

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

Statement by Directors and Audited Interim
Condensed Financial Statements
30 June 2017

299740-W

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

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

Performance review for the six months period ended 30 June 2017 and commentary on the prospects

Bangkok Bank Berhad (“BBB”) registered a profit before tax (“PBT”) of RM19.6 million for the first half of 2017 as compared to a higher profit of RM21.0 million recorded during the previous corresponding period. The higher personnel costs have been the reason to the lower PBT. However, net interest income marginally improved from RM37.7 million in the previous corresponding period to RM40.8 million in the first half of 2017 as interest income from interbank lending expanded.

Deposits from customers grew from RM1.86 billion as at December 2016 to RM2.29 billion as at 30 June 2017. This is the result of the Bank's efforts on heightening focus on generating customer deposits to maintain prudent liquidity position and to fund future loan growth.

The Bank will continue to grow its core lending business in selected niche areas and focus on maintaining its current liquidity position.

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of financial position as at 30 June 2017

	Note	Group		Bank	
		30.6.2017 RM'000	31.12.2016 RM'000	30.6.2017 RM'000	31.12.2016 RM'000
Assets					
Cash and short-term funds		424,541	283,533	424,436	283,434
Deposits and placements with banks		355,005	153,931	355,005	153,931
Securities held for trading	12	-	10,240	-	10,240
Securities available-for-sale	13	875,078	820,028	875,078	820,028
Securities held-to-maturity	14	13	13	13	13
Loans, advances and financing	15	2,855,451	2,725,493	2,855,451	2,725,493
Derivative assets		2,101	1,552	2,101	1,552
Tax recoverable		9,122	8,973	9,122	8,972
Other assets	16	3,074	2,858	3,074	2,858
Statutory deposit with Bank Negara Malaysia		80,000	88,000	80,000	88,000
Investment in subsidiary		-	-	10	10
Property and equipment	17	143,455	141,513	143,455	141,513
Intangible assets		33	61	33	61
Deferred tax assets		1,671	2,130	1,671	2,130
Total assets		4,749,544	4,238,325	4,749,449	4,238,235
Liabilities and shareholder's equity					
Deposits from customers	18	2,288,712	1,856,627	2,288,712	1,856,627
Deposits and placements from banks and other financial institutions	19	1,219,209	1,552,943	1,219,209	1,552,943
Derivative liabilities		1,982	3,598	1,982	3,598
Other liabilities	20	10,393	13,068	10,389	13,065
Total liabilities		3,520,296	3,426,236	3,520,292	3,426,233
Share capital		1,000,000	600,000	1,000,000	600,000
Statutory reserve		-	169,039	-	169,039
Revaluation reserve		572	(1,532)	572	(1,532)
Retained profits		228,676	44,582	228,585	44,495
Shareholder's equity		1,229,248	812,089	1,229,157	812,002
Total liabilities and shareholder's equity		4,749,544	4,238,325	4,749,449	4,238,235
Commitments and contingencies	26	2,046,091	2,226,929	2,046,091	2,226,929

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

Bangkok Bank Berhad
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Interim condensed income statements
For the financial period ended 30 June 2017

		Group				
		Second Quarter		Cumulative		
		Ended		6 Months Ended		
		1.4.2017	1.4.2016	1.1.2017	1.1.2016	
		to	to	to	to	
Note		30.6.2017	30.6.2016	30.6.2017	30.6.2016	
		RM'000	RM'000	RM'000	RM'000	
	Interest income	21	48,996	45,550	95,605	90,852
	Interest expense	22	(28,384)	(26,776)	(54,803)	(53,195)
	Net interest income		<u>20,612</u>	<u>18,774</u>	<u>40,802</u>	<u>37,657</u>
	Non-interest income	24	<u>2,519</u>	<u>4,043</u>	<u>5,561</u>	<u>7,365</u>
	Net income		<u>23,131</u>	<u>22,817</u>	<u>46,363</u>	<u>45,022</u>
	Overhead expenses	25	<u>(14,623)</u>	<u>(12,316)</u>	<u>(29,466)</u>	<u>(23,607)</u>
			8,508	10,501	16,897	21,415
	Loan impairment write back/ (charges), net	23	<u>234</u>	<u>(2,031)</u>	<u>2,658</u>	<u>(421)</u>
	Profit before taxation		<u>8,742</u>	<u>8,470</u>	<u>19,555</u>	<u>20,994</u>
	Taxation		<u>(2,129)</u>	<u>(1,790)</u>	<u>(4,500)</u>	<u>(3,457)</u>
	Net profit for the period		<u><u>6,613</u></u>	<u><u>6,680</u></u>	<u><u>15,055</u></u>	<u><u>17,537</u></u>
	Earnings per share (sen)					
	- basic		0.66	1.10	1.51	2.51
	- diluted		<u>0.66</u>	<u>1.10</u>	<u>1.51</u>	<u>2.51</u>

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

Bangkok Bank Berhad
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Interim condensed income statements
For the financial period ended 30 June 2017 (cont'd.)

	Note	Bank			
		Second Quarter		Cumulative	
		Ended		6 Months Ended	
		1.4.2017 to 30.6.2017 RM'000	1.4.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Interest income	21	48,996	45,550	95,605	90,852
Interest expense	22	(28,384)	(26,776)	(54,803)	(53,195)
Net interest income		<u>20,612</u>	<u>18,774</u>	<u>40,802</u>	<u>37,657</u>
Non-interest income	24	<u>2,515</u>	<u>4,040</u>	<u>5,555</u>	<u>7,357</u>
Net income		<u>23,127</u>	<u>22,814</u>	<u>46,357</u>	<u>45,014</u>
Overhead expenses	25	<u>(14,622)</u>	<u>(12,315)</u>	<u>(29,465)</u>	<u>(23,606)</u>
		<u>8,505</u>	<u>10,499</u>	<u>16,892</u>	<u>21,408</u>
Loan impairment write back/ (charges), net	23	<u>234</u>	<u>(2,031)</u>	<u>2,658</u>	<u>(421)</u>
Profit before taxation		<u>8,739</u>	<u>8,468</u>	<u>19,550</u>	<u>20,987</u>
Taxation		<u>(2,129)</u>	<u>(1,789)</u>	<u>(4,499)</u>	<u>(3,455)</u>
Net profit for the period		<u><u>6,610</u></u>	<u><u>6,679</u></u>	<u><u>15,051</u></u>	<u><u>17,532</u></u>
Earnings per share (sen)					
- basic		0.66	1.10	1.51	2.51
- diluted		<u>0.66</u>	<u>1.10</u>	<u>1.51</u>	<u>2.51</u>

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of comprehensive income
For the financial period ended 30 June 2017

	Group			
	Second Quarter		Cumulative	
	Ended		6 Months Ended	
	1.4.2017	1.4.2016	1.1.2017	1.1.2016
	to	to	to	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>6,613</u>	<u>6,680</u>	<u>15,055</u>	<u>17,537</u>
Other comprehensive income				
Items that may be reclassified to				
profit or loss subsequently :				
Net gain on securities				
available-for-sale	711	978	2,768	3,035
Income tax relating to				
components of other				
comprehensive income	<u>(150)</u>	<u>(206)</u>	<u>(664)</u>	<u>(720)</u>
Other comprehensive income				
for the period, net of tax	<u>561</u>	<u>772</u>	<u>2,104</u>	<u>2,315</u>
Total comprehensive income				
for the period, net of tax	<u>7,174</u>	<u>7,452</u>	<u>17,159</u>	<u>19,852</u>

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

Bangkok Bank Berhad
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Interim condensed statements of comprehensive income
For the financial period ended 30 June 2017 (cont'd.)

	Bank			
	Second Quarter		Cumulative	
	Ended		6 Months Ended	
	1.4.2017	1.4.2016	1.1.2017	1.1.2016
	to	to	to	to
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>6,610</u>	<u>6,679</u>	<u>15,051</u>	<u>17,532</u>
Other comprehensive income				
Items that may be reclassified to				
profit or loss subsequently:				
Net gain on securities				
available-for-sale	711	978	2,768	3,035
Income tax relating to				
components of other				
comprehensive income	<u>(150)</u>	<u>(206)</u>	<u>(664)</u>	<u>(720)</u>
Other comprehensive income				
for the period, net of tax	<u>561</u>	<u>772</u>	<u>2,104</u>	<u>2,315</u>
Total comprehensive income				
for the period, net of tax	<u>7,171</u>	<u>7,451</u>	<u>17,155</u>	<u>19,847</u>

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of changes in equity
For the financial period ended 30 June 2017

Group	Share capital RM'000	<---Non-distributable--->		Distributable Retained profits RM'000	Total RM'000
		Statutory reserve RM'000	Revaluation reserve RM'000		
At 1 January 2016	600,000	153,451	602	28,963	783,016
Total comprehensive income	-	-	2,315	17,537	19,852
At 30 June 2016	<u>600,000</u>	<u>153,451</u>	<u>2,917</u>	<u>46,500</u>	<u>802,868</u>
At 1 January 2017	600,000	169,039	(1,532)	44,582	812,089
Total comprehensive income	-	-	2,104	15,055	17,159
Transfer to retained profits		(169,039)		169,039	-
Issue of shares	400,000	-	-	-	400,000
At 30 June 2017	<u>1,000,000</u>	<u>-</u>	<u>572</u>	<u>228,676</u>	<u>1,229,248</u>

Bank	Share capital RM'000	<---Non-distributable--->		Distributable Retained profits RM'000	Total RM'000
		Statutory reserve RM'000	Revaluation reserve RM'000		
At 1 January 2016	600,000	153,441	602	28,897	782,940
Total comprehensive income	-	-	2,315	17,532	19,847
At 30 June 2016	<u>600,000</u>	<u>153,441</u>	<u>2,917</u>	<u>46,429</u>	<u>802,787</u>
At 1 January 2017	600,000	169,039	(1,532)	44,495	812,002
Total comprehensive income	-	-	2,104	15,051	17,155
Transfer to retained profits		(169,039)		169,039	-
Issue of shares	400,000	-	-	-	400,000
At 30 June 2017	<u>1,000,000</u>	<u>-</u>	<u>572</u>	<u>228,585</u>	<u>1,229,157</u>

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

Bangkok Bank Berhad
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Interim condensed statements of cash flows
For the financial period ended 30 June 2017

	Note	Group		Bank	
		1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Cash flows from operating activities					
Profit before tax		19,555	20,994	19,550	20,987
Adjustments for:					
Depreciation	25	2,568	2,277	2,568	2,277
Amortisation of intangible assets	25	28	198	28	198
(Write back)/allowance for impairment losses on loans advances, and financing	23	(2,654)	476	(2,654)	476
Write back of impairment losses of securities held-to-maturity	24	(4)	(8)	(4)	(8)
Unrealised gain on foreign exchange forward contracts	24	(2,255)	(1,871)	(2,255)	(1,871)
Net loss on revaluation of securities held for trading	24	132	-	132	-
Net gain on disposal of securities held for trading	24	(154)	(2)	(154)	(2)
(Accretion of discount), net of amortisation of premium	21	(698)	415	(698)	415
Dividend from securities available-for-sale	24	(83)	(56)	(83)	(56)
Operating profit before working capital changes		16,435	22,423	16,430	22,416

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

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Interim condensed statements of cash flows
For the financial period ended 30 June 2017 (cont'd.)

	Group		Bank	
	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Cash flows from operating activities (cont'd.)				
Balance carried forward	16,435	20,994	16,430	22,416
Increase in loans, advances and financing	(127,305)	(1,237)	(127,305)	(1,237)
Increase in other assets	(212)	(678)	(216)	(678)
Decrease in statutory deposit with Bank Negara Malaysia	8,000	21,000	8,000	21,000
Increase/(decrease) in deposits from customers	432,085	(491,836)	432,085	(491,836)
(Increase)/decrease in deposits and placements of banks and other financial institutions	(333,734)	450,751	(333,734)	450,751
Decrease in other liabilities	(2,583)	(16,917)	(2,583)	(16,917)
Purchase of securities held for trading	(39,545)	(10,118)	(39,545)	(10,118)
Purchase of securities available-for-sale	(251,584)	(440,343)	(251,584)	(440,343)
Proceeds from sale of securities held for trading	49,806	10,120	49,806	10,120
Proceeds from maturity of securities available-for-sale	200,000	560,000	200,000	560,000
Proceeds from partial redemption of securities held-to-maturity	4	8	4	8
Dividend received	83	56	83	56
Taxes paid	(4,858)	(2,012)	(4,855)	(2,012)
Taxes refunded	-	247	-	247
Net cash generated from / (used in) operating activities	(53,408)	100,035	(53,414)	101,457

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

Bangkok Bank Berhad
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Interim condensed statements of cash flows
For the financial period ended 30 June 2017 (cont'd.)

	Group		Bank	
	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(4,510)	(11,569)	(4,510)	(11,569)
Proceeds from issuance of shares	400,000	-	400,000	-
Net cash generated from / (used in) investing activities	395,490	(11,569)	395,490	(11,569)
Net increase in cash and cash equivalents	342,082	90,434	342,076	90,430
Cash and cash equivalents at beginning of financial period	437,464	135,976	437,365	135,888
Cash and cash equivalents at end of financial period	779,546	226,410	779,441	226,318
Cash and cash equivalents comprise:				
Cash and short-term funds	424,541	186,402	424,436	186,310
Deposits and placements of banks and other financial institutions	355,005	40,008	355,005	40,008
	779,546	226,410	779,441	226,318

These audited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim condensed financial statements.

Bangkok Bank Berhad
(Incorporated in Malaysia)

Notes to the interim condensed financial statements - 30 June 2017

1. Corporate information

The principal activities of Bangkok Bank Berhad ("the Bank") are banking and related financial services. The principal activity of its subsidiary is provision of nominees services to local clients of the Bank. There have been no significant changes in the nature of the principal activities during the financial period.

The Bank is a public limited liability licensed bank, incorporated and domiciled in Malaysia. The principal place of business of the Bank is located at 1-45-01, Menara Bangkok Bank, Laman Sentral Berjaya, 105 Jalan Ampang, 50450 Kuala Lumpur.

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

2. Basis of preparation of the financial statements

2.1 Basis of preparation

The interim condensed financial statements have been prepared under the historical cost convention except for the following assets which are stated at fair value: securities held for trading, securities available-for-sale and derivatives.

The interim condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board ("IASB").

The interim condensed financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2016. These explanatory notes attached to the interim condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the financial year ended 31 December 2016.

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

2.2 New standards and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and amendments effective as of 1 January 2017 as follows:

Descriptions	Effective for annual periods beginning on or after
MFRS 107 Disclosures Initiatives	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 107)	1 January 2017

The adoption of the above new standards and amendments did not have any financial impact to the Group and the Bank.

2.3 Standards issued but not yet effective

As at the date of authorisation of these interim condensed financial statements, the following standards and amendments have been issued by the Malaysian Accounting Standards Board ("MASB") with the following effective dates but have not been adopted by the Group and the Bank.

Descriptions	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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2. Basis of preparation of the financial statements (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

The Bank plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and the Bank upon their initial application other than MFRS 9, MFRS 15 and MFRS 16.

The Bank is in the midst of analysing the requirements of these standards and their impact.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets and the methodology for calculating allowance for impairment, in particular for individual and collective assessment and provisioning.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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2. Basis of preparation of the financial statements (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

MFRS 15 Revenue from Contracts with Customers (cont'd.)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

MFRS 16 Leases

MFRS 16 requires lessees to recognise most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise ‘short-term’ leases and leases of ‘low-value’ assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to MFRS 117’s finance lease accounting, with interest and depreciation expense recognised separately in profit or loss.

2.4 Significant accounting judgements and estimates

The preparation of the financial statements in accordance with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of revenue, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Judgements, estimates and assumptions are continually evaluated and are based on past experience, reasonable expectations of future events and other factors. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group’s and the Bank’s account policies, managements have made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

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2. Basis of preparation of the financial statements (cont'd.)

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

(a) Allowance for impairment on loans, advances and financing

The Group and the Bank review their significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumption about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.) and judgements on cover model risks (e.g., errors for design/development process, data quality, data extraction and transformation) and macro risks (e.g., covering economic, portfolio and procedural issues).

The impairment loss on loans, advances and financing is disclosed in more detail in Note 15(vii).

(b) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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2. Basis of preparation of the financial statements (cont'd.)

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

(c) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

2.5 BNM's Revised Policy Document on Capital Funds

On 3 May 2017, BNM issued the revised policy document on Capital Funds whereby the previous requirement to maintain a reserve fund is no longer required given the implementation of the Capital Conservation Buffer under the Capital Adequacy Framework. Therefore, the statutory reserve which was previously maintained by the Bank is no longer required. During the period, the Group and the Bank had transferred RM169,039,000 from the statutory reserve to retained profits.

3. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the year ended 31 December 2016 was not subject to any qualification.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank during the financial period ended 30 September 2017.

5. Comments about seasonal or cyclical factors

The business operations of the Group and the Bank are not materially affected by any seasonal or cyclical factors.

6. Changes in estimates

There were no significant changes in estimates of amounts reported in prior financial periods that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 September 2017.

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7. Debt and equity securities

On 13 January 2017, the authorised share capital of the Bank increased to RM1,000,000,000 from RM600,000,000 through the creation of 400,000,000 authorised ordinary shares of RM1.00 each. The issued and paid-up share capital also increased to RM1,000,000,000 from RM600,000,000 with the issuance of 400,000,000 new ordinary shares of RM1.00 each at par for cash for working capital purposes.

8. Subsequent events

There were no material events subsequent to the end of the current period that require disclosure or adjustments to the interim condensed financial statements.

9. Changes in composition of the Group

There were no changes in the composition of the Group during the financial period ended 30 June 2017.

10. Dividends paid

No dividend was declared or paid during the financial period ended 30 June 2017.

11. Segmental information

As the Group does not have foreign operations, the Group is not required to present separate identifiable geographical segments.

12. Securities held for trading

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	-	10,240
	<hr/>	<hr/>

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13. Securities available-for-sale

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	324,115	323,090
Government Investment Issues	282,991	281,498
Malaysia Treasury Bills	79,553	78,215
Negotiable Instruments of Deposit	-	50,304
Unquoted securities:		
Corporate bonds	187,547	86,049
	<u>874,206</u>	<u>819,156</u>
At cost		
Unquoted securities:		
Shares	872	872
	<u>875,078</u>	<u>820,028</u>

14. Securities held-to-maturity

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
In Malaysia:		
At amortised cost		
Unquoted securities:		
Corporate bonds	599	603
Accumulated impairment losses	(586)	(590)
	<u>13</u>	<u>13</u>

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15. Loans, advances and financing

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
At amortised cost		
Overdrafts	146,769	158,334
Term loans:		
- Housing loans	2,912	3,326
- Syndicated term loan	104,112	116,387
- Other term loans	937,296	1,049,558
Revolving credits	1,016,299	766,482
Bills receivables	3,637	3,522
Trust receipts	156,520	141,127
Bankers' acceptances	643,049	644,589
Staff loans	726	787
	<u>3,011,320</u>	<u>2,884,112</u>
Unearned interest	(5,175)	(5,271)
Gross loans, advances and financing	<u>3,006,145</u>	<u>2,878,841</u>
Less: Allowance for impaired loans and financing:		
- Individual impairment allowance	(89,201)	(88,812)
- Collective impairment allowance	(61,493)	(64,536)
Net loans, advances and financing	<u>2,855,451</u>	<u>2,725,493</u>

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

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Within one year	2,091,361	1,833,516
One year to three years	420,999	281,740
Three years to five years	192,111	395,634
Over five years	301,674	367,951
	<u>3,006,145</u>	<u>2,878,841</u>

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

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

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Purchase of transport vehicles	220	174
Purchase of residential properties	3,861	4,452
Purchase of non-residential properties	103,340	99,552
Purchase of fixed assets other than land and building	50,971	45,756
Personal use	13,687	13,488
Construction	289,167	326,191
Mergers and acquisitions	29,904	36,779
Working capital	2,184,412	2,027,500
Others	330,583	324,949
	<u>3,006,145</u>	<u>2,878,841</u>

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

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Domestic non-bank financial institutions	363,783	369,070
Domestic business enterprises:		
- Small medium enterprises	542,789	592,013
- Others	2,068,680	1,883,453
Individuals	30,893	34,305
	<u>3,006,145</u>	<u>2,878,841</u>

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

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Variable rate		
- Base lending rate plus	449,048	495,116
- Cost-plus	2,454,791	2,284,243
- Other variable rates	102,306	99,482
	<u>3,006,145</u>	<u>2,878,841</u>

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

- (v) All loans, advances and financing of the Group and of the Bank are to customers in Malaysia.
- (vi) Movements in impaired loans, advances and financing are as follows:

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Balance as at 1 January	139,926	152,520
Classified as impaired during the period/year	1,992	37,782
Reclassified as non-impaired during the period/year	-	(18,058)
Amount recovered during the period/year	(15,575)	(28,393)
Amount written off during the period/year	-	(3,925)
Balance as at end of period/year	<u>126,343</u>	<u>139,926</u>
Individual impairment allowance	<u>(89,201)</u>	<u>(88,812)</u>
Net impaired loans, advances and financing	<u>37,142</u>	<u>51,114</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less individual impairment allowance	<u>1.27%</u>	<u>1.83%</u>

- (vii) Movements in the impairment allowances are as follows:

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Individual impairment allowance		
Balance as at 1 January	88,812	90,525
Allowance made during the period/year	2,404	8,466
Amount written back	(2,015)	(6,254)
Amount written off	-	(3,925)
Balance as at end of period/year	<u>89,201</u>	<u>88,812</u>
Collective impairment allowance		
Balance as at 1 January	64,536	69,134
Allowance made during the period/year	8,439	15,042
Allowance written back during the period/year	<u>(11,482)</u>	<u>(19,640)</u>
Balance as at end of period/year	<u>61,493</u>	<u>64,536</u>
Collective impairment allowance as % of gross loans, advances and financing less individual impairment allowance	<u>2.11%</u>	<u>2.31%</u>

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

(vii) Movements in the impairment allowances (cont'd.)

The Group and the Bank perform individual impairment assessment based on certain obligatory and judgemental triggers that may indicate potential impairment. All impaired accounts as defined in Note 2.4(a) are selected for individual impairment review on a monthly basis. The Group and the Bank also perform monthly individual impairment reviews for:

- Special Mention accounts that are in arrears between 1 to 3 months; and
- Watchlist accounts that had been monitored as Special Mention accounts for more than 3 times in the last 6 months.

(viii) Impaired loans, advances and financing according to economic purpose are as follows:

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Purchase of residential properties	8,293	1,542
Working capital	114,565	126,456
Others	3,485	11,928
	<u>126,343</u>	<u>139,926</u>

16. Other assets

	Group		Bank	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Deposits and prepayments	2,218	1,595	2,218	1,595
Other receivables	856	1,263	856	1,263
	<u>3,074</u>	<u>2,858</u>	<u>3,074</u>	<u>2,858</u>

17. Property and equipment

During the six-month period ended 30 June 2017, the Group and the Bank acquired assets with a cost of RM4,511,000 (31.12.2016: RM15,008,000).

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18. Deposits from customers

(i) By type of deposit:

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Fixed deposits	2,087,550	1,615,423
Current accounts	154,145	187,247
Savings deposits	9,397	9,437
Money market deposits	37,620	44,520
	<u>2,288,712</u>	<u>1,856,627</u>

(ii) The maturity structure of fixed deposits and short-term deposits are as follows:

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Due within six months	1,678,388	1,408,619
Six months to one year	440,707	246,398
One year to three years	3,870	2,129
Over three years	2,205	2,797
	<u>2,125,170</u>	<u>1,659,943</u>

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

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Business enterprises	1,821,995	1,393,576
Individuals	466,717	463,051
	<u>2,288,712</u>	<u>1,856,627</u>

19. Deposits and placements from banks and other financial institutions

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Licensed banks	390,297	541,758
Other financial institutions	828,912	1,011,185
	<u>1,219,209</u>	<u>1,552,943</u>

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19. Deposits and placements from banks and other financial institutions (cont'd.)

Included in deposits and placements are deposits and placements from the holding company and its branches amounting to RM390,297,000 (31.12.2016: RM395,946,000) as disclosed in Note 29.

20. Other liabilities

	Group		Bank	
	30.6.2017 RM'000	31.12.2016 RM'000	30.6.2017 RM'000	31.12.2016 RM'000
Accruals	6,085	7,487	6,085	7,484
Other payables	4,308	5,581	4,304	5,581
	<u>10,393</u>	<u>13,068</u>	<u>10,389</u>	<u>13,065</u>

21. Interest income

	Group and Bank			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2017 to 30.6.2017 RM'000	1.4.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Loans, advances and financing:				
- Interest income other than recoveries from impaired loans	33,865	34,261	66,812	69,070
- Recoveries from impaired loans	23	-	263	-
- Interest income on impaired loans	560	1,028	1,241	2,027
Deposits and placements with banks and other financial institutions	6,617	1,087	11,966	1,728
Securities held for trading	-	-	29	1
Securities available-for-sale	7,629	9,575	14,596	18,441
	<u>48,694</u>	<u>45,951</u>	<u>94,907</u>	<u>91,267</u>
Accretion of discount, net of (amortisation of premium)				
- Securities available-for-sale	302	(401)	698	(415)
	<u>48,996</u>	<u>45,550</u>	<u>95,605</u>	<u>90,852</u>

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22. Interest expense

	Group and Bank			
	Second Quarter		Cumulative	
	Ended		6 Months Ended	
	1.4.2017	1.4.2016	1.1.2017	1.1.2016
	to	to	to	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	26,989	26,077	51,970	51,637
Deposits and placements from banks and other financial institutions	1,395	699	2,833	1,558
	<u>28,384</u>	<u>26,776</u>	<u>54,803</u>	<u>53,195</u>

Included in interest expense on deposits and placements from banks and other financial institutions are interest expense on deposits and placements from the holding company and its branches amounting to RM2,622,000 (30.6.2016: RM1,086,000) as disclosed in Note 29.

23. Loan impairment write back/(changes), net

	Group and Bank			
	Second Quarter		Cumulative	
	Ended		6 Months Ended	
	1.4.2017	1.4.2016	1.1.2017	1.1.2016
	to	to	to	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
Allowance/(write back) for impaired loans, advances and financing:				
Individual impairment:				
- made during the financial period	862	2,243	2,404	3,242
- written back during the period	(54)	(622)	(2,015)	(2,157)
Collective impairment, net				
- made during the financial period	2,353	7,102	8,439	10,367
- written back during the period	(3,394)	(6,659)	(11,482)	(10,976)
Impaired loans, advances and financing recovered	(1)	(33)	(4)	(55)
	<u>(234)</u>	<u>2,031</u>	<u>(2,658)</u>	<u>421</u>

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24. Non-interest income

	Group			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2017 to 30.6.2017	1.4.2016 to 30.6.2016	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	977	1,125	1,900	2,098
Service charges and fees	297	287	783	993
Guarantee fees	592	687	1,163	1,148
	<u>1,866</u>	<u>2,099</u>	<u>3,846</u>	<u>4,239</u>
Investment income:				
Net gain on disposal of securities held for trading	-	-	154	2
Net loss on revaluation of securities held for trading	-	-	(132)	-
Writeback of impairment losses on securities held to maturity	4	-	4	8
Gross dividend from securities available-for-sale	83	8	83	56
	<u>87</u>	<u>64</u>	<u>109</u>	<u>66</u>
Foreign exchange gain/(loss)	268	6,479	(843)	1,003
Unrealised gain/(loss) on foreign exchange forwards	200	(4,693)	2,255	1,871
Rental income	94	90	186	178
Others	4	4	8	8
	<u>566</u>	<u>1,880</u>	<u>1,606</u>	<u>3,060</u>
Total	<u>2,519</u>	<u>4,043</u>	<u>5,561</u>	<u>7,365</u>

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

	Bank			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2017 to 30.6.2017	1.4.2016 to 30.6.2016	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	973	1,122	1,894	2,090
Service charges and fees	297	287	783	993
Guarantee fees	592	687	1,163	1,148
	<u>1,862</u>	<u>2,096</u>	<u>3,840</u>	<u>4,231</u>
Investment income:				
Net gain on disposal of securities held for trading	-	-	154	2
Net loss on revaluation of securities held for trading	-	-	(132)	-
Writeback of impairment losses on securities held to maturity	4	8	4	8
Gross dividend from securities available-for-sale	83	56	83	56
	<u>87</u>	<u>64</u>	<u>109</u>	<u>66</u>
Foreign exchange gain/(loss)	268	6,479	(843)	1,003
Unrealised gain/(loss) on exchange forwards	200	(4,693)	2,255	1,871
Rental income	94	90	186	178
Others	4	4	8	8
	<u>566</u>	<u>1,880</u>	<u>1,606</u>	<u>3,060</u>
Total	<u>2,515</u>	<u>4,040</u>	<u>5,555</u>	<u>7,357</u>

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25. Overhead expenses

	Group			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2017 to 30.6.2017	1.4.2016 to 30.6.2016	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	7,593	5,946	14,691	11,776
Defined Contribution Plan - Employees Provident Fund	1,110	801	2,241	1,588
Others	1,310	730	2,606	1,191
	<u>10,013</u>	<u>7,477</u>	<u>19,538</u>	<u>14,555</u>
Establishment costs				
Depreciation	1,140	1,136	2,568	2,277
Amortisation of intangible assets	10	84	28	198
Repair and maintenance	605	545	1,158	1,090
Information technology	366	443	515	672
Rental expenses	220	224	447	446
Others	556	603	1,572	1,027
	<u>2,897</u>	<u>3,035</u>	<u>6,288</u>	<u>5,710</u>
Marketing costs				
Advertising and publicity	27	51	165	124
Others	8	10	23	19
	<u>35</u>	<u>61</u>	<u>188</u>	<u>143</u>
Administration and general costs				
Communication expenses	312	252	675	530
Subscriptions	232	304	526	613
Professional fees	126	105	228	182
Auditors remunerations	35	134	235	249
Non-executive directors' remuneration	262	206	426	575
Insurance	154	251	294	259
Travelling	121	78	270	157
Others	436	413	798	634
	<u>1,678</u>	<u>1,743</u>	<u>3,452</u>	<u>3,199</u>
Total	<u>14,623</u>	<u>12,316</u>	<u>29,466</u>	<u>23,607</u>

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25. Overhead expenses (cont'd.)

	Bank			
	Second Quarter		Cumulative	
	Ended		6 Months Ended	
	1.4.2017 to 30.6.2017 RM'000	1.4.2016 to 30.6.2016 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2016 to 30.6.2016 RM'000
Personnel costs				
Salaries, allowances and bonuses	7,593	5,946	14,691	11,776
Defined Contribution Plan - Employees Provident Fund	1,110	801	2,241	1,588
Others	1,310	730	2,606	1,191
	<u>10,013</u>	<u>7,477</u>	<u>19,538</u>	<u>14,555</u>
Establishment costs				
Depreciation	970	1,136	2,398	2,277
Amortisation of intangible assets	180	84	198	198
Repair and maintenance	605	545	1,158	1,090
Information technology	366	443	515	672
Rental expenses	220	224	447	446
Others	556	603	1,572	1,027
	<u>2,897</u>	<u>3,035</u>	<u>6,288</u>	<u>5,710</u>
Marketing costs				
Advertising and publicity	27	51	165	124
Others	8	10	23	19
	<u>35</u>	<u>61</u>	<u>188</u>	<u>143</u>
Administration and general costs				
Communication expenses	312	252	675	530
Subscriptions	232	304	526	613
Professional fees	126	105	228	182
Auditors remunerations	34	133	234	248
Non-executive directors' remuneration	262	206	426	575
Insurance	154	251	294	259
Travelling	121	78	270	157
Others	436	413	798	634
	<u>1,677</u>	<u>1,742</u>	<u>3,451</u>	<u>3,198</u>
Total	<u>14,622</u>	<u>12,315</u>	<u>29,465</u>	<u>23,606</u>

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26. Commitments and contingencies

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

The Group and Bank do not enter into over-the-counter ("OTC") derivative transactions, repo-style transactions and credit derivative contracts booked in its trading and banking books other than the involvement in derivatives restricted to foreign forward exchange contracts.

Risk weighted exposures of the Group and the Bank as at the reporting date are as below:

Group and Bank	Principal Amount RM'000	Positive Fair Value Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
30 June 2017				
Direct credit substitutes	39,562	-	39,562	39,070
Transaction-related contingent items	198,695	-	99,348	92,503
Short-term self-liquidating trade-related contingencies	47,879	-	9,576	9,489
Forward foreign exchange contracts				
- less than one year	206,491	2,101	4,313	2,950
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	21,975	-	10,988	10,988
- maturity less than one year	1,497,766	-	299,553	299,827
Any commitment that are unconditionally cancelled at any time without prior notice	33,723	-	-	-
Total	2,046,091	2,101	463,340	454,827

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26. Commitments and contingencies (cont'd.)

Group and Bank	Principal Amount RM'000	Positive Fair Value Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
31 December 2016				
Direct credit substitutes	27,521	-	27,521	26,834
Transaction-related contingent items	197,497	-	98,749	88,765
Short-term self-liquidating trade-related contingencies	52,292	-	10,458	10,405
Forward foreign exchange contracts				
- less than one year	135,256	1,552	3,115	2,081
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	40,216	-	20,108	22,708
- maturity less than one year	1,714,892	-	342,978	342,819
Any commitment that are unconditionally cancelled at any time without prior notice	59,255	-	-	-
Total	2,226,929	1,552	502,929	493,612

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

27. Fair value hierarchy

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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27. Fair value hierarchy (cont'd.)

The following table shows the analysis of financial instruments recorded and disclosed at their fair values by level of hierarchy:

Group and Bank	Level 1	Level 2	Level 3	Total
30 June 2017	RM'000	RM'000	RM'000	RM'000
<u>Securities available-for-sale (Note 13)</u>				
Money market instruments:				
Malaysian Government Securities	-	324,115	-	324,115
Government Investment Issue	-	282,991	-	282,991
Malaysia Treasury Bills	-	79,553	-	79,553
Unquoted securities:				
Corporate bonds	-	187,547	-	187,547
	-	874,206	-	874,206
<u>Derivatives financial instruments</u>				
Derivative assets	-	2,101	-	2,101
Derivative liabilities	-	(1,982)	-	(1,982)
	-		-	
Group and Bank	Level 1	Level 2	Level 3	Total
31 December 2016	RM'000	RM'000	RM'000	RM'000
<u>Securities held for trading (Note 12)</u>				
Money market instruments:				
BNM Monetary Notes	-	10,240	-	10,240
	-	10,240	-	10,240
<u>Securities available-for-sale (Note 13)</u>				
Money market instruments:				
Malaysian Government Securities	-	323,090	-	323,090
Government Investment Issue	-	281,498	-	281,498
Malaysia Treasury Bills	-	78,215	-	78,215
Negotiable Instruments of Deposit	-	50,304	-	50,304
Unquoted securities:				
Corporate bonds	-	86,049	-	86,049
	-	819,156	-	819,156
<u>Derivatives financial instruments</u>				
Derivative assets	-	1,552	-	1,552
Derivative liabilities	-	(3,598)	-	(3,598)

There have been no transfers between Level 1 and Level 2 during the current period and previous financial year.

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(Incorporated in Malaysia)**

27. Fair value hierarchy (cont'd.)

Valuation methods and assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

(i) Securities held for trading, available-for-sale and held-to-maturity

The fair value of quoted securities held for trading, available-for-sale and held-to-maturity are estimated based on broker/dealer price quotations. Unquoted securities were revalued using Cost/Asset Based Approach, specifically the Adjusted Net Assets Method.

Included in AFS securities as at 30 June 2017 were investment in equity securities of RM872,000 (2016: RM872,000) of the Group and the Bank that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long term investment purposes.

(ii) Derivative financial instruments

Derivative products valued using valuation technique with significant market observable inputs are mainly interest rate swaps, currency swaps and forward exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange and forward rates and interest rate curves.

28. Capital adequacy

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

As required by Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), the RWCAF framework applies only to Bangkok Bank Berhad, a company incorporated in Malaysia that does not offer Islamic financial services and is not involved in Islamic banking operations.

Bangkok Bank Berhad
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28. Capital adequacy (cont'd.)

- (i) For the purpose of consolidation for financial reporting, the Group comprised the consolidated results of Bank and its wholly-owned subsidiary, BBL Nominees (Tempatan) Sdn. Bhd., which is not involved in banking operations. The subsidiary is fully consolidated in the Group's financial statements.

As the Bank's subsidiary is not involved in banking operations and is of an immaterial size relative to the Bank, the Group does not prepare and submit separate Group's capital adequacy ratios for the purpose of consolidation for regulatory reporting.

- (ii) The implementation of Basel III in Malaysia commenced with effect from 1 January 2013 under the new Basel III rules released on 28 November 2012 by BNM. Under the new Basel III rules, banking institutions are required to maintain higher minimum quantity and quality of capital but the requirements will be subject to a service of the transitional arrangements and be phased-in over a period of time commencing 2013 and to be fully effective by 2019. BNM is also expected to introduce additional capital buffer requirements which will comprise of capital conservation buffer of 2.5% of total RWA and countercyclical capital buffer ranging between 0% - 2.5% of total RWA.
- (iii) The capital adequacy ratios of the Bank as at the reporting date, are as follows:

	Group and Bank	
	30.6.2017	31.12.2016
Common equity tier-1 capital ratio	32.33%	21.96%
Total capital ratios	<u>33.52%</u>	<u>23.15%</u>

- (iv) The components of common equity tier-1, tier-1 and tier-2 capital of the Bank are as follows:

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Common Equity Tier 1 Capital		
Paid-up share capital	1,000,000	600,000
Statutory reserve	-	169,039
Unrealised gain/(loss) on available-for-sale securities	258	(1,532)
Retained profits	228,585	44,495
Less: Regulatory adjustment, applied on CET1 Capital		
Other intangibles	(33)	(61)
Deferred tax assets	(1,671)	(2,130)
Total Common Equity Tier 1 Capital	<u>1,227,139</u>	<u>809,811</u>

Bangkok Bank Berhad
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28. Capital adequacy (cont'd.)

- (iv) The components of common equity tier-1, tier-1 and tier-2 capital of the Bank are as follows (cont'd.):

	Group and Bank	
	30.6.2017	31.12.2016
	RM'000	RM'000
Tier 2 Capital		
Collective impairment (only those attributable to non-impaired loans, advances and financing)	45,321	43,909
Total Tier 2 Capital	<u>45,321</u>	<u>43,909</u>
Total capital		
Tier-1 Capital	1,227,139	809,811
Tier-2 Capital	45,321	43,909
Less: Investment in subsidiary	(10)	(10)
Total Capital	<u>1,272,450</u>	<u>853,710</u>

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

	Principal	Risk-weighted	Principal	Risk-weighted
	30.6.2017	30.6.2017	31.12.2016	31.12.2016
	RM'000	RM'000	RM'000	RM'000
0%	1,033,103	-	893,815	-
20%	672,003	134,401	402,785	80,557
35%	1,557	545	1,948	682
50%	71,730	35,865	94,333	47,166
100%	3,440,061	3,440,060	3,340,892	3,340,892
150%	9,879	<u>14,819</u>	28,935	<u>43,403</u>
Total risk-weighted assets for credit risk		3,625,690		3,512,700
Total risk-weighted assets for market risk		9,319		18,481
Total risk-weighted assets for operational risk		<u>160,854</u>		<u>156,713</u>
Total risk-weighted assets		<u>3,795,863</u>		<u>3,687,894</u>

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29. Significant related party transactions and balances

Significant transactions between the Group and the Bank and their related parties are as follows:

(i) Related party transactions

	Group and Bank			
	Second Quarter		Cumulative	
	Ended		6 Months Ended	
	1.4.2017	1.4.2016	1.1.2017	1.1.2016
	to	to	to	to
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
Income				
Interest on advances to the holding company and its branches	34	13	93	22
Expenditure				
Interest on advances from the holding company and its branches	1,353	535	2,622	1,086
Administrative expenses to holding company	156	99	166	107

(ii) Related party balances

	Group and Bank	
	30.06.2017	31.12.2016
	RM'000	RM'000
Amount due to		
Deposits and placements from the holding company and its branches	390,297	395,946
Amount due from		
Cash and short-term funds placed with the holding company and its branches	7,137	10,061

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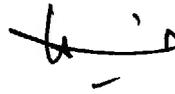
Statement by directors

We, Chris Chia Woon Liat and Lee Khee Joo @ Lee Ying Chong, being two of the directors of Bangkok Bank Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 2 to 36 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2017 and of the results and the cash flows of the Group and of the Bank for the six-month period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.



Chris Chia Woon Liat



Lee Khee Joo @ Lee Ying Chong

Kuala Lumpur, Malaysia

13 September 2017

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**Independent auditors' report to the Board of Directors of
Bangkok Bank Berhad
(Incorporated in Malaysia)**

Report on the financial statements

Opinion

We have audited the interim condensed financial statements ("financial statements") of Bangkok Bank Berhad, which comprise the statement of financial position of the Group and of the Bank as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Bank for the period then ended, and notes to the financial statements.

In our opinion, the financial statements of the Group and of the Bank for the period ended 30 June 2017 are prepared, in all material respects, in accordance with Malaysian Financial Reporting Standard 134: Interim Financial Reporting and the basis of preparation as described in Note 2 to the financial statements.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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

Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the financial statements, which describes the basis of preparation of the financial statements. The financial statements are prepared to assist the Bank for reporting to its holding company for group consolidation purposes. As a result, the financial statements may not be suitable for another purpose. Our report is made solely to the Board of Directors of the Bank, as a body, in accordance with our terms of engagement and should not be distributed to or used by any other person. We do not assume responsibility to any other person for the content of this report. Our opinion is not modified in respect of this matter.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of financial statements of the Group and of the Bank in accordance with Malaysian Financial Reporting Standard 134: Interim Financial Reporting and the basis of preparation as described in Note 2 to the financial statements. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

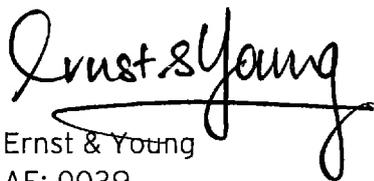
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**Independent auditors' report to the member of
Bangkok Bank Berhad (cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements(cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young
AF: 0039
Chartered Accountants



Lee Pei Yin
No. 03189/05/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
13 September 2017