089
Property and equipment written off	12	-	12	-
Unrealised foreign exchange (gain)/loss	(159)	385	(159)	385
Net gain on revaluation of securities held- for-trading	-	(89)	-	(89)
Net loss on disposal of securities held-for-trading	12	57	12	57
Net gain on disposal of securities available-for-sale	(602)	-	(602)	-
Amortisation of premium net of accretion of discount	637	252	637	252
Interest suspended	2,745	2,638	2,745	2,638
Dividend income	(47)	(55)	(47)	(55)
Operating profit before working capital changes	24,049	36,418	24,045	36,404
Decrease/(increase) in loans and advances	138,686	(369,538)	138,686	(369,538)
(Increase)/decrease in deposits and placements with banks	(50,000)	287,182	(50,000)	287,182
Increase in other assets	(1,990)	(290)	(1,990)	(290)
Decrease/(increase) in statutory deposit with Bank Negara Malaysia	29,500	(14,000)	29,500	(14,000)
Increase in deposits from customers	198,807	56,334	198,807	56,334
Decrease in deposits and placements of banks and other financial institutions	(337,071)	(72,907)	(337,071)	(72,907)
(Decrease)/increase in obligations sold under repurchase agreements	(158,453)	12,837	(158,453)	12,837
Increase in bills and acceptances payable	-	14,747	-	14,747
Increase/(decrease) in other liabilities	5,713	(6,011)	5,714	(6,297)
Cash used in operations carried forward	(150,759)	(55,228)	(150,762)	(55,528)

Bangkok Bank Berhad
(Incorporated in Malaysia)

Cash flow statements
For the period ended 30 September 2009 (cont'd.)

	Group		Bank	
	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000
Cash flows from operating activities (cont'd.)				
Cash used in operations brought forward	(150,759)	(55,228)	(150,762)	(55,528)
Taxes paid	(6,447)	(4,442)	(6,440)	(4,442)
Taxes refunded	4,486	-	4,486	-
Net cash used in operating activities	<u>(152,720)</u>	<u>(59,670)</u>	<u>(152,716)</u>	<u>(59,970)</u>
Cash flows from investing activities				
Purchase of property and equipment	(868)	(1,248)	(868)	(1,248)
Purchase of intangible assets	(70)	(491)	(70)	(491)
Purchase of securities held-for-trading	(304,895)	(152,900)	(304,895)	(152,900)
Purchase of securities available-for-sale	(93,064)	(84,814)	(93,064)	(84,814)
Purchase of securities held-to-maturity	(30,336)	-	(30,336)	-
Dividend received	46	54	46	54
Proceeds from disposals of securities held-for-trading	325,700	139,512	325,700	139,512
Proceeds from disposals of securities available-for-sale	136,351	10,007	136,351	10,007
Proceeds from disposals of securities held-to-maturity	-	15,000	-	15,000
Net cash generated from/(used in) investing activities	<u>32,864</u>	<u>(74,880)</u>	<u>32,864</u>	<u>(74,880)</u>
Net decrease in cash and cash equivalents	(119,856)	(134,550)	(119,852)	(134,850)
Cash and cash equivalents at beginning of financial period	510,448	771,429	510,416	771,417
Cash and cash equivalents at end of financial period	<u>390,592</u>	<u>636,879</u>	<u>390,564</u>	<u>636,567</u>
Cash and cash equivalents comprise:				
Cash and short-term funds	<u>390,592</u>	<u>636,879</u>	<u>390,564</u>	<u>636,567</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 2009

1. Corporate information

The principal activities of Bangkok Bank Berhad ("the Bank") are banking and related financial services. The principal activity of its subsidiary is described in Note 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 provision of Financial Reporting Standards¹³⁴: Interim Financial Reporting as modified by Bank Negara Malaysia guidelines.

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

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

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

FRS, Amendments to FRS and IC Interpretations:	Effective for financial periods beginning on or after
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 101: Presentation of Financial Statements (revised 2009)	1 January 2010
FRS 123: Borrowing Costs	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	1 January 2010

Bangkok Bank Berhad
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2. Basis of preparation (cont'd.)

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

FRS, Amendments to FRS and IC Interpretations:	Effective for financial periods beginning on or after
Amendments to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary Jointly Controlled Entity and Associate	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The impact of applying FRS 4, 7 and 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective FRSs.

FRS 8, FRS 123, Amendments to FRSs ,7,127,132 and 139, IC Interpretations 9, 10, 11, 13 and 14 are not expected to have significant impact on the financial statements of the Group and Bank.

(b) Significant accounting estimates and judgements

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

Bangkok Bank Berhad
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2. Basis of preparation (cont'd.)

(b) Significant accounting estimates and judgements (cont'd.)

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

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

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

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

3. Significant accounting policies

(a) Subsidiary and basis of consolidation

(i) Subsidiary

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

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

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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.

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

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

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

(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
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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.

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3. Significant accounting policies (cont'd.)

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

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

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

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

(d) Securities

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

(i) Held-for-trading

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

(ii) Held-to-maturity

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

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3. Significant accounting policies (cont'd.)

(d) Securities (cont'd.)

(iii) Available-for-sale

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

(iv) Impairment of securities portfolio

The Group and the Bank assesses at each balance sheet date whether there is any objective evidence that a security or group of securities (other than securities held-for-trading) is impaired.

Securities held-to-maturity

For securities carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

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3. Significant accounting policies (cont'd.)

(d) Securities (cont'd.)

(iv) Impairment of securities portfolio (cont'd.)

Securities available-for-sale

For securities available-for-sale in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(e) Property and equipment and depreciation

All items of property 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 and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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3. Significant accounting policies (cont'd.)

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each balance sheet date.

(f) Intangible assets

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.

Computer software	2 - 5 years
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The Group has developed the following criteria to identify computers software or licence to be classified as plant or equipment or intangible asset:

- Software or licence that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as plant and equipment; and

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3. Significant accounting policies (cont'd.)

(f) Intangible assets (cont'd.)

- Application software that is being used on a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible asset.

(g) Impairment of assets

At each balance sheet date, the Group and the Bank review the carrying amounts of the assets, other than securities portfolio and deferred tax assets 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.

An impairment loss is recognised in income statement in the period in which it arises.

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.

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3. Significant accounting policies (cont'd.)

(h) Other receivables

Other receivables are stated at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at balance sheet date.

(i) Bills and acceptances payable

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

(j) Liabilities and other payables

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

(k) Obligations on securities sold under repurchase agreement.

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

(l) Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's primary functional currency.

(b) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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3. Significant accounting policies (cont'd.)

(l) Foreign currencies (cont'd.)

(b) Foreign currency transactions (cont'd.)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

The Group and Bank do not have any net investment in foreign operations.

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

	30.9.2009	31.12.2008
Singapore Dollar	2.45	2.41
Thai Baht	0.10	0.10
United States Dollar	3.47	3.47

(m) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period 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.

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3. Significant accounting policies (cont'd.)

(m) Employee benefits (cont'd.)

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

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

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

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3. Significant accounting policies (cont'd.)

(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 sheets when the Group has become a party to the contractual provisions of the instruments.

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

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.

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3. Significant accounting policies (cont'd.)

(r) Derivative instruments

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

4. Cash and short-term funds

	Group		Bank	
	30.9.2009	31.12.2008	30.9.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	330,592	415,652	330,564	415,620
Money at call and deposit placements maturing within one month	60,000	94,796	60,000	94,796
	<u>390,592</u>	<u>510,448</u>	<u>390,564</u>	<u>510,416</u>

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

	Group and Bank	
	30.9.2009	31.12.2008
	%	%
	per annum	per annum
Licensed banks	2.16	3.22
Bank Negara Malaysia	<u>2.01</u>	<u>3.26</u>

5. Deposits and placements with banks

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Licensed banks	<u>50,000</u>	<u>-</u>

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5. Deposits and placements with banks (cont'd.)

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

	Group and Bank	
	30.9.2009	31.12.2008
	%	%
	per annum	per annum
Licensed banks	2.16	-

6. Securities held-for-trading

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	5,123	25,929

7. Securities available-for-sale

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	106,097	128,120
Private Debt Securities	20,366	20,485
Cagamas Bonds	5,008	10,001
Government Investment Issue	-	20,066
Quoted securities in Malaysia:		
Debt converted shares *	-	-
	<u>131,471</u>	<u>178,672</u>
At cost		
Unquoted shares:		
Shares	872	872
	<u>132,343</u>	<u>179,544</u>

* Quoted shares fully provided as at relevant balance sheet dates.

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8. Securities held-to-maturity

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
In Malaysia:		
Money market instruments:		
Malaysian Government Securities	45,297	14,961
Unquoted securities:		
Private debt securities	840	840
	<u>46,137</u>	<u>15,801</u>
Less: Amortisation of premium net of accretion of discount	(24)	3
Less: Accumulated impairment losses	(827)	(827)
	<u>45,286</u>	<u>14,977</u>

(i) Indicative fair value of securities:

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Malaysian Government Securities	45,631	15,231
Unquoted securities - private debt securities	13	13
	<u>45,644</u>	<u>15,244</u>

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Maturing more than one year	45,297	14,961
	<u>45,297</u>	<u>14,961</u>

(iii) The weighted average effective interest rate as at balance sheet date was 3.24% (31.12.2008: 3.65%) per annum.

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9. Loans, advances and financing

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Overdrafts	98,779	95,937
Term loans		
Housing loans	10,161	10,973
Syndicated term loan	48,669	54,668
Other term loans	280,929	260,608
Revolving credits	245,485	212,206
Bills receivables	14,390	17,160
Trust receipts	28,425	109,923
Bankers' acceptances	636,947	716,527
Other financing	19,021	47,369
Staff loans	1,373	1,795
	<u>1,384,179</u>	<u>1,527,166</u>
Unearned interest	(3,463)	(5,018)
	<u>1,380,716</u>	<u>1,522,148</u>
General allowance for bad and doubtful debts ("GA")	(28,947)	(23,540)
Specific allowance for bad and doubtful debts ("SA")	(27,480)	(26,086)
Net loans, advances and financing	<u>1,324,289</u>	<u>1,472,522</u>
Total loans, advances and financing less SA	<u>1,353,236</u>	<u>1,496,062</u>

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Maturing within one year	1,067,631	1,199,572
One year to three years	118,006	125,030
Three years to five years	93,130	95,107
Over five years	101,949	102,439
	<u>1,380,716</u>	<u>1,522,148</u>

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

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Purchase of securities	32,868	45,193
Purchase of transport vehicles	1,484	5,142
Purchase of residential properties	11,478	12,735
Purchase of non-residential properties	57,861	61,897
Purchase of fixed assets other than land and building	77,706	54,198
Personal use	6,402	5,012
Construction	21,186	27,257
Working capital	1,117,843	1,310,714
Others	53,888	-
	<u>1,380,716</u>	<u>1,522,148</u>

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Domestic non-bank financial institutions	96,109	97,636
Domestic business enterprises		
- Small medium enterprises	366,554	429,312
- Others	899,941	977,371
Domestic other entities	44	53
Individuals	18,068	17,776
	<u>1,380,716</u>	<u>1,522,148</u>

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

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Fixed rate		
Housing loan	1,317	1,791
Other fixed rate loan/financing	13,040	3,762
Variable rate		
BLR plus	348,117	315,323
Cost-plus	1,013,295	1,077,282
Other variable rates	4,947	123,990
	<u>1,380,716</u>	<u>1,522,148</u>

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Balance as at 1 January	35,957	40,775
Classified as non-performing during the period/year	3,720	8,631
Reclassified as performing during the period/year	(882)	(1,206)
Amount recovered	(999)	(624)
Amount written off	-	(11,599)
Other adjustment	61	(20)
Balance as at 30 September/ 31 December	<u>37,857</u>	<u>35,957</u>
Specific allowance	<u>(27,480)</u>	<u>(26,086)</u>
Net non-performing loans, advances and financing	<u>10,377</u>	<u>9,871</u>
Ratio of net non-performing loans, advances and financing to total loans, advances and financing less SA	<u>0.77%</u>	<u>0.66%</u>

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

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
General Allowance		
Balance as at 1 January	23,540	16,999
Allowance made during the period/year	6,600	6,541
Transfer to specific allowance	(1,193)	-
Balance as at 30 September/ 31 December	<u>28,947</u>	<u>23,540</u>
GA% of gross loans, advances and financing less SA	<u>2.14%</u>	<u>1.57%</u>
Specific Allowance		
Balance as at 1 January	26,086	29,279
Allowance made during the period/year	1,188	9,513
Transfer from general allowance	1,193	-
Written off	-	(11,599)
Recovered and written back	(987)	(1,107)
Balance as at 30 September/ 31 December	<u>27,480</u>	<u>26,086</u>

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Purchase of residential properties	2,653	2,162
Working capital	35,204	33,795
	<u>37,857</u>	<u>35,957</u>

(viii) The weighted average effective interest rate for loans, advances and financing at the balance sheet date was 4.16% (31.12.2008: 5.23%) per annum.

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10. Other assets

	Group		Bank	
	30.9.2009	31.12.2008	30.9.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Other receivables, deposits and prepayments	2,486	2,762	2,486	2,762
Unrealised gain on derivatives	1,686	1,106	1,686	1,106
Tax recoverable	1,030	3,402	1,029	3,402
	<u>5,202</u>	<u>7,270</u>	<u>5,201</u>	<u>7,270</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	
	30.9.2009	31.12.2008
	RM'000	RM'000
Unquoted shares, at cost	<u>10</u>	<u>10</u>

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

Name of company	Percentage of equity held		Principal activity
	30.9.2009	31.12.2008	
	%	%	
BBL Nominees (Tempatan) Sdn. Bhd	100	100	Provision of nominee services to local clients of the Bank

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13. Property and equipment

Group and Bank	Freehold land and buildings*	Motor vehicles	Office equipment, furniture and fittings, and computer equipment	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2009				
Cost				
At 1 January 2009 as previously stated	14,512	1,049	6,520	22,081
Reclassified to intangible assets	-	-	(805)	(805)
At 1 January 2009 as restated	14,512	1,049	5,715	21,276
Additions	618	-	250	868
Write off	-	-	(1,615)	(1,615)
At 30 September 2009	15,130	1,049	4,350	20,529
Accumulated depreciation				
At 1 January 2009 as previously stated	6,172	787	3,963	10,922
Reclassified to intangible assets	-	-	(652)	(652)
At 1 January 2009 as restated	6,172	787	3,311	10,270
Depreciation charge for the period	210	60	647	917
Write off	-	-	(1,603)	(1,603)
At 30 September 2009	6,382	847	2,355	9,584
Net carrying amount	8,748	202	1,995	10,945
31 December 2008 (restated)				
Cost				
At 1 January 2008 as previously stated	14,031	1,049	4,979	20,059
Reclassified to intangible assets	-	-	(805)	(805)
At 1 January 2008 as restated	14,031	1,049	4,174	19,254
Additions	481	-	1,541	2,022
At 31 December 2008	14,512	1,049	5,715	21,276
Accumulated depreciation				
At 1 January 2008 as previously stated	5,902	676	3,331	9,909
Reclassified to intangible assets	-	-	(680)	(680)
At 1 January 2008 as restated	5,902	676	2,651	9,229
Depreciation charge for the year	270	111	660	1,041
At 31 December 2008	6,172	787	3,311	10,270
Net carrying amount	8,340	262	2,404	11,006

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

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13. Property and equipment (cont'd.)

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

	30.9.2009	31.12.2008
	RM'000	RM'000
Buildings	4,067	4,067
Motor vehicles	558	558
Office equipment, furniture and fittings and computer equipment	1,447	2,657
	<u>6,072</u>	<u>7,282</u>

14. Intangible assets

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
		(restated)
Computer Software		
Cost:		
At 1 January as previously stated	585	-
Reclassified from property and equipment	805	805
At 1 January as restated	<u>1,390</u>	<u>805</u>
Additions	70	585
At 30 September/ 31 December	<u>1,460</u>	<u>1,390</u>
Accumulated amortisation:		
At 1 January as previously stated	222	-
Reclassified from property and equipment	652	679
At 1 January as restated	<u>874</u>	<u>679</u>
Amortisation charged (Note 25)	231	195
At 30 September/ 31 December	<u>1,105</u>	<u>874</u>
Net carrying amount	<u>355</u>	<u>516</u>

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15. Deferred tax assets

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000 (restated)
At 1 January as previously stated	6,256	6,842
Recognised in equity	(573)	-
At 1 January as restated	<u>5,683</u>	<u>6,842</u>
Recognised in the income statement (Note 26)	1,278	(586)
Recognised in equity	974	(573)
At 30 September/31 December	<u><u>7,935</u></u>	<u><u>5,683</u></u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	8,324	6,692
Deferred tax liabilities	(389)	(1,009)
	<u><u>7,935</u></u>	<u><u>5,683</u></u>

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

Group and Bank

Deferred tax assets

	General allowance	Revaluation reserve	Others	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	6,482	-	210	6,692
Recognised in the income statement	1,231	-	-	1,231
Reclassified from deferred tax liabilities	-	401	-	401
At 30 September 2009	<u>7,713</u>	<u>401</u>	<u>210</u>	<u>8,324</u>
At 1 January 2008	6,634	-	405	7,039
Recognised in the income statement	(152)	-	(195)	(347)
At 31 December 2008	<u>6,482</u>	<u>-</u>	<u>210</u>	<u>6,692</u>

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15. Deferred tax assets (cont'd.)

Deferred tax liabilities

	Capital allowances RM'000	Revaluation reserve RM'000	Others RM'000	Total RM'000
At 1 January 2009 as previously stated	(429)	-	(7)	(436)
Recognised in equity	-	(573)	-	(573)
At 1 January 2009 as restated	(429)	(573)	(7)	(1,009)
Recognised in the income statement	47	-	-	47
Recognised in equity	-	974	-	974
Reclassified to deferred tax asset	-	(401)	-	(401)
At 30 September 2009	(382)	-	(7)	(389)
At 1 January 2008	(190)	-	(7)	(197)
Recognised in the income statement	(239)	-	-	(239)
Recognised in equity	-	(573)	-	(573)
At 31 December 2008	(429)	(573)	(7)	(1,009)

16. Deposits from customers

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
		(restated)
Fixed deposits	1,070,357	1,060,062
Negotiable instruments of deposits	103,000	97,000
Current accounts	90,174	105,703
Savings deposits	9,406	9,090
Short term deposits	197,725	-
	<u>1,470,662</u>	<u>1,271,855</u>

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Due within six months	1,191,801	866,958
Six months to one year	170,481	274,106
One year to three years	7,700	15,188
Over three years	1,100	810
	<u>1,371,082</u>	<u>1,157,062</u>

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16. Deposits from customers (cont'd.)

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

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
		(restated)
Business enterprises	1,187,094	1,009,719
Individuals	208,114	202,439
Others	75,454	59,697
	<u>1,470,662</u>	<u>1,271,855</u>

(iii) The weighted average effective interest rate for deposits from customers at the balance sheet date was 2.28% (2008: 3.15%) per annum.

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
		(restated)
Licensed banks and other financial institutions	101,505	433,106
Bank Negara Malaysia	-	5,470
	<u>101,505</u>	<u>438,576</u>

The weighted average effective interest rate for deposits and placements of banks and other financial institutions at the balance sheet date was 0.75% (31.12.2008: 3.59%) per annum.

18. Other liabilities

	Group		Bank	
	30.9.2009	31.12.2008	30.9.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Accruals	2,620	1,023	2,620	1,023
Unrealised loss on derivatives	1,845	1,545	1,845	1,545
Other payables	15,900	13,934	15,898	13,926
	<u>20,365</u>	<u>16,502</u>	<u>20,363</u>	<u>16,494</u>

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19. Share capital

	Number of ordinary shares of RM1 each		Amount	
	30.9.2009 '000	31.12.2008 '000	30.9.2009 RM'000	31.12.2008 RM'000
Authorised	300,000	300,000	300,000	300,000
Issued and fully paid	265,000	265,000	265,000	265,000

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.

21. Interest income

	Group and Bank			
	Current Quarter 3 months ended		Cumulative Quarters 9 months ended	
	1.7.2009 to 30.9.2009 RM'000	1.7.2008 to 30.9.2008 RM'000	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000
Loans and advances	13,323	18,579	43,400	52,438
Deposits and placements with banks and other financial institutions	2,607	5,250	8,633	21,889
Securities held-for-trading	41	3	107	100
Securities available-for-sale	1,521	1,279	4,972	3,528
Securities held-to-maturity	373	148	688	445
	17,865	25,259	57,800	78,400
Amortisation of premium net of accretion of discount	(226)	5	(637)	(252)
	17,639	25,264	57,163	78,148

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22. Interest expense

	Group and Bank			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.7.2008	1.1.2009	1.1.2008
	to	to	to	to
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	8,730	10,161	28,572	28,717
Deposits and placements of licensed banks	357	4,695	2,256	19,020
	<u>9,087</u>	<u>14,856</u>	<u>30,828</u>	<u>47,737</u>

23. Loan loss and allowances, net

	Group and Bank			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.7.2008	1.1.2009	1.1.2008
	to	to	to	to
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
General allowance for bad and doubtful debts	(2,300)	(500)	(6,600)	(5,041)
Specific allowance for bad and doubtful debts	-	(1,447)	(1,188)	(5,740)
Specific allowance written back	191	-	987	692
Bad debts recovered	127	5,685	1,268	6,311
	<u>(1,982)</u>	<u>3,738</u>	<u>(5,533)</u>	<u>(3,778)</u>

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24. Non-interest income

	Group			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009 to 30.9.2009 RM'000	1.7.2008 to 30.9.2008 RM'000	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000
Fee income:				
Commission	600	763	1,590	2,283
Service charges and fees	162	400	382	822
Guarantee fees	255	248	742	839
	<u>1,017</u>	<u>1,411</u>	<u>2,714</u>	<u>3,944</u>
Investment income:				
Net gain/(loss) on sale of investments:				
Securities held-for-trading	27	(12)	(12)	(57)
Securities available-for-sale	(78)	-	602	-
Net (loss)/gain on revaluation of securities held-for-trading	(13)	(21)	-	89
Gross dividend from securities available-for-sale	41	27	47	55
	<u>(23)</u>	<u>(6)</u>	<u>637</u>	<u>87</u>
Other income:				
Foreign exchange gain	1,464	1,874	3,414	3,744
Unrealised (loss)/gain on derivatives	(431)	(378)	(160)	385
Rental income	134	150	421	461
Other	1	4	1	4
	<u>1,168</u>	<u>1,650</u>	<u>3,676</u>	<u>4,594</u>
	<u>2,162</u>	<u>3,055</u>	<u>7,027</u>	<u>8,625</u>

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

	Bank			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009 to 30.9.2009 RM'000	1.7.2008 to 30.9.2008 RM'000	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000
Fee income:				
Commission	598	758	1,584	2,268
Service charges and fees	162	400	382	822
Guarantee fees	255	248	742	839
	<u>1,015</u>	<u>1,406</u>	<u>2,708</u>	<u>3,929</u>
Investment income:				
Net gain/(loss) on sale of investments:				
Securities held-for-trading	27	(12)	(12)	(57)
Securities available-for-sale	(78)	-	602	-
Net (loss)/gain on revaluation of securities held-for-trading	(13)	(21)	-	89
Gross dividend from securities available-for-sale	41	27	47	55
	<u>(23)</u>	<u>(6)</u>	<u>637</u>	<u>87</u>
Other income:				
Foreign exchange gain	1,464	1,874	3,414	3,744
Unrealised (loss)/gain on derivatives	(431)	(378)	(160)	385
Rental income	134	150	421	461
Other	1	4	2	4
	<u>1,168</u>	<u>1,650</u>	<u>3,677</u>	<u>4,594</u>
	<u>2,160</u>	<u>3,050</u>	<u>7,022</u>	<u>8,610</u>

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25. Overhead expenses

	Group			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009 to 30.9.2009 RM'000	1.7.2008 to 30.9.2008 RM'000	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000
Personnel costs	3,232	2,503	9,335	8,163
Establishment costs	814	730	2,302	2,026
Marketing expenses	52	61	279	208
Administration and general expenses	700	823	2,329	2,444
Other non-interest expenses	37	50	83	138
	<u>4,835</u>	<u>4,167</u>	<u>14,328</u>	<u>12,979</u>
(i) Included in personnel costs are:				
Short term accumulating compensated absences	24	15	35	37
Defined contribution plan				
- Employees Provident Fund	352	310	1,046	938
Termination benefits	70	-	170	-
	<u>70</u>	<u>-</u>	<u>170</u>	<u>-</u>
(ii) Included in the above overhead expenses are:				
Directors' remuneration (Note iii)	429	408	1,278	1,211
Hire of equipment	13	11	35	52
Auditors' remuneration:				
- statutory audit	20	16	61	63
- other services	2	16	40	36
Depreciation	278	249	917	728
Amortisation of intangible assets	79	64	231	128
	<u>79</u>	<u>64</u>	<u>231</u>	<u>128</u>
(iii) Directors' remuneration				
Executive Director:				
Salary and other remuneration	253	220	759	660
Benefits-in-kind	6	5	17	18
	<u>259</u>	<u>225</u>	<u>776</u>	<u>678</u>
Non-executive directors:				
Fees	165	174	493	522
Other remuneration	11	14	26	29
	<u>176</u>	<u>188</u>	<u>519</u>	<u>551</u>
Total	<u>435</u>	<u>413</u>	<u>1,295</u>	<u>1,229</u>
Total excluding benefits-in-kind	<u>429</u>	<u>408</u>	<u>1,278</u>	<u>1,211</u>

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25. Overhead expenses (cont'd.)

	Bank			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009 to 30.9.2009 RM'000	1.7.2008 to 30.9.2008 RM'000	1.1.2009 to 30.9.2009 RM'000	1.1.2008 to 30.9.2008 RM'000
Personnel costs	3,232	2,503	9,335	8,163
Establishment costs	814	730	2,302	2,026
Marketing expenses	52	61	279	208
Administration and general expenses	699	823	2,328	2,443
Other non-interest expenses	37	50	83	138
	<u>4,834</u>	<u>4,167</u>	<u>14,327</u>	<u>12,978</u>
 (i) Included in personnel costs are:				
Short term accumulating compensated absences	24	15	35	37
Defined contribution plan				
- Employees Provident Fund	352	310	1,046	938
Termination benefits	70	-	170	-
	<u>424</u>	<u>325</u>	<u>1,251</u>	<u>975</u>
 (ii) Included in the above overhead expenses are:				
Directors' remuneration (Note iii)	429	408	1,278	1,211
Hire of equipment	-	11	22	52
Auditors' remuneration:				
- statutory audit	20	16	61	62
- other services	2	16	40	36
Depreciation	278	249	917	728
Amortisation of intangible assets	79	64	231	128
	<u>788</u>	<u>764</u>	<u>2,459</u>	<u>2,217</u>
 (iii) Directors' remuneration				
Executive Director:				
Salary and other remuneration	253	220	759	660
Benefits-in-kind	6	5	17	18
	<u>259</u>	<u>225</u>	<u>776</u>	<u>678</u>
Non-executive directors:				
Fees	165	174	493	522
Other remuneration	11	14	26	29
	<u>176</u>	<u>188</u>	<u>519</u>	<u>551</u>
Total	<u>435</u>	<u>413</u>	<u>1,295</u>	<u>1,229</u>
Total excluding benefits-in-kind	<u>429</u>	<u>408</u>	<u>1,278</u>	<u>1,211</u>

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26. Taxation

	Group			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.7.2008	1.1.2009	1.1.2008
	to	to	to	to
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	1,589	3,491	4,790	7,069
Under/(over) provision in prior years	89	-	(461)	-
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	(532)	(77)	(1,278)	(890)
	<u>1,146</u>	<u>3,414</u>	<u>3,051</u>	<u>6,179</u>

	Bank			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.7.2008	1.1.2009	1.1.2008
	to	to	to	to
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current period	1,589	3,489	4,789	7,065
Under/(over) provision in prior years	89	-	(461)	-
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	(532)	(77)	(1,278)	(890)
	<u>1,146</u>	<u>3,412</u>	<u>3,050</u>	<u>6,175</u>

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

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26. Taxation (cont'd.)

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 Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.7.2008	1.1.2009	1.1.2008
	to	to	to	to
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	3,897	13,034	13,501	22,279
Taxation at Malaysian statutory tax rate of 25% (30.9.2008: 26%)	974	3,389	3,375	5,793
Under/(over) provision in prior years	89	-	(461)	-
Effect of expenses not deductible for tax purposes	83	25	137	386
Tax expense for the period	<u>1,146</u>	<u>3,414</u>	<u>3,051</u>	<u>6,179</u>
	Bank			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.7.2008	1.1.2009	1.1.2008
	to	to	to	
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	3,896	13,029	13,497	22,265
Taxation at Malaysian statutory tax rate of 25% (30.6.2008: 26%)	974	3,388	3,374	5,789
Under/(over) provision in prior years	89	-	(461)	-
Effect of expenses not deductible for tax purposes	83	24	137	386
Tax expense for the period	<u>1,146</u>	<u>3,412</u>	<u>3,050</u>	<u>6,175</u>

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27. Earnings per share

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

	Group			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.7.2008	1.1.2009	1.1.2008
	to	to	to	to
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
Net profit for the period (RM'000)	2,751	9,620	10,450	16,100
Number of ordinary shares in issue ('000)	265,000	265,000	265,000	265,000
Basic earnings per share (sen)	1.04	3.63	3.94	6.08

	Bank			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.4.2008	1.1.2009	1.1.2008
	to	to	to	to
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
Net profit for the period (RM'000)	2,750	9,617	10,447	16,090
Number of ordinary shares in issue ('000)	265,000	265,000	265,000	265,000
Basic earnings per share (sen)	1.04	3.63	3.94	6.07

There is no dilutive potential in the ordinary shares as at 30 September 2009 and 30 September 2008.

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28. Commitments and contingencies

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

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

	Principal Amount <-----> RM'000	Credit Equivalent Amount* 30.9.2009 RM'000	Risk weighted amount -----> RM'000	Principal Amount <-----> RM'000	Credit Equivalent Amount* 31.12.2008 RM'000	Risk weighted amount -----> RM'000
Direct credit substitutes	18,007	18,007	17,485	21,308	21,308	20,804
Transaction-related contingent items	71,278	35,639	33,734	82,793	41,397	38,910
Short-term self-liquidating trade-related contingencies	27,565	5,513	5,513	33,932	6,786	6,786
Forward foreign exchange contracts						
- less than one year	436,994	3,379	2,419	139,831	2,278	1,834
Other commitments, such as formal standby facilities and credit lines, with an original - maturity more than one year	40	20	17	112	56	56
- maturity less than one year	-	-	-	728,310	145,662	145,921
Any commitment that are unconditionally cancelled at any time without prior notice	957,070	-	-	30,017	-	-
Total	1,510,954	62,558	59,168	1,036,303	217,487	214,311

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28. Commitments and contingencies (cont'd.)

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

Banking Institutions can apply a 0% credit conversion factor (CCF), instead of 50% on the undrawn portion of credit facilities with an original maturity of more than one year, conditional upon the institution undertaking a credit review of the facility at least annually and having the right to withdraw the facility following an unsatisfactory assessment and can also apply a 0% CCF (instead of 20%) on the undrawn portions of credit facilities with an original maturity of less than one year as a temporary measure until 31 December 2010 under the Risk Weighted Capital Adequacy Framework (RWCAF).

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 30 September 2009, the amount of contracts which were not hedged and, hence, exposed to market risk is RM5,637,000 (31 December 2008: RM1,751,000).

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 2009, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM3,379,000 (31 December 2008: RM2,278,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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 their financial positions and cash flows. The following table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

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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 2009									
Assets									
Cash and short-term funds	369,000	-	-	-	-	21,592	-	390,592	2.03
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000	2.16
Securities held-for-trading	-	-	-	5,123	-	-	-	5,123	2.57
Securities available-for-sale	-	-	5,008	106,853	19,610	872	-	132,343	3.54
Securities held-to-maturity	-	-	-	45,273	-	13	-	45,286	3.24
Loans, advances and financing									
- performing	1,328,502	6,966	4,559	1,094	1,738	-	-	1,342,859	4.02
- non-performing *	-	-	-	-	-	(18,570)	-	(18,570)	n/a
Other non-interest sensitive balances	-	-	-	-	-	34,937	-	34,937	n/a
Total assets	1,697,502	56,966	9,567	158,343	21,348	38,844	-	1,982,570	
Liabilities									
Deposits from customers	711,602	355,490	394,770	8,800	-	-	-	1,470,662	2.28
Deposits and placements of banks and other financial institutions	55,076	41,584	4,735	-	-	110	-	101,505	0.75
Other non-interest sensitive balances	-	-	-	-	-	20,365	-	20,365	n/a
Total liabilities	766,678	397,074	399,505	8,800	-	20,475	-	1,592,532	
Shareholder's equity	-	-	-	-	-	390,038	-	390,038	n/a
Total liabilities and shareholder's equity	766,678	397,074	399,505	8,800	-	410,513	-	1,982,570	

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

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29. Interest rate risk (cont'd.)

Group	Non-trading book						Trading book RM'000	Total RM'000	%
	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 2009									
(Contd.)									
On-balance sheet									
interest sensitivity									
gap representing									
total interest									
sensitivity									
gap									
	930,824	(340,108)	(389,938)	149,543	21,348	(371,669)	-	-	
31 December 2008									
Assets									
Cash and short-term funds	491,096	-	-	-	-	19,352	-	510,448	3.25
Securities held-for-trading	-	-	-	-	-	-	25,929	25,929	3.20
Securities available-for-sale	-	-	10,000	137,796	30,876	872	-	179,544	3.77
Securities held-to-maturity	-	-	-	14,964	-	13	-	14,977	3.65
Loans, advances and financing									
- performing	1,484,248	150	-	3	1,791	-	-	1,486,192	5.11
- non-performing *	-	-	-	-	-	(13,670)	-	(13,670)	n/a
Other non-interest sensitive balances	-	-	-	-	-	64,475	-	64,475	n/a
Total assets	1,975,344	150	10,000	152,763	32,667	71,042	25,929	2,267,895	

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

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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 2008 (Contd.)									
Liabilities									
Deposits from customers	689,435	220,222	346,200	15,998	-	-	-	1,271,855	3.15
Deposits and placements of banks and other financial institution	240,132	192,599	5,735	-	-	110	-	438,576	3.59
Obligation on securities sold under repurchase agreement	158,453	-	-	-	-	-	-	158,453	3.21
Other non-interest sensitive balances	-	-	-	-	-	16,502	-	16,502	n/a
Total liabilities	1,088,020	412,821	351,935	15,998	-	16,612	-	1,885,386	
Shareholder's equity	-	-	-	-	-	382,509	-	382,509	n/a
Total liabilities and shareholder's equity	1,088,020	412,821	351,935	15,998	-	399,121	-	2,267,895	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	887,324	(412,671)	(341,935)	136,765	32,667	(328,079)	25,929	-	

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29. Interest rate risk (cont'd.)

Bank	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Effective interest rate	
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000			Total RM'000	rate %
As at 30 September 2009									
Assets									
Cash and short-term funds	369,000	-	-	-	-	21,564	-	390,564	2.03
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000	2.16
Securities held-for-trading	-	-	-	5,123	-	-	-	5,123	2.57
Securities available-for-sale	-	-	5,008	106,853	19,610	872	-	132,343	3.54
Securities held-to-maturity	-	-	-	45,273	-	13	-	45,286	3.24
Loans, advances and financing									
- performing	1,328,502	6,966	4,559	1,094	1,738	-	-	1,342,859	4.02
- non-performing *	-	-	-	-	-	(18,570)	-	(18,570)	n/a
Other non-interest sensitive balances	-	-	-	-	-	34,946	-	34,946	n/a
Total assets	1,697,502	56,966	9,567	158,343	21,348	38,825	-	1,982,551	
Liabilities									
Deposits from customers	711,602	355,490	394,770	8,800	-	-	-	1,470,662	2.28
Deposits and placements of banks and other financial institutions	55,076	41,584	4,735	-	-	110	-	101,505	0.75
Other non-interest sensitive balances	-	-	-	-	-	20,363	-	20,363	n/a
Total liabilities	766,678	397,074	399,505	8,800	-	20,473	-	1,592,530	
Shareholder's equity	-	-	-	-	-	390,021	-	390,021	n/a
Total liabilities and shareholder's equity	766,678	397,074	399,505	8,800	-	410,494	-	1,982,551	

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

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29. Interest rate risk (cont'd.)

Bank	Non-trading book					Non-interest sensitive	Trading book	Total	
	Up to 1 month	> 1-3 months	> 3-12 months	1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 30 September 2009 (cont'd.)									
On-balance sheet interest sensitivity gap representing total interest sensitivity gap									
	930,824	(340,108)	(389,938)	149,543	21,348	(371,669)	-	-	
As at 31 December 2008									
Assets									
Cash and short-term funds	491,096	-	-	-	-	19,320	-	510,416	3.25
Securities held-for-trading	-	-	-	-	-	-	25,929	25,929	3.20
Securities available-for-sale	-	-	10,000	137,796	30,876	872	-	179,544	3.77
Securities held-to-maturity	-	-	-	14,964	-	13	-	14,977	3.65
Loans, advances and financing									
- performing	1,484,248	150	-	3	1,791	-	-	1,486,192	5.11
- non-performing *	-	-	-	-	-	(13,670)	-	(13,670)	n/a
Other non-interest sensitive balances	-	-	-	-	-	64,485	-	64,485	n/a
Total assets	1,975,344	150	10,000	152,763	32,667	71,020	25,929	2,267,873	

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

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29. Interest rate risk (cont'd.)

Bank	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
As at 31 December 2008 (cont'd.)									
Liabilities									
Deposits from customers	689,435	220,222	346,200	15,998	-	-	-	1,271,855	3.15
Deposits and placements of banks and other financial institution	240,132	192,599	5,735	-	-	110	-	438,576	3.59
Obligation on securities sold under repurchase agreement	158,453	-	-	-	-	-	-	158,453	3.21
Other non-interest sensitive balances	-	-	-	-	-	16,494	-	16,494	n/a
Total liabilities	1,088,020	412,821	351,935	15,998	-	16,604	-	1,885,378	
Shareholder's equity	-	-	-	-	-	382,495	-	382,495	n/a
Total liabilities and shareholder's equity	1,088,020	412,821	351,935	15,998	-	399,099	-	2,267,873	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap									
	887,324	(412,671)	(341,935)	136,765	32,667	(328,079)	25,929	-	

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30. Significant related party transactions and balances

	Group and Bank			
	Current Quarter		Cumulative Quarters	
	3 months ended		9 months ended	
	1.7.2009	1.7.2008	1.1.2009	1.1.2008
	to	to	to	to
	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	RM'000	RM'000	RM'000	RM'000
Income				
Interest on advances to holding company and its branches	4	446	40	3,832
Expenditure				
Interest on advances from holding company and its branches	81	1,938	859	3,365

	Group and Bank	
	30.9.2009	31.12.2008
	RM'000	RM'000
Amount due to		
Deposits and placements from holding company and its branches	86,885	156,282
Amount due from		
Cash and short-term funds placed with holding company and its branches	5,217	9,902

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

31. Capital adequacy

- (i) Capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's revised Risk Weighted Capital Adequacy Framework (RWCAF): Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

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31. Capital adequacy (cont'd.)

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

	30.9.2009	31.12.2008
Core capital ratio	24.84%	20.37%
Risk-weighted capital ratio	26.72%	21.65%

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

	30.9.2009	31.12.2008
	RM'000	RM'000
Tier-1 Capital		
Paid-up share capital	265,000	265,000
Statutory reserve	112,454	112,454
Retained profits	11,017 [†]	3,321
Less: Deferred tax assets	(7,002) [*]	(6,256)
Total Tier-1 Capital	<u>381,469</u>	<u>374,519</u>
Tier-2 Capital		
General allowance for doubtful debts	<u>28,947</u>	<u>23,540</u>
Total Tier-2 Capital	<u>28,947</u>	<u>23,540</u>
Total capital	410,416	398,059
Less: Investment in subsidiary	(10)	(10)
Capital base	<u>410,406</u>	<u>398,049</u>

* Computed based on balance sheet position as at 30 June 2009

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31. Capital adequacy (cont'd.)

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

	Principal	Risk-	Principal	Risk-
	30.9.2009	Weighted	31.12.2008	Weighted
	RM'000	30.9.2009	RM'000	31.12.2008
		RM'000		RM'000
0%	501,713	-	636,413	-
10%	-	-	-	-
20%	123,953	24,791	108,571	21,714
35%	4,490	1,572	5,201	1,821
50%	34,668	17,333	34,259	17,129
75%	729	547	41	31
100%	1,387,690	1,387,690	1,686,560	1,686,560
150%	5,282	7,923	9,714	14,571
Total risk-weighted assets for credit risk		<u>1,439,856</u>		<u>1,741,826</u>
Total risk-weighted assets for market risk		6,828		10,613
Total risk-weighted assets for operational risk		<u>89,122</u>		<u>85,826</u>
Total risk-weighted assets		<u><u>1,535,806</u></u>		<u><u>1,838,265</u></u>

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31. Capital adequacy (cont'd.)

(v) Disclosures relating to credit risk and market risk are as below:

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk weighted Assets RM'000	Capital Requirements RM'000
30 September 2009				
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	474,180	474,180	-	-
Banks, Development Financial Institutions & MDBs	123,661	123,661	26,707	2,137
Corporates	1,359,224	1,359,224	1,322,344	105,788
Regulatory Retail	687	687	465	37
Residential Mortgages	8,708	8,708	3,681	294
Higher Risk Assets	-	-	-	-
Other Assets	18,263	18,263	15,621	1,250
Equity Exposure	872	872	341	27
Defaulted Exposures	10,373	10,373	11,536	923
Total for On-Balance Sheet Exposures	1,995,968	1,995,968	1,380,695	110,456
OTC Derivatives	-	-	-	-
Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	62,556	62,556	59,158	4,733
Defaulted Exposures	2	2	3	-
Total for Off-Balance Sheet Exposures	62,558	62,558	59,161	4,733
Total for On and Off-Balance Sheet Exposures	2,058,526	2,058,526	1,439,856	115,188
<u>Market Risk</u>				
	Long Position	Short Position		
Interest Rate Risk	130,089	130,280	(191)	95
Foreign Currency Risk	23,943	18,306	5,637	451
Operational Risk	-	-	89,122	7,130
Total RWA and Capital Requirements			1,535,806	122,864

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31. Capital adequacy (cont'd.)

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

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31. Capital adequacy (cont'd.)

Credit Risk Disclosures on Risk Weights

Risk Weights	Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000	Equity RM'000		
As at 30 September 2009									
0%	474,180	-	24,760	132	-	2,642	-	501,714	-
20%	-	118,280	5,009	-	-	-	664	123,953	24,791
35%	-	-	-	-	4,490	-	-	4,490	1,572
50%	-	6,745	23,705	-	4,218	-	-	34,668	17,334
75%	-	-	-	729	-	-	-	729	547
100%	-	-	1,369,721	-	2,140	15,621	208	1,387,690	1,387,690
150%	-	-	4,767	515	-	-	-	5,282	7,923
Average Risk Weight								2,058,526	1,439,856
Deduction from Capital Base	-	-	-	-	-	-	-	-	

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31. Capital adequacy (cont'd.)

Credit Risk Disclosures on Risk Weights

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

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32. Financial instruments

Financial risk management policies

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

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

(a) Credit risk management

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

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

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

For corrective measures, loans which are three months in arrears and above would be under the purview of the Loan Review and Rehabilitation Committee. This committee would meet monthly to direct efforts towards effective collection, restructuring and rehabilitation of delinquent loans to prevent and recover NPLs expeditiously.

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32. Financial instruments (cont'd.)

(b) Market risk management

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

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

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

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rates and shifts in the composition of the assets and liabilities. The Bank's Asset Liabilities Committee regularly reviews the interest rate outlook, assesses the vulnerability of net interest income and develops strategies to mitigate interest rate risk.

(c) Liquidity risk management

Liquidity risk relates to the ability of the Bank to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

The primary tool used for monitoring liquidity is the Bank Negara Malaysia New Liquidity Framework ("NLF"). The NLF is further supplemented with the Bank's internal liquidity risk management policies set by the Board of Directors and incorporated in the Asset Liabilities Management policies and procedures. These policies ensure that the liquidity surpluses are within the limit. The liquidity risk management activities are carried out through a combination of management of Cash Flow Reports, maintenance of high quality long-term and short-term marketable securities that can be readily converted to cash, diversification of the funding base and proactive management of the Bank's customer deposits.

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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			
	30.9.2009		31.12.2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Securities Held for Trading	5,123	5,123	25,929	25,929
Securities Available for Sale	132,343	139,584	179,544	184,113
Securities Held to Maturity	45,286	45,618	14,977	15,244

The fair values of the Group's and 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 fair value of derivatives are:

	Group and Bank		
	30.9.2009		
	Nominal/ notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Forward foreign exchange contracts	436,994	1,686	(1,845)

	Group and Bank		
	31.12.2008		
	Nominal/ notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Forward foreign exchange contracts	139,831	1,106	(1,545)

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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 banks and other financial institutions, deposits from customers, banks and other financial institutions, obligations on securities sold under repurchase agreement, bills and acceptances payable, other assets/liabilities**

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

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

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

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

- (iii) Derivative financial instruments**

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

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33. Comparative figures

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

	Group		Bank	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Other assets	7,270	6,164	7,270	6,164
Property and equipment	11,006	11,159	11,006	11,159
Intangible assets	516	363	516	363
Deferred tax asset	5,683	6,256	5,683	6,256
Deposits from customers	1,271,855	1,277,325	1,271,855	1,277,325
Deposits and placements of banks and other financial institution	438,576	386,282	438,576	386,282
Bills and acceptances payable	-	46,824	-	46,824
Other liabilities	16,502	15,396	16,494	15,388
Revaluation reserve	1,720	2,293	1,720	2,293