BANGKOK BANK BERHAD

(299740 W)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2009

Ernst & Young
AF : 0039

299740-W

Bangkok Bank Berhad
(Incorporated in Malaysia)

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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2009.

Principal activities

The principal activities of the Bank are banking and related financial services. The principal activity of the subsidiary is the provision of nominee services.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Bank RM'000
Net profit for the year	9,065	9,060

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the Statements of Changes in Equity.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

No dividend has been paid or declared by the Bank since the end of the previous financial year. The directors do not propose any final dividend in respect of the financial year ended 31 December 2009.

Bangkok Bank Berhad
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Directors

The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Mr Staporn Kavitanon
Mr Prasong Uthaisangchai
Mr Loke Tan Cheng
Ms Rushda Theeratharathorn
Mr Toh Chong
YBhg Professor Dato' Ruslan Khalid
YBhg Dato' Koay Soon Eng
Mr Chris Chia Woon Liat

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 31 to the financial statements or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

None of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

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Other statutory information

(a) Before the balance sheets and income statements of the Group and of the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year.

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Other statutory information (cont'd.)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

Business overview for the financial year ended 31 December 2009 and outlook for the financial year 2010

The year ended 31 December 2009 was a year of consolidation for Bangkok Bank Berhad ("BBB" or the "Bank"). With the effect of the global financial crisis impacting the domestic economy, BBB chose to undertake a conservative strategy of ensuring a high liquidity position. Lending was not a priority. The Bank took various actions to monitor and contain the impact of the economic recession on its loan portfolio.

BBB registered a profit before tax of RM11.7 million for financial year 2009, which was 60% lower than the RM29.0 million recorded in 2008. Net interest income deteriorated by 16% to RM34.4 million from RM40.8 million in the last financial year The primary reasons for the lower profit were due to poor economic condition causing the drop in loan exposure in the 1st half of the year, the 1.25% cut in interest rate by Bank Negara Malaysia that caused a sharp reduction in the Bank's interest margin and higher loan provision as its portfolio was impacted by the economic recession. Furthermore, 2008’s profit were boosted by loan recoveries of RM10 million as compared with RM2.4 million in 2009.

Loan outstanding declined from RM1.52 billion at end December 2008 to RM1.28 billion as at June 2009. Subsequently, during the 2nd half of 2009, the loan portfolio showed positive growth to reach RM1.46 billion at end December 2009. Despite the lower loan growth, customers’ deposits has grown substantially by 24%, from RM1.27 billion at financial year 2008 to RM1.58 billion at financial year 2009.

The increase in Loan Loss and Allowances, from RM8.6 million in 2008 to RM11.9 million in 2009 (or 38% increase) was mainly attributable to the one off recoveries during the last financial year set-off against the specific allowance made in the current year. Gross NPLs increased from RM36.0 million in 2008 to RM68.4 million in 2009 as a result of corporate accounts turning non-performing at end of 2009. The net NPL ratio deteriorated to 1.9% in 2009 as compared to 0.7% in 2008 resulting from these new NPLs accounts.

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Business overview for the financial year ended 31 December 2009 and outlook for the financial year 2010 (cont'd.)

Overhead expenses increased from RM17.8 million in 2008 to RM 20.2 million in 2009. The increase was mainly contributed by higher personnel costs resulting from additional staff required to support the growth of the Bank.

Non-interest income deteriorated by 36% to RM9.2 million from RM14.5 million in the last financial year. The decrease was mainly due to a recovery received from Danaharta in 2008 on one of the corporate loans that was sold.

The economy is anticipated to record a positive growth in 2010. The banking industry in Malaysia is expected to remain resilient as it has been able to weather the recession and avoid the worst effects of the global economic turmoil with its strong capitalization and healthy asset quality.

For financial year 2010, the Bank will continue to expand its branch network with 4 additional branches in Muar, Johore Bahru, Penang and Klang Valley. The Bank will also continue to grow its core lending business in selected niche areas and focus on maintaining its current good liquidity position.

Profile of directors

Mr Staporn Kavitanon
Chairman, Non-Independent Non-Executive Director

Mr Staporn Kavitanon, a Thai citizen, was appointed as Chairman of the Board on 25 January 2006. He holds a Master’s degree in Economics from Vanderbilt University, USA and a Bachelor’s degree in Economics from Thammasat University, Thailand.

Presently, Mr Staporn is also the Vice Chairman of the Board of Directors of Bangkok Bank Public Co Ltd ("BBL") in Thailand and he has been serving as BBL's Director since 1994. Apart from this, he also sits on the Boards of Berli Jucker Public Co Ltd, Indo Rama Petrochem Co Ltd, Beer Thai (1991) Public Co Ltd, Thai Beverage Public Co Ltd, Siam Food Public Co Ltd and T.C.C. Technology Co Ltd in Thailand.

Mr Staporn is currently the Chairman of Thai-Japanese Association, Thai-American Association, Thailand-US Business Council and Thammasat Chalermprakiet Hospital as well as an adviser of Thammasat Economic Association in Thailand.

His past appointments include being a Senator, Senate, President of Thammasat Economic Association, Secretary General of Board of Investment and Chairman of National Defence College (Class 30). Mr Staporn was also a Director of Foundation for Management Educational Institutions of Thailand and Foundation for International Human Resource Development, Thailand.

Profile of directors (cont'd.)

Mr Prasong Uthaisangchai
Vice Chairman, Non-Independent Non-Executive Director

Mr Prasong Uthaisangchai, a Thai citizen, was appointed to the Board on 15 September 1994 and was re-designated as the Vice Chairman of the Board on 1 January 2009. He holds a Diploma in Business Studies from Norwood Technical College, United Kingdom.

Mr Prasong has extensive banking experiences in the Asia Region, having worked for over 39 years with BBL. He began his banking career with BBL in Thailand as an officer, Export Division in 1971 and was then assigned to hold various senior management positions in the Singapore branch, Taipei branch, Hong Kong branch, International Branch Activities Division and International Banking Group.

In 1999, he became the Executive Director and Senior Executive Vice President of BBL, heading the International Banking Group which supervises all overseas branches and subsidiaries. Currently, Mr Prasong also sits on the Board of Bangkok Bank (China) Co Ltd as its Vice Chairman.

Mr Loke Tan Cheng
Executive Director/Chief Executive Officer

Mr Loke Tan Cheng, a Malaysian, was appointed to the Board on 22 December 2006. He holds a Bachelor of Electrical Engineering and a Master of Business Administration (majoring in Marketing and Finance) from Concordia University, Canada. Mr Loke also holds a Postgraduate Diploma in Management from McGill University, Canada.

Mr Loke has more than 26 years experience in banking and finance industries prior to joining the Bank. He has worked with a few multinational banks, Chase Manhattan, Nomura, OCBC, etc in Singapore and served in various senior management positions.

Ms Rushda Theeratharathorn
Non-Independent Non-Executive Director

Ms Rushda Theeratharathorn, a Thai citizen, was appointed to the Board on 17 September 1996. She first obtained her Bachelor of Accountancy degree from Chulalongkorn University, Thailand and later completed her Master of Management degree from Sasin Institute of Chulalongkorn University, Thailand.

Ms Rushda is currently the Executive Vice President, Chief Credit Officer of BBL and is responsible for the overall credit risk management. Prior to her current position, she assumed various senior positions in BBL, including General Manager, BBL Singapore branch and Head of Credit Acceptance with BBL, Thailand.

Currently, Ms Rushda sits on the Boards of ASEAN Finance Corporation Limited, Singapore, Sinnsuptawee Asset Management Co Ltd, Thailand and Bangkok Bank (China) Co Ltd.

Profile of directors (cont'd.)

Mr Toh Chong
Non-Independent Non-Executive Director

Mr Toh Chong, a Malaysian, was appointed to the Board on 25 January 2006. He holds a Bachelor of Arts (Hons) degree in Philosophy, Politics and Economics from Oxford University, UK and a Master of Science degree in Management from Massachusetts Institute of Technology, USA.

Mr Toh is an Executive Vice President in the International Banking Group in BBL. He is also currently the Executive Chairman of Bualuang Securities Public Co Ltd, the capital markets subsidiary of BBL. Prior to joining BBL, he was an Economist for the Government of Singapore Investment Corporation and had worked in Morgan Stanley investment bank.

Currently, Mr Toh also sits on the boards of several private and public companies in Thailand, Singapore and China.

YBhg Professor Dato' Ruslan Khalid
Independent Non-Executive Director

YBhg Professor Dato' Ruslan Khalid, a Malaysian, was appointed to the Board on 3 January 2001. He graduated from Architectural Association School of Architecture in 1967. He is an Associate of the Royal Institute of British Architects, the Malaysian Institute of Architects and the Institute of Interior Designers Malaysia.

Professor Dato' Ruslan had worked as an architect in various architectural firms in London and Switzerland. In 1973 he founded Ruslan Khalid Associates in London, which he re-established in Kuala Lumpur in 1984.

In 1975, he was appointed Senior Lecturer at Portsmouth Polytechnic (now University of Portsmouth). He also taught at the Architectural Association School, London as a part-time lecturer. Upon his return to Malaysian in 1980 he was appointed Associate Professor at the Faculty of Built Environment of University Technology Malaysia. In 1998 he was made Professor at University Putra Malaysia, where he founded the School of Architecture. His articles on various architectural topics have been published both locally and internationally.

Professor Dato' Ruslan is currently a council member of United Nations Malaysia Association and a member of the Board of Advisors to Datuk Bandar Kuala Lumpur. He also sits on the boards of several private companies.

Profile of directors (cont'd.)

YBhg Dato' Koay Soon Eng
Independent Non-Executive Director

YBhg Dato' Koay Soon Eng, a Malaysian, was appointed to the Board on 1 August 2007. He holds a Diploma in Accountancy and a Bachelor of Commerce degree from University of Queensland. Dato' Koay is an Accountant by profession, being a Chartered Accountant of Malaysian Institute of Accountants and a Certified Practising Accountant of Australian Society of Certified Practising Accountants. He is also a Fellow of the Institute of Chartered Accountants in Australia.

Dato' Koay has been in public accountancy practice since 1970. He has wide experience in auditing, taxation, corporate secretarial and administration, liquidation and receivership as well as general and corporate finance consultancy serving small and medium sized companies to major public listed corporations.

Dato' Koay is currently an Independent Director of Y.S.P Southeast Asia Holding Berhad and holds directorship in several private companies.

Mr Chris Chia Woon Liat
Independent Non-Executive Director

Mr Chris Chia Woon Liat, a Malaysian, was appointed to the Board on 5 October 2006. He holds a Bachelor of Commerce (Accounting & Finance) degree with First Class Honours as well as a Master in Accounting degree (with distinction) from University of Western Australia. He also holds a M.B.A. from Massachussetts Institute of Technology's Sloan School of Management, USA and a Master of Liberal Arts degree from Harvard University, USA.

Mr Chris Chia started his career as an associate consultant with Arthur Andersen, Malaysia prior to joining Goldman Sachs (Singapore) Pte Ltd, Singapore as an Associate in its Investment Banking Division. He was part of the firm's Asia Pacific Mergers and Acquisitions practice.

After Goldman Sachs, he joined Citigroup Global Markets (Southeast Asia Investment Banking Division), based in Singapore. At Citigroup, as Vice President, he had coverage responsibility for key Southeast Asian clients, with a focus on Singapore and Malaysia as well as Financial Buyers/Private Equity Funds. He was also responsible for all aspects of deal origination and management as well as the execution of general corporate finance transactions. He has played a key role in the structuring and execution of capital markets transactions including the structuring of lending and leveraged finance, particularly in Mergers and Acquisitions and has deal experiences across Hong Kong, Thailand, Indonesia, Singapore, Australia and Malaysia.

Profile of directors (cont'd.)
Mr Chris Chia Woon Liat (cont'd.)
Independent Non-Executive Director (cont'd.)

Mr Chris Chia is currently the Managing Partner of Kendall Court, an investment partnership focused on invesment in Southeast Asia (Kendall Court manages approximately USD300 million in assets and makes direct investments in public and private companies). He is also a member of the Money Policy Advisory Committee and Investment Advisory Committee under SPRING Singapore (a statutory board under the Ministry of Trade and Industry of Singapore which is the main agency for enterprise development and it aims to enhance the competitiveness of enterprises to develop a strong base of dynamic and innovative Singapore enterprises).

Corporate Governance

Board of directors

Board composition

The Board of Bangkok Bank Berhad ("the Bank") consists of eight (8) members, of whom one (1) is the Executive Director/Chief Executive Officer ("CEO"), three (3) are Independent Non-Executive Directors and four (4) are Non-Independent Non-Executive Directors.

The Board consists of individuals of caliber, credibility and integrity with the necessary skills, experiences as well as qualifications to supervise the management of the business and affairs of the Bank. The Board, as a whole, provides a mixture of core competencies including banking, finance, accounting, economics and business management for effective functioning and discharging of the responsibilities of the Board.

The presence of the three (3) Independent Non-Executive Directors provides the necessary checks and balances in the functioning of the Board and facilitates the Board to exercise objective judgement in decision making.

A brief profile of each Director is presented on pages 5 to 9 of this Audited Financial Statements.

Board of directors (cont'd.)

Board's duties and responsibilities

The Board is led by the Chairman, Mr Staporn Kavitanon, who is a Non-Independent Non-Executive Director.

The roles of the Chairman and CEO are separated to ensure a balance of power and authority, such that no one individual has unfettered powers of decisions.

There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Bank are firmly in hand. The day-to-day conduct of the Bank's business is delegated to the Executive Director/CEO and the full-time employees of the Bank subject to the authority limit given.

The Terms of Reference of the Board include the following:

1. The review and approval of management's proposal on strategies, business plan and significant policies and monitor of management's performance in the implementation process;

2. Establishment of comprehensive risk management policies, processes and infrastructure to manage the various types of risks; and

3. Ensuring the conduct of the operations of the Bank are carried out prudently and within the framework of relevant laws, rulings and regulations.

The Board also assumes various functions and responsibilities that are required of them by Bank Negara Malaysia (BNM), as specified in guidelines and directives issued by BNM from time to time.

Board of directors (cont'd.)

Frequency and conduct of board meetings

The Board meets on a scheduled basis, at least once in every two (2) months, to review the management reports and to deliberate on various matters which require its guidance and approval.

During the financial year, the Board held (6) meetings and the meetings were attended by all the members except for YBhg Dato' Koay and Mr Prasong who attended five (5) meetings and four (4) meetings respectively. Mr Prasong was unable to attend one (1) of the meetings due to medical reason.

Directors' training

All the Directors received continuous training to keep abreast with latest developments in the banking and related sectors.

During the financial year, the seminars and courses attended by the Directors are, inter-alia on areas relating to banking and related topics, Financial Institutions Directors' Education Programme, Financial Reporting Standards, Anti-Money Laundering and Counter Financing of Terrorism, Risk Management, Economic, Corporate Governance etc.

Board performance

The Board has established a performance evaluation mechanism to assess the effectiveness of the Board, Board Committees and each Director’s contribution annually. The Nomination Committee is responsible to undertake the performance evaluation every year and submit the result to the Board for deliberation.

The Board, Board Committees and individual Directors’ performance is evaluated against identified key areas and key performance indicators ("KPIs") that are based on regulatory requirements and best practices. The key areas and KPIs include but are not limited to the Board and Board Committees’ structure, responsibilities, meeting operations, input in policy development, participation in decision making and attendance.

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Board committees

The Board has established Nomination Committee, Remuneration Committee, Risk Management Committee and Audit Committee to assist the Board in the execution of its duties and responsibilities. Each Board Committee operates within its own terms of reference approved by the Board, which clearly define its duties and responsibilities.

The composition of the Board Committees are as follows:

Name of Directors	Nomination Committee	Remuneration Committee	Risk Management Committee	Audit Committee
YBhg Professor Dato' Ruslan Khalid *(Independent Non-Executive Director)*	CH	M	CH	M
YBhg Dato' Koay Soon Eng *(Independent Non-Executive Director)*	M	CH#	M	M#
Mr Chris Chia Woon Liat *(Independent Non-Executive Director)*	-	-	M	CH
Mr Loke Tan Cheng *(Executive Director/CEO)*	M	-	-	-
Ms Rushda Theeratharathorn *(Non-Independent Non-Executive Director)*	M	M	M	M
Mr Toh Chong *(Non-Independent Non-Executive Director)*	M	M	M	M

Note:

CH - Chairman

M - Member

- On 19 February 2009, YBhg Dato' Koay Soon Eng was re-designated as an Independent Non-Executive Director and was appointed as the Chairman of the Remuneration Committee and a member of the Audit Committee.

Board committees (cont'd.)

Nomination committee

During the financial year, the Nomination Committee held four (4) meetings and the meetings were attended by all the members except for YBhg Dato' Koay who attended three (3) meetings.

The Nomination Committee is established to provide a formal and transparent procedure for the appointment of Directors and CEO as well as assessment of effectiveness of individual Directors, Board as a whole and performance of CEO and key Senior Management Officers.

The Terms of Reference of Nomination Committee include the following:

(i) Establishment of the minimum requirements for the Board in terms of required mix of skills, experience, qualification and other core competencies;

(ii) Establishment of the minimum requirements for the CEO, recommendation and assessment of the nominees for directorship, Board Committee members and the CEO;

(iii) Oversight of the overall composition of the Board through an annual review in terms of the appropriate size and skills and the balance between Executive Directors, Non-Executive Directors and Independent Directors; and

(iv) Establishment of a mechanism for the formal annual assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board’s various Committees and the performance of the CEO and other key Senior Management Officers.

Remuneration committee

During the financial year, the Remuneration Committee held two (2) meetings and the meetings were attended by all the members except for YBhg Dato' Koay who attended one (1) meeting.

The Remuneration Committee is established to provide a formal and transparent procedure for developing remuneration policy for Directors, CEO and key Senior Management Officers and ensuring that compensation is competitive and consistent with the Bank’s culture, objectives and strategy.

Board committees (cont'd.)

Remuneration committee (cont'd.)

The Terms of Reference of the Remuneration Committee include the following:

(i) Recommendation of a framework of remuneration for Directors, the CEO and other key Senior Management Officers for the Board's approval;

(ii) Review of the remuneration packages of the Directors, CEO and key Senior Management Officers for the Board's approval; and

(iii) Recommendation to the Board on the proposed overall salary increment and overall annual bonus of the staff.

Risk management committee

During the financial year, the Risk Management Committee held six (6) meetings and the meetings were attended by all the members except for YBhg Professor Dato' Ruslan and YBhg Dato' Koay who attended five (5) meetings.

The Risk Management Committee is established to oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning.

The Terms of Reference of the Risk Management Committee include the following:

(i) Review and recommendation of risk management strategies, policies and risk tolerance for the Board's approval; and

(ii) Review of management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Risk management framework

The Board has in place a Risk Management Framework to provide greater clarity, focus and consistency across different risk areas in the governance of risks in the Bank. The underlying standards adopted in the Framework is consistent with BASEL II adopted by BNM.

The guiding risk management principles with which the Bank operates are as follows:

(i) Clear separation of risk-taking business lines and risk supervising unit;

(ii) Identification and coverage of all relevant risk types in risk management;

(iii) Measure risks in order to monitor and control them thereby enabling the implementation of more effective risk-based strategy, aid in decision making and management of portfolio transactions; and

Board committees (cont'd.)

Risk management framework (cont'd.)

(iv) Development of strong risk culture and continuous improvement of risk management skills throughout the Bank.

The Risk Management Framework of the Bank comprises three (3) levels and operates in the following manner:

Level 1: Policies, especially those have impact on the risk framework and risk tolerances shall be approved at the Board's level.

Level 2: Subject-specific risk guidelines and standards are to be approved at Management Committee level, such as choice of appropriate statistical methodologies to compute specific product's market risk exposure.

Level 3: Procedures supporting policy implementation shall be approved at departmental's levels. These policies and procedures rely on constant communication, judgement, knowledge of products and markets and controls by business and support units.

The Risk Management Department will be the central resource for quantifying and managing the portfolio of credit risk, market and liquidity risk and operational risk taken by the Board as a whole.

Audit committee

During the financial year, the Audit Committee held eight (8) meetings and the meetings were attended by all the members except for YBhg Professor Dato' Ruslan and Mr Toh Chong who attended seven (7) and six (6) six meetings respectively.

The Audit Committee is established to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the Bank's process for monitoring compliance with laws and regulations.

The Terms of Reference of the Audit Committee include the following:

(i) Review of significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;

(ii) Review of interim financial reports, the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;

(iii) Oversight of the functions of the Internal Audit Department to ensure it complies with BNM/GP10 requirement;

Board committees (cont'd.)

Audit committee (cont'd.)

(iv) Review and approval of the annual audit plan and all major changes to the plan to ensure that there are no unjustified restrictions or limitations made;

(v) Review of the scope of the internal audit program, internal audit findings and recommend actions to be taken by management;

(vi) Review of the effectiveness of the Bank's internal control system, including information technology security and control;

(vii) Selection of external auditors for appointment by the Board;

(viii) Assessment of performance and independence of external auditors' objectivity;

(ix) Review of the external auditors' proposed audit scope and approach;

(x) Review of the external auditors' management letter and managements' response;

(xi) Approval of the provision of non-audit service by the external auditors; and

(xii) Review of the audit findings regularly to ensure that issues are being managed and rectified appropriately and in a timely manner.

Audit and control functions

The Audit & Control Department ("ACD") plays a key role in assisting the Audit Committee to oversee that the management has in place a sound system of risk management, internal controls and governance processes. This is achieved through the review of the recommendations for improvement to the current risk management, internal control systems and governance processes to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. In addition, reviews on compliance with established policies, procedures, guidelines and statutory requirements are also carried out.

The Chief Internal Auditor reports functionally to the Audit Committee and administratively to the CEO. The scope of internal audit covers the audit of all units and operations. It is the responsibility of the ACD to provide the Audit Committee with independent and objective reports on the state of risk management, internal controls and governance processes. The audit reports, which provide the results of audits conducted in terms of the risk management of the units, effectiveness of internal control, compliance with internal and regulatory requirements and overall management of the units, are submitted to the Audit Committee for their review.

Audit and control functions (cont'd.)

The Audit Committee reviews and approves the ACD's annual audit plan and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors. The internal audit functions were performed in accordance with the Audit Charter and BNM's Garis Panduan 10 ("GP10") – Guidelines for Minimum Audit Standards for Internal Audit of Financial Institutions. The International Standards for the Professional Practice of Internal Auditing ("SPPIA") of the Institute of Internal Auditors ("IIA") and the Practice Advisories issued by IIA are used where relevant as authoritative guides.

Risk management

All Banking activities include involvement in analysis, evaluation, acceptance and management of certain degree of risk or combination of risks. The key business risks are credit risk, market risk (including foreign exchange and interest rate risk), liquidity risk and operational risk.

The Bank's Risk Management policy has set out the broad overall risk policy of the Bank for the conduct of business and is applicable to all business functions within the Bank.

The Board of Directors is accountable for the management of risk. This is discharged by defining the scope of risk management activities within the Bank, distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set.

The Board, through the independent Risk Management Committee, determines the Bank's risk appetite and sets the Bank's standards and policies for risk measurement and management. These standards and policies are proposed by the CEO through the Risk Management Committee, which is also accountable for providing independent assurance that risk is being managed, measured and controlled in conformity with the policies and standards set by the Bank.

The Management is accountable for the management of risk, collectively through the Loan Committee, Loan Rehabilitation Committee, Asset and Liability Management Committee and Management Committee.

The respective support and business units are responsible for putting in place the appropriate discipline, operating and control procedures, as well as systems within their own units, consistent with the broad policies and guidelines set by the Bank. The respective units are accountable for all the risks taken within their units, and should be aware of the type and quantum of risks taken.

The Bank uses various methodologies to identify, monitor, manage and control these risks. Various processes have been established to analyse and identify any weaknesses in these risk areas such as the identification of "red flags", analysis of trends on market volatility etc. These risks are assessed and measured using various models, methodologies and reports such as Credit Risk Rating ("CRR") models, Net Interest Income ("NII") Impact and Economic Value of Equity Impact ("EVE") Methologies, Maximum Cumulative Outflow ("MCO") reports, etc. Processes and procedures have also been established to monitor and control these risks. These policies and procedures are reviewed periodically and necessary changes would be made to ensure that they are operationally robust. Stress tests covering credit, liquidity and market risks and operational risk are also performed under various scenarios to assess the Bank's risk weighted capital adequacy.

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Management information

All the Directors have reviewed the Board reports prior to the Board Meetings. Information and materials, duly endorsed by the CEO and the relevant functional heads that are important to the Directors' understanding of the agenda items and related topics are distributed in advance prior to the date of the meeting. The Board reports include among others, the monthly performance of the Bank, minutes of the various Board and Management Committees, risk portfolio reports, any other prevailing regulatory developments as well as economic and business environment updates.

These reports are issued timely to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

Related party transactions

During the financial year ended 31 December 2009, the Bank entered into transactions with its holding company, Bangkok Bank Public Co. Ltd. in the normal course of business. The details and nature of the transactions are disclosed in Note 30 to this Audited Financial Statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 March 2010.

Loke Tan Cheng | Professor Dato' Ruslan Khalid

Kuala Lumpur, Malaysia

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Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

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 22 to 81 are drawn up in accordance with the provision of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2009 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 March 2010.

Loke Tan Cheng | Professor Dato' Ruslan Khalid

Kuala Lumpur, Malaysia

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

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 22 to 81 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Loke Tan Cheng
at Kuala Lumpur in Wilayah Persekutuan
on 17 March 2010 — Loke Tan Cheng

Before me,

Independent auditors' report to the members of
Bangkok Bank Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Bangkok Bank Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 81.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the provision of Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the members of Bangkok Bank Berhad (cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' reports on the accounts of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Gladys Leong
No. 1902/04/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia
17 March 2010

Bangkok Bank Berhad
(Incorporated in Malaysia)

Balance sheets as at 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000 (restated)	Bank 2009 RM'000	Bank 2008 RM'000 (restated)
Assets					
Cash and short-term funds	4	377,508	510,448	377,478	510,416
Deposits and placements with banks	5	50,000	-	50,000	-
Securities held-for-trading	6	19,992	25,929	19,992	25,929
Securities available-for-sale	7	146,877	179,544	146,877	179,544
Securities held-to-maturity	8	45,262	14,977	45,262	14,977
Loans, advances and financing	9	1,395,585	1,472,522	1,395,585	1,472,522
Other assets	10	8,507	7,270	8,506	7,270
Statutory deposit with Bank Negara Malaysia	11	12,000	40,000	12,000	40,000
Investment in subsidiary	12	-	-	10	10
Property and equipment	13	11,022	11,006	11,022	11,006
Intangible assets	14	481	516	481	516
Deferred tax assets	15	6,114	5,683	6,114	5,683
Total assets		2,073,348	2,267,895	2,073,327	2,267,873
Liabilities and shareholder's equity					
Deposits from customers	16	1,577,530	1,271,855	1,577,530	1,271,855
Deposits and placements of banks and other financial institution	17	93,011	438,576	93,011	438,576
Obligation on securities sold under repurchase agreements		-	158,453	-	158,453
Other liabilities	18	14,292	16,502	14,290	16,494
Total liabilities		1,684,833	1,885,386	1,684,831	1,885,378
Share capital	19	265,000	265,000	265,000	265,000
Statutory reserve	20	116,994	112,461	116,984	112,454
Revaluation reserve		(1,339)	1,720	(1,339)	1,720
Retained profits		7,860	3,328	7,851	3,321
Shareholder's equity		388,515	382,509	388,496	382,495
Total liabilities and shareholder's equity		2,073,348	2,267,895	2,073,327	2,267,873
Commitments and contingencies	28	1,212,857	1,036,303	1,212,857	1,036,303

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Income statements
For the year ended 31 December 2009

		Group		Bank	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest income	21	73,801	103,581	73,801	103,581
Interest expense	22	(39,347)	(62,732)	(39,347)	(62,732)
Net interest income		34,454	40,849	34,454	40,849
Loans loss and allowances, net	23	(11,860)	(8,626)	(11,860)	(8,626)
		22,594	32,223	22,594	32,223
Non-interest income	24	9,238	14,552	9,229	14,531
Net income		31,832	46,775	31,823	46,754
Overhead expenses	25	(20,158)	(17,770)	(20,156)	(17,768)
Profit before taxation		11,674	29,005	11,667	28,986
Taxation	26	(2,609)	(7,534)	(2,607)	(7,529)
Net profit for the year		9,065	21,471	9,060	21,457
Earnings per share (sen)	27				
- basic		3.42	8.10	3.42	8.10
- diluted		3.42	8.10	3.42	8.10

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the year ended 31 December 2009

	Group				
		Non-distributable		Distributable	
	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve RM'000	(Accumulated losses)/ retained profits RM'000	Total RM'000
At 1 January 2008	265,000	101,726	(63)	(7,408)	359,255
Net profit for the year	-	-	-	21,471	21,471
Unrealised net profit on revaluation of available-for-sale securities	-	-	2,356	-	2,356
Deferred tax recognised in equity(restated)	-	-	(573)	-	(573)
Transfer to statutory reserve	-	10,735	-	(10,735)	-
At 31 December 2008	265,000	112,461	1,720	3,328	382,509
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	265,000	112,461	1,720	3,328	382,509
Net profit for the year	-	-	-	9,065	9,065
Unrealised net loss on revaluation of available-for-sale securities	-	-	(4,079)	-	(4,079)
Deferred tax recognised in equity	-	-	1,020	-	1,020
Transfer to statutory reserve	-	4,533	-	(4,533)	-
At 31 December 2009	265,000	116,994	(1,339)	7,860	388,515

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 December 2009 (cont'd.)

	<------ Bank				
		<---Non-distributable--->		Distributable	
	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve RM'000	(Accumulated losses)/ retained profits RM'000	Total RM'000
At 1 January 2008	265,000	101,726	(63)	(7,408)	359,255
Net profit for the year	-	-	-	21,457	21,457
Unrealised net gain on revaluation of available-for-sale securities	-	-	2,356	-	2,356
Deferred tax recognised in equity(restated)	-	-	(573)	-	(573)
Transfer to statutory reserve	-	10,728	-	(10,728)	-
At 31 December 2008	265,000	112,454	1,720	3,321	382,495
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 year	-	-	-	9,060	9,060
Unrealised net loss on revaluation of available-for-sale securities	-	-	(4,079)	-	(4,079)
Deferred tax recognised in equity	-	-	1,020	-	1,020
Transfer to statutory reserve	-	4,530	-	(4,530)	-
At 31 December 2009	265,000	116,984	(1,339)	7,851	388,496

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 31 December 2009

	Group		Bank	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
		(restated)		**(restated)**
Cash flows from operating activities				
Profit before taxation	11,674	29,005	11,667	28,986
Adjustments for:				
Depreciation	1,224	1,041	1,224	1,041
Amortisation of intangible assets	320	195	320	195
Allowance for losses on loans and financing, net	13,366	14,947	13,366	14,947
Property and equipment written off	12	-	12	-
Writeback in diminution of securities held-to-maturity	(4)	-	(4)	-
Unrealised foreign exchange gain/(loss)	(297)	439	(297)	439
Net loss/(gain) on revaluation of securities held-for-trading	8	(348)	8	(348)
Net gain on disposal of securities held-for-trading	(8)	(115)	(8)	(115)
Net (gain)/loss on disposal of securities available-for-sale	(602)	128	(602)	128
Amortisation of premium net of accretion of discount	776	294	776	294
Interest suspended	5,070	3,942	5,070	3,942
Dividend income	(61)	(69)	(61)	(69)
Operating profit before working capital changes	31,478	49,459	31,471	49,440
Decrease/(increase) in loans and advances	58,501	(444,794)	58,501	(444,794)
Decrease in other assets	418	368	418	368
Decrease/(increase) in statutory deposit with Bank Negara Malaysia	28,000	(15,500)	28,000	(15,500)
Increase in deposits from customers	305,675	163,402	305,675	163,402
Decrease in deposits and placements of banks and other financial institutions	(345,565)	(310,046)	(345,565)	(310,046)
(Decrease)/increase in obligations sold under repurchase agreements	(158,453)	93,451	(158,453)	93,451
Increase in bills and acceptances payable	-	12,426	-	12,426
Decrease in other liabilities	(1,650)	(8,134)	(1,649)	(8,135)
Cash used in operations carried forward	(81,596)	(459,368)	(81,602)	(459,388)

Bangkok Bank Berhad
(Incorporated in Malaysia)

Cash flow statements
For the year ended 31 December 2009 (cont'd.)

	Group		Bank	
	2009 RM'000	2008 RM'000 (restated)	2009 RM'000	2008 RM'000 (restated)
Cash flows from operating activities (cont'd.)				
Cash used in operations brought forward	(81,596)	(459,368)	(81,602)	(459,388)
Taxes paid	(8,423)	(4,442)	(8,415)	(4,442)
Taxes refunded	4,486	-	4,486	-
Net cash used in operating activities	(85,533)	(463,810)	(85,531)	(463,830)
Cash flows from investing activities				
Purchase of property and equipment	(1,252)	(2,022)	(1,252)	(2,022)
Purchase of intangible assets	(285)	(586)	(285)	(586)
Purchase of securities held-for-trading	(379,522)	(229,922)	(379,522)	(229,922)
Purchase of securities available-for-sale	(107,963)	(145,832)	(107,963)	(145,832)
Purchase of securities held-to-maturity	(30,336)	(14,961)	(30,336)	(14,961)
Dividend received	60	69	60	69
Proceeds from disposals of securities held-for-trading	385,536	224,022	385,536	224,022
Proceeds from disposals of securities available-for-sale	136,351	9,879	136,351	9,879
Proceeds from disposals of securities held-to-maturity	4	15,000	4	15,000
Net cash generated from/(used in) investing activities	2,593	(144,353)	2,593	(144,353)
Net decrease in cash and cash equivalents	(82,940)	(608,163)	(82,938)	(608,183)
Cash and cash equivalents at beginning of financial year	510,448	1,118,611	510,416	1,118,599
Cash and cash equivalents at end of financial year	427,508	510,448	427,478	510,416
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 4)	377,508	510,448	377,478	510,416
Deposits and placements with Bank (Note 5)	50,000	-	50,000	-
	427,508	510,448	427,478	510,416

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

Notes to the financial statements - 31 December 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 year.

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

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

2. Basis of preparation

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

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

(a) FRSs and IC Interpretations ("ICs") Issued But Not Yet Effective

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

FRSs, Amendments to FRSs and IC Interpretations:	Effective for financial year beginning on or after
FRS 1:First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combinations (Revised 2010)	1 July 2010
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 (Revised 2009)	1 January 2010
FRS 127: Consolidated and Separate Financial Statements (Revised 2010)	1 July 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010

2. Basis of preparation (cont'd.)

(a) FRSs and IC Interpretations ("ICs") Issued But Not Yet Effective (cont'd.)

FRSs, Amendments to FRSs and IC Interpretations:	Effective for financial year beginning on or after
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 138: Intangible Assets	1 July 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
FRS139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"	1 January 2010
Amendments to 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 12: Service Concession Arrangements	1 July 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
IC Interpretation 15: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010

The FRSs and IC Interpretations above are expected to have no significant impact on the financial statements of the Group and the Bank upon their initial application except for the possible impact from the adoption of FRS 139, changes in disclosures arising from the adoption of FRS 7 and changes in presentation of the financial statements from the adoption of the revised FRS 101 and amendments to FRS 132. As permitted in FRS 7 and FRS 139, the Group and the Bank is exempted from disclosing possible impact to the financial statements upon initial application of these standards in accordance with the transitional provisions of these standards.

2. Basis of preparation (cont'd.)

(b) Significant accounting estimates and judgements

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

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

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

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 acquisition 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.

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.

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. 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.

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 statement.

(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.

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%

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.

Intangible assets are amortised over their finite useful lives as follows:

Computer software	2 - 5 years

The Group has developed the following criteria to identify computer 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

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 non-financial 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.

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) 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.

(j) 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.

(k) Foreign currencies

(i) 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.

(ii) 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.

3. Significant accounting policies (cont'd.)

(k) Foreign currencies (cont'd.)

(ii) 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:

	2009	2008
Singapore Dollar	2.44	2.41
Thai Baht	0.10	0.10
United States Dollar	3.43	3.47

(l) 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.

3. Significant accounting policies (cont'd.)

(l) 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.

(m) 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.

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.

(n) 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.

(o) Provisions

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

3. Significant accounting policies (cont'd.)

(p) Derivative financial 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and Bank Negara Malaysia	377,508	415,652	377,478	415,620
Money at call and deposit placements maturing within one month	-	94,796	-	94,796
	377,508	510,448	377,478	510,416

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

	Group and Bank	
	2009 % per annum	2008 % per annum
Licensed banks	-	3.22
Bank Negara Malaysia	2.00	3.26

5. Deposits and placements with banks

	Group and Bank	
	2009 RM'000	2008 RM'000
Licensed bank	50,000	-

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	
	2009	2008
	% per annum	% per annum
Licensed bank	2.18	-

6. Securities held-for-trading

	Group and Bank	
	2009 RM'000	2008 RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	-	25,929
Bank Negara Monetary Notes	19,992	-
	19,992	25,929

7. Securities available-for-sale

	Group and Bank	
	2009 RM'000	2008 RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	115,686	128,120
Private debt securities	20,324	20,485
Cagamas Bonds	9,995	10,001
Government Investment Issue	-	20,066
Quoted securities in Malaysia:		
Debt converted shares *	-	-
	146,005	178,672
At cost		
Unquoted securities:		
Shares	872	872
	146,877	179,544

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

8. Securities held-to-maturity

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
In Malaysia:		
Money market instruments:		
Malaysian Government Securities	45,297	14,961
Unquoted securities:		
Private debt securities	836	840
	46,133	15,801
Less: Amortisation of premium net of accretion of discount	(48)	3
Less: Accumulated impairment losses	(823)	(827)
	45,262	14,977

(i) Indicative fair value of securities:

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Malaysian Government Securities	45,474	15,231
Unquoted securities - private debt securities	13	13

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

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Maturing more than one year	45,297	14,961

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

9. Loans, advances and financing

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Overdrafts	83,770	95,937
Term loans		
Housing loans	9,812	10,973
Syndicated term loan	75,571	54,668
Other term loans	268,946	260,608
Revolving credits	250,243	212,206
Bills receivables	14,061	17,160
Trust receipts	45,542	109,923
Bankers' acceptances	692,813	716,527
Other financing	19,717	47,369
Staff loans	1,496	1,795
	1,461,971	1,527,166
Unearned interest	(3,394)	(5,018)
	1,458,577	1,522,148
General allowance for bad and doubtful debts ("GA")	(21,532)	(23,540)
Specific allowance for bad and doubtful debts ("SA")	(41,460)	(26,086)
Net loans, advances and financing	1,395,585	1,472,522
Total loans, advances and financing less SA	1,417,117	1,496,062

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

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Maturing within one year	1,127,087	1,199,572
One year to three years	102,004	125,030
Three years to five years	127,051	95,107
Over five years	102,435	102,439
	1,458,577	1,522,148

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

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

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Purchase of securities	28,037	45,193
Purchase of transport vehicles	1,517	5,142
Purchase of residential properties	20,583	12,735
Purchase of non-residential properties	56,237	61,897
Purchase of fixed assets other than land and building	75,588	54,198
Personal use	4,837	5,012
Construction	14,843	27,257
Working capital	1,206,400	1,310,714
Others	50,535	-
	1,458,577	1,522,148

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

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Domestic non-bank financial institutions	106,313	97,636
Domestic business enterprises		
- Small medium enterprises	402,703	429,312
- Others	933,402	977,371
Domestic other entities	40	53
Individuals	16,119	17,776
	1,458,577	1,522,148

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

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

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Fixed rate		
Housing loan	1,297	1,791
Other fixed rate loan/financing	16,463	3,762
Variable rate		
BLR plus	330,911	315,323
Cost-plus	1,104,135	1,077,282
Other variable rates	5,771	123,990
	1,458,577	1,522,148

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

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Balance as at 1 January	35,957	40,775
Classified as non-performing during the year	34,417	8,631
Reclassified as performing during the year	(1,034)	(1,206)
Amount recovered	(957)	(624)
Amount written off	-	(11,599)
Other adjustment	-	(20)
Balance as at 31 December	68,383	35,957
Specific allowance	(41,460)	(26,086)
Net non-performing loans, advances and financing	26,923	9,871
Ratio of net non-performing loans, advances and financing to total loans, advances and financing less SA	1.90%	0.66%

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

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

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
General Allowance		
Balance as at 1 January	23,540	16,999
Allowance (written back)/made during the year	(2,008)	6,541
Balance as at 31 December	21,532	23,540
GA% of gross loans, advances and financing less SA	1.52%	1.57%
Specific Allowance		
Balance as at 1 January	26,086	29,279
Allowance made during the year	16,370	9,513
Written off	-	(11,599)
Recovered and written back	(996)	(1,107)
Balance as at 31 December	41,460	26,086

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

	2009 RM'000	2008 RM'000
Purchase of residential properties	2,580	2,162
Working capital	65,803	33,795
	68,383	35,957

(viii) The weighted average effective interest rate for loans, advances and financing at the balance sheet date was 4.06% (31.12.2008: 5.23%) per annum.

10. Other assets

	Group 2009 RM'000	Group 2008 RM'000 (restated)	Bank 2009 RM'000	Bank 2008 RM'000 (restated)
Other receivables, deposits and prepayments	2,344	2,762	2,344	2,762
Unrealised gain on derivatives	848	1,106	848	1,106
Tax recoverable	5,315	3,402	5,314	3,402
	8,507	7,270	8,506	7,270

11. Statutory deposit with Bank Negara Malaysia

The non-interest bearing 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 2009 RM'000	Bank 2008 RM'000
Unquoted shares, at cost	10	10

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

Name of company	Percentage of equity held 2009 %	Percentage of equity held 2008 %	Principal activity
BBL Nominees (Tempatan) Sdn. Bhd.	100	100	Provision of nominee services to local clients of the Bank

13. Property and equipment

Group and Bank	Freehold land and buildings* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings, and computer equipment RM'000	Total RM'000
31 December 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	773	-	479	1,252
Write off	-	-	(1,615)	(1,615)
At 31 December 2009	15,285	1,049	4,579	20,913
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 year	281	78	865	1,224
Write off	-	-	(1,603)	(1,603)
At 31 December 2009	6,453	865	2,573	9,891
Net carrying amount	8,832	184	2,006	11,022
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

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:

	2009 RM'000	2008 RM'000
Buildings	4,067	4,067
Motor vehicles	558	558
Office equipment, furniture and fittings and computer equipment	833	2,657
	5,458	7,282

14. Intangible assets

	Group and Bank 2009 RM'000	Group and Bank 2008 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	1,390	805
Additions	285	586
At 31 December	1,675	1,391
Accumulated amortisation		
At 1 January as previously stated	222	-
Reclassified from property and equipment	652	680
At 1 January as restated	874	680
Amortisation charged (Note 25)	320	195
At 31 December	1,194	875
Net carrying amount	481	516

15. Deferred tax assets

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000 (restated)
At 1 January as previously stated	6,256	6,842
Recognised in equity	(573)	-
At 1 January as restated	5,683	6,842
Recognised in the income statement (Note 26)	(589)	(586)
Recognised in equity	1,020	(573)
At 31 December	6,114	5,683
Presented after appropriate offsetting as follows:		
Deferred tax assets	6,515	6,692
Deferred tax liabilities	(401)	(1,009)
	6,114	5,683

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

Group and Bank

Deferred tax assets

	General allowance RM'000	Revaluation reserve RM'000	Total RM'000
At 1 January 2009	6,692	-	6,692
Recognised in the income statement	(624)	-	(624)
Reclassified from deferred tax liabilities	-	447	447
At 31 December 2009	6,068	447	6,515
At 1 January 2008	7,039	-	7,039
Recognised in the income statement	(347)	-	(347)
At 31 December 2008	6,692	-	6,692

15. Deferred tax assets (cont'd.)

Deferred tax liabilities

	Plant and equipment 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	35	-	-	35
Recognised in equity	-	1,020	-	1,020
Reclassified to deferred tax asset	-	(447)	-	(447)
At 31 December 2009	(394)	-	(7)	(401)
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 2009 RM'000	2008 RM'000 (restated)
Fixed deposits	1,163,999	1,060,062
Negotiable instruments of deposits	72,550	97,000
Current accounts	112,182	105,703
Savings deposits	9,721	9,090
Short term deposits	219,078	-
	1,577,530	1,271,855

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

	Group and Bank 2009 RM'000	2008 RM'000
Due within six months	1,127,833	866,958
Six months to one year	319,683	274,106
One year to three years	6,211	15,188
Over three years	1,900	810
	1,455,627	1,157,062

16. Deposits from customers (cont'd.)

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

	Group and Bank 2009 RM'000	2008 RM'000 (restated)
Business enterprises	1,250,027	1,009,719
Individuals	197,876	202,439
Others	129,627	59,697
	1,577,530	1,271,855

(iii) The weighted average effective interest rate for deposits from customers at the balance sheet date was 2.11% (2008: 3.15%) per annum.

17. Deposits and placements of banks and other financial institutions

	Group and Bank 2009 RM'000	2008 RM'000 (restated)
Licensed banks and other financial institutions	90,367	433,106
Bank Negara Malaysia	2,644	5,470
	93,011	438,576

The weighted average effective interest rate for deposits and placements of banks and other financial institutions at the balance sheet date was 0.88% (2008: 3.59%) per annum.

18. Other liabilities

	Group		Bank	
	2009 RM'000	2008 RM'000 (restated)	2009 RM'000	2008 RM'000 (restated)
Accruals	1,808	1,023	1,808	1,023
Unrealised loss on derivatives	990	1,545	990	1,545
Other payables	11,494	13,934	11,492	13,926
	14,292	16,502	14,290	16,494

19. Share capital

	Group and Bank			
	Number of ordinary shares of RM1 each		Amount	
	2009 '000	2008 '000	2009 RM'000	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	
	2009 RM'000	2008 RM'000
Loans and advances		
Interest income other than recoveries from NPLs	60,911	75,364
Recoveries from NPLs	537	453
Deposits and placements with banks and other financial institutions	10,580	26,304
Securities held-for-trading	117	177
Securities available-for-sale	6,421	4,948
Securities held-to-maturity	1,081	571
	79,647	107,817
Net interest suspended	(5,070)	(3,942)
Amortisation of premium net of accretion of discount	(776)	(294)
	73,801	103,581

22. Interest expense

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Deposits from customers	33,947	35,947
Deposits and placements of licensed banks	5,400	26,785
	39,347	62,732

23. Loan loss and allowances, net

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
General allowance for bad and doubtful debts (written back)/made during the year	(2,008)	6,541
Specific allowance for bad and doubtful debts	16,370	9,513
Specific allowance written back	(996)	(1,107)
Bad debts recovered	(1,506)	(6,321)
	11,860	8,626

24. Non-interest income

	Group 2009 RM'000	Group 2008 RM'000	Bank 2009 RM'000	Bank 2008 RM'000
Fee income:				
Commission	2,254	2,835	2,245	2,814
Service charges and fees	509	1,013	509	1,013
Guarantee fees	964	1,109	964	1,109
	3,727	4,957	3,718	4,936

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

	Group 2009 RM'000	Group 2008 RM'000	Bank 2009 RM'000	Bank 2008 RM'000
Investment income:				
Net gain/(loss) on sale of investments:				
Securities held-for-trading	8	115	8	115
Securities available-for-sale	602	(128)	602	(128)
Net (loss)/gain on revaluation of securities held-for-trading	(8)	348	(8)	348
Writeback in diminution of securities held-to-maturity	4	-	4	-
Gross dividend from securities available-for-sale	61	69	61	69
	667	404	667	404
Other income:				
Foreign exchange gain	3,993	6,389	3,993	6,389
Unrealised gain/(loss) on derivatives	297	(439)	297	(439)
Rental income	553	603	553	603
Recovery from Danaharta	-	2,634	-	2,634
Others	1	4	1	4
	4,844	9,191	4,844	9,191
	9,238	14,552	9,229	14,531

25. Overhead expenses

	Group 2009 RM'000	Group 2008 RM'000 (restated)	Bank 2009 RM'000	Bank 2008 RM'000 (restated)
Personnel costs				
Salaries, allowances and bonuses	9,366	8,478	9,366	8,478
Defined Contribution Plan - Employees Provident Fund	1,384	1,208	1,384	1,208
Others	1,362	765	1,362	765
	12,112	10,451	12,112	10,451

25. Overhead expenses (cont'd.)

	Group		Bank	
	2009 RM'000	2008 RM'000 (restated)	2009 RM'000	2008 RM'000 (restated)
Establishment costs				
Depreciation	1,224	1,040	1,224	1,040
Amortisation of intangible assets	320	195	320	195
Repair and maintenance	650	544	650	544
Computerisation costs	416	408	416	408
Others	614	649	614	649
	3,224	2,836	3,224	2,836
Marketing costs				
Advertising and publicity	264	199	264	199
Others	144	103	144	103
	408	302	408	302
Administration and general costs				
Professional fees	392	487	392	487
Others	4,022	3,694	4,020	3,692
	4,414	4,181	4,412	4,179
Total	20,158	17,770	20,156	17,768

The above expenses includes the following statutory disclosure:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration (Note 31)	1,215	1,328	1,215	1,328
Hire of equipment	49	63	49	63
Auditors' remuneration				
- Statutory audit	83	66	82	65
- Other services	81	39	81	39
Property and equipment written off	12	-	12	-

26. Taxation

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax:				
Current year	2,481	9,188	2,479	9,183
Over provision in prior years	(461)	(2,240)	(461)	(2,240)
	2,020	6,948	2,018	6,943
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	589	(1,126)	589	(1,126)
Under provision in prior years	-	1,712	-	1,712
	2,609	7,534	2,607	7,529

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

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before taxation	11,674	29,005	11,667	28,986
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	2,919	7,541	2,917	7,536
Over provision in prior years	(461)	(2,240)	(461)	(2,240)
Effect of expenses not deductible for tax purposes	151	521	151	521
Under provision of deferred tax in prior years	-	1,712	-	1,712
Tax expense for the year	2,609	7,534	2,607	7,529

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 year by the number of ordinary shares in issue during the financial year as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Net profit for the year (RM'000)	9,065	21,471	9,060	21,457
Number of ordinary shares in issue ('000)	265,000	265,000	265,000	265,000
Basic earnings per share (sen)	3.42	8.10	3.42	8.10

27. Earnings per share (cont'd.)

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

28. Commitments and contingencies

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

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

	Principal Amount	Credit Equivalent Amount	Risk weighted amount	Principal Amount	Credit Equivalent Amount*	Risk weighted amount
	<------------	31.12.2009	----------->	<------------	31.12.2008	----------->
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	17,771	17,771	17,253	21,308	21,308	20,804
Transaction-related contingent items	71,256	35,628	33,716	82,793	41,397	38,910
Short-term self-liquidating trade-related contingencies	35,541	7,108	7,108	33,932	6,786	6,786
Forward foreign exchange contracts						
- less than one year	171,052	2,369	1,882	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	21	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	917,197	-	-	30,017	-	-
Total	1,212,857	62,896	59,980	1,036,303	217,487	214,311

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 31 December 2009, the amount of contracts which were not hedged and, hence, exposed to market risk is RM5,369,000 (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 31 December 2009, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM2,369,000 (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.

29. Interest rate risk (cont'd.)

Group	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	Trading book RM'000	Total RM'000	Effective interest rate %
	← Non-trading book					→			
As at 31 December 2009									
Assets									
Cash and short-term funds	350,200	-	-	-	-	27,308	-	377,508	2.00
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000	2.18
Securities held-for-trading	-	-	-	-	-	-	19,992	19,992	1.97
Securities available-for-sale	-	-	5,005	121,479	19,521	872	-	146,877	3.49
Securities held-to-maturity	-	-	-	45,249	-	13	-	45,262	3.24
Loans, advances and financing									
- performing	1,372,434	14,882	296	814	1,768	-	-	1,390,194	3.92
- non-performing *	-	-	-	-	-	5,391	-	5,391	n/a
Other non-interest sensitive balances	-	-	-	-	-	38,124	-	38,124	n/a
Total assets	1,722,634	64,882	5,301	167,542	21,289	71,708	19,992	2,073,348	

29. Interest rate risk (cont'd.)

Group	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	Trading book RM'000	Total RM'000	Effective interest rate %
	Non-trading book								
As at 31 December 2009									
Liabilities									
Deposits from customers	868,571	317,870	382,978	8,111	-	-	-	1,577,530	2.11
Deposits and placements of banks and other financial institutions	61,300	31,601	-	-	-	110	-	93,011	0.88
Other non-interest sensitive balances	-	-	-	-	-	14,292	-	14,292	n/a
Total liabilities	929,871	349,471	382,978	8,111	-	14,402	-	1,684,833	
Shareholder's equity	-	-	-	-	-	388,515	-	388,515	n/a
Total liabilities and shareholder's equity	929,871	349,471	382,978	8,111	-	402,917	-	2,073,348	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	792,763	(284,589)	(377,677)	159,431	21,289	(331,209)	19,992	-	

* 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.)

	Non-trading book								
	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	Trading book RM'000	Total RM'000	%
As at 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.

29. Interest rate risk (cont'd.)

Group	Non-trading book: 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	Trading book RM'000	Total RM'000	Effective interest rate %
As at 31 December 2008									
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	-	

29. Interest rate risk (cont'd.)

Bank	Non-trading book 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	Trading book RM'000	Total RM'000	Effective interest rate %
As at 31 December 2009									
Assets									
Cash and short-term funds	350,200	-	-	-	-	27,278	-	377,478	2.00
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000	2.18
Securities held-for-trading	-	-	-	-	-	-	19,992	19,992	1.97
Securities available-for-sale	-	-	5,005	121,479	19,521	872	-	146,877	3.49
Securities held-to-maturity	-	-	-	45,249	-	13	-	45,262	3.24
Loans, advances and financing									
- performing	1,372,434	14,882	296	814	1,768	-	-	1,390,194	3.92
- non- performing *	-	-	-	-	-	5,391	-	5,391	n/a
Other non-interest sensitive balances	-	-	-	-	-	38,133	-	38,133	n/a
Total assets	1,722,634	64,882	5,301	167,542	21,289	71,687	19,992	2,073,327	

29. Interest rate risk (cont'd.)

Bank	Non-trading book: 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	Trading book RM'000	Total RM'000	Effective interest rate %
As at 31 December 2009									
Liabilities									
Deposits from customers	868,571	317,870	382,978	8,111	-	-	-	1,577,530	2.11
Deposits and placements of banks and other financial institutions	61,300	31,601	-	-	-	110	-	93,011	0.88
Other non-interest sensitive balances	-	-	-	-	-	14,290	-	14,290	n/a
Total liabilities	929,871	349,471	382,978	8,111	-	14,400	-	1,684,831	
Shareholder's equity	-	-	-	-	-	388,496	-	388,496	n/a
Total liabilities and shareholder's equity	929,871	349,471	382,978	8,111	-	402,896	-	2,073,327	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	792,763	(284,589)	(377,677)	159,431	21,289	(331,209)	19,992	-	

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

29. Interest rate risk (cont'd.)

Bank	Non-trading book								
	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**	**Trading book RM'000**	**Total RM'000**	
As at 31 December 2008									
Assets									
Cash and short-term funds	491,096	-	-	-	-	19,320	-	510,416	3.25
Deposits and placements with bank and other financial institutions	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	25,929	25,929	3.20
Securities available-for-sale	-	-	10,000	137,796	30,876	872	-	179,544	3.77
Securities held-to-maturity	-	-	-	14,964	-	13	-	14,977	3.65
Loans, advances and financing									
- performing	1,484,248	150	-	3	1,791	-	-	1,486,192	5.11
- non-performing *	-	-	-	-	-	(13,670)	-	(13,670)	n/a
Other non-interest sensitive balances	-	-	-	-	-	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 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	Trading book RM'000	Total RM'000	Effective interest rate %
As at 31 December 2008									
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
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	-	

30. Significant related party transactions and balances

(i) Related party transactions

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Income		
Interest on advances to holding company and its branches	43	3,969
Expenditure		
Interest on advances from holding company and its branches	940	5,156

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Amount due to		
Deposits and placements from holding company and its branches	44,635	156,282
Amount due from		
Cash and short-term funds placed with holding company and its branches	6,611	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.

(ii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The remuneration of key management personnel included in the income statements was as follows:

	Group and Bank 2009 RM'000	Group and Bank 2008 RM'000
Salary and emoluments	1,873	1,657
Defined contribution plan	210	182
Benefits-in-kind	222	-
	2,305	1,839

31. Directors' remuneration

Details of remuneration in aggregate for directors charged to the income statements for the financial year are as follows:

	Group and Bank	
	2009	2008
	RM'000	RM'000
Executive Director:		
Salary and other remuneration	1,379	1,391
Defined contribution plan	210	182
Benefits-in-kind	48	24
	1,637	1,597
Non-executive directors:		
Fees	1,178	1,286
Other remuneration	37	42
	1,215	1,328
Total	2,852	2,925
Total excluding benefits-in-kind	2,594	2,719

The numbers of directors of the Bank whose total remuneration for the financial year which fall within the required disclosure bands is as follows:

	Number of Directors	
	2009	2008
Executive director		
RM1,400,000 - RM1,450,000	1	1
Non-executive directors:		
RM100,001 - RM150,000	2	4
RM150,001 - RM200,000	4	3
RM200,001 - RM250,000	1	1

32. 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).

32. Capital adequacy (cont'd.)

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

	2009	2008
Core capital ratio	24.17%	20.37%
Risk-weighted capital ratio	25.52%	21.65%

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

	2009 RM'000	2008 RM'000
Tier-1 Capital		
Paid-up share capital	265,000	265,000
Statutory reserve	116,984	112,454
Retained profits	7,851	3,321
Less: Deferred tax assets	(5,667)	(6,256)
Total Tier-1 Capital	384,168	374,519
Tier-2 Capital		
General allowance for doubtful debts	21,532	23,540
Total Tier-2 Capital	21,532	23,540
Total capital	405,700	398,059
Less: Investment in subsidiary	(10)	(10)
Capital base	405,690	398,049

(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 2009 RM'000	Risk-Weighted 2009 RM'000	Principal 2008 RM'000	Risk-Weighted 2008 RM'000
0%	552,566	-	636,413	-
20%	70,557	14,111	108,571	21,714
35%	4,320	1,512	5,201	1,821
50%	42,576	21,287	34,259	17,129
75%	2	2	41	31
100%	1,448,907	1,448,907	1,686,560	1,686,560
150%	6,807	10,211	9,714	14,571
Total risk-weighted assets for credit risk		1,496,030		1,741,826
Total risk-weighted assets for market risk		6,478		10,613
Total risk-weighted assets for operational risk		86,908		85,826
Total risk-weighted assets		1,589,416		1,838,265

32. 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
31 December 2009					
Credit Risk					
On-Balance Sheet Exposures					
Sovereigns/Central Banks		526,505	526,505	-	-
Banks, Development Financial Institutions & MDBs		68,422	68,422	16,440	1,315
Corporates		1,412,364	1,412,364	1,372,721	109,818
Regulatory Retail		2	2	1	-
Residential Mortgages		8,399	8,399	3,551	284
Higher Risk Assets		-	-	-	-
Other Assets		19,344	19,344	16,973	1,358
Equity Exposure		872	872	341	27
Defaulted Exposures		26,930	26,930	26,022	2,082
Total for On-Balance Sheet Exposures		2,062,838	2,062,838	1,436,049	114,884
OTC Derivatives		-	-	-	-
Credit Derivatives		-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives		62,894	62,894	59,978	4,798
Defaulted Exposures		2	2	2	-
Total for Off-Balance Sheet Exposures		62,896	62,896	59,980	4,798
Total for On and Off-Balance Sheet Exposures		2,125,734	2,125,734	1,496,029	119,682
Market Risk	Long Position	Short Position			
Interest Rate Risk	111,206	111,284	(78)	1,109	89
Foreign Currency Risk	15,338	9,969	5,369	5,369	430
Operational Risk		-	-	86,908	6,953
Total RWA and Capital Requirements				1,589,415	127,153

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32. 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					
Credit Risk					
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
Market Risk	Long Position	Short Position			
Interest Rate Risk	133,120		8,862	8,862	709
Foreign Currency Risk	9,762	8,011	1,751	1,751	140
Operational Risk		-	-	85,826	6,866
Total RWA and Capital Requirements				1,838,265	147,061

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32. Capital adequacy (cont'd.)

Credit Risk Disclosures on Risk Weights

Risk Weights	Exposures after Netting and Credit Risk Mitigation								
	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	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
As at 31 December 2009									
0%	526,505	-	23,689	-	-	2,372	-	552,566	-
10%	-	-	-	-	-	-	-	-	-
20%	-	59,845	10,048	-	-	-	664	70,557	14,111
35%	-	-	-	-	4,320	-	-	4,320	1,512
50%	-	9,342	29,156		4,079	-	-	42,577	21,289
75%	-	-	-	2	-	-	-	2	1
90%	-	-	-	-	-	-	-	-	-
100%	-	-	1,430,155	-	1,571	16,972	208	1,448,906	1,448,906
150%	-	-	6,807	-	-	-	-	6,807	10,211
Average Risk Weight								2,125,735	1,496,030
Deduction from Capital Base	-	-	-	-	-	-	-	-	

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32. Capital adequacy (cont'd.)

Credit Risk Disclosures on Risk Weights

Risk Weights	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	Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Exposures after Netting and Credit Risk Mitigation								
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	-	-	-	-	-	-	-	-	

33. 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.

33. 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.

33. 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			
	2009		2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Securities held-for-trading	19,992	19,992	25,929	25,929
Securities available-for-sale	146,877	154,118	179,544	184,113
Securities held-to-maturity	45,262	45,487	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		
	2009		
	Nominal/ notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Forward foreign exchange contracts	171,052	848	(990)

	Group and Bank		
	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)

33. 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.

34. Comparative figures

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