

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

Statement by Directors and Unaudited Interim
Condensed Financial Statements
31 March 2018

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

| Contents | Page(s) |
|--|----------------|
| Performance review and commentary on the prospects | 1 |
| Interim condensed statements of financial position | 2 - 3 |
| Interim condensed income statements | 4 |
| Interim condensed statements of comprehensive income | 5 |
| Interim condensed statements of changes in equity | 6 |
| Interim condensed statements of cash flows | 7 - 9 |
| Notes to the interim condensed financial statements | 10 - 41 |
| Statement by directors | 42 |

299740-W

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

Performance review for the three-month period ended 31 March 2018 and commentary on the prospects

Bangkok Bank Berhad ("BBB") registered a profit before tax ("PBT") of RM11.5 million for the three-month period ended 31 March 2018 as compared to a lower profit of RM10.8 million recorded during the previous corresponding period. The net interest income improved from RM20.2 million in the previous corresponding period to RM21.2 million for the three-month period ended 31 March 2018 as interest income from interbank lending expanded.

Deposits from customers grew from RM2.4 billion as at 31 December 2017 to RM2.5 billion as at 31 March 2018. This is the result of the Bank's efforts on heightening focus on generating customer deposits to maintain prudent liquidity position and to fund future loan growth.

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of financial position as at 31 March 2018

| | | Group | | Bank | |
|---|------|---------------------|----------------------|---------------------|----------------------|
| | Note | 31.3.2018 RM'000 | 31.12.2017 RM'000 | 31.3.2018 RM'000 | 31.12.2017 RM'000 |
| Assets | | | | | |
| Cash and short-term funds | | 710,231 | 546,644 | 710,118 | 546,536 |
| Deposits and placements with banks | | 151,227 | 251,098 | 151,227 | 251,098 |
| Securities available-for-sale | 12 | - | 735,728 | - | 735,728 |
| Securities held-to-maturity | 12 | - | 13 | - | 13 |
| Financial assets at fair value through other comprehensive income | 13 | 749,683 | - | 749,683 | - |
| Financial assets at amortised costs | 13 | 13 | - | 13 | - |
| Loans, advances and financing | 14 | 2,955,405 | 2,982,387 | 2,955,405 | 2,982,387 |
| Derivative assets | | 3,388 | 4,713 | 3,388 | 4,713 |
| Tax recoverable | | 4,068 | 11,216 | 4,064 | 11,212 |
| Other assets | 15 | 4,654 | 2,968 | 4,654 | 2,968 |
| Statutory deposit with Bank Negara Malaysia | | 83,929 | 78,000 | 83,929 | 78,000 |
| Investment in subsidiary | | - | - | 10 | 10 |
| Property and equipment | 16 | 139,791 | 140,693 | 139,791 | 140,693 |
| Intangible assets | | 857 | 776 | 857 | 776 |
| Deferred tax assets | | 9,319 | 2,701 | 9,319 | 2,701 |
| Total assets | | <u>4,812,565</u> | <u>4,756,937</u> | <u>4,812,458</u> | <u>4,756,835</u> |
| Liabilities and shareholder's equity | | | | | |
| Deposits from customers | 17 | 2,476,903 | 2,433,089 | 2,476,903 | 2,433,089 |
| Deposits and placements from banks and other financial institutions | 18 | 1,065,646 | 1,061,441 | 1,065,646 | 1,061,441 |
| Derivative liabilities | | 3,742 | 3,623 | 3,742 | 3,623 |
| Other liabilities | 19 | 29,415 | 20,158 | 29,412 | 20,154 |
| Total liabilities | | <u>3,575,706</u> | <u>3,518,311</u> | <u>3,575,703</u> | <u>3,518,307</u> |

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of financial position as at 31 March 2018 (cont'd.)

| | Note | Group | | Bank | |
|--|------|---------------------|----------------------|---------------------|----------------------|
| | | 31.3.2018 RM'000 | 31.12.2017 RM'000 | 31.3.2018 RM'000 | 31.12.2017 RM'000 |
| Liabilities and shareholder's equity (cont'd.) | | | | | |
| Share capital | | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Revaluation reserve | | 16,849 | 1,683 | 16,849 | 1,683 |
| Retained profits | | 220,010 | 236,943 | 219,906 | 236,845 |
| Shareholder's equity | | <u>1,236,859</u> | <u>1,238,626</u> | <u>1,236,755</u> | <u>1,238,528</u> |
| Total liabilities and shareholder's equity | | | | | |
| | | <u>4,812,565</u> | <u>4,756,937</u> | <u>4,812,458</u> | <u>4,756,835</u> |
| Commitments and contingencies | | | | | |
| | 25 | <u>2,750,026</u> | <u>2,390,928</u> | <u>2,750,026</u> | <u>2,390,928</u> |

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed income statements
For the financial period ended 31 March 2018

| | Note | Group Current and Cumulative Quarter 3 months ended | | Bank Current and Cumulative Quarter 3 months ended | |
|--|------|--|------------------------------|---|------------------------------|
| | | 1.1.2018 to 31.03.2018 | 1.1.2017 to 31.03.2017 | 1.1.2018 to 31.03.2018 | 1.1.2017 to 31.03.2017 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| | | | | | |
| Interest income | 20 | 51,180 | 46,609 | 51,180 | 46,609 |
| Interest expense | 21 | (29,983) | (26,419) | (29,983) | (26,419) |
| Net interest income | | 21,197 | 20,190 | 21,197 | 20,190 |
| Non-interest income | 23 | 3,602 | 3,042 | 3,595 | 3,040 |
| Net income | | 24,799 | 23,232 | 24,792 | 23,230 |
| Overhead expenses | 24 | (16,009) | (14,843) | (16,009) | (14,843) |
| | | 8,790 | 8,389 | 8,783 | 8,387 |
| Expected credit losses allowances made/ Loan impairment write back, net | 22 | 2,670 | 2,424 | 2,670 | 2,424 |
| Profit before taxation | | 11,460 | 10,813 | 11,453 | 10,811 |
| Taxation | | (3,811) | (2,371) | (3,810) | (2,370) |
| Net profit for the financial period | | 7,649 | 8,442 | 7,643 | 8,441 |
| Earnings per share (sen) | | | | | |
| - basic | | 0.76 | 0.84 | | |
| - diluted | | 0.76 | 0.84 | | |

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of comprehensive income
For the financial period ended 31 March 2018

| | Group | | Bank | |
|---|-------------------------------|-------------------|-------------------------------|-------------------|
| | Current and Cumulative | | Current and Cumulative | |
| | Quarter | | Quarter | |
| | 3 months ended | | 3 months ended | |
| | 1.1.2018 | 1.1.2017 | 1.1.2018 | 1.1.2017 |
| | to | to | to | to |
| | 31.03.2018 | 31.03.2017 | 31.03.2018 | 31.03.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit for the period | <u>7,649</u> | <u>8,442</u> | <u>7,643</u> | <u>8,441</u> |
| Other comprehensive income that will be reclassified to the income statement subsequently: | | | | |
| Net gain on securities available-for-sale | - | 1,045 | - | 1,045 |
| Net loss on financial assets at fair value through other comprehensive income | (1,304) | - | (1,304) | - |
| Income tax relating to components of other comprehensive income | <u>252</u> | <u>(251)</u> | <u>252</u> | <u>(251)</u> |
| Other comprehensive income for the period, net of tax | <u>(1,052)</u> | <u>794</u> | <u>(1,052)</u> | <u>794</u> |
| Total comprehensive income for the period, net of tax | <u>6,597</u> | <u>9,236</u> | <u>6,591</u> | <u>9,235</u> |

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of changes in equity
For the financial period ended 31 March 2018

| Group | Share capital RM'000 | <---Non-distributable---> | | Distributable Retained profits RM'000 | Total RM'000 |
|---------------------------------------|----------------------------|--------------------------------|----------------------------------|--|------------------|
| | | Statutory reserve RM'000 | Revaluation reserve RM'000 | | |
| At 1 January 2017 | 600,000 | 169,039 | (1,532) | 44,582 | 812,089 |
| Total comprehensive income | - | - | 794 | 8,442 | 9,236 |
| Issue of shares | 400,000 | - | - | - | 400,000 |
| At 31 March 2017 | <u>1,000,000</u> | <u>169,039</u> | <u>(738)</u> | <u>53,024</u> | <u>1,221,325</u> |
| At 31 December 2017 | 1,000,000 | - | 1,683 | 236,943 | 1,238,626 |
| Impact of adopting MFRS 9 | - | - | 16,218 | (24,582) | (8,364) |
| Restated opening balance under MFRS 9 | 1,000,000 | - | 17,901 | 212,361 | 1,230,262 |
| Total comprehensive income | - | - | (1,052) | 7,649 | 6,597 |
| At 31 March 2018 | <u>1,000,000</u> | <u>-</u> | <u>16,849</u> | <u>220,010</u> | <u>1,236,859</u> |

| Bank | Share capital RM'000 | <---Non-distributable---> | | Distributable Retained profits RM'000 | Total RM'000 |
|---------------------------------------|----------------------------|--------------------------------|----------------------------------|--|------------------|
| | | Statutory reserve RM'000 | Revaluation reserve RM'000 | | |
| At 1 January 2017 | 600,000 | 169,039 | (1,532) | 44,495 | 812,002 |
| Total comprehensive income | - | - | 794 | 8,441 | 9,235 |
| Issue of shares | 400,000 | - | - | - | 400,000 |
| At 31 March 2017 | <u>1,000,000</u> | <u>169,039</u> | <u>(738)</u> | <u>52,936</u> | <u>1,221,237</u> |
| At 31 December 2017 | 1,000,000 | - | 1,683 | 236,845 | 1,238,528 |
| Impact of adopting MFRS 9 | - | - | 16,218 | (24,582) | (8,364) |
| Restated opening balance under MFRS 9 | 1,000,000 | - | 17,901 | 212,263 | 1,230,164 |
| Total comprehensive income | - | - | (1,052) | 7,643 | 6,591 |
| At 31 March 2018 | <u>1,000,000</u> | <u>-</u> | <u>16,849</u> | <u>219,906</u> | <u>1,236,755</u> |

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of cash flows
For the financial period ended 31 March 2018

| | | Group | | Bank | |
|--|----|--|--|--|--|
| | | 1.1.2018 to 31.03.2018 RM'000 | 1.1.2017 to 31.03.2017 RM'000 | 1.1.2018 to 31.03.2018 RM'000 | 1.1.2017 to 31.03.2017 RM'000 |
| Note | | | | | |
| Cash flows from operating activities | | | | | |
| | | 11,460 | 10,813 | 11,453 | 10,811 |
| | | | | | |
| Profit before taxation | | | | | |
| Adjustments for: | | | | | |
| Depreciation | 24 | 1,194 | 1,428 | 1,194 | 1,428 |
| Amortisation of intangible assets | 24 | 56 | 18 | 56 | 18 |
| Write back for impairment losses on loans advances, and financing, net | 22 | - | (2,421) | - | (2,421) |
| Expected credit losses | 22 | (2,670) | - | (2,670) | - |
| Write back of impairment losses of securities held-to-maturity | 23 | (2) | - | (2) | - |
| Unrealised (loss)/gain on foreign exchange forward | 23 | 1,443 | (2,055) | 1,443 | (2,055) |
| Net loss on revaluation of securities held for trading | 23 | - | 132 | - | 132 |
| Net gain on disposal of securities held for trading | 23 | - | (154) | - | (154) |
| (Accretion of discount), net of amortisation of premium | 20 | 19 | (396) | 19 | (396) |
| Operating profit before working capital changes | | 11,500 | 7,365 | 11,493 | 7,363 |

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of cash flows
For the financial period ended 31 March 2018 (cont'd.)

| | Group | | Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 1.1.2018 | 1.1.2017 | 1.1.2018 | 1.1.2017 |
| | to | to | to | to |
| | 31.03.2018 | 31.03.2017 | 31.03.2018 | 31.03.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities (cont'd.) | | | | |
| Balance carried forward | 11,500 | 7,365 | 11,493 | 7,363 |
| Decrease/(increase) in loans, advances and financing | 21,854 | (2,565) | 21,854 | (2,565) |
| Increase in other assets | (1,686) | (781) | (1,686) | (781) |
| (Increase)/decrease in statutory deposits with Bank Negara Malaysia | (6,000) | 13,000 | (6,000) | 13,000 |
| Increase in deposits from customers | 43,814 | 124,525 | 43,814 | 124,525 |
| Increase/(decrease) in deposits and placements of banks and other financial institutions | 4,205 | (934) | 4,205 | (934) |
| Decrease in other liabilities | (6,987) | (1,625) | (6,987) | (1,625) |
| Purchase of securities held for trading | - | (39,545) | - | (39,545) |
| Purchase of securities available-for-sale | - | (249,148) | - | (249,148) |
| Purchase of financial assets at FVOCI | (49,113) | - | (49,113) | - |
| Proceeds from sale of securities held for trading | - | 49,806 | - | 49,806 |
| Proceeds from sale of financial assets at amortised costs | 2 | - | 2 | - |
| Proceeds from sale of securities available-for-sale | - | 150,000 | - | 150,000 |
| Proceeds from sale of financial assets at FVOCI | 50,000 | - | 50,000 | - |
| Proceeds from maturity of securities available-for-sale | - | 50,000 | - | 50,000 |
| Taxes paid | (3,030) | (1,943) | (3,028) | (1,942) |
| Taxes refunded | - | - | - | - |
| Net cash generated from operating activities | 64,559 | 98,155 | 64,554 | 98,154 |

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Interim condensed statements of cash flows
For the financial period ended 31 March 2018 (cont'd.)

| | Group | | Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 1.1.2018 | 1.1.2017 | 1.1.2018 | 1.1.2017 |
| | to | to | to | to |
| | 31.03.2018 | 31.03.2017 | 31.03.2018 | 31.03.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from investing activities | | | | |
| Purchase of property and equipment | (292) | (4,004) | (292) | (4,004) |
| Purchase of intangible assets | (137) | - | (137) | - |
| Proceeds from issuance of shares | - | 400,000 | - | 400,000 |
| Net cash (used in)/generated from investing activities | (429) | 395,996 | (429) | 395,996 |
| Net increase in cash and cash equivalents | 64,130 | 494,151 | 64,125 | 494,150 |
| Cash and cash equivalents at beginning of financial period | 797,742 | 437,464 | 797,634 | 437,365 |
| Cash and cash equivalents at end of financial period* | 861,872 | 931,615 | 861,759 | 931,515 |
| Cash and cash equivalents comprise: | | | | |
| Cash and short-term funds | 710,231 | 881,494 | 710,118 | 881,394 |
| Deposits and placements of banks and other financial institutions | 151,227 | 50,121 | 151,227 | 50,121 |
| | 861,458 | 931,615 | 861,345 | 931,515 |

* The cash and cash equivalents for 31 March 2018 does not include ECL. The cash and cash equivalents after including ECL are as follows:

| | Group | Bank |
|---|-------------------|-------------------|
| | 1.1.2018 | 1.1.2018 |
| | to | to |
| | 31.03.2018 | 31.03.2018 |
| | RM'000 | RM'000 |
| Cash and cash equivalents | 861,872 | 861,759 |
| ECL arising from initial adoption of MFRS 9 | (284) | (284) |
| ECL made during the financial period | (130) | (130) |
| | 861,458 | 861,345 |

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

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

Notes to the interim condensed financial statements - 31 March 2018

1. Corporate information

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

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

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

2. Basis of preparation of the financial statements

2.1 Basis of preparation

The interim condensed financial statements have been prepared under the historical cost convention except for the following assets which are stated at fair value: financial assets at FVTPL, financial assets at FVOCI and derivatives.

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

The interim condensed financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the interim condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the financial year ended 31 December 2017.

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

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

| Descriptions | Effective for annual periods beginning on or after |
|--|---|
| MFRS 9 <i>Financial Instruments</i> | 1 January 2018 |
| MFRS 15 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| <i>Share-based Payment Transactions</i> | 1 January 2018 |
| Amendments to MFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| Amendments to MFRS 4: <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i> | 1 January 2018 |
| Amendments to MFRS 140: <i>Transfers of Investment Property</i> | 1 January 2018 |
| Annual Improvements to MFRS Standards 2014-2016 Cycle: | |
| (i) Amendments to MFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> | 1 January 2018 |
| (ii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i> | 1 January 2018 |
| IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |

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

MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 for annual periods on or after 1 January 2018. The Group and the Bank have not restated comparative information for the financial year ended 31 December 2017 for financial instruments in the scope of MFRS 9. Therefore, the comparative information for the financial year ended 31 December 2017 as reported under MFRS 139 is not comparable to the information presented for the financial period ended 31 March 2018. The impact arising from the adoption of MFRS 9 has been recognised directly in retained earnings and revaluation reserves as of 1 January 2018. As required by MFRS 134, the nature and effect of these changes are disclosed in Note 2.5.

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

2.2 New standards, IC interpretations and amendments adopted by the Group (cont'd.)

MFRS 15 Revenue from Contracts with Customers

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

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

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 is more prescriptive than the current MFRS requirements for revenue recognition and provides more application guidance.

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

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

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

| Descriptions | Effective for annual periods beginning on or after |
|--|---|
| MFRS 16 <i>Leases</i> | 1 January 2019 |
| MFRS 17 <i>Insurance Contracts</i> | 1 January 2021 |
| Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i> | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred |

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

| Descriptions | Effective for annual periods beginning on or after |
|---|---|
| Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i> | 1 January 2019 |
| Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i> | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015-2017 Cycle: | |
| (i) Amendments to MFRS 3 <i>Business Combinations</i> | 1 January 2019 |
| (ii) Amendments to MFRS 11 <i>Joint Arrangements</i> | 1 January 2019 |
| (iii) Amendments to MFRS 112 <i>Income Taxes</i> | 1 January 2019 |
| (iv) Amendments to MFRS 123 <i>Borrowing Costs</i> | 1 January 2019 |
| IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |

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

MFRS 16 Leases

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

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

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

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

MFRS 16 Leases (cont'd)

(i) Lessee

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

(ii) Lessor

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

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

2.4 Significant accounting judgements and estimates

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

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

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

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

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

(a) Impairment losses on financial assets

The measurement of impairment losses both under MFRS 9 and MFRS 139 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 a significant increase in credit risk. These estimates are driven by a number of factors; changes which can result in different levels of allowances.

The Group and the Bank's Expected Credit Loss ("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 and estimates include:

- 1) The Bank's internal credit rating model, which assigns PDs to the individual grades;
- 2) Development of ECL models, including the various formulas and the choice of inputs;
- 3) Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment rates and GDP growth and the effect on PDs, EADs and LGDs; and
- 4) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(b) Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. 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.

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

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

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

(c) Deferred tax

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

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

2.5 Impact of adopting MFRS 9

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

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

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

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

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

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

(i) Classification and measurement

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

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

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

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

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

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

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

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

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

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

(ii) Impairment

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

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

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

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

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

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

(ii) Impairment (cont'd.)

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

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

(iii) Hedge accounting

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

3. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the year ended 31 December 2017 was not subject to any qualification.

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank during the financial period ended 31 March 2018.

5. Comments about seasonal or cyclical factors

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

6. Changes in estimates

There were no significant changes in estimates of amounts reported in prior financial periods that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 31 March 2018.

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

7. Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the three months ended 31 March 2018.

8. Subsequent events

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

9. Changes in composition of the Group

There were no changes in the composition of the Group during the financial period ended 31 March 2018.

10. Dividends paid

No dividend was declared or paid during the financial period ended 31 March 2018.

11. Segmental information

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

| | Group and Bank | |
|--------------------------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Securities available-for-sale | | |
| In Malaysia: | | |
| At fair value | | |
| Money market instruments: | | |
| Malaysian Government Securities | - | 233,668 |
| Government Investment Issues | - | 313,445 |
| Malaysia Treasury Bills | - | - |
| Unquoted securities: | | |
| Corporate bonds | - | 187,743 |
| | - | 734,856 |
| At cost | | |
| Unquoted securities: | | |
| Shares | - | 872 |
| | - | 735,728 |
| Securities held-to-maturity | | |
| In Malaysia: | | |
| At amortised cost | | |
| Unquoted securities: | | |
| Corporate bonds | - | 593 |
| Accumulated impairment losses | - | (580) |
| | - | 13 |

299740-W

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | | |
| Debt instruments | | |
| Malaysian Government Securities | 182,255 | - |
| Government Investment Issues | 313,684 | - |
| Malaysia Treasury Bills | 48,581 | - |
| Corporate bonds | 188,378 | - |
| | <u>732,898</u> | <u>-</u> |
| Equity instruments | | |
| Shares | 16,785 | - |
| | <u>749,683</u> | <u>-</u> |
| Financial assets at amortised cost | | |
| Unquoted securities: | | |
| Corporate bonds | 591 | - |
| Accumulated impairment losses | (578) | - |
| | <u>13</u> | <u>-</u> |

14. Loans, advances and financing

| | Group and Bank | |
|-------------------------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| At amortised cost | | |
| Overdrafts | 102,690 | 123,238 |
| Term loans: | | |
| - Housing loans | 2,810 | 2,853 |
| - Syndicated term loan | 46,972 | 42,385 |
| - Other term loans | 963,023 | 980,738 |
| Revolving credits | 1,306,396 | 1,276,920 |
| Bills receivables | 5,894 | 907 |
| Trust receipts | 96,872 | 91,493 |
| Bankers' acceptances | 590,914 | 618,823 |
| Staff loans | 630 | 656 |
| | <u>3,116,201</u> | <u>3,138,013</u> |
| Unearned interest | (4,780) | (4,738) |
| Gross loans, advances and financing | <u>3,111,421</u> | <u>3,133,275</u> |

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

| | Group and Bank | |
|---|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| At amortised cost (cont'd.) | | |
| Less: | | |
| Allowance for impaired loans and financing: | | |
| - Individual impairment allowance | - | (85,786) |
| - Collective impairment allowance | - | (65,102) |
| Expected Credit Losses: | | |
| - Stage 1 and Stage 2 | (67,847) | - |
| - Stage 3 | (88,169) | - |
| Net loans, advances and financing | <u>2,955,405</u> | <u>2,982,387</u> |

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

| | Group and Bank | |
|---------------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Maturing within one year | 2,259,953 | 2,268,604 |
| One year to three years | 238,171 | 267,761 |
| Three years to five years | 324,617 | 350,343 |
| Over five years | 288,680 | 246,567 |
| | <u>3,111,421</u> | <u>3,133,275</u> |

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

| | Group and Bank | |
|---|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Purchase of securities | 105,587 | 117,223 |
| Purchase of transport vehicles | 186 | 196 |
| Purchase of residential properties | 3,638 | 3,706 |
| Purchase of non-residential properties | 186,189 | 196,604 |
| Purchase of fixed assets other than land and building | 76,488 | 77,768 |
| Personal use | 2,828 | 2,647 |
| Construction | 360,649 | 351,291 |
| Mergers and acquisitions | - | 1,084 |
| Working capital | 2,349,823 | 2,350,700 |
| Others | 26,033 | 32,056 |
| | <u>3,111,421</u> | <u>3,133,275</u> |

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Domestic non-bank financial institutions | 489,222 | 423,719 |
| Domestic business enterprises: | | |
| - Small medium enterprises | 511,593 | 540,001 |
| - Others | 2,003,657 | 2,056,668 |
| Individuals | 106,949 | 112,887 |
| | <u>3,111,421</u> | <u>3,133,275</u> |

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

| | Group and Bank | |
|--------------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Variable rate | | |
| - Base lending rate plus | 995,347 | 1,045,597 |
| - Cost-plus | 2,060,835 | 2,042,813 |
| - Other variable rates | 55,239 | 44,865 |
| | <u>3,111,421</u> | <u>3,133,275</u> |

(v) All loans, advances and financing of the Group and of the Bank are to customers in Malaysia.

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

| | Group and Bank | |
|---|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Balance as at 1 January | 121,525 | 139,926 |
| Classified as impaired during the period/year | 4,163 | 3,504 |
| Amount recovered during the period/year | (706) | (17,396) |
| Amount written off during the period/year | - | (4,509) |
| Balance as at end of period/year | <u>124,982</u> | <u>121,525</u> |
| Stage 3 ECL allowance/individual impairment allowance | <u>(88,169)</u> | <u>(85,786)</u> |
| Net impaired loans, advances and financing | <u>36,813</u> | <u>35,739</u> |
| Ratio of net impaired loans, advances and financing to gross loans, advances and financing less Stage 3 ECL allowance/individual impairment allowance | <u>1.22%</u> | <u>1.17%</u> |

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Expected credit loss - Stage 3 /Individual impairment allowance | | |
| Balance as at 1 January | 85,786 | 88,812 |
| MFRS 9 Day 1 adjustment | 592 | - |
| Allowance made during the period/year | 1,983 | 4,625 |
| Amount written back during the period/year | (192) | (3,142) |
| Amount written off during the period/year | - | (4,509) |
| Balance as at end of period/year | <u>88,169</u> | <u>85,786</u> |
| Expected credit loss - Stage 1 and 2 /Collective impairment allowance | | |
| Balance as at 1 January | 65,102 | 64,536 |
| MFRS 9 Day 1 adjustment | 5,228 | - |
| Allowance made during the period/year | 9,821 | 19,442 |
| Allowance written back during the period/year | (12,304) | (18,876) |
| Balance as at end of period/year | <u>67,847</u> | <u>65,102</u> |
| Ratio of Stage 1 and 2 ECL allowance out of the total credit exposures, net of Stage 3 ECL allowance | <u>2.24%</u> | <u>2.14%</u> |

The Group and the Bank perform Stage 3 ECL allowance assessment based on certain obligatory and judgemental triggers that may indicate potential impairment. All impaired accounts as defined in Note 2.4(a) are selected for Stage 3 ECL allowance impairment review on a monthly basis.

The Group and the Bank also perform monthly Stage 3 ECL allowance impairment reviews for:

- Special Mention accounts that are in arrears between 1 to 3 months; and
- Watchlist accounts that had been monitored as Special Mention accounts for more than 3 times in the last 9 months.

299740-W

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

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

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Purchase of transport vehicles | 44 | 43 |
| Purchase of residential properties | 1,376 | 1,396 |
| Purchase of non residential properties | 6,664 | 6,751 |
| Working capital | 115,833 | 112,270 |
| Others | 1,065 | 1,065 |
| | <u>124,982</u> | <u>121,525</u> |

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

15. Other assets

| | Group and Bank | |
|--------------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Deposits and prepayments | 3,729 | 2,011 |
| Other receivables | 925 | 957 |
| | <u>4,654</u> | <u>2,968</u> |

16. Property and equipment

During the three months period ended 31 March 2018, the Group and the Bank acquired assets with a cost of RM375,000 (31.12.2017: RM4,854,000).

17. Deposits from customers

(i) By type of deposit:

| | Group and Bank | |
|---------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Fixed deposits | 2,266,325 | 2,249,793 |
| Current accounts | 170,767 | 148,708 |
| Savings deposits | 8,021 | 8,217 |
| Short term deposits | 31,790 | 26,371 |
| | <u>2,476,903</u> | <u>2,433,089</u> |

Bangkok Bank Berhad
(Incorporated in Malaysia)

17. Deposits from customers (cont'd.)

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

| | Group and Bank | |
|-------------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Due within six months | 1,994,293 | 1,874,313 |
| Six months to one year | 292,270 | 396,471 |
| One year to three years | 10,116 | 4,098 |
| Over three years | 1,436 | 1,282 |
| | <u>2,298,115</u> | <u>2,276,164</u> |

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

| | Group and Bank | |
|----------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Business enterprises | 1,839,150 | 1,865,526 |
| Individuals | 637,753 | 567,563 |
| | <u>2,476,903</u> | <u>2,433,089</u> |

18. Deposits and placements from banks and other financial institutions

| | Group and Bank | |
|------------------------------|-----------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Licensed banks | 342,129 | 335,667 |
| Other financial institutions | 723,517 | 725,774 |
| | <u>1,065,646</u> | <u>1,061,441</u> |

Included in deposits and placements are deposits and placements from the holding company and its branches amounting to RM262,519,000 (31.12.2017: RM245,098,000) as disclosed in Note 28.

299740-W

Bangkok Bank Berhad
(Incorporated in Malaysia)

19. Other liabilities

| | Group | | Bank | |
|---|------------------|-------------------|------------------|-------------------|
| | 31.3.2018 | 31.12.2017 | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Accruals | 5,104 | 9,014 | 5,101 | 9,010 |
| Allowances for commitment and contingencies | 16,246 | - | 16,246 | - |
| Other payables | 8,065 | 11,144 | 8,065 | 11,144 |
| | <u>29,415</u> | <u>20,158</u> | <u>29,412</u> | <u>20,154</u> |

20. Interest income

| | Group and Bank | |
|---|---------------------------|------------------|
| | Current and | |
| | Cumulative Quarter | |
| | 3 months ended | |
| | 1.1.2018 | 1.1.2017 |
| | to | to |
| | 31.3.2018 | 31.3.2017 |
| | RM'000 | RM'000 |
| Loans, advances and financing: | | |
| - Interest income other than recoveries from impaired loans | 37,147 | 32,947 |
| - Recoveries from impaired loans | 19 | 240 |
| - Interest income on impaired loans | 561 | 681 |
| Deposits and placements with banks and other financial institutions | 6,787 | 5,349 |
| Securities held for trading | - | 29 |
| Securities available-for-sale | - | 6,967 |
| Debt instruments at FVOCI | <u>6,685</u> | <u>-</u> |
| | <u>51,199</u> | <u>46,213</u> |
| (Accretion of discount), net of amortisation of premium | <u>(19)</u> | <u>396</u> |
| | <u>51,180</u> | <u>46,609</u> |

299740-W

Bangkok Bank Berhad
(Incorporated in Malaysia)

21. Interest expense

| | Group and Bank | |
|--|---------------------------|------------------|
| | Current and | |
| | Cumulative Quarter | |
| | 3 months ended | |
| | 1.1.2018 | 1.1.2017 |
| | to | to |
| | 31.3.2018 | 31.3.2017 |
| | RM'000 | RM'000 |
| Deposits from customers | 27,488 | 24,981 |
| Deposits and placements from banks and other financial institutions | 2,495 | 1,438 |
| | <u>29,983</u> | <u>26,419</u> |

Included in interest expense on deposits and placements from banks and other financial institutions are interest expense on deposits and placements from the holding company and its branches amounting to RM1,069,000 (31.3.2017: RM1,269,000) as disclosed in Note 28.

Bangkok Bank Berhad
(Incorporated in Malaysia)

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

| | Group and Bank Current and Cumulative Quarter 3 months ended | |
|--|---|---|
| | 1.1.2018 to 31.3.2018 RM'000 | 1.1.2017 to 31.3.2017 RM'000 |
| Write back for loans, advances and financing: | | |
| Individual impairment: | | |
| - made during the financial period | - | 1,542 |
| - written back during the financial period | - | (1,961) |
| Collective impairment: | | |
| - made during the financial period | - | 6,086 |
| - written back during the financial period | - | (8,088) |
| Expected credit losses: | | |
| ECL for loans, advances and financing: | | |
| ECL for stage 3: | | |
| - made during the financial period | 2,028 | - |
| - written back during the financial period | (237) | - |
| ECL for stage 1 and 2: | | |
| - written back during the financial period | (2,483) | - |
| ECL for money market: | | |
| - made during the financial period | 146 | - |
| ECL for debt securities: | | |
| - written back during the financial period | (259) | - |
| ECL for loan commitment /off-balance sheet: | | |
| - made during the financial period | 1,505 | - |
| - written back during the financial period | (3,370) | - |
| Impaired loans, advances and financing recovered | - | (3) |
| | <u>(2,670)</u> | <u>(2,424)</u> |

Bangkok Bank Berhad
(Incorporated in Malaysia)

23. Non-interest income

| | Group | | Bank | |
|---|---------------------------------------|------------------|---------------------------------------|------------------|
| | Current and Cumulative Quarter | | Current and Cumulative Quarter | |
| | 3 months ended | | 3 months ended | |
| | 1.1.2018 | 1.1.2017 | 1.1.2018 | 1.1.2017 |
| | to | to | to | to |
| | 31.3.2018 | 31.3.2017 | 31.3.2018 | 31.3.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fee income: | | | | |
| Commission | 1,136 | 923 | 1,129 | 921 |
| Service charges and fees | 712 | 486 | 712 | 486 |
| Guarantee fees | 804 | 571 | 804 | 571 |
| | <u>2,652</u> | <u>1,980</u> | <u>2,645</u> | <u>1,978</u> |
| Investment income: | | | | |
| Net gain on disposal of securities held for trading | - | 154 | - | 154 |
| Net loss on revaluation of securities held for trading | - | (132) | - | (132) |
| Writeback of impairment losses on securities held to maturity | 2 | - | 2 | - |
| | <u>2</u> | <u>22</u> | <u>2</u> | <u>22</u> |
| Other income: | | | | |
| Foreign exchange gain/(loss) | 2,292 | (1,111) | 2,292 | (1,111) |
| Unrealised (loss)/gain on foreign exchange forwards | (1,443) | 2,055 | (1,443) | 2,055 |
| Rental income | 95 | 92 | 95 | 92 |
| Others | 4 | 4 | 4 | 4 |
| | <u>948</u> | <u>1,040</u> | <u>948</u> | <u>1,040</u> |
| Total | <u>3,602</u> | <u>3,042</u> | <u>3,595</u> | <u>3,040</u> |

24. Overhead expenses

| | Group and Bank | |
|----------------------------------|---------------------------------------|------------------|
| | Current and Cumulative Quarter | |
| | 3 months ended | |
| | 1.1.2018 | 1.1.2017 |
| | to | to |
| | 31.3.2018 | 31.3.2017 |
| | RM'000 | RM'000 |
| Personnel costs | | |
| Salaries, allowances and bonuses | 7,530 | 7,098 |
| Defined Contribution Plan | | |
| - Employees Provident Fund | 1,104 | 1,131 |
| Others | 987 | 1,296 |
| | <u>9,621</u> | <u>9,525</u> |

299740-W

Bangkok Bank Berhad
(Incorporated in Malaysia)

24. Overhead expenses (cont'd.)

| | Group and Bank Current and Cumulative Quarter 3 months ended | |
|--|---|---|
| | 1.1.2018 to 31.3.2018 RM'000 | 1.1.2017 to 31.3.2017 RM'000 |
| Establishment costs | | |
| Depreciation | 1,194 | 1,428 |
| Amortisation of intangible assets | 56 | 18 |
| Repair and maintenance | 708 | 553 |
| Information technology | 220 | 227 |
| Rental expenses | 227 | 149 |
| Others | 619 | 1,016 |
| | <u>3,024</u> | <u>3,391</u> |
| Marketing costs | | |
| Advertising and publicity | 97 | 138 |
| Others | 38 | 15 |
| | <u>135</u> | <u>153</u> |
| Administration and general costs | | |
| Communication expenses | 306 | 363 |
| Subscriptions | 1,665 | 294 |
| Professional fees | 64 | 164 |
| Auditors remunerations | 320 | 102 |
| Non-executive directors' remuneration | 273 | 200 |
| Insurance | 71 | 140 |
| Travelling | 78 | 149 |
| Others | 452 | 362 |
| | <u>3,229</u> | <u>1,774</u> |
| Total | <u>16,009</u> | <u>14,843</u> |

Bangkok Bank Berhad
(Incorporated in Malaysia)

25. Commitments and contingencies

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

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

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

| Group and Bank | Principal Amount RM'000 | Positive Fair Value Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Amount RM'000 |
|---|--|--|--|--|
| 31 March 2018 | | | | |
| Direct credit substitutes | 50,495 | - | 50,495 | 49,941 |
| Transaction-related contingent items | 302,824 | - | 151,412 | 146,834 |
| Short-term self-liquidating trade-related contingencies | 106,667 | - | 21,333 | 21,333 |
| Forward foreign exchange contracts | | | | |
| - less than one year | 436,122 | 3,388 | 6,542 | 5,041 |
| Other commitments, such as formal standby facilities and credit lines, with an original | | | | |
| - maturity more than one year | 159,511 | - | 79,755 | 79,755 |
| - maturity less than one year | 1,659,328 | - | 331,866 | 331,866 |
| Any commitment that are unconditionally cancelled at any time without prior notice | 35,079 | - | - | - |
| Total | 2,750,026 | 3,388 | 641,403 | 634,770 |

Bangkok Bank Berhad
(Incorporated in Malaysia)

25. Commitments and contingencies (cont'd.)

| Group and Bank | Principal Amount RM'000 | Positive Fair Value Derivative Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Amount RM'000 |
|---|--|--|--|--|
| 31 December 2017 | | | | |
| Direct credit substitutes | 47,280 | - | 47,280 | 46,655 |
| Transaction-related contingent items | 302,978 | - | 151,489 | 144,748 |
| Short-term self-liquidating trade-related contingencies | 42,555 | - | 8,511 | 8,503 |
| Forward foreign exchange contracts | | | | |
| - less than one year | 376,100 | 4,713 | 8,731 | 6,017 |
| Other commitments, such as formal standby facilities and credit lines, with an original | | | | |
| - maturity more than one year | 12,000 | - | 6,000 | 6,000 |
| - maturity less than one year | 1,533,451 | - | 306,690 | 306,690 |
| Any commitment that are unconditionally cancelled at any time without prior notice | 76,564 | - | - | - |
| Total | 2,390,928 | 4,713 | 528,701 | 518,613 |

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

26. Fair value hierarchy

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

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

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

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

26. Fair value hierarchy (cont'd.)

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

| Group and Bank 31 March 2018 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| <u>Financial assets at fair value</u> <u>through other comprehensive income (Note 13)</u> | | | | |
| Debt instruments | | | | |
| Malaysian Government Securities | - | 182,255 | - | 182,255 |
| Government Investment Issue | - | 313,684 | - | 313,684 |
| Malaysia Treasury Bills | - | 48,581 | - | 48,581 |
| Corporate bonds | - | 188,378 | - | 188,378 |
| Equity instruments | | | | |
| Shares | - | 16,785 | - | 16,785 |
| | - | 749,683 | - | 749,683 |

Derivatives financial instruments

| | | | | |
|------------------------|---|---------|---|---------|
| Derivative assets | - | 3,388 | - | 3,388 |
| Derivative liabilities | - | (3,742) | - | (3,742) |

| Group and Bank 31 December 2017 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| <u>Securities available-for-sale (Note 12)</u> | | | | |
| Money market instruments: | | | | |
| Malaysian Government Securities | - | 233,668 | - | 233,668 |
| Government Investment Issue | - | 313,445 | - | 313,445 |
| Malaysia Treasury Bills | - | - | - | - |
| Negotiable Instruments of Deposit | - | - | - | - |
| Unquoted securities in Malaysia: | | | | |
| Corporate bonds | - | 187,743 | - | 187,743 |
| | - | 734,856 | - | 734,856 |

Derivatives financial instruments

| | | | | |
|----------------------------------|---|---------|---|---------|
| Derivative financial assets | | | | |
| Unrealised gain on derivatives | - | 4,713 | - | 4,713 |
| Derivative financial liabilities | | | | |
| Unrealised loss on derivatives | - | (3,623) | - | (3,623) |

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

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

26. Fair value hierarchy (cont'd.)

Valuation methods and assumptions

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

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

(i) Financial assets at FVOCI and amortised costs

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

Included in financial assets at FVOCI and amortised costs as at 31 March 2018 were investment in equity securities revalued at fair value of RM16,785,000 (2017: RM872,000 at cost) of the Group and the Bank. These securities were acquired for long term investment purposes.

(ii) Derivative financial instruments

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

27. Capital adequacy

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

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

27. Capital adequacy (cont'd.)

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

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

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

| | Bank | |
|------------------------------------|------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| Common equity Tier 1 capital ratio | 29.68% | 30.62% |
| Total capital ratios | <u>30.87%</u> | <u>31.82%</u> |

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

| | Bank | |
|--|------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Common Equity Tier 1 Capital ("CET1 Capital") | | |
| Paid-up share capital | 1,000,000 | 1,000,000 |
| Statutory reserve | - | - |
| Unrealised gain on FVOCI | 7,720 | 757 |
| Retained profits | 219,906 | 236,845 |
| Less: Regulatory adjustment, applied on CET1 Capital | | |
| Other intangibles | (857) | (776) |
| Deferred tax assets | (9,319) | (2,701) |
| Total Common Equity Tier 1 Capital | <u>1,217,450</u> | <u>1,234,125</u> |

Bangkok Bank Berhad
(Incorporated in Malaysia)

27. Capital adequacy (cont'd.)

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

| | Bank | |
|--------------------------------|------------------|-------------------|
| | 31.3.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Tier 2 Capital | | |
| Stage 1 and 2 ECL allowances | 49,031 | 48,232 |
| Total Tier 2 Capital | <u>49,031</u> | <u>48,232</u> |
| Total capital | | |
| Common Equity Tier 1 Capital | 1,217,450 | 1,234,125 |
| Tier 2 Capital | 49,031 | 48,232 |
| Less: Investment in subsidiary | (10) | (10) |
| Total Capital | <u>1,266,471</u> | <u>1,282,347</u> |

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

| | Principal | Risk-weighted | Principal | Risk-weighted |
|---|------------------|----------------------|-------------------|----------------------|
| | 31.3.2018 | 31.3.2018 | 31.12.2017 | 31.12.2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 0% | 1,035,923 | - | 929,579 | - |
| 20% | 489,599 | 97,920 | 521,408 | 104,282 |
| 35% | 1,552 | 543 | 1,587 | 555 |
| 50% | 232,540 | 116,270 | 205,157 | 102,578 |
| 100% | 3,702,835 | 3,702,835 | 3,646,262 | 3,646,262 |
| 150% | 3,184 | 4,776 | 3,229 | 4,844 |
| Total risk-weighted assets for credit risk | | 3,922,344 | | 3,858,521 |
| Total risk-weighted assets for market risk | | 13,756 | | 7,532 |
| Total risk-weighted assets for operational risk | | 166,145 | | 164,508 |
| Total risk-weighted assets | | <u>4,102,245</u> | | <u>4,030,561</u> |

Bangkok Bank Berhad
(Incorporated in Malaysia)

28. Significant related party transactions and balances

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

(i) Related party transactions

| | Group and Bank Current and Cumulative Quarter 3 months ended | |
|--|---|---|
| | 1.1.2018 to 31.3.2018 RM'000 | 1.1.2017 to 31.3.2017 RM'000 |
| Income | | |
| Interest on advances to the holding company and its branches | 8 | 59 |
| Expenditure | | |
| Interest on advances from the holding company and its branches | 1,069 | 1,269 |
| Administrative expenses to holding company | 126 | 51 |

(ii) Related party balances

| | Group and Bank | |
|--|-----------------------------|------------------------------|
| | 31.3.2018 RM'000 | 31.12.2017 RM'000 |
| Amount due to | | |
| Deposits and placements from the holding company and its branches | 262,519 | 245,098 |
| Amount due from | | |
| Cash and short-term funds placed with the holding company and its branches | 89,528 | 13,907 |

299740-W

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

Statement by directors

We, Chris Chia Woon Liat and Lee Khee Joo @ Lee Ying Chong, being two of the directors of Bangkok Bank Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 2 to 41 are drawn up in accordance with Malaysian Financial Reporting Standards and 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 March 2018 and of the results and the cash flows of the Group and of the Bank for the three-month period then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 2 October 2018.



Chris Chia Woon Liat



Lee Khee Joo @ Lee Ying Chong

Kuala Lumpur, Malaysia