



ธนาคารอิสลาม
แห่งประเทศไทย
ISLAMIC BANK OF THAILAND • البنك الإسلامي بتايلاند

ANNUAL REPORT 2008

Moving Towards  **bank**



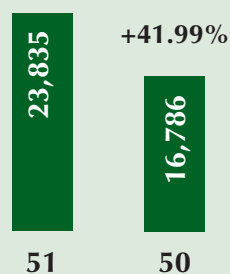
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Key Financial Information

	Million baht		% Change
	2008	2007	2008/2007
Financial status and business performance			
Assets – total of	23,847	16,786	42.07%
Loans	16,687	11,007	51.61%
Loans and accrued income – Net	16,429	10,879	51.02%
Deposits	19,898	12,859	54.74%
Total liabilities	20,758	13,613	52.49%
Shareholder’s equity	3,089	3,172	-2.64%
Income from loan issuance and investment	821	636	29.09%
Total income	926	732	26.50%
Profit (Loss) net	10	-286	103.43%
Per Share : Baht			
Profit (Loss) net per basic share	-	-4.09	100.00%
Share value			
Accounting share value	0.99	1.02	-2.94%
Financial ratio (%)			
Rate of returns on average total assets	0.04	-1.70	1.74%
Rate of returns on average shareholder’s equity	0.32	-9.02	9.34%
Profit (Loss) net per total income	1.06	-39.10	40.16%
Funds / risky assets	0.26	0.33	-0.07%

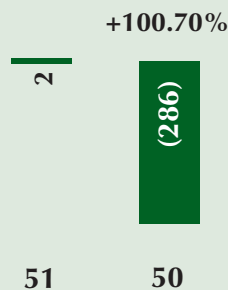
Business assets



Total income



Profit (Loss) net



Accounting share value



Message from the Chairman of the Board of Directors

During the year 2008 as a whole, Thailand's economy slowed down from the previous year (2007). The forecast growth of 4.5 per cent was not achieved due to adverse world economic conditions and political issues within the country, the actual rate of growth being only 2.5 per cent. Investment and spending by the private sector expanded only slightly during the first three quarters of the year. But with the slowdown seen during the last quarter, average yearly inflation was almost equal to GDP. The current account surplus was 5.5 per cent. The increased level of inflation reflected higher costs of natural resources and food supplies from the first half declining during the last half. The national rate of unemployment was 1.4 per cent. Productivity rate was recorded at 69.3 per cent.

For 2009, due to the world economic slowdown continuing and adverse factors within the country, Thailand's economy is expected to decline by 1.0 per cent. Major factors contributing to this include declines likely in export industries, tourism and automobile manufacturing. Domestic factors are more favourable due to the low interest rates policy of The Bank of Thailand, the policy of budget deficit and economic stimulation programme, which will help boost both private sector and private confidence.

Despite the above impediments, the Islamic Bank of Thailand (ISBT), with its dedicated staff and Board of Directors, achieved major objectives during the financial year under review:- As at the end of 2008, ISBT recorded a net profit of Baht around 10 million. Total financing reached Baht about 16,700 million, an increase of Baht around 5,700 million from the 2007 year. Total deposits were approximately 19,900 million Baht, an increase of Baht around 7,300 million. Total assets reached Baht around 23,900 million, an increase of Baht about 7,000 million from the previous year.

For 2009, ISBT is fully committed to the development of human resources in its area of service. This is considered to be a major force in driving the Bank's growth and achieving for ISBT the position of being the premier bank in Thailand providing services according to the concepts of Islamic religion. This policy is proving both acceptable and popular with the banking public. With fast, efficient services offered under Shariah Compliant, ISBT is totally dedicated to the objectives of caring for customers, for its valued staff and shareholders. Our vision is to serve with absolute responsibility the needs of society.

In conclusion, I would like to express, on behalf of the Board of Directors of the Islamic Bank of Thailand, my appreciation to government agencies, shareholders and our valued customers for the support and trust with which they have honoured us.



**Lieutenant General Professor
Dr. Somchai Virulhapol
Chairman of the Board of Directors**

Message from the President

To all our valued stockholders

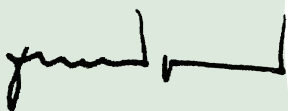
During the past year many industrialized countries suffered from the impact of the financial crisis in America and Europe, resulting in reduced levels of export activities and public consumption, lower employment and investment. Among other adverse factors for Thailand were a decline in tourism, noted particularly towards the end of 2008, and lower revenues for the agricultural sector due to reduced global demand. In terms of investment, these negative issues were reflected in a sharp drop in the Stock Exchange of Thailand index and greater limitations in the granting of loans.

However we, as Islamic Bank of Thailand, and considered a state-owned enterprise with the Ministry of Finance as the largest stakeholder, are aiming to avoid involvement in high-risk business that can lead to the type of crisis seen recently around the world. Due to the Islamic principles under which we operate, we are confident that we can achieve accelerated growth, while simultaneously increasing wealth for our customers and stakeholders.

During 2008, we managed to restructure and improve our organisation, especially in the expansion of our financing activities. Our total deposits at the end of 2008 were approximately 19,900 million Baht; total financing grew to around 16,700 million Baht; and total assets to around 23,900 million Baht.

In 2009, one of our innovations designed to achieve better recognition is the re-branding of our enterprise to become known, in future, as 'I Bank'. In addition, we plan to expand financing for retail activities such as hire-purchase credit and consumer financing, while maintaining corporate financing, especially for those companies registered on the Stock Exchange of Thailand. We will also focus on developing Financial Advisory and Investor Counselor functions. We plan to attract more investors from the Middle East to Thailand and provide more credit for Halal business as well as SMEs, in response to Thai government policies. To increase our competitive advantages within the industry we plan to open an additional four branches, to increase the number of ATM outlets and improve services.

We would like to thank all our valued stockholders and investors for their strong support, also grateful appreciation is extended to our hard-working staff and management team for their dedicated efforts, all involved in stimulating bright prospects for our future growth.



Mr. Dheerasak Suwannayos
President

Message from Chairman of the Shariah Advisory Council

As the Islamic Bank Act B.E. 2545, which stipulates that the Islamic Bank of Thailand operates a financial business not associated with interest, and the Bank's business must not go against the principles of Islam. In achieving such objectives, a Shariah Advisory Council is set up and consisting of a chairman and four other consultants. The Shariah Advisory Council is responsible for providing advice and suggestions to the board of the Bank in the area of the Islamic principles relating to the Bank's operations so that the Bank's business does not go against the principles of Islam.

During the period since the Bank started its operations, the Shariah Advisory Council, as part of the organization, has been providing advice and suggestions to the board of the Bank to its full capability so that the Bank can provide financial services according to the principles of Islam. Currently, the Bank has financial products that are able to serve the needs of customers who require for business investment that does not go against the Islamic principles. The Bank emphasizes on the concept of merciness and fairness, which will satisfy the Bank's customers, both Muslims and other believers who are willing to subscribe to the bank's services.

The Shariah Advisory Council is confident in every financial product, which is agreed by the board that such financial products do not go against the Shariah principle, with the awareness towards the responsibility for this world and in the hereafter.



(Mr. Aroon Boonchom)

Chairman of the Shariah Advisory Council

Board of Directors



**Professor, Doctor
Lieutenant General
Somchai Virunhaphon
Chairman**

Educational Background

- Ph.D. (Economics), State University of New York at Binghamton
- Master of Economics, Western Illinois University (Scholarship)
- Bachelor of Economics, Thammasat University
- High School, Bangkok Christian College

Career Background

- State Audit Commissioner, Office of the Auditor General of Thailand
- Counselor of Philosophy Program in Social Affair, Ramkhamhaeng University
- Executive Director of College of Graduate Study in Management, Khon Kaen University
- Academic Professor, Chulachomklao Royal Military Academy School
- Head of Economics Faculty (equivalent to Dean), Chulachomklao Royal Military Academy School
- Associate Professor Lecturer, Chulachomklao Royal Military Academy School

Current Career

- Executive Director, The Halal Standard Institute of Thailand



**Mr. Suthep
Suebsantiwoangse
Director**

Educational Background

- Bachelor of Art (Business Administration) California State University, Haward U.S.A.
- High School Assumption College Bangrak

Career Background

- Executive Vice President - Commercial Department Thai Airways International Pcl.
- Executive Vice President - Human Resource and General Management Thai Airways International Pcl.
- Executive Vice President - Ground Customer Service Department Thai Airways International Pcl.
- Vice President Marketing, Planning & Revenue Management Thailand, Thai Airways International Pcl.
- Director, Area Thailand, Area Manager (Thailand), Thai Airways International Pcl.
- Area Manager - Japan, Thai Airways International Pcl.
- Area Manager - Indonesia, Thai Airways International Pcl.
- Division Manager - Area Thailand, Thai Airways International Pcl.

Current Career

- Director Miwan Co,Ltd.



**Associate Professor
Isara Santisart
Director**

Educational Background

- Ph.D. (Economics), the Australian National University, Canberra, Australia
- Master of Applied Statistics (Great Honor), NIDA,
- M.Ec.Dev, the Australian National University, Canberra, Australia
- Bachelor of Science in Chemistry, Chiangmai University
- Dip.Ec.Dev, the Australian National University, Canberra, Australia

Career Background

- Vice Dean of Faculty of Economics, Chulalongkorn University
- Board of Director of the Research and Development Center, Petroleum Authority of Thailand
- Board of Director of Risk Factor Plan, Thai Health Foundation
- Director of Muslim Center, Asian Study Center, Chulalongkorn University

Current Career

- Chairman of the Board of Director to Performance Appraisal, Faculty of Economics, Chulalongkorn University
- Chairman of the Board of Director to CDePS, Faculty of Economics, Chulalongkorn University
- Manager of Muslim-Thai Health Program, Thai Health Foundation
- Committee of Tobacco Problem Research Center, Thai Health Foundation
- Committee of Alcohol Problem Research Center, Thai Health Foundation



**Mrs. Jinda Teppatra
Director**

Educational Background

- Master Degree Economic Development, NIDA
- Bachelor of Economics (Great Honor), Thammasat University
- Bachelor of Law, Sukhothai Thammathirat Open University

Career Background

- Committee of Hin Orn Co.,Ltd.
- Committee of Department Operation Center the Marketing Organization
- Committee of Express Transportation Organization of Thailand
- Committee of Police Printing Bureau

Current Career

- Committee of Khon Song Co.,Ltd.
- Committee of Krung Thai Business Service Co.,Ltd.
- Committee of NEP Real Estate and Industry Public Co.,Ltd.



Mr. Alan Wonganan
Director

Educational Background

- Bachelor of Political Science, Ramkhamhaeng University

Training Background

- Thai Company Committee Institute, Developing Corporate Governance Policy

Career Background

- Deputy Audit Committee of Islamic Bank of Thailand, the National Legislative Assembly of Thailand on behalf of the Committee of Finance and Banking
- Counselor to the Committee of the Ministry of Finance, Banking and Financial Institute, the National Legislative Assembly of Thailand
- Director of the Domestic Relation Center, the Prime Minister's Office on behalf of the Committee of Public Relation towards Crisis and Offensive Relation
- Economy and Social Development Research for the Co-operation of Political Party Policy and Thammasat University
- Secretary to the Independent Community Economics Foundation, Non-Profit Organization
- Counselor to the President of State Railway of Thailand (Mr. Sarawut Thammasiri)



Mr. Krissada Kaweeyarn
Director

Educational Background

- MBA, University of North Carolina
- Bachelor of Accounting (Second Honor), Thammasat University
- High Diploma of Business and Public Administration, Phrapokklao Institute

Career Background

- Auditor of SGV Arthur Anderson Co.,Ltd
- Project Manager GE Capital Commercial Equipment Financing, Stamford, Connecticut, USA
- Head Director of Risk Management GE Capital Commercial Finance. Danbury, Connecticut, USA
- Head Director of Strategic Planning and GE Money Co.,Ltd. Business Development (GE Asia Fire Finance Co.,Ltd.)
- Counselor towards Thai Investment, Lehman Brothers (Thailand) Co.,Ltd.
- Committee of Playing Cards Factory, Excise Department

Current Career

- Counselor to the Minister of ICT, ICT



**Mr. Sayan
Satangmongkol
Director**

Educational Background

- MBA, Thammasat University
- Bachelor of Science (Agricultural Economic), Kasetsart University

Career Background

- Deputy Managing Director of Asset and Legal Management Department, Krung Thai Bank Public Co.,Ltd.
- Deputy Managing Director of Risk Management Department, Krung Thai Bank Public Co.,Ltd.
- Deputy Managing Director of Interior Audit Department, Krung Thai Bank Public Co.,Ltd.
- Assistant to Managing Director of Interior Audit Department, Krung Thai Bank Public Co.,Ltd.
- Manager of Interior Audit Department, Krung Thai Bank Public Co.,Ltd.
- Manager of Audit Department, Krung Thai Bank Public Co.,Ltd.
- Manager of Business Information, Macro-Commercial Credit Department 1, Krung Thai Bank Public Co.,Ltd.
- Manager of Macro-Commercial Credit Department 5, Krung Thai Bank Public Co.,Ltd.
- Manager of Commercial Credit Department, Krung Thai Bank Public Co.,Ltd.
- Manager of Credit Department, Krung Thai Bank Public Co.,Ltd.

Current Career

- Committee of Bangchak Petroleum Public Co.,Ltd.
- Committee of Thanathep Printing
- Committee of Krung Thai Law



**Mr. Jesadavat
Priebjriyat
Director**

Educational Background

- Master Degree-Finance, Management, University of New York, USA
- Master Degree-Engineering Management, George Washington University, USA
- Bachelor Degree-Engineering, Civil Engineering, Chulalongkorn University

Career Background

- Deputy Managing Director, MFC Asset Management Public Co.,Ltd.
- Assistant to Managing Director, KGI Security (Thailand) Public Co.,Ltd.
- Specialist, ADB
- Assistant to Managing Director, Thai Fuji Security Public Co.,Ltd.
- Director of Investment Banking, Siam City Credit Security Public Co.,Ltd.
- Project Analyst, International Finance Corporation (under World Bank)
- Lecturer and Department Head of Industrial Management, Faculty of Accounting, Thammasat University

Current Career

- Committee of Sansiri Public Co.,Ltd
- Committee of Apex Circuit (Thailand) Co.,Ltd.



**M.R. Mr. Sasiprin
Chandaratat
Director**

Educational Background

- MBA, University of Central Oklahoma, USA
- Bachelor of Accounting, Chulalongkorn University

Career Background

- Senior Director, Ek-Thamrong Investment Co.,Ltd.
- Director, Phillip Investment (Thailand) Public Co.,Ltd.
- Assistant to Managing Director, Thai Asset Management Co.,Ltd.
- Managing Director, Pleonchit Advisory Co.,Ltd.
- Chairman of the Board of Director, Ayudhaya Derivative Co.,Ltd.
- CEO, Krungsri Ayudhaya Investment Pcl.

Current Career

- Managing Director, Ploenchi Capital Co.,Ltd.



**Mr. Dheerasak
Suwannayos
Director**

Educational Background

- Master of Arts in Economics, University of Karachi, Pakistan
- Bachelor of Arts in Economics (Honor), University of Karachi, Pakistan

Career Background

- Chairman of the Board of Director, Krung Thai Asset Management Co.,Ltd.
- Chairman of the Board of Director, shariah Banking (Islamic Financial Service), Krung Thai Bank Public Co.,Ltd.
- Committee of Finansa Insurance Co.,Ltd.

Current Career

- President, Islamic Bank of Thailand
- Counselor of Krung Thai Asset Managment Co.,Ltd.
- Director, MCOT Public Co.,Ltd.

Shariah Advisory Council



1 Mr. Aroon Boonchom

Present:

- Chairman

Education:

- Bachelor Degree, Islamic University, Madinah, Saudi Arabia
- Bachelor of Political Science, Sukhothai Thammarat Open University

Other current positions:

- Advisor of Islamic Financial Services, Government Saving Banks
- Vice President for Academic Group, Kuru-Samphan Association
- Lecturer, religious teachings for various institutes and organizations
- President, The Islamic Committee of Bangkok
- Lecturer Islamic studies and Arabic language, Miftah El-Uloom El Deeneyah College (Bardon)
- Chairman of the Religious Committee of the MFC Islamic Fund
- Chairman of the Dhipaya Takaful Advisory Board
- Chairman of the Muang Thai Shariah

2 Assoc. Prof. Ismaae Alee

Present:

- Adviser

Education:

- Ph.D. FIQH, Madeenah Islamic University, Saudi Arabia

Other current positions:

- Director of College of Islamic Studies, Prince of Songkla University, Pattani
- Member, Central Islamic Committee of Thailand
- Chairman of the Islamic Foundation for Higher Education in the South

3 Mr. Sorakij Hasan

Present:

- Adviser

Education:

- Bachelor of Usul Luddeen (Islamic Principles) Madeenah Tul Munaovaroh University, Saudi Arabia

Other current positions:

- Principle of Nurul Islam School
- Imam of Nurul Chang Phueak Masjid
- Part-Time Lecturer, Jitpakdee (Attakwa) School, Education Center of Masjid Hidayatul Islam (Ban Ho)
- Chairman of the Advisory Committee, The Islamic Committee of Chiangmai Province

4 Mr. Thongkam Mahamad

Present:

- Adviser

Education:

- High Level of Religious Education at Miftah El-Uloom El Deeneyah College (an Don)
- Religious Education from Sayyid Muhammad Amin Kutubee, Mekka, Saudi Arabia

Other current positions:

- Member of The Expert Committee of the Sheikhul Islam Office
- Expert Chairman, The Islamic Committee of Bangkok
- Lecturer Islamic Studies, Miftah El-Uloom El Deeneyah College
- Lecturer for Answer religion problem, Tee Nee Miftah Radio & Committee Sheikhul Islam Office Radio
- Vice President, Foundation of Miftah El-Uloom El Deeneyah College

5 Mr. Banjong Bingasan

Present:

- Adviser

Education:

- Bachelor of Economics, Thammasat University

Other current positions:

- Advisor of Islamic Financial Service, Government Saving Bank
- Director, Muang Thai Shariah
- Freelance writer and translator
- President and lecturer of a project for interested in the Islam by the Santichon Foundation

The Executives



**Mr. Dheerasak
Suwannayos
President**

Educational Background

- Master of Arts in Economics,
University of Karachi, Pakistan
- Bachelor of Arts in Economics (Honor),
University of Karachi, Pakistan

Career Background

- Chairman of the Board of Director, Krung Thai
Asset Management Co.,Ltd.
- Chairman of the Board of Director,
shariah Banking (Islamic Financial Service),
Krung Thai Bank Public Co.,Ltd.
- Committee of Finansia Insurance Co.,Ltd.

Current Career

- Director, Islamic Bank of Thailand
- Counselor of Krung Thai Asset Managment Co.,Ltd.
- Director, MCOT Public Co.,Ltd.



**Dr. Ratsuvon Pidpayon
Senior Executive
Vice President**

Educational Background

- Doctoral Degree, Agricultural Economics, New York
University
- Master Degree MBA, NIDA
- Bachelor Degree, Agricultural Economics (Great
Honor), Khon Kaen University

Career Background

- Economist at United Nations Development Program
(UNDP), USA.
- Assistant Commercial Attaché at the Royal Embassy
of Belgium Bangkok, Thailand
- General Manager, UOB Bank, Bangkok



**Mr. Pongstorn
Kunanusorn**
Senior Executive
Vice President

Educational Background

- Master Degree MBA, North Texas State University, Denton, Texas
- Bachelor Degree, Business Administration, Chiang Mai University

Career Background

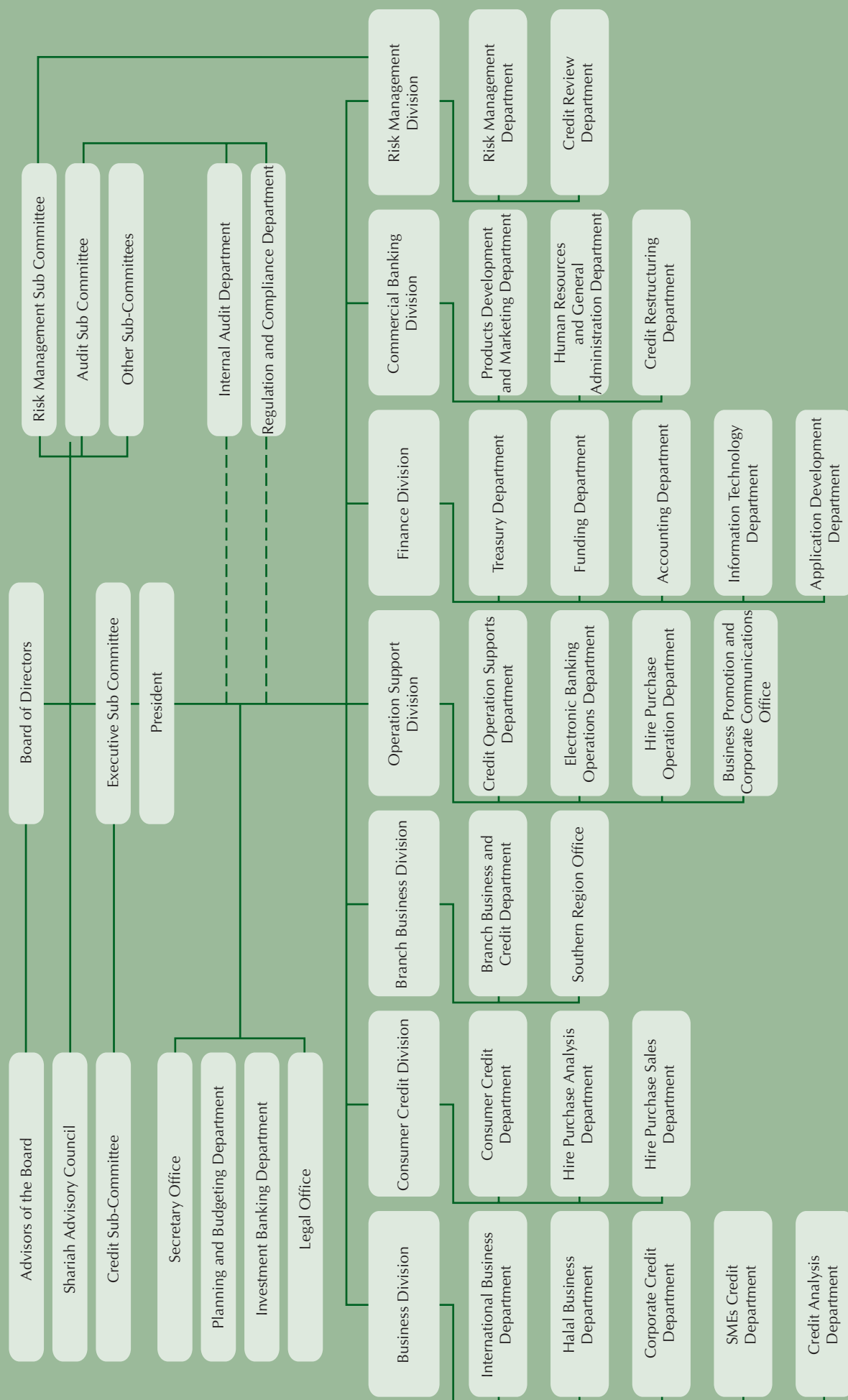
- Managing Director, CMIC Financial and Securities Co.,Ltd.
- Supervisor Executive, Financial Sector Restructuring Authority
- Senior Executive Vice President, Secondary Mortgage Corporation (SMC)

Current Career

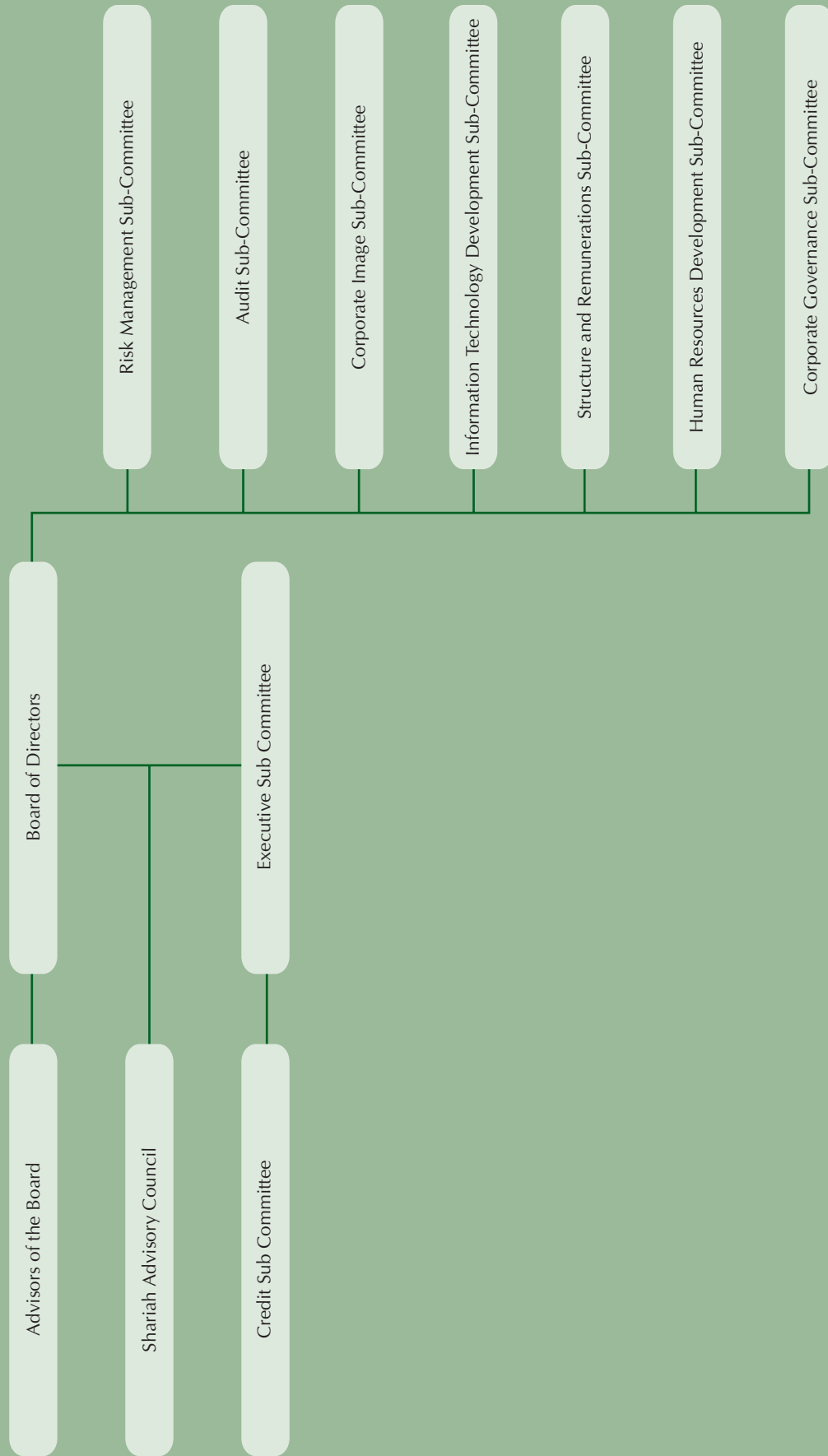
- Director, Dhanarak Asset Development Co.,Ltd.



Organization Structure



Board Committees Structure



Thai Economy in 2008 and Trends of 2009

Thai economy in 2008 was not as good as the previous year, from 4.9% to 3.0% growth and 5.1% lower than what we expected in September 2008 resulted from diminished purchasing power around the world as well as the closure of Thai International Airport by the political turmoil. The stability of Thai economy was getting better if looking at the inflation rate in 2008 of 5.5% comparing to 6.3% in anticipation. The Current Account Balance in 2008 ran deficit -1.5% of GDP but we expect that of 2009 would be growing 1.0%. In terms of export activities in 2009, we expect to see a slower growth according to the economy down all around. Followed by the lower gas price, the inflation rate of 2009 would be as low as 1.0% (expecting 0.0-2.0%) while the Current Account Balance in 2009 continues to run deficit -1.4% (expecting -2.4 to -0.4 of GDP).

1. Thai Economy in 2008 was pictured as the followings:

- 1.1 Household spending: slightly increase** 2.2%, but lower 2.6% in the 3rd quarter. The key factors of this refer to the employment rate, agricultural income of 17.1% growth, lower inflation rate and the “6 schemes 6 months” that aimed to support people’s purchasing power. However, due to the political turmoil and closure of Airports from 25 November to 3 December 2008 caused a big slow on the economy drive. What identify the level of household spending is the 1.0% increase in VAT, the 1.6% increase in consumer products, the 5.8% increase in sales volume of motorbikes and the 47.9% increase in sales volume of passenger cars. Such energy choice car as E20 that was likely to get tax reduced in January 2008 was one of the drive in household spending. Besides, there were other increases like the increase in purchasing on long-lasting products (7.7%), consumer products and services (6.5%), foods (2.0%) whereas there was a drop in the semi- exhausted products 3.1%. The spending in private section increased 2.5%, mostly on long-lasting products.
- 1.2 Investment of private section: slow growth especially in construction and machinery.** Due to the economy down globally, the investment in 4th quarter of 2008 was as slow as 1.3%, dropping from the previous quarter of 6.5%, 4.3% and 3.5% respectively. However, the political turmoil in Thailand recently also damaged trust in those investors around the world, resulting in another round of slow growth in the next three quarters from 36.5% to 40.2%. The figure in machinery investment will drop down to 1.4%, domestic figure in particular dropped to 7.8% while that of commercial cars dropped 32.7%. Regarding to the construction section, the figure dropped to 0.7% in the 4th quarter, commercial building section dropped to 2.8% and residence building section dropped to 1.2% while industrial section increased 2.1% while other section increased 1.5%, comparing to the previous two quarter.
- 1.3 Export:** The figure of export in USD dropped 9.4%, quantity dropped 13.4% while price increased 4.6% mostly due to the political turmoil as well as the closure of 2 main Airports in Thailand from 25 November to 3 December 2008. The overall export figure dropped 7.1%.
- 1.4 Import:** Due to the reduce in number of export, domestic demands and a drop in gas price in the 4th quarter of 2008, the number of import in USD rose 5.3%, dropping from 35.0% 28.7% and 39.1% in three previous quarters. The quantity of import increased 3.2% while import prices increased 2.1%. If calculated in THB, the value of import rose 8.1% and 4.7% respectively.



However, the overall import number lowered in every category, particularly the instant materials and raw material.

Interest rate policy. The Monetary Policy to reduce the interest rate in December from 3.75% to 2.75% during the economic crisis was believed to drive Thai economy to the brighter future very soon. In the same token, other countries took the same interest rate policy with aims to shorten the economy down period. With this, the World Bank decided to implement a flexible policy as well. For the US, their National Bank decided to reduce the interest rate twice in the 4th quarter of 2008, their current interest rate is 0.25% while that of the Japanese National Bank dropped theirs to 0.1%, Chinese National Bank to 5.3% and the European Union Bank to 1.75%. In Thailand, we experienced this change twice in the 3rd quarter of 2008 considering 50 bps due to the external pressure and gas prices. As of the end of December 2008, the interest rate was 2.75%, dropping 50 bps from 2007 while as of January 2009, the rate dropped another 75 bps to 2.00%

2. Economic booster in 2009

Because of the world's economic recession that is expected to continue for a while, the Thai Government needs to release the economic booster to drive it back in track.

- 2.1 Accelerating the launch of 2008 budget and mid-year additional budget of 116,700 million BAHTS while finishing the budget plan of 2010. The readiness to kick off this budget within the first quarter of the year and prepare to proceed the investment projects are a must as well.
- 2.2 Taking care of those laid-off people during the recession by providing funds for skill trainings to broaden their job opportunities.
- 2.3 Monitoring the service and manufacturing sections which tend to receive effects from external and internal factors such as traveling industry and export activity.
- 2.4 Supporting those farmers in terms of pricing interference as well as productivity enhancement with transparency and measurable schemes.
- 2.5 Implementing flexibility, liquidity, credit warrantee policies while providing larger credit loans for medium to micro State Enterprises through a certain state institution.



Performance of 2008 and Year Plan for 2009



The overall of our performance in 2008

Despite the economic slowdown in 2008, the Bank was able to increase financings to 5,680.44 million baht, a growth of 51.61%, while deposits increased to 7,038.62 million baht, an increase of 54.747%. In order to diversify, financings are divided into a consumer's sector of 37.89%; industrial sector, 31.74%; real estate, 14.607%; and commercial, 15.77%. In addition, the credit approval of 917 million baht for Halal business in 2008 was larger than what the Bank had initially planned, indicating a guarantee of the trust in the success of this business and a sign of the growing trust achieved among our customers.

At the end of 2008, NPLs, accounting for 14.52% of all our financing portfolio, were 3.68% lower than in the previous year, 2007. This was partly due to internal restructuring and the establishment of a Liabilities Management Sub-Committee, or ALCO, to enhance liability management and other departments managing NPLs. Another key success factor was also the development of the NPLs recording system, which allowed the Bank to utilize significant data provided by the system to successfully defend and direct NPLs management for the following year.

Significant changes in 2008

Change in management team and the Bank's Committee

In 2008, the Bank implemented a changes in the management team and Committee. The Bank Manager was officially appointed on August 1, 2008.

Change in the organizational structure and staff recruitment

In September 2008, the Bank proceeded with the organizational restructuring plan, in order to support business expansion, establishing a Personal Credit Department and restructuring the Bank's organization to fit our industry concentration. This restructuring included a change in Business Credit Department 1, 2 and 3 into a Corporate Credit, Halal Business Department and SMEs Credit Department respectively. The Bank also established a Risk Management Department, Credit Analysis Department and the formation of a Liability Enhancement Department with the aim of screening and controlling NPLs.

Human resource management and staff recruitment

In order to make the operations run smoothly to meet the objectives of the organization after the major change, the Bank will have to recruit quality and experienced staff, enhance more beneficial trainings and develop brainstorming seminars to stimulate future growth.

Organizational communication and re for branding

To promote our products and services, the Bank organized and held a wide-range of seminars and PR campaign for investors in many regions throughout Thailand. In the mean time, the Re-branding plan is being implemented for better identity and better recognition.

The performance for 2009

With continuous growth projected for 2009, the Bank is developing and improving its service quality through local channels to meet our customer's various needs according to our dedicated philosophy. The Bank is the first financial institution to strongly follow Islamic principles, believing that the satisfaction of shareholders as well as communities is the first priority.



To give emphasis to this plan, the Bank declares our brand new mission and vision in response to current trends in 2009 to be as follows:

1. Human resource development

The Bank plans turn the organization into a workplace of learning and moral culture by applying the highest standards of good value towards service, operation and productivity, while rewarding employees in accordance with a concept of loyalty.

2. Enhancing organizational governance

The Bank implements good governance with transparency, measurability, democracy and honesty. Part of this policy involves the wide application of computerized systems that are convenient and provide rapid response. The Bank is also focussed on risk management policies that can be identified, measured, controlled and followed up, based on the formulae of the Bank of Thailand and the Islamic Bank of Thailand with emphasis principally on Shariah Compliance Risk and Rate of Return Risk. The Bank has thoroughly upgraded its internal communications system to improve the effectiveness of the Bank's internal auditing with the co-operation of management and staff, computer systems operations and internal risk management.

3. Promotion and approach strategies

The Bank's approach and promotion strategies, through product information release, service and cross-selling methods, are designed to attract customers towards our brand. Our target customers are not only Muslim community, but also general public.

4. Credit and deposit customer expansion

To support the expansion of our target customer base, shifting from individuals to macro business, the Bank is establishing specific departments to be in charge of different target groups. To reduce risk in business activities, while continuously increasing revenues, a wide range of products is offered in order to meet customer's needs, while balancing the proportion of credit to deposit.

5. Product development and service expansion

The development of products and expansion of services to support dynamic business growth is the bank's ultimate objective. This service expansion is not only to be made available in Muslim high population areas, but also through convenience stores, post offices and the Bank's electronic service devices called Direct Debit/Direct Credit networks, all of which will stimulate our future growth.

6. Social and community activity support

The Bank aims to give support for the enhancement of community living quality through financial services according to Islamic principles. To close the gap between rich and poor, the Bank will support financial funds through several projects and create a Zakat fund management service.

7. Liability improvement and control

As the Bank establishes a qualified department to take responsibility for improving and controlling liabilities, in particular NPLs, the Bank closely checks the credit approval process, while undertaking the restructuring of liabilities and reduction of NPLs.



8. Revenue increase and cost control

One of the Bank's objectives is to create more revenue through the granting of credit and support of investment. A key to achieving this is to have a larger number of channels, which allows the Bank to gain more income from handling fees and other sources. In the mean time, the Bank will continue to control costs by efficient management of on-hand assets and the monitoring of all investments.

9. Re-branding

To introduce a more modern and universal look to the general public, the Bank has changed its name from ISBT to I Bank. Other changes include a new logo and redesigned staff uniforms. These moves are expected to boost an image of Islamic financial choice that opens up service to the general public with no discrimination. A road show and promotional campaign, branch promotions, a newsletter and other activities are key elements to support the Bank's re-branding.

10. More service providers

The Bank currently operates a total of 26 branches. However, this number will not be sufficient in the near future. To meet increasing needs, the Bank plans to provide more service outlets very soon, especially in predominately Muslim areas.

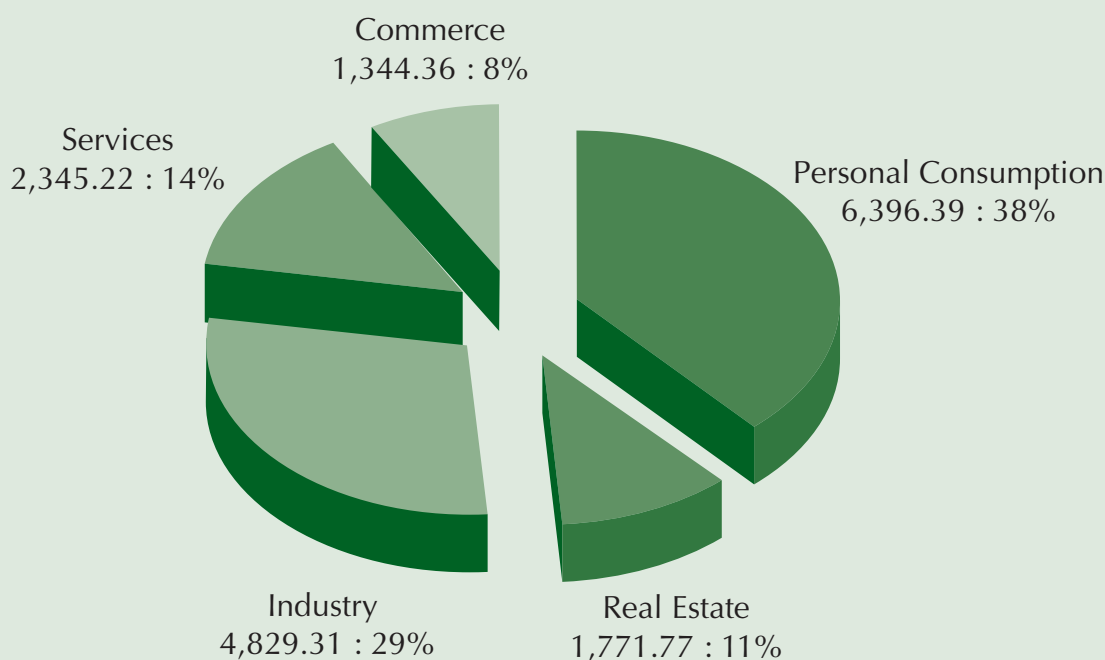
Major projects in 2009

1. **Tear Wipe-Away Credit Project.** A project to provide financial support for those customers, including Bank staff, who experience financial problems during the economic slowdown. It refers to three different product types: real-estate refinancing credit; mortgage credit; and credit for credit card debt due to other financial institutions.
2. **SME Credit Support Project.** Established to provide capital funds for SMEs to develop their business.
3. **Islamic Co-Operative Business Support Project.** This project has been developed to uphold local Islamic business segments, while building a local financial network throughout the region.
4. **Islamic Private School Support Project.** To enhance Islamic school's educational levels to improve the general standard.
5. **Hajj Activity Support Project.** To support those who attend Hajj and Umrah activities in Saudi Arabia, credit deposit, foreign exchange rate, draft and bill trading services are offered.
6. **Credit Welfare Project for Government and Metropolitan Officials.** This is a project to help paying off the debt of government and metropolitan officials during the economic crisis. It includes two different product types: mortgages under a Smiling House Credit Project and credit for credit card debt from other financial institutions.



Prominent performance in 2008

In advancing opportunities for our business development, we never hesitate to target healthy and experienced industries such as construction, exports, communications, real estate, service networks, car leasing etc. Regarding non-performing loans (NPLs), we have endeavoured to turn those risks into opportunities, resulting in the more favourable portfolio achieved during this year.



In addition, the Business Loan Department has participated in the consideration of customers' non-performing loan reconstructing so as to return them to good loans, as well as controlling of new loan quality to make sure they will not turn into non-performing assets. Overall, this should result in slowly improvement of the Bank's asset quality, and lead to a better performance of the Bank as compared to the previous year.

In 2008, since the Business Loan Department has served both big and medium customers, for which the Bank could charge profit rate differently. However, an overall average return rate is considered good, which is another factor affecting the overall good performance of the Bank.

The key element that is important to the running of the Business Loan Department is the development of human resource. By educating personnel continuously, providing employees opportunities to train with various technical institutes, and inviting external experts to pass on valuable knowledge to employees, these activities would create a body of knowledge within the organization, as well as being up against latest movements in the world of today's business.



Financing Strategy

To determine the Bank's objectives according to economic environments by having operational efficiency indicators for each agency, and skillfully distributing loan portfolio by key business groups. As such, thorough analysis can be done, and a proposal be submitted for approval consideration quickly.

Financing targets by industrial sectors and responsible departments

Business Group	Year 2008				Profit rate issued in 2009	Year 2009								
	Outstanding					Halal business	Corporate	SME Credit	Personal	Hire-purchase	Branch	Total in Year 2009		
	Proportion Actual	June Actual	Proportion	December Forecast		Net increase	Net increase	Net increase	Net increase	Net increase	Net increase	Net loan increase	Total loan at end of 2009	Proportion
Real estate	14.69%	1,878	14.53%	2,083	8.00%	218	600	0	0	0	165	983	3,065	16%
Manufacturing	14.87%	1,698	14.67%	2,103	8.00%	532	240	420	0	0	120	1,312	3,416	18%
Commerce	5.57%	636	5.55%	810	8.00%	260	144	336	0	0	180	920	1,730	9%
Services	8.59%	981	9.21%	1,320	4.50%	190	216	444	0	0	120	970	2,290	12%
Personal Consumption – Residential	39.21%	4,478	32.13%	4,608	6.50%	0	0	0	0	0	300	300	4,908	25%
Personal Consumption – Hire purchase	0.08%	9	7.04%	1,009	8.00%	0	0	0	0	300	0	300	1,309	7%
Personal Consumption – Miscellaneous	16.38%	1,671	16.08%	2,308	15.00%	0	0	0	300	0	15	315	2,618	12%
Other Consumptions	0.62%	71	0.73%	104	8.00%	0	0	0	0	0	0	0	104	1%
Total	100.00%	11,422.00	100.00%	14,340.00		1,200	1,200	1,200	300	300	900	5,100	19,440	100%
Loan approved in 2009						2,000	2,000	2,000	500	380	1,130	8,010		

Notes :

1. Real estate and construction includes utilities, contractors, rental real estate, and business services.
2. Industry includes agriculture, fishery, forestry, mining, and manufacturing.
3. Commerce includes wholesale and retails business.
4. Services include hotels, restaurants, transportation, warehouses, banks, financial business, education, health service, and hospitals.
5. Personal consumption includes consumption for residential, vehicle hire-purchase, land purchase, and others.
6. Other consumptions include those not in 1-5.

Nonetheless, customers in this group of business nowadays are in the care of the Business Development Department. They are well respected and followed up closely, including providing advice, and arranging meetings constantly so that any problems raised will be taken care of.

As for the part of employee development, the Bank has a continuous development plan so as to equip the employees with quality beneficial to the Bank.

Product Development

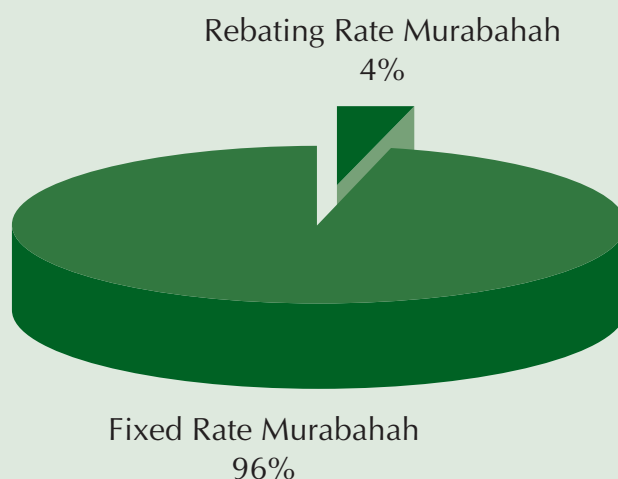
Prominent Performance in 2008:

A significant achievement was made in 2008 in the area of product development was the variable rate financing under the concept of Murabahah (mark up sale), which we called Rebating Rate Murabahah (RRM). This shariah compliant product was developed by studying from the structure practiced in Malaysia. By launching this, our clients are able to have more choices from the financing activities while the Bank is able to receive varying income stream from our financing activities which will be distributed to the depositors at a more competitive rate.

The new instrument is an alternative to the existing mode of financing portfolio which is predominantly fixed rate in nature. As at end of December 2008, total fixed rate financing accounted for 96% of the total financing while rebating rate accounted for 4% after launching in September 2008.

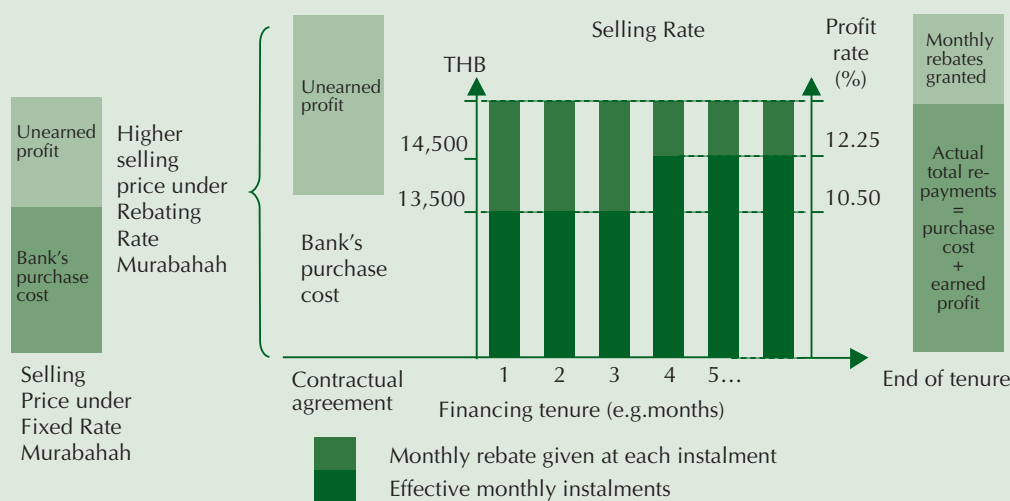
The rebating rate murabahah financing is designed to serve the needs of our clients who prefer to vary the profit rate for financing. This is because the fixed profit rate is relatively higher when compared to a market loan rate whose rate has fallen. Inevitably, this situation would cause a switching of Islamic funds to conventional.

Graph 1: Total financing by mode of financing (as at end 2008)



The rebating rate financing is an innovation to the existing Murabahah financing concept which is fixed rate in nature. Under the Murabahah, the selling price of the asset sold to the customer on deferred terms would be fixed at a profit rate known as the selling rate which is higher than the profit rate under the fixed rate Murabahah financing where, in principle, the contractual selling price and installments would be higher. However, rebate known as *ibra'* (a waiver of right to claim unearned profit) is required to be granted at every installment, for example on a monthly basis, in order to reduce the monthly installments to match that of the current market level.

Diagram 1: Rebating Rate Murabahah



As illustrated in the above graph, the financing is created upon the Bank purchasing the asset for cash which will be immediately sold to the customer on deferred terms. Computed at a selling rate of 18% per annum as in the example, the selling price (which is higher than under Murabahah fixed financing) will be agreed upon and the contractual repayment is to be made in equal monthly installment of THB18,000 over the agreed period. If the standard profit rate (SPR) plus margin used as benchmark in the pricing calculation is 10.5% per annum for the first month, the bank would give a monthly rebate of THB4,500, which represents the difference between the selling rate of 18% per annum and effective profit rate of 10.5% per annum. If in the fourth month, the market rate rise to 12.25% per annum, the bank would then only grant a monthly rebate of THB3,500.

In practice, the rebate would be varied so that the effective profit rate (selling rate less rebate) reflects the fluctuating market financing rate. Accordingly, the bank would be able to raise the financing rate when there is a rise in market rate; hence, it can give better return to its depositors. As such, this justifies the setting of a high selling rate to buffer any rise in the market rate. However, if the market rate rises beyond 18% per annum, the effective profit rate would remain at the selling rate. The selling rate would provide some comfort to the customer that the effective profit rate would be capped at that rate.

At maturity, any difference in amount between the selling price and the total repayment plus the monthly rebates granted would be rebated. In addition to the rebates on installments and at maturity which have been made mandatory to be included in the financing agreement, rebates must also be granted in the event of early settlement or redemption, or termination of contract. The rescheduling of the financing is allowed if the customer request that the effective monthly installment is not increased when the effective profit rate rises, on the condition that the financing agreement contains a rescheduling clause and the total repayments are not in excess of the original selling price.

Currently, this new mode of financing is applicable to all term financing products only, such as home financing and long term business financing, while excluded those revolving finance products, such as Islamic overdraft and working capital financing, and would be extended to other types of financing in due course. Undoubtedly, this new product is expected to grow significantly as it is a natural hedging product in particular in view of the risk exposure issues prevalent in conventional banking today.

Information System Development



The Performance in 2008

For the financial year ended 2008 the IT operation for the Bank is highly dependence on Silverlake Core Banking System. This system comprises of the following modules:-

Customer Information File
Deposit
Financing
Remittance
Trade Finance
General Ledger
Data Ware House
Branch Delivery System
Signature Verification System

Towards the end of the financial year, the Bank has acquired the Hire Purchase system. The Hire Purchase system was provided by KP Soft, one of the leading Hire Purchase solution providers in Thailand. The software is highly customized to cater for local requirement. This is a leapfrog move by the Bank to kick start the offering of Hire Purchase financing to the public base on the Islamic principles. A minimal customization was made to the system in order to comply with the Shariah requirement of the Bank.

The Plan in 2009

The above applications are not able to support our total banking requirement such as a comprehensive Financial Management Tools, Treasury, Financing Origination, Risk Management, MIS Reporting, Human Resource, Debt Collection, Call Center /CRM and Electronic Banking. In order to face new challenges and competitiveness in the banking industry, the Bank needs to further improve the information technology system in order to provide a better service to customers, able to penetrate into bigger market nationwide and most important is to compete in the industry. At the same time also the Bank needs to improve on the compliance with the statutory bodies locally and internationally

With new direction from the management, the Bank has plan to acquire the following system in order to provide a total and comprehensive banking systems and to improve our back office system namely:-

- **Enterprise Resource Planning (ERP) comprises of the following modules:-**
 - General Ledger
 - Fixed Assets
 - Account Receivable
 - Account Payable
 - Management Accounting
 - Budgeting
 - Procurement



Treasury System

- **Credit Approval process and work flow Engine comprises of the following modules:-**
 - Consumer Financing Application
 - Credit Analysis
 - Credit Approval
 - Generate the Contract and Collateral documents
 - Interface to Core Banking System, NCB and collateral Management
 - Credit Scoring Models
- **Call Center/CRM comprises of:-**
 - Call Queues
 - CRM Integration
 - Status Monitoring and Report
 - Call Monitoring and Recording
 - Lead management
 - Campaign Management
 - Cross Selling
- **Data Ware House comprises of:-**
 - Database for Analytical banking
 - Asset and Liability Management
 - Anti Money Laundering and Know your customer (KYC)
 - MIS Report
 - Data Set
- **ERP for Human Resource comprises of:-**
 - Employee Administration
 - Organization Management
 - Time Management
 - Payroll
 - Knowledge Management
 - Recruiting Management
- **Debt Collection System comprises of:-**
 - Interface with Core Banking System
 - Classifications of Financing
 - Risk Analysis and evaluation and Risk Scoring
 - Monitoring KPI of collector
- **Risk Management**
 - Credit Risk
 - Operational Risk

- **Multi Channels Services comprises of:-**

- Internet and
- Mobile banking.

The above implementation is planned to be carried out in phases with expected completion of the first phase in 4th quarter of next financial year.

At the same time also, IT Department is planning to revamp the existing IT department in order to cater for the expected business growth of the Bank in coming years. New staff is needed to bolster our workforce in order to ensure IT department is able to meet more challenging support require by multiple business sections of the Bank.



Background and Rationale for Organizational Image Improvement



According to the Board meeting after being appointed from shareholders' assembly during mid 2008, the Board agreed to improve the organizational image, including staff uniform and new branch signs. This aims to prepare the organizational image to be prompt at providing services to Muslim brothers and the general public. In doing so, the Board has assigned a Sub-Committee on Organizational Image Improvement, which is responsible for the following:

1. Consider and study guidelines for organizational image improvement;
2. Propose a list of academics and experts to the Board to consider for an advisor to the Sub-Committee;
3. Report on performance to the Board for approval, with Khun Arun Vongsanant as the Chairman of the Sub-Committee, and M.R. Sasipryn Chantararat as the Deputy Chairman. Moreover, other members of the Sub-Committee are selected from related sections such as Human Resource and Administration Section, Branch Affairs and Loan Section, and Business Promotion and Organizational Communication Office. And in 2009, the Bank has made an operational plan that involves create continually good image for the Bank, which includes :

And in 2009, the Bank has made an operational plan that involves create continually good image for the Bank, which includes :

Call Center System

Provides a call response system service to ensure customers' access to the Bank's services more easily and quickly. Also, it is a strategy to build up customers' database so as to improve better communication lines between customers and the Bank.

Making Documentary for organizational Image

In order to connect the people's relationships in the society, in which there are diversities with respect to culture, customs, and religions, but can live together happily. The use of documentary to tell the story is considered as promoting good image for the Bank.

Friday Khutbah for communication

As a communication way towards Muslim brothers in each mosque that has a Bank branch nationwide. By providing PR articles relating to Bank services, it creates learning and understanding for customers living in the areas.

I-Bank News

As a channel of monthly communication between the Bank and its employees in various topics, such as the Bank's move towards new services, financial knowledge, etc.

Website for the Bank's New Look

So as to increase communication and realization of the Bank's new look via website, as well as to respond to the customers' demand to gain access to information and services provided by the Bank more efficiently.

Internet as a communication channel between employees in the organization

As a communication tool between employees in the organization by connecting communications from every section through working together on the internet.

Arranging activities - Meeting Islamic leaders from 16 southern provinces

As to visit religion leaders in order to enquire about understandings of the Bank's services, listen to problems, obstacles, and the needs of Muslim brothers in the areas.

Making PR media to emphasize the new image of the Bank

So as to urge the acknowledgement to ensure customers knowing the Bank better. By making PR media, it hopes to gain access to the Bank's targeted group continually.

Highlight Events and Activities



Maolid Ceremony in Thailand 1429 (year 2008)

His Royal Highness Crown Prince Maha Vajiralongkorn followed by Her Royal Highness Princess Srirasmi and Her Royal Highness Siriwannawari Nariratana to opened the Maolid Ceremony in Thailand 1429 (year 2008) and inspected exhibitions in this event in November 1-3, 2008 at the National Islamic Business Center, Klong 9.

Professor Lieutenant General Dr. Somchai Wirunhaphol, a Board of Director of Islamic Bank of Thailand, and Mr. Dheerasak Suwannayos, a President of Islamic Bank of Thailand, welcomed and summarized the event description.



Zakat Scholarship Provision in 2008

In September 9, 2008, Professor Lieutenant General Dr. Somchai Wirunhaphol, a Chairman of Board of Director of Islamic Bank of Thailand was the honorable representative to give away Zakat scholarships 2008 to 17 private Islamic schools at Radisson Hotel, Bangkok.



Aid Fire Victims

The representatives of Islamic Bank of Thailand provided Zakat Funds to those 36 fire family victims in Mahanak Community, Pomprab District, in April 18, 2008.



Planting for the Better World

In March 22, 2008, the Islamic Bank of Thailand was joining a project called “Planting for the Better World”, allowing all executives as well as staff of Islamic Bank of Thailand and the Bank for Agriculture and Agricultural Cooperatives to grow plants in response to the global warming campaign in Samutsakorn.



Commercial Cart Provision for those Poors

Mr.Suntorn Boonwang from Nongbon Community, Pravet District, received a commercial cart provided through a Zakat account from Islamic Bank of Thailand in January 4, 2008.

Risk Factors and Risk Management



In 2008, the Bank has entered into the State Enterprise performance appraisal which risk management is one of key indicators relating to organization management appraisal area. The Bank is aware that an efficient risk management system is necessary in bringing the organization to minimize, control inherent risk into risk appetite and achieve the bank's objectives under principles of good corporate governance as well as complied with organization's management performance benchmark. Accordingly, the Bank has reorganized to strengthen and systematize risk management for independency and efficiency conforms to the adoption of Enterprise Risk Management of COSO (Committee of Sponsoring Organization of The Treadway).

By implementing COSO ERM, the international standard with better defending while creating 4 steps of risk management composed of risk identification, risk assessment, risk monitor & reporting and risk control & mitigation. The bank in 2008 continued to improve measures and principles include :

1. Establish Risk Map and 2008 Annual Risk Management Master Plan by determining key risk factors in the area of financial risk and non financial risk including risk appetite and risk tolerance.
2. Formulate risk management policy and guideline in line with the guideline of the Bank of Thailand towards this matter. With this, the identification of key risk indicators and risk assessments of both qualitative and quantitative types as well as risk appetite and risk tolerance are required.
3. Develop fund management plan to focus on highly effective of fund management upon market risk and liquidity risk management.
4. Prepare a liquidity management plan in both normally as well as emergency conditions.
5. Conduct Control Self Assessment as prescribed by the Bank of Thailand.

Risk Management Structure

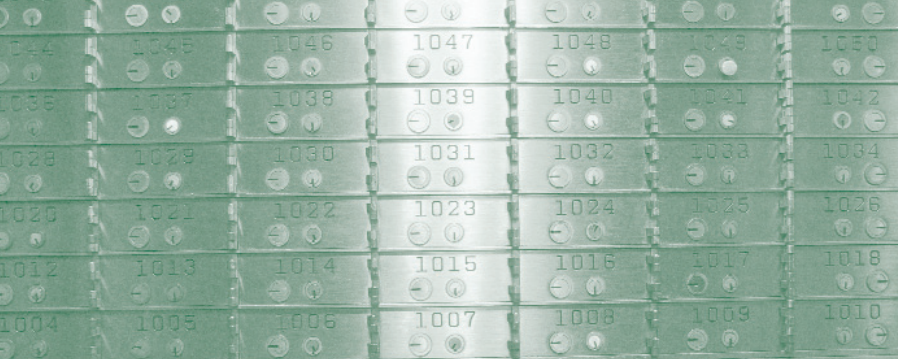
Risk management department role is to identify, assess, monitor and report the risk movement as well as risk mitigation to Risk Management Sub-Committee who responsible for formulating policies and strategies on risk management. Beside Asset and Liabilities Management Sub-Committee: ALCO is responsible for developing strategies on managing liquidity risk and market risk.

Risk Management Principle

The Bank classifies major risk that has potential impact to accomplish organization's objectives into 2 categories; financial risk and non-financial risk. The financial risk can be divided into 3 sub-categories; credit risk, liquidity risk and market risk whereas non-financial risk can be divided into another 3 sub-categories; strategic risk, operational risk, and compliance risk. The principles of these are detailed as below:

1. Financial Risk; broken down into 3 sub-categories as the followings:

- 1.1 Credit Risk** is one of the major concern risks that affected the Bank's asset quality. Thus, the Bank has improved financing process in 2008 by emphasizing on preventive measures, starting from a pre-approve process, financing analysis, approval process, monitoring system, debt restructuring and higher check & balance system as details below:



- Improved financing approval authority by considering credit risk and financial loss including separate independently the financial restructuring from normal financing approval.
- Reviewed and enhanced financing policies including portfolio planning, portfolio acquisition and portfolio maintenance.
- Formulated Underwriting Standard in order to minimize credit risk.
- Established Credit Analysis Department to take the role of credit analysis and assessment credit risk independently that contributes to a proper credit culture and better check & balance system.
- Established Credit Compliance Department in order to responsible for credit review process and assess adequacy of financing provisioning as well as review the financing management to proceed in compliance with financing policies and underwriting standards.
- Set up Credit Restructuring Department to manage those NPLs and formulate strategies to improve the financing quality base on Shariah principle.

As these risk management schemes together with improvement of financing expansion strategies resulted in respectively decrease with NPLs ratio.

1.2 Liquidity Risk refers to the condition that the Bank is unable to repay the liabilities or contingencies upon maturity. Bank's liquidity management complied with Ministerial Regulation of Liquidities under the responsibility of ALCO, Treasury Department which in charge of daily basis & future liquidity management. In addition, Risk Management Department is responsible for monitoring change in balance sheet structure that may be influencing to bank's cash flow as well as analyzed the related liquidity ratio to come up with the early warning sign.

1.3 Market Risk includes rate of return risk, foreign currencies risk and price risk that consequently affect financial status and capital fund of the Bank in a negative way. In 2008, the Bank experienced low risk since a policy to balance THB and foreign currencies. The Bank reserved foreign exchange asset is objectively to manage Bank's transaction while servicing Bank's value customers on a daily basis, not for trading. Other assets are for banking book, reports are presented regularly to ALCO.

2. Non-Financial Risk, divided into 3 categories as the followings:

2.1 Operational Risk involves all risk resulting from inadequacy or deficiency of corporate governance, internal control systems, human resources, work system or external incidents including legal risk. In 2008, most of operational risk of the Bank is from internal factors resulting from inadequacy or deficiency of human resources and IT system. The Bank decided to employ more specialized officer with more trainings program. Information Technology sub-Committee was established to take care of IT developments while risk officers are in place to co-ordinate, identify and report all risk related to their department to take part in solution to reduce the degree of risk. The Bank has established and reviewed necessary policies, rules, regulations and operational manual. Furthermore, co-ordinating between Audit Department and Risk Management Department to estimate operational risk likelihood can be resulted to more efficiency operational risk management.



- 2.2 Strategic Risk** includes risks caused by inappropriate strategies implemented adversely to the internal and external circumstances. Even though in 2008, the Bank carried solid capital funds, facing risks resulted by a lack of ability to expand financing in accordance with the Bank's business plan. However, in the 3rd quarter of 2008, the Bank introduced the President and also revised its financial strategies to reach the target. Consequently, Bank was able to raise financing deposit as well as profit to be higher than what previously planned. These were considering the best achievement the Bank ever had. This initiative could not only accelerate growth, but also increase the Bank's check & balance system, IT and MIS systems, in response to what we highly emphasized since established.
- 2.3 Compliance Risk** refers to risks caused by the failure to comply with the Bank's regulations. To prevent this, the Bank assigned a Regulation and Compliance Department mainly to monitor the operational process and ensure that everything proceeds in accordance with the internal & external regulations. The Bank also must comply with Shariah principles, an Islamic principles, that the Bank considered a core governance principle.

Report from the Sub-Committee on Good Governance

The recent financial crises, as well as the current world economic fluctuation on the Thai economy, have forced businesses, especially commercial banking to adjust themselves continuously. At present, agencies and organizations, including both public and private sectors, realize the importance of the establishment of good governance system. This is a crucial factor for uplifting the operational standards to achieve organization's efficiency, transparency, explicability, and accountability, which lead to increased competitiveness, raised business value, long-term stability, as well as stable and sustainable growth of the overall economy. Therefore, the Board of the Islamic Bank of Thailand, realized the significance of the good governance system, has ordered the establishment of a Sub-Committee on Good Governance on 10 June 2008. The sub-committee consists of a bank board, high-level executive, executives from major sections of the bank, and a representative from the labor union. Together in Year 2551, the Sub-Committee has agreed upon formulation of policy and guidelines for addressing business ethics of the Bank in compliance to good governance. Accordingly, ethics regulations on what should be practiced and what should not, for the board, executives, and every employee in the organization, as well as the ethics manual and roadmap to further development of the good governance system.

As for the operation plan for the year 2552, the Sub-Committee on Good Governance will issue ethics regulations and ethics manual to be used for the operations of the board, executives, and every employee of the bank, provide an opinion box to receive opinions and comments from employees and bank customers. These feedbacks will be used for the development of work operational procedures so as to achieve the maximum benefit to the bank. In addition, there will be campaigns and educational activities to promote understanding of good governance continually and regularly throughout the year.



Lieutenant General Professor

Dr. Somchai Virulhapol

Chairman of the Sub-Committee on Good Governance

Report from the Sub-Committee on Recruitment and Remuneration

Dear Shareholder,

The Sub-Committee on Recruitment and Remuneration consists of 5 members, appointed by the Board of the Islamic Bank of Thailand on 22 December 2008, effective from 25 December 2008.

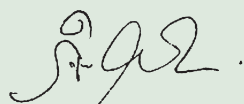
The Sub-Committee on Recruitment and Remuneration is responsible for:

Role and responsibility with respect to recruitment: determine policy, rules, recruiting methods, and select and propose a name of an executive whose rank is no higher than deputy director, and an employee.

Role and responsibility with respect to remuneration:

1. Propose the reasonable remuneration plan for executives and employees to the Board of the Bank for approval consideration.
2. Propose reasonable level of remuneration for a sub-committee to the Board of the Bank for approval consideration.
3. Revise the proposal proposed by the management section with respect to remuneration policy, remuneration formulation plan, and other special benefits in addition to wages and salary of bank employees, and propose to the Board of the Bank for approval consideration.
4. Revise the proposal proposed by the management section with respect to remuneration and benefits for high-level executives, propose to the Board of the Bank for approval consideration.

The Sub-Committee on Recruitment and Remuneration will be working on tasks assigned by the Board of the Bank with carefulness, deliberation, full capability, and independence, so as to maximize overall benefits to the Bank and its shareholders appropriately.



(Mrs. Jinda Theppattra)

Chairman of The Sub-Committee on Recruitment and Remuneration

Corporate Governance



Good Corporate Governance is our aim to take responsible for our value stakeholders. As a fundamental to the future growth, we attempt to do our best to provide the excellent service to everyone ranging from the clients, investors, shareholders, partners, Board team, all employees as well as our society and environment.

Islamic Bank of Thailand is implementing the Islamic business concept as an actual guidance for our objectives and strategies. By emphasizing on ethical and honest operation based on the Muslim religion, we are open for the external audit to make sure that our service is real transparency and running by democracy

The Bank's Board of Directors is strongly adhere to good Corporate Governance practices which comprises of 7 principles as follows:

1. Accountability
2. Responsibility
3. Equitable treatment
4. Transparency
5. Vision to create long term value added
6. Ethics
7. Social and environmental awareness.

Establishing a long-term strategy along with high-value vision is another focus for our future competitive growth. It is mainly to maximize investors' wealth while simultaneously upgrading our business sector to the international level via the standardized service.

Corporate Governance policy are as follows:

1. **Shareholders' rights:** In order to tighten a relationship between the Bank and the Shareholders, we are willing to grant all merit right to investors, mostly by allowing them to vote in the stockholder conference.
2. **Equal treat:** We agree to equally treat all types of our investors.
3. **Awareness of interested persons:** Our concern to those involved individuals regarding to their interests according to our policies is big. Plus, we always emphasize to our employees on providing quality service to the clients, according to the employee manual.
4. **Data declaration and transparency:** We release our vital data to public via a wide-range of methods such as annual report and corporate website.
5. **Growing trust:** It's part of our duty to grow a good relationship with the clients, particularly in the communication. Besides the best service, we are trying to keep their data confidential while welcoming their comments at all times. There are comment boxes located at the Head office branch. Our subcommittees will be taking action towards these comments.

Developing Principle : Regulation and Operation manual

As we are focusing on the performance in accordance with the bank principles and regulation as well as the government, we decided to establish the principle department. We are not only encouraging the employees to follow the bank principles, but also frequently providing those corporate trainings to both employees and executives.

Report of Auditing Sub-committee

The Audit Sub-committee of Islamic Bank of Thailand is consisted of Associate Professor Sarita Bunnak, as a Chairman of a Sub-committee, Mr. Aroon Boonchom and Mr. Jarun Maluleem, as a Sub-committee. These three positions were appointed by the Bank's Board of Director in January 29, 2008. After the Bank became a State Enterprises in July 16, 2008, the Bank's Board of Directors appointed Associate Professor Sarita Bunnak as a Chairman while Dr. Isara Santisat and Ms. Narisara Chavantapipat were Vice Chairman of the Sub-committee.

There were total of 7 meetings in 2008, determining all involved issues within its scope of responsibilities that delegated by the Board of Directors. In the meeting, the management team in finance, risk management and auditors were also invited in order to discuss over the issues to ensure that the internal control and the audit plan were appropriate. The previous year's performance can be summarized as the followings:

- Reviewed the financial statement in order to meet the accounting standard and disclose sufficient data to the Board of Directors as well as shareholders.
- Determined the audit plan with response to the changes of risk and to cover the operational process. Also acknowledged the audit report provided by the internal auditors as well as external including the rectification results in the audit reports.
- Reviewed the internal control procedure and continuously developed to ensure that the level of operational risk can be accepted and also comply with legal provisions and requirement of the regulations.
- Monitored to avoid conflict of interests.
- Recommended the Bank to review the credit approval process to ensure that the quality of the clients was carefully considered.

The Audit Sub-committee performed its duty with prudence, independence and freely expressed opinions with full cooperation from the Bank.



(Associate Professor Sarita Bunnak)
Chairman of Audit Sub-committee

**Annual Financial Statements
and
Audit Report of Certified Public Accountant**

Balance Sheets

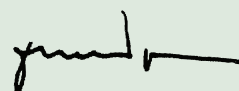
Islamic Bank of Thailand As at 31 December 2008 and 2007

		(in Baht)	
	Note	2008	2007
Assets			
Cash		247,401,190	264,653,688
Interbank and money market items, net	3.1		
Domestic items - profit		-	1,187,492,434
- non-profit		2,536,876,494	267,781,714
Foreign items - non-profit		4,465,363	16,244,607
Total interbank and money market items		2,541,341,857	1,471,518,755
Investments	3.2		
Current investments, net		2,891,046,814	3,265,001,665
Long-term investments, net		1,064,888,209	218,695,446
Total investments, net		3,955,935,023	3,483,697,111
Financing and accrued income	3.3		
Financing		16,687,129,198	11,006,690,820
Accrued income		39,780,231	34,358,411
Total financing and accrued income		16,726,908,429	11,041,049,231
Less allowance for doubtful accounts	3.4	(303,368,314)	(162,199,119)
Less allowance for debt restructuring	3.5	(2,146,595)	-
Total financing and accrued income, net		16,421,393,520	10,878,850,112
Customers' liability under acceptances		17,200,000	-
Premises and equipment, net	3.6	259,566,708	327,265,261
Intangible assets, net	3.7	177,627,781	258,114,267
Other assets, net	3.8	214,126,085	101,397,388
Total assets		23,834,592,164	16,785,496,582

The accompanying notes are an integral part of these financial statements.



Prof.Lt.Gen.Dr.Somchai Virunhaphol
(Chairman of the Board of Directors)



Dheerasak Suwannayos
(President)

Balance Sheets

Islamic Bank of Thailand As at 31 December 2008 and 2007

		(in Baht)	
	Note	2008	2007
Liabilities and shareholders' equity			
Deposits	3.9		
Deposits in Baht		19,897,845,360	12,859,225,832
Total deposits		19,897,845,360	12,859,225,832
Interbank and money market items	3.10		
Domestic items - compensation		509,509,998	433,558,000
Domestic items - no compensation		2,481,810	-
Total interbank and money market items		511,991,808	433,558,000
Liabilities payable on demand		12,435,260	100,811,678
Bank's liability under acceptances		17,200,000	-
Accrued expenses		40,348,985	81,335,033
Compensation payable on deposit		128,285,718	122,663,965
Provisions		5,724,934	4,163,407
Payables from purchases of investments		130,065,404	-
Other liabilities	3.11	9,621,330	11,274,691
Total liabilities		20,753,518,799	13,613,032,606
Shareholders' equity			
Share capital	3.12		
Capital 3,123,000,000 ordinary shares, Baht 10 par value		31,230,000,000	31,230,000,000
Issued and paid-up share capital			
3,123,000,000 ordinary shares, Baht 10 par value		31,230,000,000	31,230,000,000
Discount on ordinary shares	3.13	(27,230,467,658)	(27,230,467,658)
Surplus gain / (loss) on revaluation of investments		(65,207,342)	28,272,072
Deficit		(853,251,635)	(855,340,438)
Total shareholders' equity		3,081,073,365	3,172,463,976
Total liabilities and shareholders' equity		23,834,592,164	16,785,496,582
Off balance sheet items - contingencies	3.16		
Aval to bills		14,200,000	66,967,749
Liabilities under unmatured import bills		395,916	382,357
Letters of credit		32,112,438	218,545,877
Other contingencies		1,004,921,574	1,352,658,374

The accompanying notes are an integral part of these financial statements.

Prof.Lt.Gen.Dr.Somchai Virunhaphol
(Chairman of the Board of Directors)

Dheerasak Suwannayos
(President)

Statements of Income

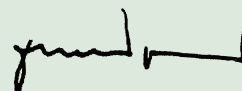
Islamic Bank of Thailand
For the years ended 31 December 2008 and 2007

		(in Baht)	
	Note	2008	2007
Income			
Financing		681,119,812	559,338,859
Interbank and money market items		44,662,462	20,081,073
Hire purchase and finance lease income		3,146,164	7,000,985
Investments		91,738,972	49,319,904
Total income		820,667,410	635,740,821
Financial expenses			
Deposits		360,801,226	396,980,284
Interbank and money market items		1,909,243	2,224,819
Others		-	-
Total financial expenses		362,710,469	399,205,103
Net income		457,956,941	236,535,718
Doubtful accounts		(131,315,790)	(128,672,347)
Net financial income after doubtful accounts		326,641,151	107,863,371
Other operating income			
Gain (Loss) on investments	3.2.4	1,282,475	(3,994,267)
Fees and services income		93,375,998	80,552,341
Gain on exchange		9,574,675	3,897,234
Other income		566,881	15,734,333
Total other operating income		104,800,029	96,189,641

The accompanying notes are an integral part of these financial statements.



Prof.Lt.Gen.Dr.Somchai Virunhaphol
(Chairman of the Board of Directors)



Dheerasak Suwannayos
(President)

Statements of Income

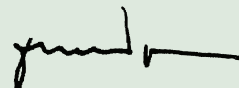
Islamic Bank of Thailand
For the years ended 31 December 2008 and 2007

		(in Baht)	
	Note	2008	2007
Other operating expenses			
Personnel expenses		133,769,397	150,857,718
Premises and equipment expenses		210,233,097	230,445,074
Taxes and duties		31,442,018	23,798,076
Fees and services expenses		3,341,761	18,463,417
Directors' remuneration	3.18	4,854,800	2,705,000
Other expenses	3.19	45,711,304	63,967,456
Total other operating expenses		429,352,377	490,236,741
Net profit (loss)		2,088,803	(286,183,729)
Basic Profit (loss) per share		0.001	(0.470)

The accompanying notes are an integral part of these financial statements.



Prof.Lt.Gen.Dr.Somchai Virunhaphol
(Chairman of the Board of Directors)



Dheerasak Suwannayos
(President)

Statements of Changes in Shareholders' Equity

Islamic Bank of Thailand

For the years ended 31 December 2008 and 2007

	Note	Issued and paid-up share capital	Discount on ordinary shares	Surplus on revaluation of investments	Deficit	Total
						(in Baht)
Balance as at 1 January 2007		704,444,000	(3,928,512)	34,584,894	(569,156,709)	165,943,673
Deficit on revaluation of investments		-	-	(6,312,822)	-	(6,312,822)
Items not recognised in the statement of income		-	-	(6,312,822)	-	(6,312,822)
Issuance of new shares	3.12	30,525,556,000	-	-	-	30,525,556,000
Discount on ordinary shares	3.13	-	(27,226,539,146)	-	-	(27,226,539,146)
Net loss		-	-	-	(286,183,729)	(286,183,729)
Balance as at 31 December 2007		31,230,000,000	(27,230,467,658)	28,272,072	(855,340,438)	3,172,463,976
Balance as at 1 January 2008		31,230,000,000	(27,230,467,658)	28,272,072	(855,340,438)	3,172,463,976
Deficit on revaluation of investments		-	-	(93,479,414)	-	(93,479,414)
Items not recognised in the statement of income		-	-	(93,479,414)	-	(93,479,414)
Issuance of new shares		-	-	-	-	-
Discount on ordinary shares		-	-	-	-	-
Net Profit		-	-	-	2,088,803	2,088,803
Balance as at 31 December 2008		31,230,000,000	(27,230,467,658)	(65,207,342)	(853,251,635)	3,081,073,365

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Islamic Bank of Thailand
For the years ended 31 December 2008 and 2007

	(in Baht)	
	2008	2007
<i>Cash flows from operating activities</i>		
Net Profit (loss)	2,088,803	(286,183,729)
<i>Adjustments to reconcile net loss to net cash provided by operating activities</i>		
Depreciation and amortization	97,291,850	111,226,126
Doubtful accounts	131,315,789	128,672,347
Provisions	1,561,527	633,347
Reserve for gain on Mudharabah investment account	-	(3,046,804)
Loss (gain) on asset disposal	780,209	(1,765,081)
Gain from disposal of investments	(8,260,520)	(142,128)
Loss on revaluation of securities	6,618,232	4,136,395
Loss on provisions	415,160	-
Loss on terminating the property use	250,825	14,182,250
Loss (gain) on exchange	(5,914,068)	4,293,203
Gain on impairment of other assets	-	(6,370,913)
Income on Investment	(70,349,422)	-
Increase (Decrease) in accrued expenses	(40,986,048)	48,911,514
Gain (Loss) from operations before changes in operating assets and liabilities	114,812,337	14,546,527
Net Financial Income	(457,956,941)	(236,535,718)
Cash Received from Financial Income	815,245,590	618,626,079
Cash Payment to Financial Expense	(357,088,716)	(335,022,719)
	115,012,270	61,614,169
<i>(Increase) decrease in operating assets</i>		
Interbank and money market items	(1,051,909,034)	(909,124,137)
Financing	(5,680,437,378)	(4,103,287,163)
Other assets	(50,125,215)	(27,827,900)
<i>Increase (decrease) in operating liabilities</i>		
Deposits	7,038,619,528	4,747,966,088
Interbank and money market items	78,433,808	130,058,000
Liabilities payable on demand	(88,376,418)	27,604,544
Other liabilities	(1,653,361)	(11,134,441)
Net cash provided by operating activities	359,564,200	(84,130,840)

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Islamic Bank of Thailand
For the years ended 31 December 2008 and 2007

	(in Baht)	
	2008	2007
<i>Cash flows from investing activities</i>		
Purchases of investments	(25,104,638,669)	(3,104,667,722)
Sale of investments	24,740,563,297	-
Purchases of intangible assets	(4,598,152)	(40,016,290)
Purchases of leasehold improvements and equipment	(8,207,759)	(23,345,640)
Sale of assets	64,585	-
Net cash used in investing activities	(376,816,698)	(3,168,029,652)
<i>Cash flows from financing activities</i>		
Increase in issued and paid-up share capital	-	30,525,556,000
Increase in discount on ordinary shares	-	(27,226,539,146)
Net cash received (in) financing activities	-	3,299,016,854
Net increase in cash and cash equivalents	(17,252,498)	46,856,362
Cash and cash equivalents at beginning of the year	264,653,688	217,797,326
Cash and cash equivalents at end of the year	247,401,190	264,653,688

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Islamic Bank of Thailand
For the years ended 31 December 2008 and 2007

1. General information

Islamic Bank of Thailand, “the Bank”, is incorporated in Thailand under The Islamic Bank of Thailand Act B.E. 2545 and has its registered office at 66, 21st, 22nd and M Floor, Q.House Asoke Building, Sukhumvit 21, North Klongtoey, Wattana, Bangkok.

The principal businesses of the Bank are financial services based on Islamic Shariah principles.

2. Basis of preparation of the financial statements and significant accounting policies

2.1 Basis of preparation of the financial statements

The financial statements are prepared in accordance with the Notification issued by the Bank of Thailand No. SOR NOR SOR. 70/B.E. 2551 (2008) dated August 3, 2008 regarding prescribing the preparation of financial statements of commercial banks and holding parent companies of financial services groups, applicable with generally accepted accounting principles, under Accounting Act B.E. 2543 (2000).

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are presented in Thai Baht, rounded in the notes to the financial statements to the nearest Baht, unless otherwise stated. They are prepared on the historical cost basis except as stated in the accounting policies.

Significant intra-group transactions between the Bank and its branches are eliminated on consolidation.

The preparation of financial statements in conformity with TAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Accordingly, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

2.2 Significant accounting policies

1) Revenue

Income from financing

The Bank recognises income on an accrual basis. The Bank recognises income in term of profits or non-interest income according to Islamic precept which interest is prohibited. Therefore, the Bank will include margin into a principal repayment to the Bank, except for income on delinquent receivables and receivables overdue for more than three months which is recognised on a cash basis in accordance with the BoT's regulations. Accrued income for more than three months from the due date, regardless of whether it is covered by collateral, is reversed from the statement of income. Subsequent margin is recognised on a cash basis.

Income from hire-purchase and finance lease contracts

Income from hire-purchase and finance lease contracts is recognised on the accrual basis according to the sum-of-the-digits method which recognises income in relation to the principal outstanding at the end of any given month over the period of instalment. There is no significant difference result between this method and the effective profit method.

Other operating income

Other operating income is recognised on an accrual basis.

2) Expenses

The Bank recognises financial expenses and other operating expenses on an accrual basis, in the period in which they are incurred.

The benefits paid to depositors

Benefits based on an accrual paid to depositors are calculated to allocate to Mudharabah Investment accounts every month by using profit sharing method. The sharing rate depends on contract. If there is loss on investment, the depositors also share loss based on their portion. Returns to Wadiah saving account are based on resolution of the Board of directors of the Bank.

Operating leases

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

3) Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash on collection.

4) Financing

Financing include financing, hire purchase, finance lease receivables and other financing are presented net of unearned income and allowance for doubtful accounts.

5) Allowance for doubtful accounts

BoT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of financing in conjunction with the consideration of collateral valuation. Financing classifications are based principally on the period that a financing is past due. The Bank has set up the allowance for doubtful accounts according to BoT's regulation.

With reference to BoT No. SOR NOR SOR. 31/B.E. 2551 (2008) dated August 3, 2008 relating to the amended Criteria for allowances for doubtful accounts, the Bank has classified its loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowance on these accounts is set at 100 percent of the difference between the outstanding book value of the debt and the present value of future cash-flows expected to be received or the expected proceeds from the disposal of collateral in accordance with BoT criteria. However, the BoT allows the Bank to provide allowance for doubtful accounts based on the criteria within 2012.

Under the BoT's new directive, commercial banks are allowed to raise the allowance for loans classified as sub-standard, doubtful and doubtful of loss in three phases as follows:

Phase 1: By 31 December 2006, all sub-standard, doubtful and doubtful of loss loans with on going court proceedings are subjected to the amended criteria.

Phase 2: By 30 June 2007, all doubtful, and doubtful of loss loans will be subjected to the amended criteria.

Phase 3: By 31 December 2007, all sub-standard will be subjected to the amended criteria.

The Bank has complied with the first phase of the new guidance, which requires all loans under court proceeding to be provided for, as of 31 December 2006

Allowances for doubtful accounts established during the year are recognized as doubtful accounts expense in the statement of income.

6) Troubled Debt Restructuring

The Bank records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring". The Bank records the assets or equities transferred to the Bank for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, using the Standard Profit Rates prevailing at the restructuring date. The Bank recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in the income statements. Losses arising from restructuring by waiver of part of principal or recorded accrued profit receivable, less recorded allowance, are recognised in the income statement when incurred.

7) Investments

Marketable equity securities held for trading are stated at fair value, with any resultant gain or loss recognised in the statement of income

Debt securities, with maturity within 1 year are stated at their fair value, gain or loss from pricing of debt securities is stated in shareholders' equity. Debt securities and marketable equity securities other than those securities held for trading are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. The exceptions are impairment losses, which are recognised in the statement of income. When these investments are sold, the cumulative gain or loss previously recognised directly in equity is recognised in the statement of income.

Equity securities which are not marketable are stated at cost less impairment losses.

Investments in receivables are stated at acquisition cost after deducting the allowance for impairment. When debt restructuring is required, the balance is recorded as a loan at fair value, in accordance with the transfer of financial asset accounting procedure. The difference between the book value and the fair value is recognized as gain or loss on transfer of financial assets in the statement of income. The revenue from receivables is recognized on the effective profit method.

The fair values of securities are calculated on the following bases:

For equity securities which are listed securities, fair value is the last bid price quoted in the Stock Exchange of Thailand at the balance sheet date.

Fair price of debt securities is stated by the clean prices of the Thai Bond Market Association.

For marketable unit trusts, fair value is the net asset value as at the balance sheet date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in the statement of income.

8) Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

9) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent expenditure

Subsequent expenditure relating to an item of premises and equipment is added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of assets. The estimated useful lives are as follows:

Building	20 years
Leasehold improvements	5-10 years
Furniture, fixture and equipment	5 years
Vehicle	5 years

No depreciation is provided on freehold land and assets under construction.

10) Intangible assets

Intangible assets represent leasehold right, rights to use the computer software and goodwill.

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortization

Amortisation is charged to the statement of income on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets. The estimated useful lives are as follows:

Leasehold right	24 years
Rights to use the computer software	5 years
Goodwill for the year 2007	10 years

In 2008, the goodwill was stated at cost less accumulated amortisation and impairment losses (see Notes 2.2(16)).

11) Impairment

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income.

Calculation of recoverable amount

The recoverable amount of assets is the greater of the assets' net selling price and value in use. 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 assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

12) Provisions

A provision is recognized in the balance sheet when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision for commitments as off-balance sheet items is determined by credit risk transactions. A provision is recognized when the transactions related to loans that are classified as sub-standard, doubtful and doubtful of loss. The provision has been specifically determined by using the same rate as the allowance for doubtful accounts on each of those loans.

13) Income tax

The Bank is exempted from income tax since it is not the juristic person as specified in the Section 39 of the Revenue Code.

14) Basic earnings / (loss) per share

Basic earnings / (loss) per share is computed by dividing net profit/ (loss) by the weighted average number of ordinary shares in issue during the year.

15) Adoption of new accounting standards

Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2007, 38/2007 and 62/2007 mandating the use of new accounting standards as follows.

TAS 25 (revised 2007) Cash Flow Statements

TAS 29 (revised 2007) Leases

TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

The adoption of these new and revised TAS does not have any material impact on the financial statements except as disclosed in Note 2.2(16)

Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2008 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

16) Change in accounting policy

The Bank has changed its accounting policy for goodwill to comply with TAS 43 (revised 2007) "Business Combinations" which is effective for accounting periods beginning on or after January 1, 2008. TAS 43 (revised 2007) requires that the acquirer shall, at the acquisition date, recognise goodwill acquired in a business combination as an asset at cost. After initial recognition, goodwill shall be measured at cost less any accumulated impairment losses. Transitional provisions shall be applied to any goodwill carried in the financial statements at the beginning of the first annual accounting period beginning on or after 1 January 2008 that arose from a business combination for which the agreement date was before 1 January 2008. The transitional provisions are to discontinue amortising such goodwill; eliminate the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill; and from the beginning of the first annual period beginning on or after 1 January 2008 test all goodwill arising from business combinations for impairment in accordance with TAS 36 Impairment of Assets. A test for impairment is carried out at least once a year or when there is a factor indicating that an investment might be impaired. As a result, the carrying amount of goodwill as at January 1, 2008 was presented with the balance carried forward from December 31, 2007 amounting to Baht 79.50 million and was not amortized during this period. For the years ended periods December 31, 2007, goodwill was recognized at the amount of Baht 9 million in the financial statements.

The effect of the change in accounting policy on the financial statements for the year ended 31 December 2008 is to reduce the charge to the statement of income resulting from the amortisation of goodwill that would have been recognised under the previous accounting policy by approximately Baht 9 million, with a corresponding increase in reported profit for the period. Management has determined that there is no impairment in the carrying value of goodwill as at 31 December 2008.

3 Supplementary information

3.1 Interbank and money market items (assets)

(In Baht)

	2008			2007		
	At call	Term	Total	At call	Term	Total
Domestic						
The Bank of Thailand	2,473,270,624	-	2,473,270,624	223,202,159	-	223,202,159
Commercial banks and Money Market	36,374,014	-	36,374,014	27,959,546	1,199,492,434	1,227,451,980
Other banks	27,231,856	-	27,231,856	16,620,009	-	16,620,009
Total domestic	2,536,876,494	-	2,536,876,494	267,781,714	1,199,492,434	1,467,274,148
Less allowance for doubtful account	-	-	-	-	(12,000,000)	(12,000,000)
Net	2,536,876,494	-	2,536,876,494	267,781,714	1,187,492,434	1,455,274,148
Foreign						
US Dollar	3,784,845	-	3,784,845	12,558,721	-	12,558,721
Euro	680,518	-	680,518	3,685,886	-	3,685,886
Total foreign	4,465,363	-	4,465,363	16,244,607	-	16,244,607
Total	2,541,341,857	-	2,541,341,857	284,026,321	1,187,492,434	1,471,518,755

3.2 Investments

(in Baht)

	2008		2007	
	Cost/ amortised cost	Fair value	Cost/ amortised cost	Fair value
3.2.1 Current investments				
Trading investments				
Domestic marketable equity securities	-	-	104,237,154	110,855,386
Add allowance for revaluation of investments	-	-	6,618,232	-
	-	-	110,855,386	110,855,386
Available-for-sale securities				
Government bond	2,890,460,473	2,891,046,814	3,154,569,653	3,154,146,279
Allowance for revaluation of investments (reversal)	586,340	-	(423,374)	-
	2,891,046,814	2,891,046,814	3,154,146,279	3,154,146,279
Total current investment, net	2,891,046,814	2,891,046,814	3,265,001,665	3,265,001,665

3.2.2 Long-term investments

Available-for-sale securities

Domestic marketable unit trusts	125,000,000	81,750,000	125,000,000	115,500,000
Domestic marketable equity securities	40,000,000	26,181,818	40,000,000	76,969,696
	165,000,000	107,931,818	165,000,000	192,469,696
Allowance for revaluation of investments (reversal)	(57,068,182)	-	27,469,696	-
	107,931,818	107,931,818	192,469,696	192,469,696

General investments

Domestics non-marketable equity securities	25,000,000	16,274,500	25,000,000	26,225,750
Investments in receivables	941,097,052	940,681,891	-	-
	966,097,052	956,956,391	25,000,000	26,225,750
Allowance for revaluation (reversal)	(8,725,500)	-	1,225,750	-
Allowance for impairment	(415,161)	-	-	-
	956,956,391	956,956,391	26,225,750	26,225,750
Total long-term investment, net	1,064,888,209		218,695,446	
Total	3,955,935,023		3,483,697,111	

3.2.3 Surplus on revaluation of investments

	(in Baht)	
	2008	2007
Equity securities	(65,793,682)	28,695,446
Debt securities	586,340	(423,374)
Total	(65,207,342)	28,272,072

3.2.4 Gain/ (loss) on investments

	(in Baht)	
	2008	
	Gain/ (reversal)	Loss
Gain/ (loss) on disposal of investments	8,315,868	-
Gain/ (loss) from revaluation of investments in marketable equity securities	-	(6,618,232)
Loss on impairment	-	(415,161)
Total	8,315,868	(7,033,393)
Gain/ (loss) on investments	1,282,475	

3.3 Financing and accrued income

3.3.1 Classified by type of financing

	(in Baht)	
	2008	2007
Financing	14,446,651,888	9,697,561,242
Hire-purchase receivables	29,323,871	46,572,985
Financial lease receivables	17,680,196	39,922,263
Other financing	2,193,472,243	1,222,634,330
Total	16,687,128,198	11,006,690,820
Add accrued income	39,780,231	34,358,411
Less allowance for doubtful accounts	(303,368,314)	(162,199,119)
Less revaluation allowance for debt restructuring	(2,146,595)	-
Net	16,421,393,520	10,878,850,112

Deferred income from hire-purchase and financial lease receivables as at 31 December 2008 and 2007 were Baht 7.17 million and Baht 11.59 million, respectively. The amount realised to be income in the statement of income for the year ended 31 December 2008 and 2007 were Baht 3.15 million and Baht 7.00 million, respectively.

3.3.2 Classified by maturity of contracts

	(in Baht)	
	2008	2007
Within 1 year	7,101,671,070	2,865,408,923
Over 1 year	9,585,457,128	8,141,281,897
Total	16,687,128,198	11,006,690,820

3.3.3 Classified by currencies and residency of debtors

	2008			2007		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	16,685,441,469	1,686,729	16,687,128,198	11,005,004,091	1,686,729	11,006,690,820
Total	16,685,441,469	1,686,729	16,687,128,198	11,005,004,091	1,686,729	11,006,690,820

3.3.4 Classified by type of business and by loan classification

(in Baht)

2008						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful	Total
Agriculture and mining	379,512,273	9,126,519	4,406,277	4,654,609	70,002,856	467,702,534
Manufacturing and commerce	5,470,813,396	86,329,989	60,625,975	72,231,422	520,704,562	6,210,705,344
Property development and construction	1,657,034,099	224,483,120	114,113,794	148,084,496	291,860,715	2,435,576,224
Infrastructure and services	1,003,661,486	50,614,912	63,501,980	7,792,390	51,160,661	1,176,731,429
Housing loans	3,988,377,284	434,083,825	186,095,105	202,183,296	320,640,390	5,131,379,900
Others	809,155,346	115,075,168	46,725,036	62,725,763	231,351,454	1,265,032,767
Total	13,354,553,884	919,713,533	475,468,167	497,671,976	1,485,720,638	16,687,128,198

(in Baht)

2007						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful	Total
Agriculture and mining	373,364,038	4,053,952	3,545,980	54,171,410	125,691,247	560,826,627
Manufacturing and commerce	1,623,507,933	90,476,370	56,885,163	113,465,322	338,712,304	2,223,047,092
Property development and construction	1,609,964,349	98,445,961	116,046,167	169,318,837	308,602,895	2,302,378,209
Infrastructure and services	322,304,647	14,605,097	18,544,055	2,985,695	38,000,000	396,439,494
Housing loans	3,667,645,960	331,078,841	148,070,142	169,346,782	120,327,401	4,436,469,126
Others	783,401,473	84,799,814	77,817,594	84,463,843	57,047,548	1,087,530,279
Total	8,380,188,400	623,460,035	420,909,101	593,751,889	988,381,395	11,006,690,820

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3.3.5 Classified by loan classification

(in Baht)

		2008		
	Financing	Amount after net collateral	Provision rate %	Allowance for doubtful accounts
Pass	13,308,553,884	3,004,260,286	1	30,042,603
Special mention	919,713,533	104,206,258	2	2,084,125
Substandard				
- Non IAS39 Basis	475,468,167	73,575,060	20	14,715,012
- IAS39 Basis	-	-	100	-
Doubtful				
- Non IAS39 Basis	497,671,976	26,675,593	50	13,337,797
- IAS39 Basis	-	-	100	-
Doubtful of loss				
- Non IAS39 Basis	1,447,720,638	238,112,172	100	238,112,172
- IAS39 Basis	38,000,000	7,223,200	100	7,223,200
Total	16,687,128,198	3,454,525,569		305,514,909

As at 31 December 2008, the Bank provided allowance for doubtful accounts totalling Baht 303,368,314 (see Notes 3.4).

(in Baht)

		2007		
	Financing	Amount after net collateral	Provision rate %	Allowance for doubtful accounts
Pass	8,380,188,400	1,907,938,241	1	19,079,382
Special mention	623,460,035	65,518,498	2	1,310,370
Substandard				
- Non IAS39 Basis	420,909,101	22,675,082	20	4,535,016
- IAS39 Basis	-	-	100	-
Doubtful				
- Non IAS39 Basis	593,751,889	19,038,296	50	9,519,148
- IAS39 Basis	-	-	100	-
Doubtful of loss				
- Non IAS39 Basis	950,381,395	120,532,003	100	120,532,003
- IAS39 Basis	38,000,000	7,223,200	100	7,223,200
Total	11,006,690,820	2,142,925,320		162,199,119

At 31 December 2008 and 2007, the Bank's non-performing loans, being those classified as substandard, doubtful and doubtful of loss, amounted to approximately Baht 2,458.86 million and Baht 2,003.04 million, respectively.

3.4 Allowance for doubtful accounts

The movements in the allowance for doubtful accounts during the years were as follows:

	(in Baht)					
	2008					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of Loss	Total
Balance at the beginning of the year	19,079,382	1,310,370	4,535,016	9,519,148	127,755,203	162,199,119
Doubtful accounts (reversal)	8,816,626	773,755	10,179,996	3,818,649	117,580,169	141,169,195
Balance at the end of the year	27,896,008	2,084,125	14,715,012	13,337,797	245,335,372	303,368,314

	2007					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of Loss	Total
Balance at the beginning of the year	8,666,920	605,974	12,875,615	2,922,146	20,456,117	45,526,772
Doubtful accounts (reversal)	10,412,462	704,396	(8,340,599)	6,597,002	107,299,086	116,672,347
Balance at the end of the year	19,079,382	1,310,370	4,535,016	9,519,148	127,755,203	162,199,119

As of 31 December 2007, provision for doubtful loss totalled Baht 174,199,119 consisting of provision for doubtful loss of interbank and money market transactions totalling Baht 12 million (see Notes 3.1.1) and for loans and accrued incomes totalling Baht 162,199,119.

3.5 Troubled Debt Restructuring

During the year ended 31 December 2008, the Bank engaged in debt restructuring contracts as follows:

Type of restructuring	2008			
	Number of receivables	Outstanding loan balance before restructuring	Type of assets transferred	Fair value of transferred assets
	Baht	Baht		
Transfer of assets	-	-	-	-
Changes of repayment conditions	3	43,432,227	-	-
Debt restructuring in various forms	35	580,027,238	-	-
Total	38	623,459,465	-	-

During the year ended 31 December 2007, the Bank had no debt restructuring contracts.

Revaluation allowance for debt restructuring

The movements in the revaluation allowance for debt restructuring during the years were as follows:

	(in Baht)	
	2008	2007
Balance at the beginning of the year	-	-
Increase	2,146,595	-
Balance at the end of the year	2,146,595	-

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Depreciation was Baht 32.79 million consisted of depreciation of the year ended 31 December 2008 totalling Baht 31.49 million included in the statement of income and accumulated depreciation for other assets transferred (receivable accounts are pending to investigate) amounted Baht 1.30 million.

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Depreciation was Baht 32.79 million consisted of depreciation of the year ended 31 December 2008 totalling Baht 31.49 million included in the statement of income and accumulated depreciation for other assets transferred (receivable accounts are pending to investigate) amounted Baht 1.30 million.



The movements in premises and equipment for the year ended 31 December 2007 are as follows:

	2007										(in Baht)
	Changes in cost during the year				Changes in accumulated depreciation during the year						
	Beginning balance	Purchase / transfer in	Disposal / transfer out	Ending balance	Beginning balance	Depreciation / transfer in	Disposal / transfer out	Ending balance	Provision for impairment	Book value at the end of year	
Land	106,344,741	-	-	106,344,741	-	-	-	-	-	106,344,741	
Building	71,726,304	-	-	71,726,304	35,434,299	3,315,627	-	38,749,926	-	32,976,378	
Leasehold improvements	77,412,328	27,133,770	(19,890,277)	84,655,821	23,668,822	30,065,396	(29,721,780)	24,012,438	-	60,643,383	
Furniture, fixture and equipment	181,154,714	54,385,833	(31,545,966)	203,994,581	45,661,935	49,612,560	(17,840,367)	77,434,128	-	126,560,453	
Vehicles	15,049,476	3,670,431	(12,863,405)	5,856,502	10,363,889	4,191,095	(9,438,788)	5,116,196	-	740,306	
Work in progress	22,821,927	-	(22,821,927)	-	-	-	-	-	-	-	
Total	474,509,490	85,190,034	(87,121,575)	472,577,949	115,128,945	87,184,678	(57,000,935)	145,312,688	-	327,265,261	

Depreciation for the year ended 31 December 2007 was Baht 59.71 million, included in the statement of income.

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3.7 Intangible assets

(in Baht)

	2008			
	Beginning balance	Increase/ transfer-in	Amortization/ transfer-out	Ending balance
Leasehold right	10,785,713	-	(857,143)	9,928,570
Rights to use the computer software	176,828,554	19,612,900	(99,242,243)	97,199,211
Goodwill	70,500,000	-	-	70,500,000
Total	258,114,267	19,612,900	(100,099,386)	177,627,781

As at 31 December 2008, amortization/ transfer-out was Baht 100.10 million consisted of amortization presented in the statements of income amounted to Baht 13.99 million and transferring of application software to other assets amounted to Baht 86.11 million.

(in Baht)

	2007			
	Beginning balance	Increase/ transfer-in	Amortization/ transfer-out	Ending balance
Leasehold right	11,642,856	-	(857,143)	10,785,713
Rights to use the computer software	195,137,492	23,234,151	(41,543,189)	176,828,554
Goodwill	79,500,000	-	(9,000,000)	70,500,000
Total	286,280,348	23,234,151	(51,400,232)	258,114,267

3.8 Other assets

(in Baht)

	2008	2007
Interbranch accounts	1,420,674	18,485,528
The Revenue Department receivable	72,304,099	5,009,366
Deposits	15,194,884	15,137,828
Prepaid expenses	5,036,321	1,804,169
Amortization	74,729,754	8,549,604
Others	45,440,353	52,410,893
Total	214,126,085	101,397,388

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3.9 Deposits

3.9.1 Classified by type of deposits

	(in Baht)	
	2008	2007
Demand	148,800,789	111,066,455
Savings	2,201,514,236	2,201,108,349
Fixed		
Less than 6 months	10,165,376,615	6,273,075,576
6 months and up to 1 year	3,423,435,992	425,796,644
Over 1 year	3,958,717,728	3,848,178,808
Total	19,897,845,360	12,859,225,832

3.9.2 Classified by maturity of contracts

	(in Baht)	
	2008	2007
Within 1 year	19,849,870,659	12,831,802,332
Over 1 year	47,974,701	27,423,500
Total	19,897,845,360	12,859,225,832

3.9.3 Classified by currencies and residency of depositors

	(in Baht)					
	2008			2007		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	19,879,252,435	18,592,925	19,897,845,360	12,836,719,835	22,505,997	12,859,225,832
Total	19,879,252,435	18,592,925	19,897,845,360	12,836,719,835	22,505,997	12,859,225,832

As of 31 December 2007, the Bank's total deposits by financial institutions were Baht 103.50 million, which included accrued profit rates for such deposits of Baht 1.60 million.

3.10 Interbank and money market items (liabilities)

	(In Baht)					
	2008			2007		
	At Call	Term	Total	At Call	Term	Total
Domestic						
Bank of Thailand	-	336,849,000	336,849,000	-	330,058,000	330,058,000
Commercial bank	52,246,558	122,896,250	175,142,808	-	103,530,000	103,530,000
Total	52,246,558	459,745,250	511,991,808	-	433,588,000	433,588,000

3.11 Other liabilities

	(in Baht)	
	2008	2007
The Revenue Department payable	3,017,041	2,024,288
Other payables	416,101	7,143,411
Others	6,188,188	2,106,992
Total	9,621,330	11,274,691

3.12 Share capital and issued and paid-up share capital

	2008			2007		
	Par value (in Baht)	Number	Baht	Number	Baht	
			(Shares/Baht)			
Share Capital						
Capital under Islamic Bank of Thailand Act. B.E. 2545						
As of 1 January	10	100,000,000	1,000,000,000	100,000,000	1,000,000,000	
Capital according to the resolution of the Shareholders' Meeting	10	3,023,000,000	30,230,000,000	3,023,000,000	30,230,000,000	
As at 31 December	10	3,123,000,000	31,230,000,000	3,123,000,000	31,230,000,000	
Issued and paid-up share capital						
Capital according to the ISBT Act						
Carried forward	10	100,000,000	1,000,000,000	70,444,400	704,444,000	
Capital increase No.1	10	-	-	1,589,300	15,893,000	
Capital increase No.2	10	-	-	27,966,300	279,663,000	
Total		100,000,000	1,000,000,000	100,000,000	1,000,000,000	
Capital according to the resolution of Shareholders Meeting						
As of 1 January		3,023,000,000	30,230,000,000	-	-	
Capital according to the resolution of shareholders' Meeting No.1	10	-	-	835,502,500	8,355,025,000	
Capital according to the resolution of shareholders' Meeting No.2	10	-	-	2,187,497,500	21,874,975,000	
As at 31 December	10	3,123,000,000	31,230,000,000	3,123,000,000	31,230,000,000	

As at 31 December 2008 and 2007, the Bank's share was held by the Ministry of Finance and state enterprises totalling 98.18% of the issued and paid-up share capital.

The Bank has share capital in accordance with The Islamic Bank of Thailand Act B.E. 2545 in the amount of Baht 1,000 million and will offer the share capital to major shareholders not exceeding 35 shareholders.

Share capital of the Bank under Islamic Bank of Thailand Act. B.E. 2545 was followed:

First, at the Board of Directors Meeting No.6/2007, held on 25 April 2007, the resolutions were approved on issuing ordinary shares of 1,589,300 shares with a par value of Baht 10 to existing shareholders at the price of Baht 2.50 per share. The Bank fully received proceeds from these increased shares in April 2007.

Second, at the Board of Directors Meeting No.9/2007, held on 15 May 2007, the resolutions were approved to offer ordinary shares of 27,966,300 shares with a par value of Baht 10 to existing shareholders at the price of Baht 1.08 per share. The Bank fully received proceeds from these increased shares in June 2007.

Share capital of the Bank according to the resolution of Shareholders Meeting was followed:

The Extraordinary Shareholders' Meeting No.1/2007 held on 12 June 2007, resolved as follows:

1. The increase of the Bank's registered capital from Baht 1,000 million to Baht 31,230 million by issuing 3,023 ordinary shares at the par value of Baht 10.
2. Approval an offer of 3,023 million newly-issued ordinary shares in a private placement as required by the Securities and Exchange Commission's regulations.

First, The Board of Directors' Meeting No.25/2007 dated 9 October 2007 resolved to issue 835,502,500 new ordinary shares at a par value of Baht 10 a share for a price of Baht 1.08 apiece. THE BANK paid a full amount of the capital-increase shares in October 2007.

Second, The Board of Directors Meeting No.27/2007 on 7 November 2007 resolved to issue 2,187,497,500 new ordinary shares at a par value of Baht 10 a share for a price of Baht 1.08 apiece. THE BANK paid a full amount of these capital-increase shares in November 2007.

3.13 Discount on Ordinary Shares

	Number of ordinary shares (shares)	Par value	Amount	Offered Price (Baht)	Amount	Discount on ordinary shares
<i>Capital according to the ISBT Act Carried forward</i>	69,686,000	10	696,860,000	10.00	696,860,000	-
Capital increase No.1	758,400	10	7,584,000	4.82	3,655,488	3,928,512
<i>As of 31 December 2006</i>	70,444,400		704,444,000		700,515,488	3,928,512
Capital increase No.1	1,589,300	10	15,893,000	2.50	3,973,250	11,919,750
Capital increase No.2	27,966,300	10	279,663,000	1.08	30,203,604	249,459,396
Total	100,000,000		1,000,000,000		734,692,342	265,307,658
Capital according to the Resolution of Shareholders' Meeting No.1	835,502,500	10	8,355,025,000	1.08	902,342,700	7,452,682,300
Capital according to the Resolution of Shareholders' Meeting No.2	2,187,497,500	10	21,874,975,000	1.08	2,362,497,300	19,512,477,700
As of 31 December 2007	3,123,000,000		31,230,000,000		3,999,532,342	27,230,467,658
As of 31 December 2008	3,123,000,000		31,230,000,000		3,999,532,342	27,230,467,658

3.14 Basic earnings / (loss) per share

The calculation of basic earnings/ (loss) per share for the year ended 31 December 2008 and 2007 were based on the net profit/ (loss) attributable to ordinary shareholders of Baht 2,088,803 and Baht 286,183,729, respectively, divided by the weighted average number of shares outstanding during the year ended 31 December 2008 and 2007 of 3,123,000,000 shares and 608,937,509 shares, respectively, calculated as follows:

Weighted average number of ordinary shares

	(in shares)	
	2008	2007
Issued ordinary shares at 1 January 2007	3,123,000,000	70,444,400
Effect of shares issued on 8 May 2007	-	1,036,311
Effect of shares issued on 12 June 2007	-	15,553,860
Effect of share issued on 9 October 2007	-	192,280,027
Effect of share issued on 7 November 2007	-	329,622,911
Weighted average number of ordinary shares	3,123,000,000	608,937,509

3.15 Assets with obligation

On 25 November 2005, the Bank entered into share purchase agreement of IRPC Public Company Limited (Formerly : Thai Petrochemical Industry Public Company Limited) of 12,121,212 shares at Baht 3.30 per share, totalling Baht 40 million and commitment agreement with a major shareholder of this company. The Bank has the right and duties in relation to the terms of shareholder agreement resulting to the parties are not allowed to pledge, transfer or disposal within 24 months from the date of execution except for approval from other counterparties.

The Bank purchased the shares on 9 December 2005 and completed on 13 December 2005 under maturity date of obligation on 13 December 2007.

3.16 Contingencies and commitments

	(in Baht)					
	2008			2007		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Aval to bills	14,200,000	-	14, 200,000	66,967,749	-	66,967,749
Liabilities under unmatured import bills	-	395,916	395,916	-	382,357	382,357
Letters of credit	-	32,112,438	32,112,438	-	218,545,877	218,545,877

Other contingencies

Other guarantees	676,321,890	-	676,321,890	456,794,041	-	456,794,041
Forward exchange						
rate contracts						
Bought	-	-	-	-	197,060,882	197,060,882
Sold	-	29,241,797	29,241,797	-	221,209,202	221,209,202
Unused credit lines						
of credit limits	265,859,481	-	265,859,481	402,857,741	-	402,857,741
	-					
Others	33,498,407	-	33,498,407	74,736,508	-	74,736,508
	975,679,778	29,241,797	1,004,921,575	934,388,290	418,270,084	1,352,658,374
Total	989,879,778	61,750,151	1,051,629,929	1,001,356,039	637,198,318	1,638,554,357

As at 31 December 2008, the Bank is the defendant to a claim for approximately Baht 129.56 million and the Bank had no other legal cases as at 31 December 2007.

3.17 Long-term lease agreements

Land, office rental and service agreements

As at 31 December 2008 and 2007, the Bank entered into land rental agreement and office rental and service agreements. The agreements are for the periods from June 2003 to August 2011 and June 2003 to November 2010, respectively. Under the terms of agreements, the Bank was required to pay monthly rental fees of approximately Baht 6.75 million and Baht 4.58 million, respectively, and the Bank paid deposits on these agreements with an amount of Baht 7.11 million and Baht 9.29 million, respectively.

Vehicle rental agreements

As at 31 December 2008 and 2007, the Bank entered into car rental agreements. The agreements are for the period from 4 to 5 years starting from July 2004 to April 2012. Under the terms of agreements, the Bank has to pay monthly rental of Million Baht 0.61 and 0.68 (excluding VAT), respectively.

3.18 Directors' remuneration

	(in Baht)	
	2008	2007
Remuneration		
Board of Directors	2,140,000	1,017,500
Board of Executive Directors	257,500	247,500
The Religious Advisory Council	992,000	652,000
Other Boards	1,465,300	788,00
Total	4,854,800	2,705,000

3.19 Other expenses

	(in Baht)	
	2008	2007
Professional fees	6,517,145	5,323,541
Amortisation of goodwill	-	9,000,000
Loss on impairment and disposal of assets	1,049,730	14,182,250
Security and money delivery costs	2,492,448	5,721,702
Transportation expenses	4,638,201	4,534,573
Stationary and equipment expenses	3,537,080	5,752,429
Loss on provisions	1,561,527	4,163,407
Information expenses	1,052,961	1,510,610
Advertising and promotion expenses	6,577,044	1,965,742
Others	18,285,168	11,813,202
Total	45,711,304	63,967,456

3.20 Related party transactions

The Bank has significant related party transactions which are a normal banking practice. Pricing of the transactions was based on market prices and the transactions were subject to the same conditions as customers in general were. In addition, they were also subject to the Bank's policy on provision for doubtful loss as required by the Bank of Thailand with which the Bank complied in a similar manner it did to other debtors in general.

Loans to executive staff from department manager and higher:

	(in Baht)	
	2008	2007
Loan	1,953,197	2,501,407
Provision for doubtful account	19,532	17,133

3.21 Financial instruments

Financial risk management policies

The Bank is exposed to normal business risks from non-performance of contractual obligations by counterparties. The Bank does not issue derivative financial instruments for speculative purpose.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Bank as and when they fall due. The Bank manages credit risk by adoption the policy of only dealing with creditworthy counterparts and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating the risk of financial losses from defaults.

Liquidity risk

The Bank monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Bank's operations and to mitigate the effects of fluctuations in cash flows.

Fair values

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Bank takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

Estimate market value of financial assets and liabilities

As at 31 December 2008 and 2007, the financial assets and liabilities have fair value approximates their carrying values at the reporting date as described in Note 3.2

3.22 Reclassification of accounts

Certain accounts in the financial statements for the year ended 31 December 2007 have been reclassified to conform with the presentation of the financial statements for the year ended 31 December 2008.

3.23 Approval of the financial statements

The financial Statements were authorised to issued by the Bank's Board of Directors based on a resolution in its Meeting No. 6/2009 dated 11 May 2009



Shareholders' Structure

Islamic Bank of Thailand
31 December 2008

Islamic Bank of Thailand's registered capital is Baht 31,230,000,000, which is divided into 3,123,000,000 shares at Baht 10 par value per share.

The Bank's shareholders are:

No.	Shareholders	Shares	Per Cent
1.	Ministry of Finance	1,515,894,614	48.540
2.	Government Saving Bank	1,243,367,500	39.813
3.	Krung Thai Bank Public Company Limited	306,990,000	9.830
4.	Thailand Prosperity Fund	10,453,000	0.335
5.	SMEs Venture Capital Fund	7,500,000	0.240
6.	Thai Bank Public Company Limited	6,000,000	0.192
7.	Bank Islam Brunei Darussalam Berhad	5,226,500	0.167
8.	Perbadanan Tabung Amanah Islam Brunei	5,226,500	0.167
9.	Dhipaya Insurance Public Company Limited	5,000,000	0.160
10.	Siam City Bank Public Company Limited	4,000,000	0.128
11.	Others (Private, Juristic Entities & Public)	13,341,886	0.427
Total		3,123,000,000	100%

The Management Team

Mr. Dheerasak Suwannayos
President

Mr. Che Lasin Che Deraman
Senior Executive Vice President

Secretary Office

Ms. Vareepun Voraphol
Acting Vice President

Planning and Budgeting Department

Mr. Nawat Kulphatnirun
Deputy Vice President

Investment Banking Department

Mr. Mongkol Mekserikul
Vice President

Legal Office

Mrs. Nattanant Thamanijakul
Acting Vice President

Internal Audit Department

Mr. Suthichai Suwanwanich
Deputy Vice President

Branch Business Division

Mr. Pongstorn Kunanusorn
Senior Executive Vice President

International Business Department

Ms. Pongstorn Kunanusorn
Acting Vice President

Halal Business Department

Mr. Montri Arun
Vice President

Corporate Credit Department

Mr. Anucha Bupphaves
Acting Vice President

SMEs Credit Department

Mr. Permpong Viriya
Vice President

Credit Analysis Department

Mr. Suraphon Jariyarangsirattana
Vice President

Consumer Credit Division

Consume Credit Department

Mrs. Pornlinee Povijitkul
Vice President

Hire Purchase Analysis Department

Mr. Vichit Mekhasawasd
Vice President

Hire Purchase Sales Department

Mr. Sati Sunkhavanich
Vice President

Branch Business Division

Dr. Ratsuvon Pidpayon
Senior Executive Vice President

Branch Business and Credit Department

Mr. Somphol Tripopnart
Vice President

Southern Region Office

Mr. Surakampon Adulyarat
Vice President

Operation Support Division

Ms. Arsra Angkaria
Senior Vice President

Credit Operation Support Department

Mrs. Suwanna Pimphakorn
Acting Vice President

Electronic Banking Operation Department

Ms. Radklao Sitthijanyawan
Acting Vice President

Hire Purchase Operation Department

Mr. Montri Navajinda
Vice President

Business Promotion and Corporate Communication Office

Ms. Tuansaleena Kubaha
Acting Vice President

Finance Division

Dr. Ratsuvon Pidpayon
Senior Executive Vice President

Treasury Department

Ms. Sunsanee Methisariyapong
Acting Vice President

Funding Department

Mr. Aree Areesamarn
Vice President

Accounting Department

Mrs. Wantana Chandtayavijit
Vice President

Information Technology Department

Mr. Somchai Methaprapa
Vice President

Application Development Department

Mr. Suphachok Wanitchakornkoon
Deputy Vice President

Commercial Banking Division

Product Development and Marketing Department

Dr. Chatchawan Niyomwittayanont
Acting Vice President

Human Resources and General Administration Department

Mr. Chaturong Techakumphu
Vice President

Credit Restructuring Department

Mr. Niam Kanprom
Vice President

Risk Management Division

Risk Management Department

Mrs. Nuchjaree Pakdeecharoen
Acting Vice President

Credit Review Department

Dr. Krongkan Na Nakornpanom
Vice President

Branch Network

Head Office	Mezzanine, 21st, 22nd Floors, Q House Building (Asoke), 66 Sukhumvit 21, North Klongtoey, Wattana, Bangkok 10110, Thailand Tel. 0-2650-6999 Fax. 0-2664-3345
Southern Region Office	81/78 M. 2, Karnchanavanich Road, Khaoroochang, Muang, Songkhla 90000 Tel. 0-7455-8266-7 Fax. 0-7455-8268
Pattaya Foreign Exchange Bureau	59/9 Pattaya 2 Road, Banglamung, Chonburi 20260 Tel. 0-3842-1286 Fax. 0-3842-8092

Greater Bangkok

Branch	Address	Tel.	Fax.
Klongton	M Fl, UM Tower, 9 Ramkhamhaeng, Suanluang, Bangkok 10250	0-2729-8805	0-2729-8806
Tungkhru	825/424-425 Moo 1, Prachauthit Rd., Tungkhru, Bangkok 10140	0-2873-6803-5	0-2873-6809
Sathon	127 G Fl, Panjaphum Bldg., Sathontai Rd., Tungmhamage, Bangkok 10120	0-2670-8111	0-2670-8049
Asoke	G Fl, Q. House Asoke Bldg., 66 Sukhumvit 21, North Klongtoey, Wattana, Bangkok 10110	0-2260-1751-4	0-2260-1750
Srinakarin	1170 Srinakarin Road, Suan Luang, Bangkok 10250	0-2320-3361-3	0-2320-3364
Minburi	444 Moo 18 Sihaburanukit Rd., Minburi, Bangkok 10510	0-2517-9655-7	0-2517-9658
Pathumthani	27/17-19 Pathum Sampan Rd., Bangprok, Pathumthani 12000	0-2593-4070-2	0-2593-4073

The North

Branch	Address	Tel.	Fax.
Chiangmai	125 Changklan Rd., Chiangmai 50100	0-5328-3265-6	0-5327-0718
Lampang	92-98 Boonyawat Rd., Suandok, Lampang 52100	0-5422-2996	0-5422-2995
Chiangrai	808/8 Phahonyothin Rd., Chiangrai 57000	0-5374-8883-5	0-5374-8886
Phitsanulok	87/24 Akatodsarod Rd., Naimuang, Phitsanulok 65000	0-5524-2712-3	0-5524-2443

The Northeast

Branch	Address	Tel.	Fax.
Khonkaen	77/3 Klangmuang Rd., Khonkaen 40000	0-4324-6824-7	0-4324-6828

The East

Branch	Address	Tel.	Fax.
Pattaya	597/3 M. 10 Pattaya Tai Rd., Nongpru Banglamung, Chonburi 20260	0-3848-8414-6	0-3848-8417

The South

Branch	Address	Tel.	Fax.
Phetchaburi	107 Surinruechai Rd., Tharab, Phetchaburi 76000	0-3241-4090-2	0-3241-4094
Krabi	94, 94/1 Maharaj Rd., Paknam, Krabi 81000	0-7562-4040-3	0-7562-4044
Chumpon	56/1 Poraminmakka Rd., Thatapoa, Chumpon 86000	0-7750-3395-6	0-7751-1062
Phuket	5,7 Yaowaraj Road, Talad Nua Sub-District, Muang District, Phuket Province 83000	0-7621-4053-4	0-7621-4055
Hat Yai	2/1-2 Soi Hat Yai City Thumanoonwithee Rd., Songkhla 90110	0-7423-7392	0-7423-7158
Songkhla	81/78 M. 10 Kanjanavanich Rd., Khaoroobchang Songkhla 90000	0-7455-8259-61	0-7455-8265
Chana	268/2 Moo 2 Sukhapibarn Rd., Songkhla 90130	0-7439-4032-5	0-7439-4036
Narathiwat	52/18-19 Suriyapradit Rd., Narathiwat 96000	0-7351-2627-8	0-7351-2629
Vijitchaiboon	11/2-4 Vijitchaiboon Rd., Bang Naak, Narathiwat 96000	0-7351-3664-5	0-7351-3663
Pattani	20-24 Naklur Rd., Pattani 94000	0-7332-3465-8	0-7332-3469
Jabangtikor	49/9-12 Kalapor Rd., Jabangtikor, Pattani 94000	0-7331-1820-3	0-7331-1879
Yala	59 Pipitpakdee Rd., Sateng Yala 95000	0-7324-7140-3	0-7324-7144
Satun	287/6 M. 7 Yontrakankamthon Rd., Satun 91000	0-7472-5039-42	0-7472-5043

