

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

Unaudited Condensed Interim Financial Statements
30 June 2018

299740-W

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

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

Performance review for the six-month period ended 30 June 2018 and commentary on the prospects

Bangkok Bank Berhad (“BBB”) registered a profit before tax (“PBT”) of RM13.2 million for the first half of 2018 as compared to a higher profit of RM19.6 million recorded during the previous corresponding period. The net interest income improved from RM40.8 million in the previous corresponding period to RM42.8 million for the first half of 2018 mainly due to expansion in lending.

Deposits from customers grew from RM2.4 billion as at 31 December 2017 to RM2.52 billion as at 30 June 2018. 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)

Unaudited condensed interim statements of financial position as at 30 June 2018

	Note	Group		Bank	
		30.6.2018 RM'000	31.12.2017 RM'000	30.6.2018 RM'000	31.12.2017 RM'000
Assets					
Cash and short-term funds	12	635,443	546,644	635,332	546,536
Deposits and placements with banks	13	200,519	251,098	200,519	251,098
Securities available-for -sale	14	-	735,728	-	735,728
Securities held-to-maturity	14	-	13	-	13
Financial assets at fair value through other comprehensive income	15	656,969	-	656,969	-
Financial assets at amortised costs	15	13	-	13	-
Loans, advances and financing	16	3,223,079	2,982,387	3,223,079	2,982,387
Derivative assets		3,751	4,713	3,751	4,713
Tax recoverable		3,964	11,216	3,958	11,212
Other assets	17	4,150	2,968	4,150	2,968
Statutory deposit with Bank Negara Malaysia		82,000	78,000	82,000	78,000
Investment in subsidiary		-	-	10	10
Property and equipment	18	138,809	140,693	138,809	140,693
Intangible assets		798	776	798	776
Deferred tax assets		9,830	2,701	9,830	2,701
Total assets		4,959,325	4,756,937	4,959,218	4,756,835
Liabilities and shareholder's equity					
Deposits from customers	19	2,524,047	2,433,089	2,524,047	2,433,089
Deposits and placements from banks and other financial institutions	20	1,162,136	1,061,441	1,162,136	1,061,441
Derivative liabilities		4,111	3,623	4,111	3,623
Other liabilities	21	34,046	20,158	34,042	20,154
Total liabilities		3,724,340	3,518,311	3,724,336	3,518,307

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim statements of financial position as at 30 June 2018 (cont'd.)

	Note	Group		Bank	
		30.6.2018 RM'000	31.12.2017 RM'000	30.6.2018 RM'000	31.12.2017 RM'000
Liabilities and shareholder's equity (cont'd.)					
Share capital		1,000,000	1,000,000	1,000,000	1,000,000
Revaluation reserve		16,139	1,683	16,139	1,683
Retained profits		218,846	236,943	218,743	236,845
Shareholder's equity		<u>1,234,985</u>	<u>1,238,626</u>	<u>1,234,882</u>	<u>1,238,528</u>
Total liabilities and shareholder's equity		<u>4,959,325</u>	<u>4,756,937</u>	<u>4,959,218</u>	<u>4,756,835</u>
Commitments and contingencies	27	<u>3,042,752</u>	<u>2,390,928</u>	<u>3,042,752</u>	<u>2,390,928</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim income statements
For the financial period ended 30 June 2018

	Note	Group			
		Second Quarter Ended		Cumulative 6 Months Ended	
		1.4.2018 to 30.6.2018 RM'000	1.4.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Interest income	22	53,992	48,996	105,173	95,605
Interest expense	23	(32,422)	(28,384)	(62,405)	(54,803)
Net interest income		21,570	20,612	42,768	40,802
Non-interest income	25	4,666	2,519	8,267	5,561
Net income		26,236	23,131	51,035	46,363
Overhead expenses	26	(15,393)	(14,623)	(31,402)	(29,466)
		10,843	8,508	19,633	16,897
(Expected credit losses allowances made) / Loan impairment write back, net	24	(9,108)	234	(6,438)	2,658
Profit before taxation		1,735	8,742	13,195	19,555
Taxation		(2,899)	(2,129)	(6,710)	(4,500)
Net (loss)/profit for the financial period		(1,164)	6,613	6,485	15,055
Earnings per share (sen)					
- basic		(0.12)	0.66	0.65	1.51
- diluted		(0.12)	0.66	0.65	1.51

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim income statements
For the financial period ended 30 June 2018 (cont'd.)

	Note	Bank			
		Second Quarter Ended		Cumulative 6 Months Ended	
		1.4.2018	1.4.2017	1.1.2018	1.1.2017
		to	to	to	to
		30.6.2018	30.6.2017	30.6.2018	30.6.2017
		RM'000	RM'000	RM'000	RM'000
Interest income	22	53,992	48,996	105,173	95,605
Interest expense	23	(32,422)	(28,384)	(62,405)	(54,803)
Net interest income		21,570	20,612	42,768	40,802
Non-interest income	25	4,664	2,515	8,260	5,555
Net income		26,234	23,127	51,028	46,357
Overhead expenses	26	(15,392)	(14,622)	(31,401)	(29,465)
		10,842	8,505	19,627	16,892
(Expected credit losses allowances made) / Loan impairment write back, net	24	(9,108)	234	(6,438)	2,658
Profit before taxation		1,734	8,739	13,189	19,550
Taxation		(2,899)	(2,129)	(6,709)	(4,499)
Net (loss)/profit for the financial period		(1,165)	6,610	6,480	15,051

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim statements of comprehensive income
For the financial period ended 30 June 2018

	Group			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2018 to 30.6.2018 RM'000	1.4.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Net (loss)/profit for the period	<u>(1,164)</u>	<u>6,613</u>	<u>6,485</u>	<u>15,055</u>
Other comprehensive income that will be reclassified to the income statement subsequently:				
Net gain on securities available-for-sale	-	711	-	2,768
Net loss on financial assets at fair value through other comprehensive income	(1,031)	-	(2,335)	-
Income tax relating to components of other comprehensive income	<u>321</u>	<u>(150)</u>	<u>573</u>	<u>(664)</u>
Other comprehensive income for the period, net of tax	<u>(710)</u>	<u>561</u>	<u>(1,762)</u>	<u>2,104</u>
Total comprehensive income for the period, net of tax	<u>(1,874)</u>	<u>7,174</u>	<u>4,723</u>	<u>17,159</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim statements of comprehensive income
For the financial period ended 30 June 2018 (cont'd.)

	Bank			
	Second Quarter		Cumulative	
	Ended		6 Months Ended	
	1.4.2018	1.4.2017	1.1.2018	1.1.2017
	to	to	to	to
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit for the period	<u>(1,165)</u>	<u>6,610</u>	<u>6,480</u>	<u>15,051</u>
Other comprehensive income that will be reclassified to the income statement subsequently:				
Net gain on securities available-for-sale	-	711	-	2,768
Net loss on financial assets at fair value through other comprehensive income	(1,031)	-	(2,335)	-
Income tax relating to components of other comprehensive income	<u>321</u>	<u>(150)</u>	<u>573</u>	<u>(664)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>(710)</u>	<u>561</u>	<u>(1,762)</u>	<u>2,104</u>
Total comprehensive income/(loss) for the period, net of tax	<u>(1,875)</u>	<u>7,171</u>	<u>4,718</u>	<u>17,155</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim statements of changes in equity
For the financial period ended 30 June 2018

Group	Share capital RM'000	<---Non-distributable--->		Distributable	Total RM'000
		Statutory reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	
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>
At 1 January 2018	1,000,000	-	1,683	236,943	1,238,626
Impact of adopting MFRS 9	-	-	16,218	(24,582)	(8,364)
Restated opening balance under MFRS 9	1,000,000	-	17,901	212,361	1,230,262
Total comprehensive (loss)/income	-	-	(1,762)	6,485	4,723
At 30 June 2018	<u>1,000,000</u>	<u>-</u>	<u>16,139</u>	<u>218,846</u>	<u>1,234,985</u>
Bank					
Bank	Share capital RM'000	<---Non-distributable--->		Distributable	Total RM'000
		Statutory reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	
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>
At 1 January 2018	1,000,000	-	1,683	236,845	1,238,528
Impact of adopting MFRS 9	-	-	16,218	(24,582)	(8,364)
Restated opening balance under MFRS 9	1,000,000	-	17,901	212,263	1,230,164
Total comprehensive (loss)/income	-	-	(1,762)	6,480	4,718
At 30 June 2018	<u>1,000,000</u>	<u>-</u>	<u>16,139</u>	<u>218,743</u>	<u>1,234,882</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim statements of cash flows
For the financial period ended 30 June 2018

	Note	Group		Bank	
		1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Cash flows from operating activities					
Profit before taxation		13,195	19,555	13,189	19,550
Adjustments for:					
Depreciation	24	2,374	2,568	2,374	2,568
Amortisation of intangible assets	24	115	28	115	28
Write back for impairment losses on loans advances, and financing, net	22	-	(2,654)	-	(2,654)
Expected Credit Losses	22	6,440	-	6,440	-
Write back of impairment losses of securities held-to-maturity	23	(4)	(4)	(4)	(4)
Unrealised gain on foreign exchange forward	23	1,081	(2,255)	1,081	(2,255)
Net loss on revaluation of securities held for trading	23	(15)	132	(15)	132
Net gain on disposal of securities held for trading	23	-	(154)	-	(154)
(Accretion of discount), net of amortisation of premium	20	(266)	(698)	(266)	(698)
Dividend from securities available-for-sale	24	(55)	(83)	(55)	(83)
Operating profit before working capital changes		22,865	16,435	22,859	16,430

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim statements of cash flows
For the financial period ended 30 June 2018 (cont'd.)

	Group		Bank	
	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Cash flows from operating activities (cont'd.)				
Balance carried forward	22,865	16,435	22,859	16,430
Increase in loans, advances and financing	(254,370)	(127,305)	(254,370)	(127,305)
Increase in other assets	(1,182)	(212)	(1,182)	(216)
(Increase)/decrease in statutory deposits with Bank Negara Malaysia	(4,056)	8,000	(4,056)	8,000
Increase in deposits from customers	90,958	432,085	90,958	432,085
Increase/(decrease) in deposits and placements of banks and other financial institutions	100,695	(333,734)	100,695	(333,734)
Decrease in other liabilities	(2,902)	(2,583)	(2,902)	(2,583)
Purchase of securities held for trading	-	(39,545)	-	(39,545)
Purchase of securities available-for-sale	(57,112)	(251,584)	(57,112)	(251,584)
Proceeds from sale of securities held for trading	10,020	49,806	10,020	49,806
Proceeds from sale of securities available-for-sale	140,000	200,000	140,000	200,000
Proceeds from partial redemption of securities held-to-maturity	4	4	4	4
Dividend received	55	83	55	83
Taxes paid	(6,013)	(4,858)	(6,010)	(4,855)
Net cash generated from operating activities	38,962	(53,408)	38,959	(53,414)

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim statements of cash flows
For the financial period ended 30 June 2018 (cont'd.)

	Group		Bank	
	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(627)	(4,510)	(627)	(4,510)
Purchase of intangible assets	-	-	-	-
Proceeds from issuance of shares	-	400,000	-	400,000
Net cash (used in)/generated from investing activities	<u>(627)</u>	<u>395,490</u>	<u>(627)</u>	<u>395,490</u>
Net increase in cash and cash equivalents	38,335	342,082	38,332	342,076
Cash and cash equivalents at beginning of financial period	<u>797,742</u>	<u>437,464</u>	<u>797,634</u>	<u>437,365</u>
Cash and cash equivalents at end of financial period*	<u>836,077</u>	<u>779,546</u>	<u>835,966</u>	<u>779,441</u>
Cash and cash equivalents comprise:				
Cash and short-term funds	635,443	424,541	635,332	424,436
Deposits and placements of banks and other financial institutions	<u>200,519</u>	<u>355,005</u>	<u>200,519</u>	<u>355,005</u>
	<u>835,962</u>	<u>779,546</u>	<u>835,851</u>	<u>779,441</u>

* The cash and cash equivalents for 30 June 2018 does not include ECL. The cash and cash equivalents after including ECL are as follows:

	Group	Bank
	1.1.2018 to 30.6.2018 RM'000	1.1.2018 to 30.6.2018 RM'000
Cash and cash equivalents	836,077	835,966
ECL arising from initial adoption of MFRS 9	(284)	(284)
ECL made during the financial period	169	169
	<u>835,962</u>	<u>835,851</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these unaudited condensed interim financial statements.

**Bangkok Bank Berhad
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Notes to the unaudited condensed interim financial statements - 30 June 2018

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

The unaudited condensed interim 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 2017. These explanatory notes attached to the unaudited condensed interim 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 2017.

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

2.2 New standards, IC interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2017, except for the adoption of new standards, IC interpretations and amendments effective as of 1 January 2018 as follows:

	Descriptions	
(i)	MFRS 9	<i>Financial Instruments</i>
(ii)	MFRS 15	<i>Revenue from Contracts with Customers Share-based Payment Transactions</i>
(iii)	Amendments to MFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
(iv)	Amendments to MFRS 4	<i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>
(v)	Amendments to MFRS 140	<i>Transfers of Investment Property</i>
(vi)	Annual Improvements to MFRS Standards 2014-2016 Cycle:	
	- Amendments to MFRS 1	<i>First-time Adoption of International Financial Reporting Standards</i>
	- Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures</i>
(vii)	IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>

The adoption of the above new standards and amendments did not have any significant financial impact to the Group and the Bank other than MFRS 9.

MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 for annual periods on or after 1 January 2018. The Group and the Bank has not restated comparative information for the financial year 2017 for financial instruments in the scope of MFRS 9. Therefore, the comparative information for the financial year 31 December 2017 as reported under MFRS 139 is not comparable to the information presented for the financial period 30 June 2018. The impact arising from the adoption of MFRS 9 has been recognised directly in retained earnings and revaluation reserves as of 1 January 2018. As required by MFRS 134, the nature and effect of these changes are disclosed in Note 2.4.

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 in which the entity expects to be entitled to in exchange for those goods or services.

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

2.2 New standards, IC interpretations and amendments adopted by the Group (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. MFRS 15 is more prescriptive than the current MFRS requirements for revenue recognition and provides more application guidance.

The new standard does not have a material impact to the Group and the Bank.

2.3 Standards, annual improvements to standards and IC interpretations issued but not yet effective

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 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle:	
(i) Amendments to MFRS 3 <i>Business Combinations</i>	1 January 2019
(ii) Amendments to MFRS 11 <i>Joint Arrangements</i>	1 January 2019
(iii) Amendments to MFRS 112 <i>Income Taxes</i>	1 January 2019
(iv) Amendments to MFRS 123 <i>Borrowing Costs</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

The Group and the Bank plan 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 16.

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

2.3 Standards, annual improvements to standards and IC interpretations issued but not yet effective (cont'd.)

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Bank are in the process of assessing the financial implication for adopting the new standard and plan to adopt the new standard on the required effective date.

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

2.4 Impact of adopting MFRS 9

A reconciliation between carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018 is as follows:

	MFRS 139 31.12.2017 RM'000	Classification and measurement RM'000	Impairment RM'000	Total impact RM'000	MFRS 9 1.1.2018 RM'000
Assets					
Cash and short-term funds	546,536	-	(228)	(228)	546,308
Deposits and placements with banks	251,098	-	(56)	(56)	251,042
Securities available-for-sale	735,728	(735,728)	-	(735,728)	-
Securities held-to-maturity	13	(13)	-	(13)	-
Financial assets fair value through other comprehensive income	-	751,635	-	751,635	751,635
Financial assets at amortised costs	-	13	-	13	13
Loans, advances and financing	2,982,387	-	(5,820)	(5,820)	2,976,567
Derivative assets	4,713	-	-	-	4,713
Tax recoverable	11,212	-	(7,214)	(7,214)	3,998
Other assets	2,968	-	-	-	2,968
Statutory deposit with Bank Negara Malaysia	78,000	-	(56)	(56)	77,944
Investment in subsidiary	10	-	-	-	10
Property and equipment	140,693	-	-	-	140,693
Intangible assets	776	-	-	-	776
Deferred tax assets	2,701	-	7,214	7,214	9,915
Total assets	4,756,835	15,907	(6,160)	9,747	4,766,582

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

2.4 Impact of adopting MFRS 9 (cont'd.)

	MFRS 139 31.12.2017 RM'000	Classification and measurement RM'000	Impairment RM'000	Total impact RM'000	MFRS 9 1.1.2018 RM'000
Liabilities and shareholder's equity					
Deposits from customers	2,433,089	-	-	-	2,433,089
Deposits and placements from banks and other financial institutions	1,061,441	-	-	-	1,061,441
Derivative liabilities	3,623	-	-	-	3,623
Other liabilities	20,154	-	18,111	18,111	38,265
Total liabilities	3,518,307	-	18,111	18,111	3,536,418
Share capital	1,000,000	-	-	-	1,000,000
Revaluation reserve	1,683	15,907	311	16,218	17,901
Retained profits	236,845	-	(24,582)	(24,582)	212,263
Shareholder's equity	1,238,528	15,907	(24,271)	(8,364)	1,230,164
Total liabilities and shareholder's equity	4,756,835	15,907	(6,160)	9,747	4,766,582
Commitments and contingencies	2,390,928	-	-	-	2,390,928

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

2.4 Impact of adopting MFRS 9 (cont'd.)

(i) Classification and measurement

Under MFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's and the Bank's debt financial assets are, as follows:

- 1) Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's and the Bank's loans, advances and financing.
- 2) Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's and the Bank's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under MFRS 139, the Group's and the Bank's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

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

2.4 Impact of adopting MFRS 9 (cont'd.)

(i) Classification and measurement (cont'd.)

- 3) Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group and the Bank intend to hold for the foreseeable future and have irrevocably elected to classify upon initial recognition or transition. The Group and the Bank classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to impairment assessment under MFRS 9. Under MFRS 139, the Group's and the Bank's unquoted equity instruments were classified as AFS financial assets.

Classification and measurement of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The assessment of the Group's and the Bank's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

(ii) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Bank's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Bank to record an allowance for ECL for all loans and other debt financial assets not held at FVTPL.

ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Bank expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For debt financial assets (i.e loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

2.4 Impact of adopting MFRS 9 (cont'd.)

(ii) Impairment (cont'd.)

The Group and the Bank consider a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group and the Bank may also consider a financial asset to be in default when internal or external information indicates that the Group and the Bank are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Bank.

The adoption of ECL requirements of MFRS 9 resulted in increase in impairment allowances of the Group's and the Bank's debt financial assets. The increase in allowance resulted in adjustment in retained earnings.

(iii) Hedge accounting

The adoption of the hedge accounting requirements of MFRS 9 had no significant impact on the Group's and the Bank's financial statements.

3. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the year ended 31 December 2017 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 June 2018.

5. Comments about seasonal or cyclical factors

The business operations of the Group and the Bank were 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 June 2018.

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7. Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the six months ended 30 June 2018.

8. Subsequent events

There were no material events subsequent to the end of the current period that require disclosure or adjustments to the unaudited condensed interim 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 2018.

10. Dividends paid

No dividend was declared or paid during the financial period ended 30 June 2018.

11. Segmental information

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

12. Cash and short-term funds

	Group	
	30.6.2018	31.12.2017
	RM'000	RM'000
Cash and balances with banks and other financial institutions	349,459	316,587
Money at call and deposit placements maturing within one month	286,154	230,057
	<u>635,613</u>	<u>546,644</u>
Less: allowance for ECL	(170)	-
	<u>635,443</u>	<u>546,644</u>

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

	Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Cash and balances with banks and other financial institutions	349,348	316,479
Money at call and deposit placements maturing within one month	286,154	230,057
	<u>635,502</u>	<u>546,536</u>
Less: allowance for ECL	(170)	-
	<u>635,332</u>	<u>546,536</u>

13. Deposits and placements with banks

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Bank Negara Malaysia	-	50,115
Licensed banks	200,519	200,983
	<u>200,519</u>	<u>251,098</u>
Less: allowance for ECL	-	-
	<u>200,519</u>	<u>251,098</u>

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14. Securities available-for-sale and securities held-to-maturity

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Securities available-for-sale		
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	-	233,668
Government Investment Issues	-	313,445
Unquoted securities:		
Corporate bonds	-	187,743
	<u>-</u>	<u>734,856</u>
At cost		
Unquoted securities:		
Shares	-	872
	<u>-</u>	<u>735,728</u>
Securities held-to-maturity		
In Malaysia:		
At amortised cost		
Unquoted securities:		
Corporate bonds	-	593
Accumulated impairment losses	-	(580)
	<u>-</u>	<u>13</u>

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15. Financial assets at fair value through other comprehensive income and financial assets at amortised cost

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Financial assets at fair value through other comprehensive income ("FVOCI")		
Debt instruments		
Malaysian Government Securities	181,634	-
Government Investment Issues	222,167	-
Malaysia Treasury Bills	48,985	-
Corporate bonds	187,398	-
	<u>640,184</u>	<u>-</u>
Equity instruments		
Shares	16,785	-
	<u>656,969</u>	<u>-</u>
Financial assets at amortised cost		
Unquoted securities:		
Corporate bonds	591	-
Accumulated impairment losses	(578)	-
	<u>13</u>	<u>-</u>

16. Loans, advances and financing

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
At amortised cost		
Overdrafts	116,988	123,238
Term loans:		
- Housing loans	2,711	2,853
- Syndicated term loan	174,748	42,385
- Other term loans	968,406	980,738
Revolving credits	1,386,606	1,276,920
Bills receivables	35,620	907
Trust receipts	97,722	91,493
Bankers' acceptances	609,125	618,823
Staff loans	603	656
	<u>3,392,529</u>	<u>3,138,013</u>
Unearned interest	(4,929)	(4,738)
Gross loans, advances and financing	<u>3,387,600</u>	<u>3,133,275</u>

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
At amortised cost (cont'd.)		
Less:		
Allowance for impaired loans and financing:		
- Individual impairment allowance	-	(85,786)
- Collective impairment allowance	-	(65,102)
Expected Credit Losses:		
- Stage 1 and Stage 2	(73,519)	-
- Stage 3	(91,002)	-
Net loans, advances and financing	<u>3,223,079</u>	<u>2,982,387</u>

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Maturing within one year	2,395,701	2,268,604
One year to three years	335,323	267,761
Three years to five years	332,352	350,343
Over five years	324,224	246,567
	<u>3,387,600</u>	<u>3,133,275</u>

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Purchase of securities	226,687	117,223
Purchase of transport vehicles	176	196
Purchase of residential properties	3,514	3,706
Purchase of non-residential properties	196,436	196,604
Purchase of fixed assets other than land and building	104,940	77,768
Personal use	2,192	2,647
Construction	361,836	351,291
Mergers and acquisitions	-	1,084
Working capital	2,468,028	2,350,700
Others	23,791	32,056
	<u>3,387,600</u>	<u>3,133,275</u>

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

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Domestic non-bank financial institutions	432,665	423,719
Domestic business enterprises:		
- Small medium enterprises	420,665	540,001
- Others	2,429,009	2,056,668
Individuals	105,261	112,887
	<u>3,387,600</u>	<u>3,133,275</u>

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Variable rate		
- Base lending rate plus	1,026,501	1,045,597
- Cost-plus	2,286,614	2,042,813
- Other variable rates	74,485	44,865
	<u>3,387,600</u>	<u>3,133,275</u>

(v) Gross loans, advances and financing according to geographical distribution are as follows:

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Malaysia	3,383,112	3,127,344
Other countries	4,488	5,931
	<u>3,387,600</u>	<u>3,133,275</u>

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

(vi) Movements in impaired loans, advances and financing are as follows:

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Balance as at 1 January	121,525	139,926
Classified as impaired during the period/year	9,898	3,504
Reclassified as non-impaired during the period/year	-	-
Amount recovered during the period/year	(3,178)	(17,396)
Amount written off during the period/year	(46)	(4,509)
Balance as at end of period/year	<u>128,199</u>	<u>121,525</u>
Stage 3 ECL allowance/individual impairment allowance	(91,002)	(85,786)
Net impaired loans, advances and financing	<u>37,197</u>	<u>35,739</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less Stage 3 ECL allowance/individual impairment allowance	<u>1.13%</u>	<u>1.17%</u>

(vii) Movements in the expected credit losses and impairment allowances are as follows:

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Expected credit loss - Stage 3 /Individual impairment allowance		
Balance as at 1 January	85,786	88,812
MFRS 9 Day 1 adjustment	592	-
Allowance made during the period/year	4,951	4,625
Amount written back during the period/year	(282)	(3,142)
Amount written off during the period/year	(45)	(4,509)
Balance as at end of period/year	<u>91,002</u>	<u>85,786</u>
Expected credit loss - Stage 1 and 2 /Collective impairment allowance		
Balance as at 1 January	65,102	64,536
MFRS 9 Day 1 adjustment	5,228	-
Allowance made during the period/year	15,493	19,442
Allowance written back during the period/year	(12,304)	(18,876)
Balance as at end of period/year	<u>73,519</u>	<u>65,102</u>
Ratio of Stage 1 and 2 ECL allowance out of the total credit exposures, net of Stage 3 ECL allowance	<u>2.23%</u>	<u>2.14%</u>

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

(vii) Movements in the impairment allowances are as follows (cont'd.):

The Group and the Bank perform Stage 3 ECL allowance assessment based on certain obligatory and judgemental triggers that may indicate potential impairment. All impaired accounts are selected for Stage 3 ECL allowance impairment review on a monthly basis.

The Group and the Bank also perform monthly Stage 3 ECL allowance 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 9 months.

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Purchase of transport vehicles	44	43
Purchase of residential properties	1,509	1,396
Purchase of non residential properties	6,635	6,751
Working capital	118,946	112,270
Others	1,065	1,065
	<u>128,199</u>	<u>121,525</u>

All impaired loan, advances and financing of the Group and of the Bank are customers in Malaysia.

17. Other assets

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Deposits and prepayments	3,481	2,011
Other receivables	669	957
	<u>4,150</u>	<u>2,968</u>

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18. Property and equipment

During the first half of 2018, the Group and the Bank acquired assets with a cost of RM572,000 (31.12.2017: RM4,854,000).

19. Deposits from customers

(i) By type of deposits:

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Fixed deposits	2,309,161	2,249,793
Current accounts	176,898	148,708
Savings deposits	8,748	8,217
Short term deposits	29,240	26,371
	<u>2,524,047</u>	<u>2,433,089</u>

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Due within six months	1,843,641	1,874,313
Six months to one year	463,401	396,471
One year to three years	30,222	4,098
Over three years	1,137	1,282
	<u>2,338,401</u>	<u>2,276,164</u>

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Business enterprises	1,859,839	1,865,526
Individuals	664,208	567,563
	<u>2,524,047</u>	<u>2,433,089</u>

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20. Deposits and placements from banks and other financial institutions

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Licensed banks	449,153	335,667
Other financial institutions	712,983	725,774
	<u>1,162,136</u>	<u>1,061,441</u>

Included in deposits and placements are deposits and placements from the holding company and its branches amounting to RM308,027,000 (31.12.2017: RM245,098,000) as disclosed in Note 30.

21. Other liabilities

	Group		Bank	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Accruals	6,375	9,014	6,371	9,010
Allowances for commitment and contingencies	17,160	-	17,160	-
Other payables	10,511	11,144	10,511	11,144
	<u>34,046</u>	<u>20,158</u>	<u>34,042</u>	<u>20,154</u>

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22. Interest income

	Group and Bank			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2018	1.4.2017	1.1.2018	1.1.2017
	to	to	to	to
30.6.2018	30.6.2017	30.6.2018	30.6.2017	
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:				
- Interest income other than recoveries from impaired loans	39,488	33,865	76,635	66,812
- Recoveries from impaired loans	9	23	28	263
- Interest income on impaired loans	589	560	1,150	1,241
Deposits and placements with banks and other financial institutions	7,397	6,617	14,184	11,966
Securities held for trading	-	-	-	29
Securities available-for-sale	-	7,629	-	14,596
Debt instruments at FVTPL	64	-	64	-
Debt instruments at FVOCI	6,162	-	12,847	-
	<u>53,709</u>	<u>48,694</u>	<u>104,908</u>	<u>94,907</u>
Amortisation of premium, net of (accretion of discount)	283	302	265	698
	<u>53,992</u>	<u>48,996</u>	<u>105,173</u>	<u>95,605</u>

23. Interest expense

	Group and Bank			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2018	1.4.2017	1.1.2018	1.1.2017
	to	to	to	to
30.6.2018	30.6.2017	30.6.2018	30.6.2017	
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	29,253	26,989	56,741	51,970
Deposits and placements from banks and other financial institutions	3,169	1,395	5,664	2,833
	<u>32,422</u>	<u>28,384</u>	<u>62,405</u>	<u>54,803</u>

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24. Expected credit losses allowances made / Loan impairment write back, net

	Group and Bank			
	Cumulative 6 Months Ended			
	1.1.2018 to 30.6.2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL made during the period				
- Money market	146	-	-	146
- Loans, advances and financing	14,936	557	4,951	20,444
- Commitment and contingencies	1,137	1,502	-	2,639
	<u>16,219</u>	<u>2,059</u>	<u>4,951</u>	<u>23,229</u>
ECL written back during the period				
- Money market	(317)	-	-	(317)
- Debt securities	(296)	-	-	(296)
- Loans, advances and financing	-	(12,304)	(282)	(12,586)
- Commitment and contingencies	(1,240)	(2,350)	-	(3,590)
	<u>(1,853)</u>	<u>(14,654)</u>	<u>(282)</u>	<u>(16,789)</u>
Impaired loans, advances and financing recovered	-	-	(2)	(2)
Total	<u>14,366</u>	<u>(12,595)</u>	<u>4,669</u>	<u>6,438</u>

	Group and Bank			
	Second Quarter Ended			
	1.4.2018 to 30.6.2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL made during the period				
- Money market	-	-	-	-
- Loans, advances and financing	5,114	557	2,968	8,639
- Commitment and contingencies	1,136	-	-	1,136
	<u>6,250</u>	<u>557</u>	<u>2,968</u>	<u>9,775</u>
ECL written back during the period				
- Money market	(316)	-	-	(316)
- Debt securities	(38)	-	-	(38)
- Loans, advances and financing	-	-	(90)	(90)
- Commitment and contingencies	-	(222)	-	(222)
	<u>(354)</u>	<u>(222)</u>	<u>(90)</u>	<u>(666)</u>
Impaired loans, advances and financing recovered	-	-	(1)	(1)
Total	<u>5,896</u>	<u>335</u>	<u>2,878</u>	<u>9,108</u>

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24. Expected credit losses allowances made / Loan impairment write back, net (cont'd.)

	Group and Bank	Cumulative
	Second	6 Months
	Quarter	Ended
	Ended	Ended
	1.4.2017	1.1.2017
	to	to
	30.6.2017	30.6.2017
	RM'000	RM'000
Allowance/(write back) for loans, advances and financing:		
Individual impairment:		
- made during the financial period	862	2,404
- written back during the financial period	(54)	(2,015)
Collective impairment:		
- made during the financial period	2,353	8,439
- written back during the financial period	(3,394)	(11,482)
Impaired loans, advances and financing recovered	(1)	(4)
	<u>(234)</u>	<u>(2,658)</u>

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25. Non-interest income

	Group			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2018 to 30.6.2018 RM'000	1.4.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Fee income:				
Commission	1,145	977	2,279	1,900
Service charges and fees	979	297	1,691	783
Guarantee fees	614	592	1,418	1,163
	<u>2,738</u>	<u>1,866</u>	<u>5,388</u>	<u>3,846</u>
Investment income:				
Net gain on disposal of securities held for trading	-	-	-	154
Net gain/(loss) on revaluation of FVTPL / securities held for trading	16	-	16	(132)
Writeback of impairment losses on securities amortised cost / held to maturity	2	4	4	4
Gross dividend from securities FVOCI / available-for-sale	55	83	55	83
	<u>73</u>	<u>87</u>	<u>75</u>	<u>109</u>
Other income:				
Foreign exchange gain/(loss)	1,768	358	4,185	(753)
Unrealised (loss)/gain on foreign exchange forwards	(7)	110	(1,574)	2,165
Rental income	91	94	186	186
Others	3	4	7	8
	<u>1,855</u>	<u>566</u>	<u>2,804</u>	<u>1,606</u>
Total	<u>4,666</u>	<u>2,519</u>	<u>8,267</u>	<u>5,561</u>

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

	Bank			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2018 to 30.6.2018 RM'000	1.4.2017 to 30.6.2017 RM'000	1.1.2018 to 30.6.2018 RM'000	1.1.2017 to 30.6.2017 RM'000
Fee income:				
Commission	1,143	973	2,272	1,894
Service charges and fees	979	297	1,691	783
Guarantee fees	614	592	1,418	1,163
	<u>2,736</u>	<u>1,862</u>	<u>5,381</u>	<u>3,840</u>
Investment income:				
Net gain on disposal of securities held for trading	-	-	-	154
Net gain/(loss) on revaluation of FVTPL /securities held for trading	16	-	16	(132)
Writeback of impairment losses on securities amortised cost / held to maturity	2	4	4	4
Gross dividend from securities FVOCI / available-for-sale	55	83	55	83
	<u>73</u>	<u>87</u>	<u>75</u>	<u>109</u>
Other income:				
Foreign exchange gain/(loss)	1,768	358	4,185	(753)
Unrealised (loss)/gain on foreign exchange forwards	(7)	110	(1,574)	2,165
Rental income	91	94	186	186
Others	3	4	7	8
	<u>1,855</u>	<u>566</u>	<u>2,804</u>	<u>1,606</u>
Total	<u>4,664</u>	<u>2,515</u>	<u>8,260</u>	<u>5,555</u>

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26. Overhead expenses

	Group			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2018	1.4.2017	1.1.2018	1.1.2017
	to	to	to	to
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	8,056	7,593	15,586	14,691
Defined Contribution Plan - Employees Provident Fund	1,237	1,110	2,341	2,241
Others	961	1,310	1,948	2,606
	<u>10,254</u>	<u>10,013</u>	<u>19,875</u>	<u>19,538</u>
Establishment costs				
Depreciation	1,180	1,140	2,374	2,568
Amortisation of intangible assets	59	10	115	28
Repair and maintenance	662	605	1,370	1,158
Information technology	425	366	645	515
Rental expenses	226	220	453	447
Others	555	556	1,174	1,572
	<u>3,107</u>	<u>2,897</u>	<u>6,131</u>	<u>6,288</u>
Marketing costs				
Advertising and publicity	70	27	167	165
Others	24	8	62	23
	<u>94</u>	<u>35</u>	<u>229</u>	<u>188</u>
Administration and general costs				
Communication expenses	280	312	586	675
Subscriptions	258	232	1,923	526
Professional fees	(34)	126	30	228
Auditors remunerations	344	35	664	235
Non-executive directors' remuneration	297	262	570	426
Insurance	303	154	374	294
Travelling	73	121	151	270
Others	417	436	869	798
	<u>1,938</u>	<u>1,678</u>	<u>5,167</u>	<u>3,452</u>
Total	<u>15,393</u>	<u>14,623</u>	<u>31,402</u>	<u>29,466</u>

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26. Overhead expenses (cont'd.)

	Bank			
	Second Quarter Ended		Cumulative 6 Months Ended	
	1.4.2018	1.4.2017	1.1.2018	1.1.2017
	to	to	to	to
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	8,056	7,593	15,586	14,691
Defined Contribution Plan				
- Employees Provident Fund	1,237	1,110	2,341	2,241
Others	961	1,310	1,948	2,606
	<u>10,254</u>	<u>10,013</u>	<u>19,875</u>	<u>19,538</u>
Establishment costs				
Depreciation	1,180	1,140	2,374	2,568
Amortisation of intangible assets	59	10	115	28
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	<u>3,107</u>	<u>2,897</u>	<u>6,131</u>	<u>6,288</u>
Marketing costs				
Advertising and publicity	70	27	167	165
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	<u>94</u>	<u>35</u>	<u>229</u>	<u>188</u>
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Communication expenses	280	312	586	675
Subscriptions	258	232	1,923	526
Professional fees	(34)	126	30	228
Auditors remunerations	343	34	663	234
Non-executive directors' remuneration	297	262	570	426
Insurance	303	154	374	294
Travelling	73	121	151	270
Others	417	436	869	798
	<u>1,937</u>	<u>1,677</u>	<u>5,166</u>	<u>3,451</u>
Total	<u>15,392</u>	<u>14,622</u>	<u>31,401</u>	<u>29,465</u>

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27. 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 2018				
Direct credit substitutes	51,620	-	51,620	51,066
Transaction-related contingent items	327,077	-	163,539	158,058
Short-term self-liquidating trade-related contingencies	140,511	-	28,102	28,096
Forward foreign exchange contracts				
- less than one year	528,024	3,751	7,185	3,781
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	144,101	-	72,051	72,050
- maturity less than one year	1,825,847	-	365,169	365,169
Any commitment that are unconditionally cancelled at any time without prior notice	25,572	-	-	-
Total	3,042,752	3,751	687,666	678,220

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27. 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 2017				
Direct credit substitutes	47,280	-	47,280	46,655
Transaction-related contingent items	302,978	-	151,489	144,748
Short-term self-liquidating trade-related contingencies	42,555	-	8,511	8,503
Forward foreign exchange contracts				
- less than one year	376,100	4,713	8,731	6,017
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	12,000	-	6,000	6,000
- maturity less than one year	1,533,451	-	306,690	306,690
Any commitment that are unconditionally cancelled at any time without prior notice	76,564	-	-	-
Total	2,390,928	4,713	528,701	518,613

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).

28. 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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28. 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 30 June 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets at fair value</u>				
<u>through other comprehensive income (Note 15)</u>				
Debt instruments				
Malaysian Government Securities	-	181,634	-	181,634
Government Investment Issue	-	222,167	-	222,167
Malaysia Treasury Bills	-	48,985	-	48,985
Corporate bonds	-	187,398	-	187,398
Equity instruments				
Shares	-	16,785	-	16,785
	-	656,969	-	656,969
<u>Derivatives financial instruments</u>				
Derivative assets	-	3,751	-	3,751
Derivative liabilities	-	(4,111)	-	(4,111)
Group and Bank 31 December 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Securities available-for-sale (Note 14)</u>				
Money market instruments:				
Malaysian Government Securities	-	233,668	-	233,668
Government Investment Issue	-	313,445	-	313,445
Unquoted securities in Malaysia:				
Corporate bonds	-	187,743	-	187,743
	-	734,856	-	734,856
<u>Derivatives financial instruments</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	4,713	-	4,713
Derivative financial liabilities				
Unrealised loss on derivatives	-	(3,623)	-	(3,623)

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

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28. 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) Financial assets at FVOCI and Amortised Costs

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 2018 were investment in equity securities of RM16,785,000 (2017: 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.

The carrying amounts of held-to-maturity securities approximates its fair values.

(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.

29. 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.

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29. 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 subjected 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	
	30.6.2018	31.12.2017
Common equity Tier 1 capital ratio	27.64%	30.62%
Total capital ratios	<u>28.84%</u>	<u>31.82%</u>

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Common Equity Tier 1 Capital ("CET1 Capital")		
Paid-up share capital	1,000,000	1,000,000
Unrealised gain on FVOCI	7,263	757
Retained profits	218,742	236,845
Less: Regulatory adjustment, applied on CET1 Capital		
Other intangibles	(799)	(776)
Deferred tax assets	(9,830)	(2,701)
Total Common Equity Tier 1 Capital	<u>1,215,376</u>	<u>1,234,125</u>

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29. Capital adequacy (cont'd.)

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

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Tier 2 Capital		
Stage 1 and 2 ECL allowances / Collective Impairment	52,730	48,232
Total Tier 2 Capital	<u>52,730</u>	<u>48,232</u>
Total capital		
Common Equity Tier 1 Capital	1,215,376	1,234,125
Tier 2 Capital	52,730	48,232
Less: Investment in subsidiary	(10)	(10)
Total Capital	<u>1,268,096</u>	<u>1,282,347</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
	30.6.2018	assets	31.12.2017	assets
	RM'000	30.6.2018	RM'000	31.12.2017
		RM'000		RM'000
0%	848,681	-	929,579	-
20%	671,597	134,319	521,408	104,282
35%	1,305	457	1,587	555
50%	120,220	60,110	205,157	102,578
100%	4,018,727	4,018,727	3,646,262	3,646,262
150%	3,169	<u>4,754</u>	3,229	<u>4,844</u>
Total risk-weighted assets for credit risk		4,218,367		3,858,521
Total risk-weighted assets for market risk		10,542		7,532
Total risk-weighted assets for operational risk		<u>168,355</u>		<u>164,508</u>
Total risk-weighted assets		<u>4,397,264</u>		<u>4,030,561</u>

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30. 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 Ended		Cumulative 6 Months Ended	
	1.4.2018	1.4.2017	1.1.2018	1.1.2017
	to	to	to	to
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Income				
Interest on advances to the holding company and its branches	12	34	20	93
Expenditure				
Interest on advances from the holding company and its branches	1,724	1,353	2,793	2,622
Administrative expenses to holding company	88	156	214	166

(ii) Related party balances

	Group and Bank	
	30.6.2018	31.12.2017
	RM'000	RM'000
Amount due to		
Deposits and placements from the holding company and its branches	311,346	245,098
Amount due from		
Cash and short-term funds placed with the holding company and its branches	7,148	13,907

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31. Significant related party transactions and balances

The following were the reclassifications made during the financial year which resulted certain comparative information being restated:

- (i) Loans, advances and financing, previously stated as all customers are residing in Malaysia have been restated according to the geographical location. The notes affected are Note 16 (v).

The effects arising from the restatement of comparative information are as follows:

Gross loans, advances and financing according to geographical distribution are as follows:

Group & Bank	Note	As previously Reported RM'000	Reclassification RM'000	As Restated RM'000
As at 31 December 2017				
Malaysia	16 (v)	3,133,275	(5,931)	3,127,344
Other Countries		-	5,931	5,931
		<u>3,133,275</u>	<u>-</u>	<u>3,133,275</u>