

BANGKOK BANK BERHAD
199401014060 (299740-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2019

199401014060 (299740-W)

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

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**Bangkok Bank Berhad
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Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2019.

Principal activities

The principal activities of the Bank are banking and related financial services. The principal activity of the subsidiary is the provision of nominee services as disclosed in Note 11 to the financial statements.

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

Results

	Group 2019 RM'000	Bank 2019 RM'000
Loss for the financial year	<u>(1,445)</u>	<u>(1,453)</u>

There were no material transfers to or from reserves, allowances or provisions during the financial year other than as disclosed in Notes 6, 7 and 8 and the statement of changes in equity to the financial statements.

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

Dividends

No dividend has been paid or declared by the Bank since the end of the previous financial year. The directors do not propose any final dividend in respect of the financial year ended 31 December 2019.

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Directors

The names of the directors of the Bank in office since the beginning of the financial year to the date of this report are:

Mr. Banlue Chantadisai
Ms. Rushda Theeratharathorn
Mr. Chris Chia Woon Liat
Y.A.M. Tunku Ali Redhaudhin Ibni Tuanku Muhriz
Mr. Lee Khee Joo @ Lee Ying Chong
Mr. Tham Kwok Meng
Mr. Chaiyarit Anuchitworawong
Mr. Bordin Unakul

The names of the directors of the subsidiary in office since the beginning of the financial year to the date of this report are disclosed in Note 11 to the financial statements.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or its related corporations with any director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest.

The Bank maintains a liability insurance for the directors of the Group. The total amount of sum insured for directors of the Group for the financial year amounted to RM5,000,000.

Directors' interests

Mr. Banlue Chantadisai and Mr. Bordin Unakul hold 10,020 shares and 4,620 shares respectively in Bangkok Bank Public Company Limited, the holding company of the Bank, as at 31 December 2019.

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Directors' interests (cont'd.)

The interest in shares in the holding company of those who was a director at the end of the financial year are as follows:

	No. of ordinary shares of THB10 each ("share")			
	As at 01.01.2019	Bought	Sold	As at 31.12.2019
Mr. Banlue Chantadisai	6,020	4,000	-	10,020
Mr. Bordin Unakul	4,620	-	-	4,620

Other than the above, none of the other directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Other statutory information

- (a) Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Bank were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) require any amount to be written off as bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

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Other statutory information (cont'd.)

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

- (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising from the normal course of business of the Group and of the Bank.

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

Business overview for the financial year ended 31 December 2019 and outlook for the financial year 2020

For the financial year 2019, the Bank recorded a marginal profit before tax of RM1.7 million, a decrease of 96% from the previous financial year of RM40.4 million. The lower PBT was mainly due to higher expected credit loss ("ECL") allowances which was offset by higher operating profit by RM11.6 million as compared to prior year. Higher ECL allowances amounting to RM51.2 million as compared to RM0.9 million in the previous financial year, mainly due to newly impaired accounts in the current year.

Gross loan outstanding reduced by RM142.2 million from RM3.54 billion as at 31 December 2018 to RM3.40 billion as at 31 December 2019 due to competitive market, large loan repayment and lack lustre economic condition.

Deposits from customers increased from RM2.70 billion as at 31 December 2018 to RM2.98 billion as at 31 December 2019. The Bank has heightened its focus on generating customer deposits to maintain prudent liquidity position and to fund future loan growth. Liquidity coverage ratio and net stable funding ratio are above regulatory requirement as at December 2019.

The occurrence of the coronavirus ("COVID-19") outbreak has become one of the biggest threats to the global economy and financial markets. Rating agency stated that rapid spread of COVID-19 has exacerbated fears of dampened economic growth, and it has certainly added additional risks to the carrying amounts of the assets and liabilities. The Bank has incorporated latest market condition changes into 2020 plan and rebalance cost based on revised revenue growth.

Overall, the Bank is expected to remain sound supported by strong capital base. The Bank will continue to realign product offerings to changing market condition and assess key downside risks stemming from the evolving nature and prolonged impact of the COVID-19 outbreak.

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Profile of Directors

**Mr. Banlue Chantadisai
Chairman / Independent Director**

Mr. Banlue Chantadisai, a Thai citizen, holds a Bachelor of Science degree in Civil Engineering from the Massachusetts Institute of Technology and a Master of Business Administration from the University of Chicago Business School.

He is a board member and Chairman of the Audit Committee of Property Perfect Public Co. Ltd. He is also the Executive Director of C.S. Capital Ltd. and a member of the Committee of University Affairs, Navamindradhiraj University.

Mr. Banlue has held various senior positions at Bangkok Bank Public Co. Ltd. ("BBL"), including General Manager of Jakarta branch, General Manager of Singapore branch, and head of the Investment Banking Group. His other working experiences included being the Managing Director of Asia Credit Public Co. Ltd. and Chief Financial Officer of IRPC Public Co. Ltd. Mr. Banlue was appointed to the Board on 1 August 2017 and Chairman on 30 April 2018.

**Ms. Rushda Theeratharathorn
Executive Director**

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

Ms. Rushda is currently the Senior Executive Vice President of Bangkok Bank Public Co Ltd ("BBL") and is responsible for the overall credit management. Prior to her current position, she assumed various senior positions in BBL, including General Manager, BBL Singapore branch and Head of Credit Acceptance with BBL, Thailand.

Currently, Ms. Rushda sits on the Boards of Bangkok Bank Berhad, Malaysia, Sinnsuptawee Asset Management Co Ltd, Thailand, Bangkok Bank (China) Co Ltd. and Bualuang Ventures Limited, Thailand.

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Profile of Directors (cont'd.)

**Mr. Chris Chia Woon Liat
Non-Independent Director**

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

Mr. Chris Chia is the Managing Partner of Kendall Court, an investment partnership focused on alternative financing primarily in the Southeast Asian region and across Asia Pacific, managing and invested several funds with assets managed in excess of USD600 million. The Funds are focused on quasi-equity / mezzanine financing in mid-market buyout transactions and development capital across the Southeast Asian region. Kendall Court has won numerous awards across the industry and across the region for its investment track record and commitment to excellence.

**Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz
Independent Director**

Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz ("Tunku Ali"), a Malaysian, was appointed to the Board of Bangkok Bank Berhad on 10 June 2013.

He is Independent Chairman of Bumi Armada Berhad, a listed oil and gas services company and Taliworks Corporation Berhad, a listed infrastructure services company. In addition, he sits on the boards of Bangkok Bank Malaysia, Themed Attractions Resorts and Hotels, Sun Life Malaysia Assurance, Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd and numerous other private companies.

He is the Chairman of the Board of Trustees of Munarah Foundation, Chairman and Founding Trustee of Teach for Malaysia (TFM), Chairman of WWF Malaysia, a Trustee of Amanah Warisan Negara (National Heritage Trust of Malaysia), the Chairman of the Board of Governors of Marlborough College Malaysia, and Pro-Chancellor of Universiti Sains Islam Malaysia. Tunku Ali is also Colonel and Commander of Regiment 508 of the Territorial Army of Malaysia.

He holds a Masters of Public Administration from the John F Kennedy School of Government, Harvard University and a BA (Hons) in History and Social & Political Sciences from the University of Cambridge. He is an Honorary Benchers of the Inner Temple, United Kingdom. He is presently a candidate for an Executive MBA at the People's Bank of China School of Finance, Tsinghua University, China. In 2013, Tunku Ali was recognised as a Young Global Leader (YGL) by the World Economic Forum, and as an Asia 21 Young Leader by the Asia Society. Previously, Tunku Ali was a management consultant with McKinsey & Company and an investments professional with Khazanah Nasional Berhad, Malaysia's Sovereign Development fund.

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Profile of Directors (cont'd.)

**Mr. Lee Khee Joo @ Lee Ying Chong
Independent Director**

Mr. Lee Khee Joo @ Lee Ying Chong, a Malaysian, was appointed to the Board on 30 October 2013. Mr. Lee Khee Joo has gained invaluable experience throughout his 38 years in the banking and financial services industry. He holds a Bachelor of Economics (Hons) degree from the University of Malaya as well as a post-graduate Diploma in Accountancy from the same alma mater. He also holds an MBA from the University of Queensland, Australia.

He is a fellow of the Association of Chartered Certified Accountants of United Kingdom ("ACCA") and a member of the Malaysian Institute of Accountants as well as the Malaysian Institute of Certified Public Accountants.

He has also held various senior positions which included Head of Bank Negara Malaysia's Financial Sector Talent Enrichment Programme ("FSTEP"), Executive Vice President of former Pacific Bank Berhad, CEO of former Rakyat Merchant Bank, EVP of Malayan Banking Berhad, General Manager of Koperasi Jaya Diri Malaysia Berhad ("KOJADI") and Technical Advisor of Internal Audit, Hong Leong Bank Berhad.

Mr. Lee has authored two books – "So You Want to be An Accountant" and "Credit Facilities for SMEs - Options and Opportunities".

**Mr. Tham Kwok Meng
Independent Director**

Mr. Tham Kwok Meng, a Malaysian, was appointed to the Board on 26 March 2015. He graduated from Imperial College, London in 1982 with a Bachelor of Science degree in Civil Engineering.

Mr. Tham worked in Ove Arup & Partners, an engineering consultancy in London, from 1982 to 1985 before joining HSBC as an International Manager in 1985, and for 28 years before his retirement in 2012, he served in a variety of roles in 9 countries.

He was appointed Chief Operating Officer for HSBC China in 2004, where he helped establish the infrastructure for the bank's rapid expansion in that country. During his tenure as Chief Executive Officer of HSBC Thailand from 2007 to 2011, he also served as the Chairman of the Association of International Banks in Thailand. He was the Managing Director & Head of Commercial Banking of HSBC Singapore prior to his retirement in 2012.

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Profile of Directors (cont'd.)

**Mr. Chaifarit Anuchitworawong
Executive Director**

Mr. Chaifarit Anuchitworawong, a Thai citizen, was appointed to the Board on 26 January 2017. He graduated with a Master of Art in Banking and Finance from University College of North Wales, Bangor, UK and holds a Bachelor of Business Administration in Management (Honors) of Assumption University, Thailand.

Mr. Chaifarit is a Senior Executive Vice President and Head of International Banking Group at Bangkok Bank Public Co. Ltd. ("BBL"). He is also currently responsible for investor relations. His previous responsibilities at BBL included being the Manager of the Office of the President and the General Manager of BBL's Hong Kong Branch.

Currently, Mr. Chaifarit sits on the Boards of BBL (Cayman) Company Limited and Bangkok Bank (China) Company Limited.

**Mr. Bordin Unakul
Independent Director**

Mr. Bordin Unakul, a Thai citizen, was appointed to the Board on 30 May 2018. He has extensive experience of over 30 years in the Thai capital market. He joined The Stock Exchange of Thailand ("SET") in 2010 as Executive Vice President ("EVP"). At SET, he has been Chief Operating Officer responsible for all operations and Corporate Services which include market operations, corporate communications, human resources, procurement and administration departments. He was also Head of Sustainable Development Division, which comprises of the Corporate Governance Development Department, Social Responsibility Department and Social Development Department with key mission to promote sustainable development of the Thai capital market.

Prior to joining SET, Mr. Bordin was employed by Bangkok Bank Public Company Limited as EVP and had insights into various areas of the banking industry. In addition, Mr. Bordin was a board member of the Thai Financial Planners Association. He had resigned from SET in December 2016 upon the request from the Thai government to assist in various ministries such as the Ministry of Finance, Ministry of Education, Ministry of Social Development, etc. He was appointed by the Ministry of Finance of Thailand on 11 December 2018 as director to the State Enterprises Performance Assessment Committee.

Mr. Bordin earned his bachelor's degree in Business Administration from Hanover College, Indiana, USA, and an MBA in Marketing Management from Western Michigan University, Michigan, USA. He has completed the Directors Certification Program from the Thai Institute of Directors Association. He has also taken an exclusive executive course organized by SET's Capital Market Academy.

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Corporate Governance

Board of Directors Composition

During the financial year of 2019, the Board of the Bank consists of eight (8) members, comprising one (1) Chairman / Independent Director, four (4) Independent Directors, one (1) Non-Independent Director and two (2) Executive Directors.

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

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

The presence of the Independent Directors provides the necessary checks and balances in the functioning of the Board and facilitates the Board in exercising objective judgement in decision making.

A brief profile of current Board members is presented on pages 5 to 8 in this Directors' Report.

Board's Duties and Responsibilities

The Board is chaired by Mr. Banlue Chantadisai.

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

The primary functions of the Board include the following:

- (i) To approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (ii) To oversee the implementation of the Bank's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;
- (iii) To promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behavior;

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Corporate Governance (cont'd.)

Board's Duties and Responsibilities (cont'd.)

- (iv) To promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- (v) To oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- (vi) To maintain oversight and exercise veto powers to reject credit applications or modify the terms of credit applications approved by the Bank's credit decision authority.

The Board also assumes various functions and responsibilities as laid down by the guidelines and directives issued by Bank Negara Malaysia ("BNM") from time to time.

Frequency and conduct of board meetings

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

The Board met seven (7) times during the financial year ended 31 December 2019. The attendance of directors at Board Meetings held in the financial year ended 31 December 2019 is as follows:

	Name of Directors	Designation	Attendance
1.	Mr. Banlue Chantadisai	Chairman / Independent Director	7/7
2.	Ms. Rushda Theeratharathorn	Executive Director	7/7
3.	Mr. Chris Chia Woon Liat	Non-Independent Director	7/7
4.	Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz	Independent Director	7/7
5.	Mr. Lee Khee Joo @ Lee Ying Chong	Independent Director	7/7
6.	Mr. Tham Kwok Meng	Independent Director	7/7
7.	Mr. Chaiyarit Anuchitworawong	Executive Director	7/7
8.	Mr. Bordin Unakul	Independent Director	7/7

The BNM Policy Document on Corporate Governance requires individual directors to have a minimum attendance of at least 75% of the Board meetings held in each financial year. All the existing directors have complied with the BNM's requirement.

Directors' Training

The Board recognised the importance of training and development needs of the directors which play a vital role in helping the directors to update and enhance their skills and knowledge with the aim for the directors to discharge their duties effectively and efficiently.

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Corporate Governance (cont'd.)

Directors' Training (cont'd.)

During the financial year under review, the directors had attended the courses, seminars and conferences in various topics organised by Financial Institutions Directors' Education ("FIDE") Forum to further enhance their skills and knowledge in discharging their responsibilities.

Training programmes, conferences and forums attended by the directors for the financial year ended 31 December 2019 were as follows:

FIDE / ICLIF / FIDE Forum

1. 4th Distinguished Board Leadership Series: Digital To The Core
2. Artificial Intelligence and Its Role in Fis
3. BNM-FIDE FORUM Dialogue with the Deputy Governor on the draft Risk Management in Technology Policy
4. BNM-FIDE FORUM Masterclass on Cybersecurity: Unseen Threats
5. Digital To The Core
6. FIDE FORUM - Rethinking Strategy
7. FIDE FORUM Dinner Talk - Digital Assets: Global Trends Legal Requirements and Opportunities for Financial Institutions
8. FIDE FORUM-ISRA Programme - Value Based Intermediation: Directors Role
9. Focus Group Discussion - in preparation for the 6th BNM-FIDE FORUM Annual Dialogue
10. Raising Defences: Section 17A, MACC Act programme
11. Reading the Signs: The Next Financial Crisis and Potential Impact on Asia

Other External Seminars / Conferences

1. Bangkok Sustainable Banking Forum 2019 : An Industry Wake-up Call
2. Corporate Liability, is your Company prepared?
3. Digital Transformation Journey
4. Introduction to Big Data Analytics for Accountants
5. Introduction to Cloud Accounting
6. Lessons learnt from litigation with Woodside (Armada Claire FPSO)
7. M&A in Healthcare & Life Sciences – What You Need to Know
8. Outlook on Offshore Marine Services
9. Risk Management Program for Corporate Leaders
10. Social Media Ethics & Policy Development
11. Sustainable Banking Workshop 3 / 2562
12. Technical briefing on FPSOs
13. The Malaysian Stock Market and Equity Fund
14. Tsinghua PBCSF Belt & Road EMBA - Ambicultural Strategy and Leadership
15. Tsinghua PBCSF Belt & Road EMBA - Behavioral Finance
16. Tsinghua PBCSF Belt & Road EMBA - Chinese Economy and Financial Market
17. Tsinghua PBCSF Belt & Road EMBA - Global Competition Strategy in Emerging Economic National Culture and Business Management South East Investment Opportunities

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Corporate Governance (cont'd.)

Directors' Training (cont'd.)

Internal Training Programmes

1. AEC Business Forum 2019 [2020: The Age of ASEAN Connectivity]
2. Battling Money Laundering & Terrorism Financing in Malaysia
3. Cyber Risk & Awareness
4. Presentation on Risk Management in Technology ("RMiT")
5. Revisiting MFRS 9
6. Senior Executive Forum - AML/CFT 2562
7. Upcoming Regulations on Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT)

Board Performance

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

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

Board Committees

To enhance its effectiveness and in discharging its fiduciary duties, the Board of Directors has established the Nomination Committee, Remuneration Committee, Risk Management Committee and Audit Committee to assist the Board in execution of its duties and responsibilities. The appointments of the members to these committees were approved by the Board of Directors upon recommendation by the Nomination Committee. Each Board Committee operates within its own terms of reference approved by the Board, which clearly define its duties and responsibilities.

(a) Nomination Committee

During the financial year of 2019, the Nomination Committee held six (6) meetings.

The composition of the Nomination Committee and attendance of the members at the meetings held during the financial year 2019 are as follows:

	Committee Members	Designation	Attendance
1.	Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz - Chairman	Independent Director	6/6
2.	Ms. Rushda Theeratharathorn	Executive Director	6/6
3.	Mr. Chris Chia Woon Liat	Non-Independent Director	6/6
4.	Mr. Tham Kwok Meng	Independent Director	6/6
5.	Mr. Lee Khee Joo @ Lee Ying Chong	Independent Director	6/6
6.	Mr. Bordin Unakul	Independent Director	6/6

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Board Committees (cont'd.)

(a) Nomination Committee (cont'd.)

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

The primary functions of the Nomination Committee include the following:

- (i) Establishes the minimum requirements for the Board in terms of required mix of skills, experience, qualification and other core competencies. Establishes minimum requirements for the CEO;
- (ii) Recommends and assesses the nominees for directorship, Board Committee members and the CEO;
- (iii) Oversees through an annual review of overall composition of the Board in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors;
- (iv) Establishes a mechanism for the formal annual assessment on the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board, the contribution of the Board's various Committees and the performance of the CEO and other Key Senior Management Officers;
- (v) Oversees the appointment, management succession planning and performance evaluation of Key Senior Management Officers; and
- (vi) Assesses on an annual basis that individual directors and Key Senior Management Officers are not disqualified under Section 59(1) of the Financial Services Act, 2013 and continue to comply with the standards for "fit and proper" criteria as approved by the Board.

(b) Remuneration Committee

During the financial year of 2019, the Remuneration Committee held four (4) meetings.

The composition of the Remuneration Committee and attendance of the members at the meetings held during the financial year 2019 are as follows:

	Committee Members	Designation	Attendance
1.	Mr. Lee Khee Joo @ Lee Ying Chong - Chairman	Independent Director	4/4
2.	Mr. Chris Chia Woon Liat	Non-Independent Director	4/4
3.	Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz	Independent Director	4/4
4.	Mr. Tham Kwok Meng	Independent Director	4/4

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Board Committees (cont'd.)

(b) Remuneration Committee (cont'd.)

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

The primary functions of the Remuneration Committee include the following:

- (i) Recommends a framework of remuneration for directors, the CEO and other Key Senior Management Officers for the Board's approval;
- (ii) Reviews the remuneration packages of the directors, CEO and Key Senior Management Officers; and
- (iii) Recommends to the Board the proposed overall salary increment and overall annual bonus of the staff.

(c) Risk Management Committee

During the financial year of 2019, the Risk Management Committee held seven (7) meetings.

The composition of Risk Management Committee and attendance of the members at the meetings held during the financial year 2019 are as follows:

	Committee Members	Designation	Attendance
1.	Mr. Tham Kwok Meng - Chairman	Independent Director	7/7
2.	Mr. Lee Khee Joo @ Lee Ying Chong	Independent Director	7/7
3.	Mr. Banlue Chantadisai	Independent Director	7/7
4.	Mr. Bordin Unakul	Independent Director	7/7

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

The primary functions of the Risk Management Committee include the following:

- (i) Reviews and recommends risk management strategies, policies and risk tolerance for the Board's approval;
- (ii) Reviews and assesses adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and extent to which these are operating effective; and
- (iii) Reviews management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

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Board Committees (cont'd.)

Risk Management Framework

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

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

- (i) Clear separation of risk-taking business lines and risk supervising unit;
- (ii) Identification and coverage of all relevant risk types in risk management;
- (iii) Measure risks in order to monitor and control them thereby enabling the implementation of more effective risk-based strategy, aid in decision-making and management of portfolio transactions; and
- (iv) Development of strong risk culture and continuous improvement of risk management skills throughout the Bank.

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

- Level 1: Policies, especially those which have impact on the risk framework and risk tolerances shall be approved at the Board's level.
- Level 2: Subject-specific risk guidelines and standards are to be approved at Management Committee level, such as choice of appropriate statistical methodologies to compute specific product's market risk exposure.
- Level 3: Procedures supporting policy implementation shall be approved at departmental levels. These policies and procedures rely on constant communication, judgment, knowledge of products and markets and controls by business and support units.

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

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Board Committees (cont'd.)

(d) Audit Committee

During the financial year, the Audit Committee held eight (8) meetings.

The composition of the Audit Committee and attendance of the members at the meetings held during the financial year ended 31 December 2019 are as follows:

	Committee Members	Designation	Attendance
1.	Mr. Bordin Unakul - Chairman	Independent Director	8/8
2.	Mr. Chris Chia Woon Liat	Non-Independent Director	8/8
3.	Mr. Lee Khee Joo @ Lee Ying Chong	Independent Director	8/8
4.	Mr. Tham Kwok Meng	Independent Director	8/8

Terms of Reference

The Audit Committee is established to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process and the system of internal control. Their roles and responsibilities include:

- (i) Review of significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- (ii) Review of interim financial reports, the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
- (iii) Review other sections of the annual report which includes the chairman's statement, corporate governance disclosures and preliminary announcement and consider the accuracy and completeness of the information;
- (iv) Oversight of the functions of the Internal Audit Department to ensure it complies with BNM Guidelines on Internal Audit Function of Licensed Institutions;
- (v) Review the adequacy of the annual audit plan and all major changes to the plan to ensure that there are no unjustified restrictions or limitations made;
- (vi) Review of the scope of the internal audit program, internal audit findings and recommend actions to be taken by management;
- (vii) Review key audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;
- (viii) Noting disagreements between the Chief Internal Auditor and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;

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

Board Committees (cont'd.)

(d) Audit Committee (cont'd.)

- (ix) Review of the effectiveness of the Bank's internal control system and risk management processes;
- (x) Reviewing third-party opinions on the design and effectiveness of the Bank's internal control framework;
- (xi) Selection of external auditors for appointment by the Board;
- (xii) Assessment of objectivity, performance and independence of external auditors;
- (xiii) Review of the external auditors' proposed audit scope and approach;
- (xiv) Review of the external auditors' management letter and management's response;
- (xv) Approval of the provision of non-audit service by the external auditors;
- (xvi) Review any related party transactions that may arise within the Bank; and
- (xvii) Monitor compliance with the Board's conflicts of interest policy and keep the Board informed of any potential conflicts of interest.

Audit and control functions

The Chief Internal Auditor reports functionally to the Audit Committee and administratively to the CEO. The Audit and Control Department ("ACD") has unrestricted access to all records and the scope of internal audit covers the audit of all units and operations.

The ACD assists the Audit Committee in effective discharge of their duties and responsibilities. This is achieved through regular review of risk management process, the internal control system and governance process to ensure that they are working effectively. The audit reports, which provide the results of the review and audit recommendations for improvement, are submitted to the Audit Committee for their review.

The Audit Committee also reviews and approves the ACD's annual audit plan and human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors.

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

Board Committees (cont'd.)

Risk management

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

The Bank's risk management objectives are as follows:

- (i) To protect the Bank's capital earnings from unexpected, excessive losses that could threaten the viability of the Bank;
- (ii) To assist management to undertake and manage the appropriate levels of risks necessary to attain business and financial objectives;
- (iii) To ensure that the Bank is in compliance with regulatory capital adequacy requirements;
- (iv) To ensure that the Board and senior management are adequately informed of the Bank's risk profile when making decisions.

The Bank's risk management policy has set out the broad overall risk policy of the Bank for the conduct of business and is applicable to all business and functional lines within the Bank.

The Bank's risk management strategy is to ensure that all the risks undertaken are manageable and within its risk appetite and approved limits.

The risk management processes are broken down into four generic steps:

- (i) Firstly, identifying the risks;
- (ii) Secondly, assessing their potential impact to the Bank;
- (iii) Thirdly, as risks are dynamic in nature, continuous monitoring of risks is required; and
- (iv) Fourthly, managing the risk and reporting those risks to the management and risk management committee for taking appropriate actions.

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

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

Board Committees (cont'd.)

Risk management (cont'd.)

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

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

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

The Bank uses various methodologies to identify, monitor, manage and control these risks. Various processes have been established to analyse and identify any weaknesses in these risk areas such as the identification of "red flags", analysis of trends on market volatility, etc. These risks are assessed and measured using various models, methodologies and reports such as Credit Risk Rating ("CRR") models, Earnings At Risk ("EAR") Impact and Economic Value of Equity Impact ("EVE") Methodologies, Maximum Cumulative Outflow ("MCO") reports, etc.

Processes and procedures have also been established to monitor and control these risks. These policies and procedures are reviewed periodically and necessary changes would be made to ensure that they are operationally robust. Stress tests covering credit, liquidity and market risks and operational risk are also performed under various scenarios to assess the Bank's risk weighted capital adequacy.

The Bank's financial risk management objectives, policies and processes for managing, hedging and mitigating credit risk, market risk and liquidity risk are as disclosed in Note 31 to the financial statements.

The Bank's capital management process is further disclosed in Note 29 to the financial statements.

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

Management information

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

These reports are issued in a timely basis to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meetings.

Related party transactions

During the financial year ended 31 December 2019, the Bank entered into transactions with its holding company, Bangkok Bank Public Company Limited in the normal course of business. The details and nature of the transactions are disclosed in Note 27 to the financial statements.

Compliance with Bank Negara Malaysia's Expectations on Financial Reporting

In the preparation of the financial statements, the directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions.

Remuneration policy

The Bank's remuneration policy is built upon the objectives to attract, reward and retain talents, while encouraging prudent decision-making and reinforcing a culture of high ethical standards. The remuneration policy and its enforcement are supervised at the Board of the Bank.

The Bank's remuneration structure comprises of basic salary, bonus and long term incentive for eligible employees. Remuneration quantum is linked to job size, personal performance, the Bank's performance and compensation benchmarks in the industry. In assessing performance and remuneration, risk and control elements are considered beyond the achievement of business goals. Where relevant, these include elements within the Bank's Risk Appetite Statement.

The performance and remuneration of employees in the risk and compliance functions are assessed on their achievements in their specific areas, independent of the business targets.

For the senior management team who has direct involvement and influence on the Bank's strategies, growth and developments, the Bank's remuneration policy requires one-third of total variable pay to be deferred as long term incentive, which is vested across a two year period.

Bangkok Bank Berhad
(Incorporated in Malaysia)

Remuneration policy (cont'd.)

The Bank also recognises that there are employees who are not members of senior management who can materially affect the Bank's risk profile and resources. For this group of employees, the remuneration policy would also require one-third of total variable pay to be deferred as long term incentive, should their total variable pay exceeds 6 months' salary equivalent.

The Bank retains its right to clawback any parts of variable pay, whether paid out or not, in the event it is established that the recipient had committed material wrong doings or had not discharged his responsibilities satisfactorily.

The remuneration of the Chief Executive Officer, Senior Management and Other Material Risk Takers for year 2019 is shown in the table below:

Total value of remuneration awards for year 2019	Chief Executive Officer		Senior Management and Other Material Risk Takers	
	Unrestricted RM'000	Deferred RM'000	Unrestricted RM'000	Deferred RM'000
Fixed Remuneration	940	-	5,942	-
Cash-based	912	-	5,832	-
Other	28	-	110	-
Variable Remuneration	430	124	2,171	404
Cash-based	427	124	2,164	404
Other	3	-	7	-
Grand Total	1,370	124	8,113	404

Subsequent event

Details of subsequent events are disclosed in Note 34 to the financial statements.

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Bangkok Bank Berhad
(Incorporated in Malaysia)

Auditors and auditors' remuneration

The auditors, Messrs Ernst & Young PLT, retire and do not seek for re-appointment at the forthcoming Annual General Meeting of the Bank.

The auditors' remuneration is disclosed in Note 23 to the financial statements.

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



Tham Kwok Meng

Kuala Lumpur, Malaysia
19 May 2020



Lee Khee Joo @ Lee Ying Chong

199401014060 (299740-W)

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

Statement by directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tham Kwok Meng 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 28 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

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



Tham Kwok Meng



Lee Khee Joo @ Lee Ying Chong

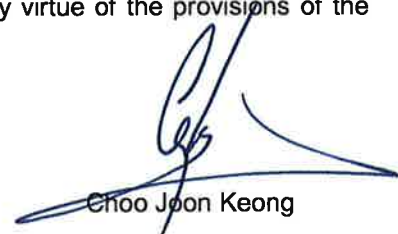
Kuala Lumpur, Malaysia
19 May 2020

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Choo Joon Keong, being the officer primarily responsible for the financial management of Bangkok Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 111 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Choo Joon Keong
at Kuala Lumpur in Wilayah Persekutuan
on 19 May 2020.


Choo Joon Keong

Before me,



Level 9, Menara Bangkok Bank
Berjaya Central Park
No. 105, Jalan Ampang
50450 Kuala Lumpur

199401014060 (299740-W)

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bangkok Bank Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 28 to 111.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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 Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. 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.

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.

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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.)

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.
- 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.

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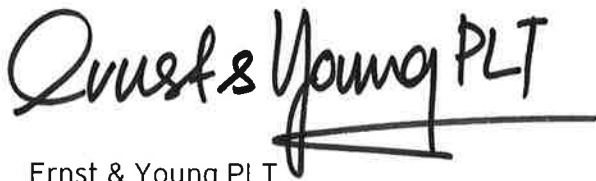
Independent auditors' report to the member of
Bangkok Bank Berhad (cont'd.)
(Incorporated in Malaysia)

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

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.

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants



Lee Pei Yin
No. 03189/05/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
19 May 2020

Bangkok Bank Berhad
(Incorporated in Malaysia)
Statements of financial position as at 31 December 2019

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Cash and short-term funds	4	486,493	699,370	486,366	699,252
Deposits and placements with banks and other financial institutions	5	30,047	371,412	30,047	371,412
Financial assets at fair value through other comprehensive income ("FVOCI")	6	1,169,519	667,330	1,169,519	667,330
Financial assets at amortised costs	7	102,351	102,387	102,351	102,387
Loans, advances and financing	8	3,206,001	3,397,375	3,206,001	3,397,375
Derivative assets		2,100	1,225	2,100	1,225
Tax recoverable		18,593	14,156	18,590	14,150
Other assets	9	6,538	6,280	6,538	6,280
Statutory deposit with Bank Negara Malaysia	10	65,479	80,496	65,479	80,496
Investment in a subsidiary	11	-	-	10	10
Property and equipment	12	129,182	132,791	129,182	132,791
Intangible assets	13	706	694	706	694
Right-of-use assets	2.5	7,444	-	7,444	-
Deferred tax assets	14	5,150	7,492	5,150	7,492
Total assets		5,229,603	5,481,008	5,229,483	5,480,894
Liabilities and shareholder's equity					
Deposits from customers	15	2,982,698	2,695,990	2,982,698	2,695,990
Deposits and placements from banks and other financial institutions	16	939,981	1,491,432	939,981	1,491,432
Derivative liabilities		1,398	1,011	1,398	1,011
Other liabilities	17	44,768	36,237	44,766	36,233
Total liabilities		3,968,845	4,224,670	3,968,843	4,224,666

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2019 (cont'd.)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Liabilities and shareholder's equity (cont'd.)					
Share capital	18	1,000,000	1,000,000	1,000,000	1,000,000
FVOCI reserve		16,939	11,074	16,939	11,074
Retained profits		243,819	245,264	243,701	245,154
Shareholder's equity		1,260,758	1,256,338	1,260,640	1,256,228
Total liabilities and shareholder's equity					
		5,229,603	5,481,008	5,229,483	5,480,894
Commitments and contingencies					
	26	2,866,651	2,742,058	2,866,651	2,742,058

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Income statements

For the financial year ended 31 December 2019

	Note	Group		Bank	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Interest income	19	229,734	225,354	229,734	225,354
Interest expense	20	(134,047)	(135,863)	(134,047)	(135,863)
Net interest income		95,687	89,491	95,687	89,491
Non-interest income	22	13,878	17,983	13,865	17,964
Net income		109,565	107,474	109,552	107,455
Overhead expenses	23	(56,635)	(66,134)	(56,632)	(66,130)
Operating profit		52,930	41,340	52,920	41,325
Allowance for expected credit losses made, net	21	(51,186)	(908)	(51,186)	(908)
Profit before taxation		1,744	40,432	1,734	40,417
Taxation	24	(3,189)	(13,428)	(3,187)	(13,425)
Net (loss)/profit for the financial year		(1,445)	27,004	(1,453)	26,992
(Loss)/Earnings per share (sen)					
- basic	25	(0.14)	2.70		
- diluted	25	(0.14)	2.70		

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (loss)/profit for the financial year		<u>(1,445)</u>	<u>27,004</u>	<u>(1,453)</u>	<u>26,992</u>
Other comprehensive income that will be reclassified to the income statement subsequently					
Net gain/(loss) on financial assets at FVOCI		7,514	(7,132)	7,514	(7,132)
Income tax relating to components of other comprehensive income	14	<u>(1,649)</u>	<u>305</u>	<u>(1,649)</u>	<u>305</u>
Other comprehensive income/(loss) for the financial year, net of tax		<u>5,865</u>	<u>(6,827)</u>	<u>5,865</u>	<u>(6,827)</u>
Total comprehensive income for the financial year, net of tax		<u>4,420</u>	<u>20,177</u>	<u>4,412</u>	<u>20,165</u>

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2019

Group	<---Non-distributable--->		Distributable:	
	Share capital RM'000	FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2018	1,000,000	17,901	218,260	1,236,161
Total comprehensive (loss)/income	-	(6,827)	27,004	20,177
At 31 December 2018	1,000,000	11,074	245,264	1,256,338
At 1 January 2019	1,000,000	11,074	245,264	1,256,338
Total comprehensive income/(loss)	-	5,865	(1,445)	4,420
At 31 December 2019	1,000,000	16,939	243,819	1,260,758

Bank	<---Non-distributable--->		Distributable:	
	Share capital RM'000	FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2018	1,000,000	17,901	218,162	1,236,063
Total comprehensive (loss)/income	-	(6,827)	26,992	20,165
At 31 December 2018	1,000,000	11,074	245,154	1,256,228
At 1 January 2019	1,000,000	11,074	245,154	1,256,228
Total comprehensive income/(loss)	-	5,865	(1,453)	4,412
At 31 December 2019	1,000,000	16,939	243,701	1,260,640

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the financial year ended 31 December 2019

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
Profit before taxation		1,744	40,432	1,734	40,417
Adjustments for:					
Depreciation	23	4,511	4,715	4,511	4,715
Impairment of property and equipment	23	-	6,193	-	6,193
Amortisation of intangible assets	23	240	219	240	219
Amortisation of right-of-use assets	23	1,181	-	1,181	-
Property and equipment written off	12	54	-	54	-
Interest expense on lease liability	2.5	303	-	303	-
Lease termination	2.5	(3)	-	(3)	-
Gain on disposal of property and equipment	22	-	(80)	-	(80)
Interest income from financial assets	19	(41,269)	-	(41,269)	-
Allowance for ECL made	21	53,047	837	53,047	837
Unrealised (gain)/loss on foreign exchange forward	22	(489)	875	(489)	875
Net gain on disposal of					
- Financial assets measured at FVTPL	22	-	(16)	-	(16)
- Financial assets measured at FVOCI	22	(22)	-	(22)	-
Amortisation of premium, net of (accretion of discount)					
- Financial assets measured at FVTPL	19	-	1	-	1
- Financial assets measured at FVOCI	19	324	(1,053)	324	(1,053)
Dividend from financial assets at FVOCI	22	(582)	(102)	(582)	(102)
Operating profit before working capital changes		19,039	52,021	19,029	52,006

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the financial year ended 31 December 2019 (cont'd.)

	Note	Group		Bank	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (cont'd.)					
Balance carried forward		19,039	52,021	19,029	52,006
(Increase)/Decrease in operating assets:					
Loans, advances and financing		142,151	(425,873)	142,151	(425,873)
Other assets		(258)	(3,311)	(258)	(3,311)
Statutory deposit with Bank Negara Malaysia		15,017	(2,496)	15,017	(2,496)
		<u>175,949</u>	<u>(379,659)</u>	<u>175,939</u>	<u>(379,674)</u>
Increase/(Decrease) in operating liabilities:					
Deposits from customers		286,708	262,901	286,708	262,901
Deposits and placements from banks and other financial institutions		(551,451)	429,991	(551,451)	429,991
Other liabilities		(1,686)	1,556	(1,687)	1,555
Cash (used in)/generated from operating activities		(90,480)	314,789	(90,491)	314,773
Taxes paid		(19,071)	(14,956)	(19,069)	(14,950)
Taxes refunded		12,501	-	12,501	-
Net cash (used in)/generated from operating activities		<u>(97,050)</u>	<u>299,833</u>	<u>(97,059)</u>	<u>299,823</u>
Cash flows from investing activities					
Purchase of financial asset at FVTPL		-	(10,005)	-	(10,005)
Purchase of financial asset at FVOCI		(2,318,857)	(226,482)	(2,318,857)	(226,482)
Purchase of financial asset at amortised costs		-	(102,374)	-	(102,374)
Proceed from sale of financial asset at FVTPL		-	10,020	-	10,020
Proceeds from sale of financial asset at FVOCI		1,859,785	305,000	1,859,785	305,000
Proceeds from sale of financial asset at amortised cost		16	-	16	-
Proceeds from partial redemption of financial asset at amortised cost		4,980	8	4,980	8

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the financial year ended 31 December 2019 (cont'd.)

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities (cont'd.)					
Purchase of property and equipment	12	(2,176)	(3,120)	(2,176)	(3,120)
Purchase of intangible assets	13	(252)	(55)	(252)	(55)
Proceeds from disposal of property and equipment		-	113	-	113
Dividend from financial assets at FVOCI	22	582	102	582	102
Net cash used in investing activities		<u>(455,922)</u>	<u>(26,793)</u>	<u>(455,922)</u>	<u>(26,793)</u>
Cash flows from financing activities					
Payment of lease liabilities	2.5	<u>(1,270)</u>	-	<u>(1,270)</u>	-
Net cash used in financing activities		<u>(1,270)</u>	-	<u>(1,270)</u>	-
Net (decrease)/increase in cash and cash equivalents					
		(554,242)	273,040	(554,251)	273,030
Cash and cash equivalents at beginning of financial year					
		<u>1,070,782</u>	<u>797,742</u>	<u>1,070,664</u>	<u>797,634</u>
Cash and cash equivalents at end of financial year					
		<u>516,540</u>	<u>1,070,782</u>	<u>516,413</u>	<u>1,070,664</u>
Cash and cash equivalents comprise:					
Cash and short-term funds		486,493	699,370	486,366	699,252
Deposits and placements with bank and other financial institutions		<u>30,047</u>	<u>371,412</u>	<u>30,047</u>	<u>371,412</u>
		<u>516,540</u>	<u>1,070,782</u>	<u>516,413</u>	<u>1,070,664</u>

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

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

Notes to the financial statements - 31 December 2019

1. Corporate information

Bangkok Bank Berhad ("the Bank") is a public limited liability licensed bank, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 1-45-01, Menara Bangkok Bank, Laman Sentral Berjaya, 105 Jalan Ampang, 50450 Kuala Lumpur.

The principal activities of the Bank are banking and related financial services.

The Bank also controls a wholly-owned subsidiary named BBL Nominees (Tempatan) Sdn. Bhd. 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 year.

The holding company of the Bank is Bangkok Bank Public Company Limited, a bank incorporated in Thailand.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors.

2. Accounting policies

2.1 Basis of preparation and presentation of the financial statements

The financial statements of the Bank and its subsidiary ("the Group") have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and the Bank have been prepared under the historical cost basis, unless otherwise stated in the summary of significant accounting policies as disclosed in Note 2.3. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency, and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

As at the reporting date, the Bank has met the minimum capital requirements as prescribed by the Risk Weighted Capital Adequacy Framework ("RWCAF") issued by Bank Negara Malaysia ("BNM").

2. Accounting policies (cont'd.)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary at each reporting date. The financial statements of the subsidiary are prepared for the same reporting date as the Bank.

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

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

2.3 Summary of significant accounting policies

(a) Investment in subsidiary

A subsidiary is an entity over which the Group is exposed, or has the rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

(b) Revenue recognition

(i) Interest and financing income

Interest income is recognised using the effective interest method. The effective interest method applies the rate that exactly discounts estimated future cash receipts through the effective life of the financial instruments to the net carrying amount of the financial asset. Interest income includes the amortisation of premiums or accretion of discounts.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Revenue recognition

(ii) Fee and other income

(a) Fee income earned on the execution of a significant act

Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as an arrangement for the acquisition of shares or other securities).

(b) Fee income earned from provision of services

Income earned from the provision of services is recognised as revenue over the period in which the services are provided.

(c) Fee income that forms an integral part of the effective interest rate ("EIR") of a financial instrument.

Income that forms an integral part of the EIR of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded as part of 'interest income' in the statement of profit or loss.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(c) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group and the Bank have become a party to the contractual provisions of the instruments.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Financial assets (cont'd.)

The classification of financial instruments at initial recognition depends on the financial asset's contractual terms and the business model for managing them. The Group and the Bank classify all of its financial assets measured at either amortised cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL").

The Group and the Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(i) Financial assets at amortised costs

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI, on the principal amount outstanding; and
- The financial asset is held within a business model with The objective to hold financial assets in order to collect contractual cash flows.

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group and the Bank's financial assets at amortised cost includes cash and balances with banks and other financial institutions, loans, advances and financing, and other assets.

(ii) Debt instruments at FVOCI

The Group and the Bank apply MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The contractual terms of the financial asset meet the SPPI test; and
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Financial assets (cont'd.)

(ii) Debt instruments at FVOCI (cont'd.)

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchanges gains and losses are recognised in profit or loss in the same manner as for financial assets measures at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

(iii) Equity instruments at FVOCI

Upon initial recognition, the Group and the Bank can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Bank benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI and FVOCI reserve. Equity instruments designated at FVOCI are not subject to impairment assessment.

(iv) Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value. Any gains or losses from changes in fair value are recognised in profit or loss. Exchange differences, impairment losses, interest, and dividend income are recognized separately in profit or loss as part of other losses or income.

(d) Impairment of financial assets

(i) Definition of credit impaired and default

At each reporting date, the Group and the Bank assess whether financial assets are impaired. In general, loans, advances and financing of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

- where the principal or interest or both is past due for more than 90 days/3 months. In the case of revolving facilities, the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days/3 months;

2. Accounting policies (cont'd.)**2.3 Summary of significant accounting policies (cont'd.)****(d) Impairment of financial assets (cont'd.)****(i) Definition of credit impaired and default (cont'd.)**

- where the amount is past due or outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, but the loan exhibits weaknesses that render a classification appropriate based on the Bank's policy,
- when the loan is classified as rescheduled and restructured in CCRIS and approved by Loan Committee as impaired.

In making an assessment whether an investment in debt is impaired, the Group and the Bank consider factors such as, but not limited to, market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness and country's ability to access the capital markets for new debt issuance.

The Group and the Bank record allowance for ECL for all financial assets measured at amortised cost which include financing and advances, debt instruments measured at FVOCI and irrevocable loan commitments. Equity instruments measured at FVOCI are not subject to impairment under MFRS 9.

(ii) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Group and the Bank apply a three-stage approach based on the change in credit quality since initial recognition to recognise the ECL allowance as follows:

3-stage approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing
ECL approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired
Recognition of interest income	Gross carrying amount	Gross carrying amount	Net carrying amount

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Impairment of financial assets (cont'd.)

(iii) Stage 1 and 2 ECL measurement

There are three main components to measure ECL for financial assets in Stage 1 and 2 which are a probability of default model ("PD"), a loss given default model ("LGD") and the exposure at default model ("EAD"). These components are determined by evaluating a range of possible outcomes and considering future economic conditions. The assumptions and analysis being used in the evaluation are based on macroeconomic data obtained from various sources, such as, but not limited to regulators, government, and foreign ministries as well as independent research organisations.

When estimating the ECL, the Group and the Bank consider three scenarios and their probability weightings. Each of these scenarios is associated with different PDs, LGDs and EADs.

(iv) Stage 3 ECL measurement

The Group and the Bank assess financial assets in Stage 3 individually and the ECL is measured based on the expected cash shortfalls. A cash shortfall is the difference between the contractual cash flows due in accordance with the contract and 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 EIR.

When estimating the ECL, the Group and the Bank consider three scenarios and their probability weightings. Each of these scenarios is associated with how the non-performing loans are expected to be recovered, including the timing and amount that might be received for selling the collaterals.

(e) Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably.

Subsequent to recognition, property and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

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

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

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

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

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

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

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(f) Intangible assets (cont'd.)

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

Computer software	2 - 5 years
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The Group and the Bank have developed the following criteria to identify computer software or licence to be classified as plant or equipment or intangible assets:

- Software or licence that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as property and equipment; and
- Application software that is being used on a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible assets.

(g) Impairment of non-financial assets

At each reporting date, the Group and the Bank review the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group and the Bank make an estimate of the asset's recoverable amount to determine the extent of impairment loss (if any).

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets at which are classified as cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to that asset. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(g) Impairment of non-financial assets (cont'd.)

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 9, are recognised in the statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortised cost.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Bank. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Financial liabilities at amortised cost

Financial liabilities at amortised cost includes other financial liabilities which are not measured at fair value through profit or loss.

The Group's and the Bank's other financial liabilities include deposits from customers, deposits and placements of banks and other financial institutions and other liabilities.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Derivative financial instruments

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are recognised immediately in profit or loss.

(j) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(k) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items at rates different from those rates at which they were translated on initial recognition during the period or in previous financial statements, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

2. Accounting policies (cont'd.)**2.3 Summary of significant accounting policies (cont'd.)****(k) Foreign currency transactions (cont'd.)**

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

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

	2019	2018
United States Dollar	4.09	4.14
Singapore Dollar	3.04	3.04

(l) Provisions

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

(m) Employee benefits**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group and the Bank. Short-term accumulating compensated balances such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Employee benefits (cont'd.)

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Bank recognise termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after reporting date are discounted to present value.

(n) 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 other comprehensive income 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.

(o) 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. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Deferred tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

(p) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents exclude deposits with original maturities of more than 3 months. Cash and cash equivalents comprise of cash and short term funds and deposits and placements with banks and other financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Share capital and share issuance expenses

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

(r) Fair value measurement

The Group and the Bank measure certain financial instruments, such as, derivatives at fair value, and currently the Group and the Bank do not have non-financial assets measured at fair value. In addition, fair values of financial instruments measured at amortised cost are also disclosed in Note 33.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

2. Accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(r) Fair value measurement (cont'd.)

The principal or the most advantageous market must be accessible to by the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- (i) Level 1: Quoted (unadjusted) market prices in the active markets for identical assets and liabilities
- (ii) Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- (iii) Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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2. Accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures

On 1 January 2019, the Group and the Bank adopted the following new and amended MFRS, annual improvements to MFRS and Interpretation Committee ("IC") Interpretations:

Descriptions	Effective for annual periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
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: Previously Held Interest in a Joint Operation</i>	1 January 2019
(ii) Amendments to MFRS 11 <i>Joint Arrangements: Previously Held Interest in a Joint Operation</i>	1 January 2019
(iii) Amendments to MFRS 112 <i>Income Taxes: Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i>	1 January 2019
(iv) Amendments to MFRS 123 <i>Borrowing Costs: Borrowing Costs Eligible for Capitalisation</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

The adoption of the above new and amended MFRS, annual improvements to MFRS and IC Interpretations did not have any impact to the financial statements of the Group and of the Bank, except as described below:

MFRS 16 Leases ("MFRS 16")

MFRS 16 superseded MFRS 117 *Leases* ("MFRS 117"), IC Interpretation 4 *Determining whether an Arrangement contains a Lease* ("IC 4"), IC Interpretation 115 *Operating Lease - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group and the Bank elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group and the Bank applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC 4 at the date of initial application.

2. Accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures (cont'd.)

MFRS 16 Leases (cont'd.)

(i) Definition on lease

On adoption of MFRS 16, the Group and the Bank have elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group and the Bank relied on the previous assessment made in accordance with MFRS 117 and IC Interpretation 4 *Determining Whether an Arrangement contains a Lease*. Therefore, the definition of a lease under MFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(ii) Lessee

As a lessee, the Group and the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group and the Bank. Under MFRS 16, the Group and the Bank recognise right-of-use assets ("ROU") and lease liabilities for most leases.

Leases previously classified as operating leases under MFRS 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Bank's incremental borrowing rate as of 1 January 2019. The carrying value of the lease liability also includes the extension options granted in favour of the Group and the Bank if it is reasonably certain the option will be exercised.

Right-of-use assets were measured at their carrying amount as if MFRS 16 had been applied since the lease commencement date, discounted using the Group's and the Bank's incremental borrowing rate at the date of initial application and include an estimate of costs to dismantle and remove the asset or to restore the asset or the site on which it is located at the end of the lease.

The Group and the Bank elected the following transition practical expedients on a lease-by-lease basis for measurement purposes upon the first-time application of the standard:

- Relied on previous impairment assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. Accounting policies (cont'd.)**2.4 Changes in accounting policies and disclosures (cont'd.)****MFRS 16 Leases (cont'd.)****(ii) Lessee (cont'd.)**Leases previously classified as operating leases under MFRS 117 (cont'd.)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group and Bank
	RM'000
Operating lease commitments as at 31 December 2018	805
Effect from discounting at incremental borrowing rate as at 1 January 2019	(29)
Discounted operating lease commitments as at 1 January 2019	776
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	7,281
Lease liabilities as at 1 January 2019	<u>8,057</u>

The future cash outflows relating to leases that have not yet commenced are as follows: (Prior to 1 January 2019)

	Group and Bank
	RM'000
2018	
Future minimum rental payments:	689
- Within one year	116
- After one year but not more than five years	<u>805</u>

Leases previously classified as finance leases

For leases previously classified as finance leases, the Group and the Bank recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

2.5 Impact of adopting MFRS 16

The Group and the Bank adopted MFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the the date of initial application. The Group and the Bank have not restated comparative information for the financial year ended 31 December 2018.

2. Accounting policies (cont'd.)

2.5 Impact of adopting MFRS 16 (cont'd.)

(i) Right-of-use assets

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less lease incentives received. Unless the Group and the Bank are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of the purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating a lease, if the lease term reflects the Group and the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

(iii) Significant judgement in determining the lease term of contracts with renewal option

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Bank have the option, under some of the leases to lease the assets for additional terms of three to five years. The Group and the Bank apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within control and affect the ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group and the Bank include the renewal period as part of the lease term for leases of office equipment and premises due to the significance of these assets to the operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

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2. Accounting policies (cont'd.)

2.5 Impact of adopting MFRS 16 (cont'd.)

(iv) Amount recognised in statement of financial position and profit and loss

The carrying amounts of the Group's and the Bank's right-of-use assets and lease liabilities as at 1 January 2019 and the movements during the period:

	←----- Right-of-use assets -----→			Lease
	Premises	Other	Total	Liabilities
	RM'000	Equipments	RM'000	RM'000
As at 1 January 2019	7,666	391	8,057	8,057
Non-cash additions	410	219	629	629
Lease termination	-	(61)	(61)	(64)
Amortisation of ROU (Note 23)	(941)	(240)	(1,181)	-
Accretion of interest	-	-	-	303
Lease payments	-	-	-	(1,270)
As at 31 December 2019	7,135	309	7,444	7,655

(v) Impact to capital adequacy ratio

Based on the Capital Adequacy Frameworks issued by Bank Negara Malaysia, the "right-of-use assets" will be accorded a risk weight of 100% for the computation of risk weighted assets.

Capital adequacy	31 December 2018 RM'000	Impact of adopting MFRS 16 RM'000	1 January 2019 RM'000
CET 1 Capital	1,241,951	-	1,241,951
Tier 1 Capital	1,241,951	-	1,241,951
Total Capital	1,297,710	-	1,297,710
Risk Weighted Assets	4,642,799	8,057	4,650,856
CET 1 Capital Ratio	26.75%	-0.05%	26.70%
Tier 1 Capital Ratio	26.75%	-0.05%	26.70%
Total Capital Ratio	27.95%	-0.05%	27.90%

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2. Accounting policies (cont'd.)

2.6 Standards, amendments to standards, annual improvements to standards and IC Interpretations issued but not yet effective

As at the reporting date, the following are standards, amendments to standards, annual improvements to standards and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and of the Bank's financial statements. The Group and the Bank intend to adopt them, if applicable, when they become effective:

Descriptions	Effective for annual periods beginning on or after
Amendment to MFRS 3 <i>Business Combinations</i> : Definition of a Business	1 January 2020
Amendments to MFRS 7 <i>Financial Instruments: Disclosures</i> , MFRS 9 <i>Financial Instruments</i> and MFRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 101 <i>Presentation of Financial Statements</i> and MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material</i>	1 January 2020
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The initial application of the accounting standards, annual improvements to standards and IC interpretations are not expected to have any significant impact to the financial statements of the Group and the Bank.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's and the Bank's 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. 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 accounting policies, management has made the following judgements, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's and the Bank's control and are reflected in the assumptions if and when they occur.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

(a) Impairment losses on financial assets

Measurement of impairment losses under MFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and assessment of significant increase in credit risk. These estimates are driven by a number of factors as disclosed in Note 31(a), changes which can result in different levels of allowances.

The Group's and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements, estimates and assumptions include:

- The Group's and the Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk resulting in impairment losses on financial assets to be measured on a lifetime basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic factors and the effect on PDs, LGDs and EADs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings.

(b) Deferred tax and current tax

In determining the Group's and the Bank's tax charge for the year it involves estimation and judgement, which includes an interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Group and the Bank provides for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where an outflow is probable.

The recoverability of the Group's and the Bank's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

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4. Cash and short-term funds

	Group	
	2019	2018
	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	286,420	257,887
Money at call and deposit placements maturing within one month	200,241	441,525
	486,661	699,412
Less: allowance for ECL	(168)	(42)
	486,493	699,370

	Bank	
	2019	2018
	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	286,293	257,769
Money at call and deposit placements maturing within one month	200,241	441,525
	486,534	699,294
Less: allowance for ECL	(168)	(42)
	486,366	699,252

Movements in the allowance for ECL on cash and short-term funds are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
At 1 January	42	264
Allowance for ECL charged/(written back)	126	(222)
At 31 December	168	42

The movement relates to Stage 1 ECL for cash and short-term funds. There are no cash and short terms funds in Stage 2 and 3.

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5. Deposits and placements with banks and other financial institutions

	Group and Bank	
	2019	2018
	RM'000	RM'000
Licensed banks	30,057	371,441
Less: allowance for ECL	(10)	(29)
	<u>30,047</u>	<u>371,412</u>

Movements in the allowance for ECL on deposits and placements with banks and other financial institutions are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
At 1 January	29	20
Allowance for ECL (written back)/charged	(19)	9
At 31 December	<u>10</u>	<u>29</u>

The movement relates to Stage 1 ECL for deposits and placements with banks and other financial institutions. There are no deposits and placements with banks and other financial institutions in Stage 2 and 3.

6. Financial assets at fair value through other comprehensive income

	Group and Bank	
	2019	2018
	RM'000	RM'000
Debt instruments		
Malaysian Government Securities	20,421	120,692
Government Investment Issues	472,102	273,394
Malaysia Treasury Bills	-	49,833
Negotiable Instruments of Deposit	561,966	110,631
Corporate bonds	103,417	101,549
	<u>1,157,906</u>	<u>656,099</u>
Equity instruments		
Unquoted shares	11,613	11,231
	<u>1,169,519</u>	<u>667,330</u>

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6. Financial assets at fair value through other comprehensive income (cont'd.)

The following ECL for debt instruments at FVOCI are not recognised in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

	Stage 1 ECL RM '000	Stage 2 ECL RM '000	Stage 3 ECL RM '000	Total RM '000
Group and Bank				
At 1 January 2019	19	-	731	750
New debt instruments originated	152	-	-	152
ECL allowance charged	97	-	-	97
Debt instruments derecognised	(6)	-	(731)	(737)
At 31 December 2019	<u>262</u>	<u>-</u>	<u>-</u>	<u>262</u>

	Stage 1 ECL RM '000	Stage 2 ECL RM '000	Stage 3 ECL RM '000	Total RM '000
Group and Bank				
At 1 January 2018	311	-	731	1,042
New debt instruments originated	7	-	-	7
ECL allowance written back	(18)	-	-	(18)
Debt instruments derecognised	(281)	-	-	(281)
At 31 December 2018	<u>19</u>	<u>-</u>	<u>731</u>	<u>750</u>

7. Financial assets at amortised cost

	Group and Bank	
	2019 RM'000	2018 RM'000
Debt instruments		
Corporate bonds	102,374	102,374
Unquoted securities:		
Corporate bonds	<u>568</u>	<u>584</u>
	102,942	102,958
Less: allowance for ECL	<u>(591)</u>	<u>(571)</u>
	<u>102,351</u>	<u>102,387</u>

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7. Financial assets at amortised cost (cont'd.)

Movements in the allowance for ECL on financial assets at amortised cost are as follows:

	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total RM'000
Group and Bank				
At 1 January 2019	-	-	571	571
ECL allowance charged	23	-	-	23
Debt instruments derecognised	-	-	(3)	(3)
At 31 December 2019	23	-	568	591
Group and Bank				
At 1 January 2018	-	-	580	580
Debt instruments derecognised	-	-	(9)	(9)
At 31 December 2018	-	-	571	571

8. Loans, advances and financing

	Group and Bank	
	2019 RM'000	2018 RM'000
At amortised cost		
Overdrafts	105,419	108,023
Term loans:		
- Housing loans	2,361	2,663
- Syndicated term loan	149,644	206,890
- Other term loans	920,145	970,063
Revolving credits	1,511,777	1,439,076
Bills receivables	103,011	47,081
Trust receipts	128,803	129,701
Bankers' acceptances	477,628	639,898
Staff loans	461	534
	3,399,249	3,543,929
Unearned interest	(2,992)	(5,521)
Gross loans, advances and financing	3,396,257	3,538,408
Less: allowance for ECL		
- Stage 1	(50,974)	(55,571)
- Stage 2	(27,201)	(19,803)
- Stage 3	(112,081)	(65,659)
Net loans, advances and financing	3,206,001	3,397,375

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

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Maturing within one year	2,601,876	2,526,686
One year to three years	213,145	324,325
Three years to five years	250,711	349,868
Over five years	330,525	337,529
	<u>3,396,257</u>	<u>3,538,408</u>

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Purchase of securities	68,001	206,232
Purchase of transport vehicles	118	149
Purchase of residential properties	4,067	3,420
Purchase of non-residential properties	320,945	194,909
Purchase of fixed assets other than land and building	139,928	139,917
Personal use	3,129	2,959
Construction	356,735	361,682
Working capital	2,454,417	2,611,102
Others	48,917	18,038
	<u>3,396,257</u>	<u>3,538,408</u>

(iii) Loans, advances and financing according to economic sectors are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Primary agriculture	334,796	321,694
Mining and quarrying	12,072	15,090
Manufacturing	981,219	1,081,360
Electricity, gas and water supply	6,259	-
Construction	421,765	336,724
Wholesale and retail trade and restaurants and hotels	371,422	508,977
Transport, storage and communication	76,657	82,685
Finance, insurance, real estate and business activities	1,116,992	1,099,862
Education, health and others	-	3,772
Household	75,075	88,244
	<u>3,396,257</u>	<u>3,538,408</u>

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

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Domestic non-bank financial institutions	592,610	480,832
Domestic business enterprises		
- Small medium enterprises	302,759	334,234
- Others	2,425,813	2,635,052
Individuals	75,075	88,290
	<u>3,396,257</u>	<u>3,538,408</u>

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Fixed rate		
- Housing loan	-	131
- Other fixed rate loan/financing	58,434	64,583
Variable rate		
- Base lending rate plus	233,280	258,540
- Cost-plus	2,232,654	2,021,273
- Other variable rates	871,889	1,193,881
	<u>3,396,257</u>	<u>3,538,408</u>

(vi) Loans, advances and financing according to geographical distribution are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Malaysia	3,396,257	3,535,525
Other countries	-	2,883
	<u>3,396,257</u>	<u>3,538,408</u>

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

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Balance as at 1 January	97,550	121,525
Classified as impaired during the year	73,665	11,454
Amount recovered during the year	(20,755)	(14,690)
Amount written off during the year	(1,132)	(20,739)
Balance as at 31 December	149,328	97,550
Allowance for ECL Stage 3	(112,081)	(65,659)
Net impaired loans, advances and financing	37,247	31,891
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less Stage 3 ECL allowance	1.13%	0.92%

Definition of impaired loan is disclosed in Note 2.3(d)(i).

(viii) Movements in the allowance for ECL on loans, advances and financing are as follows:

	Stage 1	Stage 2	Stage 3	Total
	ECL	ECL	ECL	
	RM '000	RM '000	RM '000	RM '000
Group and Bank				
At 1 January 2019	55,571	19,803	65,659	141,033
New loans, advances and financing originated	3,781	-	-	3,781
Loans, advances and financing derecognised (other than write-off)	(5,212)	(1,059)	(1,716)	(7,987)
Transfer to Stage 1	1,165	(1,165)	-	-
Transfer to Stage 2	(4,284)	4,284	-	-
Transfer to Stage 3	(1,591)	(4)	1,595	-
Net measurement due to changes in credit risk	1,544	5,342	47,675	54,561
Amount written off	-	-	(1,132)	(1,132)
At 31 December 2019	50,974	27,201	112,081	190,256

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

- (ix) Movements in the allowance for impairment on loans, advances and financing are as follows:

	Stage 1 ECL RM '000	Stage 2 ECL RM '000	Stage 3 ECL RM '000	Total RM '000
Group and Bank				
At 1 January 2018	39,632	30,698	86,378	156,708
New loans, advances and financing originated	22,739	1,461	-	24,200
Loans, advances and financing derecognised (other than write-off)	(10,021)	(5,447)	(7,303)	(22,771)
Transfer to Stage 1	10,904	(10,904)	-	-
Transfer to Stage 2	(3,232)	3,232	-	-
Transfer to Stage 3	(50)	(602)	652	-
Net measurement due to changes in credit risk	(4,401)	1,365	6,671	3,635
Amount written off	-	-	(20,739)	(20,739)
At 31 December 2018	<u>55,571</u>	<u>19,803</u>	<u>65,659</u>	<u>141,033</u>

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

	Group and Bank	
	2019 RM'000	2018 RM'000
Purchase of transport vehicles	51	43
Purchase of residential properties	1,556	1,743
Purchase of non residential properties	1,138	5,275
Purchased of fixed assets other than land and building	864	-
Working capital	140,463	90,489
Construction	2,190	-
Others	3,066	-
	<u>149,328</u>	<u>97,550</u>

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

(xi) Impaired loans, advances and financing according to economic sectors are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
Manufacturing	124,621	69,990
Construction	1,421	1,326
Wholesale and retail trade and restaurants and hotels	21,679	24,493
Household	1,607	1,741
	<u>149,328</u>	<u>97,550</u>

9. Other assets

	Group and Bank	
	2019	2018
	RM'000	RM'000
Deposits and prepayments	2,742	2,803
Other receivables	3,796	3,477
	<u>6,538</u>	<u>6,280</u>

10. Statutory deposit with Bank Negara Malaysia

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as a set percentage of total eligible liabilities of the Bank.

	Group and Bank	
	2019	2018
	RM'000	RM'000
Statutory deposit with Bank Negara Malaysia	65,500	80,500
Less: allowance for ECL	(21)	(4)
	<u>65,479</u>	<u>80,496</u>

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10. Statutory deposit with Bank Negara Malaysia (cont'd.)

Movements in the allowance for ECL on statutory deposit with Bank Negara Malaysia are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
At 1 January	4	56
Allowance for ECL charged/(written back)	17	(52)
At 31 December	<u>21</u>	<u>4</u>

The movement relates to Stage 1 ECL for statutory deposit with Bank Negara Malaysia. There are no statutory deposit with Bank Negara Malaysia in Stage 2 and 3.

11. Investment in a subsidiary

	Bank	
	2019	2018
	RM'000	RM'000
Unquoted shares, at cost	<u>10</u>	<u>10</u>

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

Name of company	Percentage of equity held		Principal activity
	2019	2018	
	%	%	
BBL Nominees (Tempatan) Sdn Bhd	100	100	Provision of nominee services to local clients of the Bank

The names of the directors of the subsidiary in office since the beginning of the financial year to the date of this report are:

Mr. Choo Joon Keong
Mr. Chiravit Supatanakul
Ms. Kaan Wai May
Mr. Chin Yaw Chung (*Resigned w.e.f. 17 January 2020*)

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12. Property and equipment**Group and Bank**

		Freehold land and buildings*	Motor vehicles	Office equipment, furniture and fittings and computer equipment	Work in progress	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
Cost						
At 1 January 2019		150,881	1,761	17,976	4,048	174,666
Additions		16	-	1,104	1,056	2,176
Write-off		-	-	(2,787)	-	(2,787)
Adjustment ^		355	-	2,059	(3,634)	(1,220)
At 31 December 2019		<u>151,252</u>	<u>1,761</u>	<u>18,352</u>	<u>1,470</u>	<u>172,835</u>
Accumulated depreciation and impairment losses						
At 1 January 2019		26,771	1,393	13,711	-	41,875
Charge for the year	23	3,036	93	1,382	-	4,511
Write-off		-	-	(2,733)	-	(2,733)
At 31 December 2019		<u>29,807</u>	<u>1,486</u>	<u>12,360</u>	<u>-</u>	<u>43,653</u>
Net carrying amount		<u>121,445</u>	<u>275</u>	<u>5,992</u>	<u>1,470</u>	<u>129,182</u>
2018						
Cost						
At 1 January 2018		150,836	1,750	17,527	1,864	171,977
Additions		45	360	449	2,266	3,120
Disposal		-	(349)	-	-	(349)
Reclassified to intangible assets **	13	-	-	-	(82)	(82)
At 31 December 2018		<u>150,881</u>	<u>1,761</u>	<u>17,976</u>	<u>4,048</u>	<u>174,666</u>
Accumulated depreciation						
At 1 January 2018		17,331	1,602	12,351	-	31,284
Charge for the year	23	3,247	108	1,360	-	4,715
Allowance made during the year	23	6,193	-	-	-	6,193
Disposal		-	(317)	-	-	(317)
At 31 December 2018		<u>26,771</u>	<u>1,393</u>	<u>13,711</u>	<u>-</u>	<u>41,875</u>
Net carrying amount		<u>124,110</u>	<u>368</u>	<u>4,265</u>	<u>4,048</u>	<u>132,791</u>

* Included in the above is freehold land costing RM714,000 (2018: RM714,000).

** Reclassified to intangible assets (2019: nil, 2018: RM82,000).

^ Relates to reversal entries for PPE

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13. Intangible assets

		Group and Bank	
		2019	2018
	Note	RM'000	RM'000
Computer software			
Cost			
At 1 January		4,398	4,261
Additions		252	55
Reclassified from property and equipment	12	-	82
At 31 December		<u>4,650</u>	<u>4,398</u>
Accumulated amortisation			
At 1 January		3,704	3,485
Charge for the year	23	240	219
At 31 December		<u>3,944</u>	<u>3,704</u>
Net carrying amount		706	694

14. Deferred tax assets

	Note	Group and Bank	
		2019 RM'000	2018 RM'000
At 1 January		7,492	2,701
Recognised in income statement	24	(693)	4,486
Recognised in equity		(1,649)	305
At 31 December		<u>5,150</u>	<u>7,492</u>
Presented after appropriate offsetting as follows:			
Deferred tax assets		8,416	7,912
Deferred tax liabilities		<u>(3,266)</u>	<u>(420)</u>
		<u>5,150</u>	<u>7,492</u>

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14. Deferred tax assets (cont'd.)

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

Group and Bank**Deferred tax assets**

	Stage 1 and 2 ECL allowance RM'000	Lease liabilities RM'000	Provision for other liabilities RM'000	Deferred Income RM'000	Others RM'000	Total RM'000
At 1 January 2018	-	-	1,865	1,140	516	3,521
Recognised in income statement	4,333	-	(3)	264	(203)	4,391
At 31 December 2018	4,333	-	1,862	1,404	313	7,912
At 1 January 2019	4,333	-	1,862	1,404	313	7,912
Recognised in income statement	1,114	(97)	75	(275)	(313)	504
At 31 December 2019	5,447	(97)	1,937	1,129	-	8,416

Deferred tax liabilities

	FVOCI reserve RM'000	Right-of-use assets RM'000	Property and equipment RM'000	Total RM'000
At 1 January 2018	531	-	289	820
Recognised in income statement	-	-	(95)	(95)
Recognised in equity	(305)	-	-	(305)
At 31 December 2018	226	-	194	420
At 1 January 2019	226	-	194	420
Recognised in income statement	-	(147)	1,344	1,197
Recognised in equity	1,649	-	-	1,649
At 31 December 2019	1,875	(147)	1,538	3,266

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15. Deposits from customers

(i) By type of deposit

	Group and Bank	
	2019	2018
	RM'000	RM'000
Fixed deposits	2,269,367	2,463,245
Current accounts	313,976	175,543
Savings deposits	8,874	8,164
Short term deposits	390,481	49,038
	<u>2,982,698</u>	<u>2,695,990</u>

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Due within six months	2,281,116	1,889,287
Six months to one year	369,270	617,880
One year to three years	8,942	4,285
Over three years	520	831
	<u>2,659,848</u>	<u>2,512,283</u>

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

	Group and Bank	
	2019	2018
	RM'000	RM'000
Business enterprises	2,433,973	2,134,708
Individuals	548,725	561,282
	<u>2,982,698</u>	<u>2,695,990</u>

(iv) All the deposits from customers are unsecured.

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16. Deposits and placements from banks and other financial institutions

	Group and Bank	
	2019	2018
	RM'000	RM'000
Licensed banks	391,256	578,405
Other financial institutions	548,725	913,027
	<u>939,981</u>	<u>1,491,432</u>

Included in deposits and placements are deposits and placements from the holding company and its branches amounting to RM287,785,000 (2018: RM352,695,000) as disclosed in Note 27.

17. Other liabilities

	Group	
	2019	2018
	RM'000	RM'000
Accruals	8,901	11,166
Allowance for ECL on loans, advances and financing commitments and financial guarantees	17,089	14,524
Lease liability (Note 2.5)	7,655	-
Other payables	11,123	10,547
	<u>44,768</u>	<u>36,237</u>

	Bank	
	2019	2018
	RM'000	RM'000
Accruals	8,899	11,162
Allowance for ECL on loans, advances and financing commitments and financial guarantees	17,089	14,524
Lease liability (Note 2.5)	7,655	-
Other payables	11,123	10,547
	<u>44,766</u>	<u>36,233</u>

Included in Other payables are deferred income of RM 4.7 million (2018: RM 5.4 million)

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17. Other liabilities (cont'd.)

Movements in the allowance for ECL on loans, advances and financing commitments and financial guarantees are as follows:

	Stage 1 ECL RM '000	Stage 2 ECL RM '000	Stage 3 ECL RM '000	Total RM '000
Group and Bank				
At 1 January 2019	9,928	4,596	-	14,524
New loans, advances and financing commitments, and financial guarantees originated	1,180	-	-	1,180
Loans, advances and financing commitments, and financial guarantees derecognised	(539)	(52)	(6)	(597)
Transfer to Stage 1	1,414	(1,414)	-	-
Transfer to Stage 2	(7,743)	7,743	-	-
Transfer to Stage 3	-	-	-	-
Net measurement due to changes in credit risk	2,144	(168)	6	1,982
At 31 December 2019	6,384	10,705	-	17,089

	Stage 1 ECL RM '000	Stage 2 ECL RM '000	Stage 3 ECL RM '000	Total RM '000
Group and Bank				
At 1 January 2018	11,534	6,577	-	18,111
New loans, advances and financing commitments, and financial guarantees originated	1,970	-	-	1,970
Loans, advances and financing commitments, and financial guarantees derecognised	(494)	(687)	-	(1,181)
Transfer to Stage 1	4,230	(4,230)	-	-
Transfer to Stage 2	(810)	810	-	-
Transfer to Stage 3	-	-	-	-
Net measurement due to changes in credit risk	(6,502)	2,126	-	(4,376)
At 31 December 2018	9,928	4,596	-	14,524

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18. Share capital

	Group and Bank			
	Number of ordinary shares of RM1 each		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid-up:				
At 1 January/31 December	1,000,000	1,000,000	1,000,000	1,000,000

The holder of ordinary shares is entitled to receive dividends as and when declared by the Bank, after obtaining the regulatory approval from Bank Negara Malaysia prior to the declaration of dividends.

All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Bank's residual assets.

19. Interest income

	Group and Bank	
	2019 RM'000	2018 RM'000
Loans, advances and financing		
- Interest income other than recoveries from impaired loans	162,857	161,536
- Recoveries from impaired loans	415	106
- Interest income on impaired loans	2,363	2,316
Deposits and placements with banks and other financial institutions	23,154	33,639
Financial assets at FVTPL	-	64
Financial assets at FVOCI	36,289	24,267
Financial assets at amortised costs	4,980	2,374
	<u>230,058</u>	<u>224,302</u>
(Amortisation of premium)/Accretion of discounts, net		
- Financial assets at FVTPL	-	(1)
- Financial assets at FVOCI	(324)	1,053
	<u>229,734</u>	<u>225,354</u>

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20. Interest expense

	Group and Bank	
	2019	2018
	RM'000	RM'000
Deposits from customers	116,895	120,960
Deposits and placements from banks and other financial institutions	16,849	14,903
Lease liability expense (Note 2.5)	303	-
	<u>134,047</u>	<u>135,863</u>

21. Allowance for expected credit losses made/(written back), net

	Group and Bank			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Cash and short term funds	126	-	-	126
- Financial assets at FVOCI	249	-	-	249
- Financial assets at amortised costs	23	-	-	23
- Loans, advances and financing	14,872	8,727	58,812	82,411
- Statutory deposit with Bank Negara Malaysia	17	-	-	17
- Commitment and contingencies	2,830	7,912	-	10,742
	<u>18,117</u>	<u>16,639</u>	<u>58,812</u>	<u>93,568</u>
Allowance for ECL written back				
- Deposits and placements with banks and other financial institutions	(19)	-	-	(19)
- Financial assets at FVOCI	(6)	-	-	(6)
- Financial assets at amortised costs	-	-	(3)	(3)
- Loans, advances and financing	(19,469)	(1,329)	(11,258)	(32,056)
- Commitment and contingencies	(6,374)	(1,803)	-	(8,177)
	<u>(25,868)</u>	<u>(3,132)</u>	<u>(11,261)</u>	<u>(40,261)</u>
Impaired loans, advances and financing recovered	-	-	(2,121)	(2,121)
Total	<u>(7,751)</u>	<u>13,507</u>	<u>45,430</u>	<u>51,186</u>

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21. Allowance for expected credit losses made/(written back), net

	Group and Bank			
	2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Deposits and placements with banks and other financial institutions	9	-	-	9
- Financial assets at FVOCI	7	-	-	7
- Loans, advances and financing	15,939	-	7,323	23,262
- Commitment and contingencies	1,174	1,875	-	3,049
	<u>17,129</u>	<u>1,875</u>	<u>7,323</u>	<u>26,327</u>
Allowance for ECL written back				
- Cash and short term funds	(223)	-	-	(223)
- Financial assets at FVOCI	(299)	-	-	(299)
- Financial assets at amortised costs	-	-	(8)	(8)
- Loans, advances and financing	-	(10,895)	(7,303)	(18,198)
- Statutory deposit with Bank Negara Malaysia	(52)	-	-	(52)
- Commitment and contingencies	(2,780)	(3,856)	-	(6,636)
	<u>(3,354)</u>	<u>(14,751)</u>	<u>(7,311)</u>	<u>(25,416)</u>
Impaired loans, advances and financing recovered	-	-	(3)	(3)
Total	<u>13,775</u>	<u>(12,876)</u>	<u>9</u>	<u>908</u>

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22. Non-interest income

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	3,308	4,223	3,295	4,204
Service charges and fees	2,315	4,096	2,315	4,096
Guarantee fees	2,662	2,975	2,662	2,975
	<u>8,285</u>	<u>11,294</u>	<u>8,272</u>	<u>11,275</u>
Investment income:				
Net gain on disposal of				
- Financial assets measured at FVTPL	-	16	-	16
- Financial assets measured at FVOCI	22	-	22	-
Dividend from financial assets measured at FVOCI	582	102	582	102
	<u>604</u>	<u>118</u>	<u>604</u>	<u>118</u>
Other income:				
Foreign exchange gain	3,918	6,993	3,918	6,993
Unrealised gain/(loss) on foreign exchange forwards	489	(875)	489	(875)
Rental income	563	362	563	362
Gain on disposal of property and equipment	-	80	-	80
Others	19	11	19	11
	<u>4,989</u>	<u>6,571</u>	<u>4,989</u>	<u>6,571</u>
Total	<u>13,878</u>	<u>17,983</u>	<u>13,865</u>	<u>17,964</u>

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23. Overhead expenses

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs					
Salaries, allowances and bonuses *		29,275	30,642	29,275	30,642
Employees Provident Fund		4,477	4,699	4,477	4,699
Others		1,636	2,694	1,636	2,694
		<u>35,388</u>	<u>38,035</u>	<u>35,388</u>	<u>38,035</u>
Establishment costs					
Depreciation	12	4,511	4,715	4,511	4,715
Impairment of property and equipment		-	6,193	-	6,193
Amortisation of intangible assets	13	240	219	240	219
Amortisation of right-of-use assets	2.5	1,181	-	1,181	-
Repair and maintenance		2,634	2,835	2,634	2,835
Rental of premises		-	906	-	906
Information technology expenses		1,279	1,352	1,279	1,352
Others		2,306	2,509	2,306	2,509
		<u>12,151</u>	<u>18,729</u>	<u>12,151</u>	<u>18,729</u>
Marketing costs					
Advertising and publicity		255	456	255	456
Others		88	103	88	103
		<u>343</u>	<u>559</u>	<u>343</u>	<u>559</u>
Administration and general costs					
Communication expenses		1,094	1,186	1,094	1,186
Subscriptions		2,954	2,754	2,954	2,754
Professional fees		1,093	581	1,093	581
Auditors' remunerations		516	773	513	769
Directors' fees and remuneration		1,125	1,140	1,125	1,140
Insurance		435	419	435	419
Travelling		393	420	393	420
Property and equipments written off		54	-	54	-
Others		1,089	1,538	1,089	1,538
		<u>8,753</u>	<u>8,811</u>	<u>8,750</u>	<u>8,807</u>
Total		<u>56,635</u>	<u>66,134</u>	<u>56,632</u>	<u>66,130</u>

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23. Overhead expenses (cont'd.)

The above expenses include the following statutory disclosures:

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' fee and remuneration	28	1,125	1,140	1,125	1,140
Hire of equipment		152	237	152	237
Auditors' remunerations					
- Statutory audit		212	208	210	205
- Other regulated related services		282	545	282	545
- Other services		21	20	21	19

* The salaries, allowances and bonuses include overtime and benefits-in-kind.

24. Taxation

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:					
Current year		4,018	18,312	4,016	18,309
(Over) provision in prior years		(1,522)	(398)	(1,522)	(398)
		<u>2,496</u>	<u>17,914</u>	<u>2,494</u>	<u>17,911</u>
Deferred tax:					
Relating to origination and reversal of temporary differences	14	693	(4,486)	693	(4,486)
Tax expense		<u>3,189</u>	<u>13,428</u>	<u>3,187</u>	<u>13,425</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

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

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24. Taxation (cont'd.)

	Group		Bank	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	1,744	40,432	1,734	40,417
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	418	9,703	416	9,700
Effect of expenses not deductible for tax purposes	4,433	4,166	4,433	4,166
Income not subject to tax	(140)	(43)	(140)	(43)
(Over)/under provision of income tax in prior year	(1,522)	(398)	(1,522)	(398)
Tax expense for the year	3,189	13,428	3,187	13,425

25. Earnings per share

Basic earnings per share of the Group is calculated by dividing the profit for the financial year attributable to shareholder for the financial year by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2019	2018
Profit for the year ("RM'000")	(1,445)	27,004
Weighted average number of ordinary shares in issue ("000")	1,000,000	1,000,000
Basic earnings per share (sen)	(0.14)	2.70

There is no dilutive potential in the ordinary shares as at 31 December 2019 and 31 December 2018.

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. The policies of market risk management in respect of foreign exchange risk are disclosed in Note 32(b).

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26. Commitments and contingencies (cont'd.)

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

Group and Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
31 December 2019				
Direct credit substitutes	36,084	-	36,084	36,084
Transaction-related contingent items	340,525	-	170,263	159,060
Short-term self-liquidating trade-related contingencies	42,978	-	8,595	8,259
Forward foreign exchange contracts				
- less than one year	262,749	2,100	4,294	3,755
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	257,484	-	128,742	128,742
- maturity less than one year	1,922,715	-	384,543	384,152
Any commitment that are unconditionally cancelled at any time without prior notice	4,116	-	-	-
Total	2,866,651	2,100	732,521	720,052
31 December 2018				
Direct credit substitutes	36,842	-	36,470	35,931
Transaction-related contingent items	342,790	-	163,934	158,908
Short-term self-liquidating trade-related contingencies	71,244	-	13,939	13,870
Forward foreign exchange contracts				
- less than one year	276,984	1,225	4,136	3,209
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	167,820	-	83,048	83,048
- maturity less than one year	1,825,555	-	359,591	359,591
Any commitment that are unconditionally cancelled at any time without prior notice	20,823	-	-	-
Total	2,742,058	1,225	661,118	654,557

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).

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27. Significant related party transactions and balances

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant related party transactions and balances of the Group and of the Bank:

(i) Related party transactions

	Group and Bank	
	2019	2018
	RM'000	RM'000
Income		
Interest on advances to holding company and its branches	51	36
Expenditure		
Interest on advances from holding company and its branches	12,033	5,926
Administrative expenses to holding company	489	643

(ii) Related party balances

Amount due to		
Deposits and placements from holding company and its branches	287,785	352,695
Amount due from		
Cash and short-term funds placed with holding company and its branches	9,012	6,809

(iii) Key management personnel

Key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel include all directors of the Bank, the Chief Executive Officer ("CEO") and Deputy CEO. The remuneration of KMP during the year are as follows:

	Group and Bank	
	2019	2018
	RM'000	RM'000
CEO and Deputy CEO:		
Salary and emoluments*	2,153	2,326
Defined contribution plan	182	167
Benefits-in-kind	139	150
	2,474	2,643
Directors' remuneration including benefits-in-kind (Note 28)	1,125	1,143
	3,599	3,786

* Includes estimate for bonus

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28. Directors' fees and remuneration

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows:

Group and Bank

	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments* RM'000	Benefits-in- kind RM'000	Total remuneration RM'000
2019						
Executive Directors:						
Ms. Rushda Theeratharathorn	-	96	-	10	-	106
Mr. Chaiyarit Anuchitworawong	-	96	-	10	-	106
	-	192	-	20	-	212
Independent Directors:						
Y.A.M. Tunku Ali Redhaudhin Ibni Tuanku Muhriz	-	127	-	13	-	140
Mr. Lee Khee Joo @ Lee Ying Chong	-	120	-	35	-	155
Mr. Tham Kwok Meng	-	120	-	35	-	155
Mr. Banlue Chantadisai	-	144	-	22	-	166
Mr. Bordin Unakul	-	120	-	33	-	153
Non-independent Directors:						
Mr. Chris Chia Woon Liat	-	120	-	24	-	144
	-	751	-	162	-	913
Total directors' remuneration	-	943	-	182	-	1,125

* Includes allowances and EPF

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28. Directors' fees and remuneration (cont'd.)

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows (cont'd.):

Group and Bank

	Salary	Fees	Bonus	Other emoluments*	Benefits-in-kind	Total remuneration
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors:						
Ms. Rushda Theeratharathorn	-	96	-	21	-	117
Mr. Chaiyarit Anuchitworawong	-	96	-	12	-	108
	-	192	-	33	-	225 #
Independent Directors:						
Mr. Pithi Sithi-Amnuai	-	48	-	6	-	54
Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz	-	125	-	14	-	139
Mr. Lee Khee Joo @ Lee Ying Chong	-	120	-	36	-	156
Mr. Tham Kwok Meng	-	120	-	36	-	156
Mr. Banlue Chantadisai	-	138	-	27	-	165
Mr. Bordin Unakul	-	80	-	22	-	102
Non-independent Directors:						
Mr. Chris Chia Woon Liat	-	120	-	26	-	146
	-	751	-	167	-	918 #
Total directors' remuneration	-	943	-	200	-	1,143 #

* Includes allowances and EPF

Inclusive of GST

The amount of directors fees (excluding GST) is RM 1,140,000 (2017: RM900,000)

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29. Capital management

The objective of the Group's and the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory requirements and market expectations.

The Group's and the Bank's capital management process involves a careful analysis of the capital requirement to support business growth, including potential crisis scenarios, and the source of capital, both from financial performance as well as external funding sources, if necessary. The Group and the Bank regularly assess their capital adequacy under various scenarios on a forward looking perspective for the purpose of capital planning and management to ensure that the capital is at the level suitable for the prevailing business conditions.

The Bank's capital requirements and capital adequacy ratios are disclosed in Note 30.

30. Capital adequacy

- (a) The capital adequacy ratios of the Bank are computed in accordance with BNM's revised Capital Adequacy Frameworks on Capital Components and Basel II - Risk-weighted Assets issued on 2 February 2018. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for Common Equity Tier 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio are 4.5%, 6.0% and 8.0% respectively.

The total risk-weighted assets of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk;
- (iii) Basic Indicator Approach for Operational Risk.

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. (Note 11), 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.

- (b) Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions.

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30. Capital adequacy (cont'd.)

(c) The capital adequacy ratios of the Bank as at the reporting date, are as follows:

	2019	2018
CET 1 Capital Ratio	26.66%	26.75%
Tier 1 Capital Ratio	26.66%	26.75%
Total Capital Ratio	<u>27.86%</u>	<u>27.95%</u>

(d) The components of Common Equity Tier 1 and Tier 2 capital of the Bank are as follows:

	2019	2018
	RM'000	RM'000
CET 1 Capital		
Paid-up share capital	1,000,000	1,000,000
Unrealised gain on financial assets at FVOCI	16,939	11,074
Retained profits	243,701	245,154
Less: Regulatory adjustments, applied on CET1 Capital:		
- Other intangibles	(706)	(694)
- Deferred tax assets	(5,150)	(7,492)
- 55% of unrealised gain on financial assets at FVOCI	<u>(9,316)</u>	<u>(6,091)</u>
Total CET 1 Capital	<u>1,245,468</u>	<u>1,241,951</u>
Tier 2 Capital		
Stage 1 and Stage 2 ECL*	<u>55,936</u>	<u>55,769</u>
Total Tier 2 Capital	<u>55,936</u>	<u>55,769</u>
Total capital		
CET 1 Capital	1,245,468	1,241,951
Tier 2 Capital	55,936	55,769
Less: Investment in subsidiary	<u>(10)</u>	<u>(10)</u>
Total Capital	<u>1,301,394</u>	<u>1,297,710</u>

*General provisions are subject to a maximum of 1.25% of the total credit RWA determined under the Standardised Approach for credit risk.

Terms and conditions of the main features of all capital instruments are disclosed in the respective notes. The Bank does not have any innovative, non-innovative, complex or hybrid capital instruments.

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30. Capital adequacy (cont'd.)

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

	Principal 2019 RM'000	Risk- weighted assets 2019 RM'000	Principal 2018 RM'000	Risk- Weighted assets 2018 RM'000
0%	810,823	-	751,201	-
20%	438,025	87,605	1,133,507	226,701
35%	822	287	1,160	406
50%	659,926	329,963	99,055	49,528
75%	2,733	2,050	-	-
100%	4,051,956	4,051,956	4,184,872	4,184,872
150%	2,010	3,015	-	-
Total risk-weighted assets for credit risk		4,474,876		4,461,507
Total risk-weighted assets for market risk		8,207		7,378
Total risk-weighted assets for operational risk		187,891		173,914
Total risk-weighted assets		<u>4,670,974</u>		<u>4,642,799</u>

31. Financial risk management objectives, policies, and processes

Risk management is one of the critical success factors in banking and is an essential element of the Group's and the Bank's overall business strategy.

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

Heightened US-China trade tensions and economic impact from COVID-19 outbreaks skewed overall economy to the downside. The Group and the Bank have continuously tracked and updated macro economic parameters for different cases of stress scenarios. Additional accounts to be emplaced under the vulnerable accounts that will be severely affected by the prolonged COVID-19 outbreak have been identified. Overall, based on risk assessments, capital planning and stress testing conducted, the Total Capital Ratio ("TCR") is above the BNM's regulatory requirement of 10.5% and minimum TCR under stress test. There will be no material change in the capital structure and the Group and the Bank remain focused in pursue of prudent credit risk management while upholding sound risk management practices.

31. Financial risk management objectives, policies, and processes (cont'd.)

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

(a) Credit risk management

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

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

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

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

It is not the policies of the Group and the Bank to use credit derivatives as part of their credit risk management.

(i) Credit quality of gross loans, advances and financing

Gross loans, advances and financing are analysed as follows:

	2019	2018
Group and Bank	RM'000	RM'000
Neither past due nor impaired	3,223,116	3,414,802
- Pass		
- Special Mention		
Past due but not impaired	23,813	26,056
Impaired	149,328	97,550
	<u>3,396,257</u>	<u>3,538,408</u>

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31. Financial risk management objectives, policies, and processes (cont'd.)

(a) Credit risk management (cont'd.)

(i) Credit quality of gross loans, advances and financing (cont'd.)

Neither past due nor impaired

Gross loans, advances and financing which are neither past due nor impaired are classified as "PASS" internally. Facilities with "PASS" classification refers to loans, advances and financing which have no past due or no overdue in the principle or interest for a period of less than one (1) month.

Past due but not impaired

Past due but not impaired refers to loans where the customer has failed to make a principal or interest payment when contractually due, and includes loans, advances and financing which are due more than one month but less than (3) months.

(ii) Ageing analysis of past due but not impaired assets

	Months in arrears		Total RM'000
	1 to 2 months RM'000	2 to 3 months RM'000	
Group and Bank 2019			
Corporate loans/financing	23,813	-	23,813
2018			
Corporate loans/financing	26,056	-	26,056

Impaired

The definition of impaired loans, advances and financing is described in Note 3(d)(i).

(iii) Collateral

Effects of holding collateral

The credit risk of financial assets of the Group and the Bank is mitigated by the collaterals held against the financial assets.

All impaired loan, advances and financing are subject to individual assessment impairment review as at the current and previous financial year end. The collateral mitigates credit risk and would reduce the extent of impairment allowance for the assets subject to impairment review.

31. Financial risk management objectives, policies, and processes (cont'd.)

(a) Credit risk management (cont'd.)

(iii) Collateral (cont'd.)

Effects of holding collateral (cont'd.)

For loan, advances and financing, Stage 3 ECL allowance as at the reporting date would have been higher by approximately RM39,287,000 (2018: RM32,464,000) for the Group and the Bank without the collaterals.

Repossessed collateral

For the financial years ended 31 December 2019 and 2018, there are no repossessed collaterals.

(iv) Credit risk exposure and concentration

The Bank's concentration of risk is managed by industry sector, risk grade asset quality and large customer limit. The Bank monitors the large exposures to single counterparty risk as per BNM GP5 - Guidelines on Credit Limit to a Single Customer.

The following tables shows the exposures to credit risk from financial instruments including derivatives by industry.

32. Financial risk management objectives and policies (cont'd.)

(a) Credit risk management (cont'd.)

(v) Industry analysis

As at 31 December 2019	Government and central bank RM'000	Primary Agriculture RM'000	Manufacturing RM'000	Electricity, gas and water supply RM'000	Construction RM'000	Wholesale & Retails RM'000	Finance, Insurance, Real Estate & Business Services RM'000	Transport, Storage & Telecomm RM'000	Others RM'000	Total RM'000
Group										
Cash and short-term funds	247,177	-	-	-	-	-	239,316	-	-	486,493
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	30,047	-	-	30,047
Financial assets at fair value through other comprehensive income	492,523	-	-	-	-	-	676,996	-	-	1,169,519
Financial assests at amortised costs	-	-	-	-	-	-	102,351	-	-	102,351
Loans, advances and financing less Expected Credit Loss	-	334,796	981,219	6,259	421,765	371,422	1,116,992	76,657	87,147	3,396,257 (190,256)
Derivative assets	-	21	1,330	-	-	653	96	-	-	2,100
Statutory Deposit with Bank Negara Malaysia	65,479	-	-	-	-	-	-	-	-	65,479
Commitments										
Commitments and Contingencies	22	279,253	997,958	43,787	606,681	571,873	354,207	10,307	2,563	2,866,651
Bank										
Cash and short-term funds	247,177	-	-	-	-	-	239,189	-	-	486,366
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	30,047	-	-	30,047
Financial assets at fair value through other comprehensive income	492,523	-	-	-	-	-	676,996	-	-	1,169,519
Financial assests at amortised costs	-	-	-	-	-	-	102,351	-	-	102,351
Loans, advances and financing less Expected Credit Loss	-	334,796	981,219	6,259	421,765	371,422	1,116,992	76,657	87,147	3,396,257 (190,256)
Derivative assets	-	21	1,330	-	-	653	96	-	-	2,100
Statutory Deposit with Bank Negara Malaysia	65,479	-	-	-	-	-	-	-	-	65,479
Commitments										
Commitments and Contingencies	22	279,253	997,958	43,787	606,681	571,873	354,207	10,307	2,563	2,866,651

32. Financial risk management objectives and policies (cont'd.)

(a) Credit risk management (cont'd.)

(v) Industry analysis

As at 31 December 2018	Government and central bank RM'000	Primary Agriculture RM'000	Manufacturing RM'000	Electricity, gas and water supply RM'000	Construction RM'000	Wholesale & Retails RM'000	Finance, Insurance, Real Estate & Business Services RM'000	Transport, Storage & Telecomm RM'000	Others RM'000	Total RM'000
Group										
Cash and short-term funds	223,971	-	-	-	-	-	475,399	-	-	699,370
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	371,412	-	-	371,412
Financial assets at fair value through other comprehensive income	443,919	-	-	-	-	-	223,411	-	-	667,330
Financial assests at amortised costs	-	-	-	-	-	-	102,387	-	-	102,387
Loans, advances and financing	-	321,694	1,035,671	-	335,398	491,804	1,099,864	82,685	105,633	3,472,749
less Stage 1 and 2 Expected Credit Loss	-	-	-	-	-	-	-	-	-	(55,571)
Derivative assets	-	-	276	-	-	759	190	-	-	1,225
Statutory Deposit with Bank Negara Malaysia	80,496	-	-	-	-	-	-	-	-	80,496
Commitments										
Commitments and Contingencies	-	216,518	953,567	-	613,757	534,442	412,674	8,958	2,142	2,742,058
Bank										
Cash and short-term funds	223,971	-	-	-	-	-	475,281	-	-	699,252
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	371,412	-	-	371,412
Financial assets at fair value through other comprehensive income	443,919	-	-	-	-	-	223,411	-	-	667,330
Financial assests at amortised costs	-	-	-	-	-	-	102,387	-	-	102,387
Loans, advances and financing	-	321,694	1,035,671	-	335,398	491,804	1,099,864	82,685	105,633	3,472,749
less Stage 1 and 2 Expected Credit Loss	-	-	-	-	-	-	-	-	-	(55,571)
Derivative assets	-	-	276	-	-	759	190	-	-	1,225
Statutory Deposit with Bank Negara Malaysia	80,496	-	-	-	-	-	-	-	-	80,496
Commitments										
Commitments and Contingencies	-	216,518	953,567	-	613,757	534,442	412,674	8,958	2,142	2,742,058

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32. Financial risk management objectives, policies, and processes (cont'd.)

(b) Market risk management

Market risk is the risk of loss arising from movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk. Another risk area would be liquidity risk which arise from the Bank's failure to meet financial obligations when they fall due.

In order to manage risk in investment holding, the Group and the Bank mark-to-market their investment positions and make comparisons against predetermined market risk limits. The market risk limits are set taking into consideration the risk appetite of the Group and of the Bank, which have traditionally been prudent.

(i) Foreign exchange risk management

Foreign currency exchange risk arises from exchange rate movements, which may affect the profit of the Group and of the Bank from their foreign exchange open positions taken from time to time. This risk is principally managed by setting predetermined limits on open foreign exchange positions and the setting and monitoring of cut-loss mechanisms. The Group and the Bank enter into foreign exchange related derivatives, namely spot and forward contracts, as part of its strategies to manage foreign currency risk.

The following table shows the sensitivity of the Group's and Bank's profit before taxation to a possible change in exchange rates with all other variables remaining constant.

	2019			2018		
	Currency	Exchange Rate		Currency	Exchange Rate	
	Exposures	+10%	-10%	Exposures	+10%	-10%
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Currency						
Group and Bank						
USD	383	38	(38)	1,107	111	(111)
GBP	524	52	(52)	1,546	155	(155)
SGD	954	95	(95)	900	90	(90)
Others	2,778	278	(278)	1,537	154	(154)

(ii) Interest rate risk management

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

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32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial positions and cash flows. The following table indicates the effective interest rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

The following table shows the impact on Net Interest Income ("NII") or Earning at Risk (EAR) and Economic Value of Equity ("EVE") based on a 100 basis points (bps) parallel shift in interest rates at the beginning of the year from 1 January for a period of 12 months as follows:

	2019	2018
	RM'million	RM'million
<u>Movement in basis points</u>	<u>+/- 100 bps</u>	<u>+/- 100 bps</u>
Effect on Net Interest Income	+/- 12.5	+/- 14.2
Effect on Economic Value of Equity	+/- 8.1	+/- 6.3

As at the reporting date, if interest rate increase/decrease by 100 bps with all the other variables held constant, the Group's and the Bank's Net Interest Income ("NII") or Earning at Risk (EAR) and Economic Value of Equity ("EVE") would have been increase/decrease by RM12.5 million and RM8.1 million (2018: RM14.2 million and RM6.3 million) respectively. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observed market environment.

Note:

A +ve sign followed by a -ve sign indicate gains if interest rate were to hike and loss if interest rate were to dip. A reversal order of such sign will indicate a loss if interest rate were to hike and gain if interest rate were to dip.

NII will impact the Profit and Loss Account whereas EVE will impact the reserves on Balance Sheet.

(c) Liquidity risk management

Liquidity risk management is the risk of financial loss arising from the inability to fund increase in assets and/or meet obligations as they fall due. Financial obligations arise from withdrawal of deposits, funding of loans committed and repayment of borrowed funds.

To manage liquidity risk, the Group and Bank adopt the new Liquidity Coverage Ratio ("LCR") as one of the liquidity measurement methods. In addition to ensuring compliance to LCR, the Group and Bank maintain a liquidity compliance buffer to meet any unexpected cash outflows. The LCR is further supplemented with the Group's and Bank's internal liquidity risk management policies and procedures. These policies ensure that the liquidity surpluses are within the limits. The liquidity risk management activities are carried out through a combination of management of cash flow report, maintenance of high quality short term and long-term marketable securities that can be readily be converted into cash, diversification of the funding base and proactive management of the Group's and of the Bank's customer's deposits.

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32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

Group	Non-trading book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000					
As at 31 December 2019									
Assets									
Cash and short-term funds	481,910	-	-	-	4,583	-	486,493	3.06	
Deposits and placements with banks and other financial institutions	-	30,047	-	-	-	-	30,047	3.29	
Financial assets at fair value through other comprehensive income	80,498	331,002	322,908	423,498	11,613	-	1,169,519	3.54	
Financial assets at amortised costs	-	-	-	102,351	-	-	102,351	4.98	
Loans, advances and financing									
- non-impaired *	3,056,673	-	-	-	-	-	3,056,673	5.15	
- impaired **	149,086	-	-	242	-	-	149,328		
Other non-interest sensitive balances	-	-	-	-	232,609	2,100	234,709		
Total assets	3,768,167	361,049	322,908	526,091	248,805	2,100	5,229,120		

* This is arrived at after deducting the Stage 1 and Stage 2 ECL from gross loans outstanding.

** This is arrived at after deducting the Stage 3 ECL from impaired gross loans outstanding.

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32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

Group	Non-trading book					Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Non-interest sensitive RM'000			
As at 31 December 2019								
Liabilities								
Deposits from customers	1,221,242	690,621	1,061,373	9,462	-	-	2,982,698	3.57
Deposits and placements of banks and other financial institutions	326,907	365,783	247,291	-	-	-	939,981	2.05
Other non-interest sensitive balances	-	-	-	-	44,768	1,398	46,166	
Total liabilities	1,548,149	1,056,404	1,308,664	9,462	44,768	1,398	3,968,845	
Shareholder's equity	-	-	-	-	1,260,758	-	1,260,758	
Total liabilities and shareholder's equity	1,548,149	1,056,404	1,308,664	9,462	1,305,526	1,398	5,229,603	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap								
	2,220,018	(695,355)	(985,756)	516,629	(1,056,721)	702	(483)	

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32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

Group	Non-trading book				Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000				
As at 31 December 2018								
Assets								
Cash and short-term funds	663,238	-	-	-	36,132	-	699,370	3.45
Deposits and placements with banks and other financial institutions	-	371,412	-	-	-	-	371,412	3.67
Financial assets at fair value through other comprehensive income	110,635	49,833	151,360	344,291	11,211	-	667,330	3.85
Financial assets at amortised costs	-	-	-	102,374	13	-	102,387	4.98
Loans, advances and financing - non-impaired *	3,365,484	-	-	-	-	-	3,365,484	5.21
- impaired **	4,462	-	27,398	31	-	-	31,891	
Other non-interest sensitive balances	-	-	-	-	241,909	1,225	243,134	
Total assets	4,143,819	421,245	178,758	446,696	289,265	1,225	5,481,008	

* This is arrived at after deducting the Stage 1 and Stage 2 ECL from gross loans outstanding.

** This is arrived at after deducting the Stage 3 ECL from impaired gross loans outstanding.

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32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

Group	Non-trading book					Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000					
As at 31 December 2018									
Liabilities									
Deposits from customers	698,451	856,817	1,135,606	5,116	-	-	2,695,990	3.65	
Deposits and placements of banks and other financial institutions	732,518	372,273	302,722	82,758	1,161	-	1,491,432	2.05	
Other non-interest sensitive balances	-	-	-	-	36,237	1,011	37,248		
Total liabilities	1,430,969	1,229,090	1,438,328	87,874	37,398	1,011	4,224,670		
Shareholder's equity	-	-	-	-	1,256,338	-	1,256,338		
Total liabilities and shareholder's equity	1,430,969	1,229,090	1,438,328	87,874	1,293,736	1,011	5,481,008		
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	2,712,850	(807,845)	(1,259,570)	358,822	(1,004,471)	214	-		

32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

	Non-trading book							
Bank	Up to 1 month	> 1-3 months	> 3-12 months	1-5 years	Non-interest sensitive	Trading book	Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
As at 31 December 2019								
Assets								
Cash and short-term funds	481,910	-	-	-	4,456	-	486,366	3.06
Deposits and placements with banks and other financial institutions	-	30,047	-	-	-	-	30,047	3.29
Financial assets at fair value through other comprehensive income	80,498	331,002	322,908	423,498	11,613	-	1,169,519	3.54
Financial assets at amortised costs	-	-	-	102,351	-	-	102,351	4.98
Loans, advances and financing								
- non-impaired *	3,056,673	-	-	-	-	-	3,056,673	5.15
- impaired **	149,086	-	-	242	-	-	149,328	
Other non-interest sensitive balances	-	-	-	-	232,616	2,100	234,716	-
Total assets	3,768,167	361,049	322,908	526,091	248,685	2,100	5,229,000	

* This is arrived at after deducting the Stage 1 and Stage 2 ECL from gross loans outstanding.

** This is arrived at after deducting the Stage 3 ECL from impaired gross loans outstanding.

32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

Bank	Non-trading book					Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Non- interest sensitive RM'000			
As at 31 December 2019								
Liabilities								
Deposits from customers	1,221,242	690,621	1,061,373	9,462	-	-	2,982,698	3.57
Deposits and placements with banks and other financial institutions	326,907	365,783	247,291	-	-	-	939,981	2.69
Other non-interest sensitive balances	-	-	-	-	44,766	1,398	46,164	
Total liabilities	1,548,149	1,056,404	1,308,664	9,462	44,766	1,398	3,968,843	
Shareholder's equity	-	-	-	-	1,260,640	-	1,260,640	
Total liabilities and shareholder's equity	1,548,149	1,056,404	1,308,664	9,462	1,305,406	1,398	5,229,483	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap								
	2,220,018	(695,355)	(985,756)	516,629	(1,056,721)	702	(483)	

32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

Bank	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000					
As at 31 December 2018									
Assets									
Cash and short-term funds	663,238	-	-	-	36,014	-	699,252	3.45	
Deposits and placements with banks and other financial institutions	-	371,412	-	-	-	-	371,412	3.67	
Financial assets at fair value through other comprehensive income	110,635	49,833	151,360	344,291	11,211	-	667,330	3.85	
Financial assets at amortised costs	-	-	-	102,374	13	-	102,387	4.98	
Loans, advances and financing							-		
- non-impaired *	3,365,484	-	-	-	-	-	3,365,484	5.21	
- impaired **	4,462	-	27,398	31	-	-	31,891		
Other non-interest sensitive balances	-	-	-	-	241,913	1,225	243,138		
Total assets	4,143,819	421,245	178,758	446,696	289,151	1,225	5,480,894		

* This is arrived at after deducting the Stage 1 and Stage 2 ECL from gross loans outstanding.

** This is arrived at after deducting the Stage 3 ECL from impaired gross loans outstanding.

32. Financial risk management objectives and policies (cont'd.)

(b) Market risk management (cont'd.)

(ii) Interest rate risk management (cont'd.)

Bank	Non-trading book				Non-	Trading book	Total	Effective interest rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	interest sensitive RM'000			
As at 31 December 2018								
Liabilities								
Deposits from customers	698,451	856,817	1,135,606	5,116	-	-	2,695,990	3.65
Deposits and placements with banks and other financial institutions	732,518	372,273	302,722	82,758	1,161	-	1,491,432	3.62
Other non-interest sensitive balances	-	-	-	-	36,233	1,011	37,244	
Total liabilities	1,430,969	1,229,090	1,438,328	87,874	37,394	1,011	4,224,666	
Shareholder's equity	-	-	-	-	1,256,228	-	1,256,228	
Total liabilities and shareholder's equity	1,430,969	1,229,090	1,438,328	87,874	1,293,622	1,011	5,480,894	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap								
	2,712,850	(807,845)	(1,259,570)	358,822	(1,004,471)	214	-	

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32. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk management (cont'd.)

(i) Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2019								
Assets								
Cash and short-term funds	538,474	-	-	-	-	-	-	538,474
Deposits and placements with banks and other financial institutions	-	30,246	-	-	-	-	-	30,246
Financial assets at fair value through other comprehensive income	181,747	332,224	212,195	110,000	410,000	-	-	1,246,166
Financial assets at amortised costs	-	-	-	-	100,000	568	-	100,568
Loans, advances and financing	1,381,368	641,718	314,879	114,709	759,650	(42,742)	-	3,169,582
Derivative financial asset	778	879	443	-	-	-	-	2,100
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	65,500	65,500
Total assets	2,102,367	1,005,067	527,517	224,709	1,269,650	(42,174)	65,500	5,152,636
Liabilities								
Deposits from customers	1,127,282	782,822	742,301	338,021	9,803	-	-	3,000,229
Deposits and placements of banks and other financial institutions	323,319	371,711	103,166	149,852	-	-	-	948,048
Derivative financial liabilities	858	317	139	-	-	-	-	1,314
Total liabilities	1,451,459	1,154,850	845,606	487,873	9,803	-	-	3,949,591
Net maturity mismatch	650,908	(149,783)	(318,089)	(263,164)	1,259,847	(42,174)	65,500	1,203,045

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32. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk management (cont'd.)

(i) Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (cont'd.)

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2018								
Assets								
Cash and short-term funds	699,958	-	-	-	-	-	-	699,958
Deposits and placements with banks and other financial institutions	-	373,276	-	-	-	-	-	373,276
Financial assets at fair value through other comprehensive income	112,369	55,753	3,834	159,588	364,520	-	-	696,064
Financial assets at amortised costs	2,490	-	-	2,893	119,933	168	-	125,484
Loans, advances and financing	1,366,995	816,437	357,359	132,655	840,475	44,382	-	3,558,303
Derivative financial asset	437	400	388	-	-	-	-	1,225
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	80,500	80,500
Total assets	2,182,249	1,245,866	361,581	295,136	1,324,928	44,550	80,500	5,534,810
Liabilities								
Deposits from customers	528,306	1,030,060	526,211	635,493	5,359	-	-	2,725,429
Deposits and placements of banks and other financial institutions	709,061	400,533	132,826	177,052	82,750	-	-	1,502,222
Derivative financial liabilities	319	402	290	-	-	-	-	1,011
Total liabilities	1,237,686	1,430,995	659,327	812,545	88,109	-	-	4,228,662
Net maturity mismatch	944,563	(185,129)	(297,746)	(517,409)	1,236,819	44,550	80,500	1,306,148

* Contractual maturity refers to the maturity

32. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk management (cont'd.)

(i) Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (cont'd.)

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2019								
Assets								
Cash and short-term funds	538,347	-	-	-	-	-	-	538,347
Deposits and placements with banks and other financial institutions	-	30,246	-	-	-	-	-	30,246
Financial assets at fair value through other comprehensive income	181,747	332,224	212,195	110,000	410,000	-	-	1,246,166
Financial assets at amortised costs	-	-	-	-	100,000	568	-	100,568
Loans, advances and financing	1,381,368	641,718	314,879	114,709	759,650	(42,742)	-	3,169,582
Derivative financial asset	778	879	443	-	-	-	-	2,100
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	65,500	65,500
Total assets	2,102,240	1,005,067	527,517	224,709	1,269,650	(42,174)	65,500	5,152,509
Liabilities								
Deposits from customers	1,127,282	782,822	742,301	338,021	9,803	-	-	3,000,229
Deposits and placements with banks and other financial institutions	323,319	371,711	103,166	149,852	-	-	-	948,048
Derivative financial liabilities	858	317	139	-	-	-	-	1,314
Total liabilities	1,451,459	1,154,850	845,606	487,873	9,803	-	-	3,949,591
Net maturity mismatch	650,781	(149,783)	(318,089)	(263,164)	1,259,847	(42,174)	65,500	1,202,918

32. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk management (cont'd.)

(i) Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (cont'd.)

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2018								
Assets								
Cash and short-term funds	699,840	-	-	-	-	-	-	699,840
Deposits and placements with banks and other financial institutions	-	373,276	-	-	-	-	-	373,276
Financial assets at fair value through other comprehensive income	112,369	55,753	3,834	159,588	364,520	-	-	696,064
Financial assets at amortised costs	2,490	-	-	2,893	119,933	168	-	125,484
Loans, advances and financing	1,366,995	816,437	357,359	132,655	840,475	44,382	-	3,558,303
Derivative financial asset	437	400	388	-	-	-	-	1,225
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	80,500	80,500
Total assets	2,182,131	1,245,866	361,581	295,136	1,324,928	44,550	80,500	5,534,692
Liabilities								
Deposits from customers	528,306	1,030,060	526,211	635,493	5,359	-	-	2,725,429
Deposits and placements of banks and other financial institutions	709,061	400,533	132,826	177,052	82,750	-	-	1,502,222
Derivative financial liabilities	319	402	290	-	-	-	-	1,011
Total liabilities	1,237,686	1,430,995	659,327	812,545	88,109	-	-	4,228,662
Net maturity mismatch	944,445	(185,129)	(297,746)	(517,409)	1,236,819	44,550	80,500	1,306,030

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33. Fair values of financial instruments

The following table summarises the carrying amounts and fair values of the financial assets and liabilities, which were not presented at fair value in the Group's and the Bank's statements of financial position:

	Group and Bank			
	2019		2018	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial Assets				
Financial Assets at amortised costs	102,351	103,671	102,387	102,374
Loans and advances	3,206,001	3,206,070	3,397,375	3,397,376

The fair values of the Group's and the Bank's financial assets, money market instruments and corporate bonds are estimated at their market values as disclosed in Note 6 and 7.

The fair value of loans is based on the carrying value of the loans and accrued interest receivable net of impairment allowance as most of the loans are floating rate loans.

The nominal/notional amount and fair value of derivatives are:

	Group and Bank		
	2019		
	Nominal/ notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Forward foreign exchange contracts	262,749	2,100	(1,398)

	Group and Bank		
	2018		
	Nominal/ notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Forward foreign exchange contracts	276,984	1,225	(1,011)

33. Fair values of financial instruments (cont'd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents, deposits and placements with banks and other financial institutions, deposits from customers, banks and other financial institutions, bills and acceptances payable, other assets/liabilities

The fair value of financial assets measured through profit and loss, other comprehensive income and amortised costs are estimated based on broker/dealer price quotations. Unquoted securities were revalued using Cost/Asset Based Approach, specifically the Adjusted Net Assets Method.

(iii) 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.

(iv) Determination of fair value and 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;
- 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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33. Fair values of financial instruments (cont'd.)

(iv) Determination of fair value and fair value hierarchy (cont'd.)

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

Group and Bank 31 December 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets at FVOCI</u> (Note 6)				
Money market instruments:				
Malaysian Government Securities	-	20,421	-	20,421
Government Investment Issue	-	472,102	-	472,102
Negotiable Instruments of Deposit	-	561,966	-	561,966
Unquoted securities in Malaysia:				
Corporate bonds	-	103,417	-	103,417
Shares	-	-	11,613	11,613
	-	1,157,906	11,613	1,169,519
<u>Derivatives</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	2,100	-	2,100
Derivative financial liabilities				
Unrealised loss on derivatives	-	(1,398)	-	(1,398)

There was no financial assets measured at fair value through profit and loss in the current financial year ended 31 December 2019.

Movement in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

2019	Equity instrument at FVOCI RM'000
Group and Bank	
Balance at beginning of financial year	11,231
Gain recognised in other comprehensive income	382
Balance at end of financial year	11,613

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33. Fair values of financial instruments (cont'd.)

(iv) Determination of fair value and fair value hierarchy (cont'd.)

Group and Bank 31 December 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets at FVOCI</u>				
<u>(Note 6)</u>				
Money market instruments:				
Malaysian Government Securities	-	120,692	-	120,692
Government Investment Issue	-	273,394	-	273,394
Malaysia Treasury Bills		49,833		49,833
Negotiable Instruments of Deposit	-	110,631	-	110,631
Unquoted securities in Malaysia:				
Corporate bonds	-	101,549	-	101,549
Shares	-	-	11,231	11,231
	-	656,099	11,231	667,330
<u>Derivatives</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	1,225	-	1,225
Derivative financial liabilities				
Unrealised loss on derivatives	-	(1,011)	-	(1,011)

There was no financial assets measured at fair value through profit and loss in the current financial year ended 31 December 2018.

Movement in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

2018	Equity instrument at FVOCI RM'000
Group and Bank	
Balance at beginning of financial year	872
Effects of adoption of MFRS 9	15,913
Adjusted at beginning of financial year	16,785
Gain recognised in other comprehensive income	(5,334)
Balance at end of financial year	11,231

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34. Subsequent events

The wide spread of the COVID-19 in Malaysia since first quarter of 2020 has resulted in a very challenging operating environment for all economic sectors. Following a spike in COVID-19 cases, Malaysian government announced a nationwide Movement Control Order ("MCO") effective 18 March 2020 to 31 March 2020 which had since been extended to 12 May 2020. The MCO has further exacerbated the fragile economic outlook. The Group and the Bank continue to monitor the development of the COVID-19 crisis which has directly and indirectly impacted on the borrowers' operations and cash flows. The Group and the Bank have and will continue to take appropriate measures, including financial relief measures from Bank Negara Malaysia to pursue prudent credit risk management while remaining supportive of government initiatives to overcome the crisis.

There is no significant adjustment event identified as of the date of adoption of these financial statements as disclosed in Note 1.

35. Restatement of comparative information

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

- (i) Determination of fair value and fair value hierarchy for financial assets at FVOCI in Note 33 have been restated from Level 2 to 3.

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

Group and Bank	As previously reported RM'000	Reclassi- fication RM'000	As restated RM'000
As at 31 December 2018			
<u>Financial assets at FVOCI</u> <u>(Note 6)</u>			
Equity instruments			
Unquoted securities in Malaysia			
Level 2	11,231	-	-
Level 3	-	11,231	11,231