

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

**Directors' Report and Audited Financial Statements**  
**31 December 2017**

**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 2017.

**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 Note 12 to the financial statements.

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

**Results**

	<b>Group 2017 RM'000</b>	<b>Bank 2017 RM'000</b>
Profit for the financial year	<u>23,322</u>	<u>23,311</u>

There were no material transfers to or from reserves, allowances or provisions during the financial year other than as disclosed in Notes 7,8,9 and 10 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 2017.

**Issue of share capital**

During the financial year, the Bank increased its issued and paid-up ordinary share capital to RM1,000,000,000 from RM600,000,000 with the issuance of 400,000,000 ordinary shares of RM1.00 per ordinary share for working capital purposes.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Bank.

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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 (*Appointed w.e.f. 01.08.2017*)  
 Mr. Piti Sithi-Amnuai (*Resigned w.e.f. 30.04.2018*)  
 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 (*Appointed w.e.f. 26.01.2017*)  
 Mr. Bordin Unakul (*Appointed w.e.f. 30.05.2018*)

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 12 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 30 to the financial statements) by reason of a contract made by the Bank or a related corporation 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. Piti Sithi-Amnuai and Mr. Banlue Chantadisai hold 154,941 shares and 6,020 shares respectively in Bangkok Bank Public Company Limited, the holding company of the Bank, as at 31 December 2017.

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

	<b>No. of ordinary shares of THB10 each ("share")</b>			
	<b>Balance at</b>			<b>Balance at</b>
	<b>1.1.2017</b>	<b>Bought</b>	<b>Sold</b>	<b>31.12.2017</b>
Mr. Piti Sithi-Amnuai	154,941	-	-	154,941
Mr. Banlue Chantadisai	6,020	-	-	6,020

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**Directors' interests (cont'd.)**

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 bad debts and that adequate allowances 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) it necessary to write-off any 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.
- (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.

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**Other statutory information (cont'd.)**

(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 2017 and outlook for the financial year 2018**

Bangkok Bank Berhad (“BBB”) registered a profit before tax of RM31.91 million in 2017 as compared to RM39.16 million in 2016. Expansion in all sources of income coupled with write back of collective impairment and recoveries from impaired loan accounts had been the main contributor.

Gross loan outstanding marginally increased from RM2.88 billion at end of December 2016 to RM3.14 billion at end of December 2017. The slow increase were likely due to tightening of the Bank's lending criteria and unutilised of trade facilities towards year end.

Deposits from customers increased from RM1.86 billion at end of December 2016 to RM2.43 billion at end of December 2017. This is the result of the Bank's heightened focus on generating customer deposits to maintain prudent liquidity position and to fund future loan growth.

Impaired loans improved from RM139.93 million at end of December 2016 to RM121.5 million at end of December 2017 due to reclassifications to as non-impaired corporate accounts as well as recoveries during the year. Net impaired loans ratio decreased from 1.83% at end of December 2016 to 1.17% at end of December 2017.

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

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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 currently the Chairman of Lynn Phillips Mortgage Credit Foncier Co. Ltd. and a board member and Chairman of 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 had held various senior positions at Bangkok Bank Public Co. Ltd. (BBPCL), including General Manager of Jakarta branch, General Manager of Singapore branch, and Head of 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.

**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, Chief Credit Officer 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 currently the Managing Partner of Kendall Court, an investment partnership focused on investment in Southeast Asia (Kendall Court manages approximately USD300 million in assets and makes direct investments in public and private companies).

He is also a member of the Money Policy Advisory Committee and was a member of Investment Advisory Committee under SPRING Singapore (a statutory board under the Ministry of Trade and Industry of Singapore which is the main agency for enterprise development and it aims to enhance the competitiveness of enterprises to develop a strong base of dynamic and innovative Singapore enterprises).

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

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

He is Independent Chairman of Bumi Armada Berhad, a listed oil and gas services company and is also Senior Advisor to TPG Capital, a global Private Equity firm. In addition, he sits on the Boards of Bangkok Bank Malaysia, Themed Attractions, Resorts and Hotels, Pinewood Iskandar Malaysia Studios, Sun Life Malaysia Assurance, and numerous other private companies.

He is the Chairman of the Board of Trustees of the Munarah Foundation, Chairman and Founding Trustee of Teach for Malaysia (TFM), Chairman of WWF Malaysia, Royal Patron of Enactus Malaysia Foundation, and the Chairman of the Board of Governors of Marlborough College Malaysia. He is Pro-Chancellor of Universiti Sains Islam Malaysia, and a Royal Fellow at Universiti Kebangsaan Malaysia's Yunus Centre for Advancement of Social Business. Tunku Ali is also an Honorary Lieutenant Colonel in 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. In 2013, he was recognised as a Young Global Leader (YGL) by the World Economic Forum, and as a member of Asia 21 Young Leaders 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 wide and varied experiences in the 38 years stint in the banking and financial industry. He holds a Bachelor of Economics (Hons) degree from the University of Malaya as well as post-graduate Diploma of Accountancy at the same Alma Mater. He also has MBA Degree 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 held various senior positions at Bank Negara Malaysia including the Head of 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 and Head of Commercial Banking of HSBC Singapore prior to his retirement in 2012.

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**Profile of directors (cont'd.)**

**Mr. Chaiyarit Anuchitworawong  
Executive Director**

Mr. Chaiyarit 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. Chaiyarit is a Senior Executive Vice President and Co-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. Chaiyarit 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 worked for Bangkok Bank Public Company Limited as EVP and had insights in various areas of the banking industry. In addition, Mr. Bordin was a board member of the Thai Financial Planners Association. Presently, he resigned from SET upon request from the government to help out on various ministries such as Ministry of Finance, Ministry of Education, Ministry of Social Development, etc.

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 (“IOD”). He has also taken an exclusive executive course organized by SET’s Capital Market Academy.

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**Corporate Governance**

**Board of directors**

**Board composition**

During the financial year of 2017, the Board of Bangkok Bank Berhad (“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 Director 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. Piti Sithi-Amnuai.

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 review and approve management's proposal on strategies, business plan and significant policies and the monitoring of management's performance in the implementation process;
- (ii) To ensure the Bank establishes comprehensive risk management policies, processes and infrastructure to manage the various types of risks; and
- (iii) To ensure the operations of the Bank are conducted prudently and within the framework of relevant laws, rulings and regulations.

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

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**Corporate Governance (cont'd.)**

**Board of directors (cont'd.)**

**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 eight (8) times during the financial year ended 31 December 2017. The attendance of Directors at Board Meetings held in the financial year ended 31 December 2017 is as follows:

	<b>Name of Directors</b>	<b>Designation</b>	<b>Attendance</b>
1.	Mr. Piti Sithi-Amnuai	Chairman/Independent Director	8/8
2.	Ms. Rushda Theeratharathorn	Executive Director	8/8
3.	Mr. Chaifarit Anuchitworawong (Appointed w.e.f. 26.01.2017)	Executive Director	8/8
4.	Mr. Chris Chia Woon Liat	Non-Independent Director	8/8
5.	Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz	Independent Director	8/8
6.	Mr. Lee Khee Joo @ Lee Ying Chong	Independent Director	8/8
7.	Mr. Tham Kwok Meng	Independent Director	7/8
8.	Mr. Banlue Chantadisai (Appointed w.e.f.01.08.2017)	Independent Director	3/3

The BNM Policy 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.

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.

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**Corporate Governance (cont'd.)**

**Board of directors (cont'd.)**

**Directors' training (cont'd.)**

Training programmes, conferences and forums attended by the Directors for the financial year 2017 were as follows:

FIDE/ICLIF/FIDE Forum

1. Economic and Financial Services Sector: Trends and Challenges Moving Forward for the Banking Industry.
2. Efficient Inefficiency: Making Boards Effective in a Changing World
3. Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection – Engagement with Potential Directors
4. Risk and Reward: What Must Boards Know About A Sustainable FI Remuneration System for Senior Management and Material Risk Takers?
5. Fintech: Opportunities for the Financial Services Industry in Malaysia
6. Leveraging Technology for Growth
7. 4th BNM – FIDE FORUM Annual Dialogue with Senior Management of Bank Negara Malaysia.
8. Risk and Reward: What Must Boards Know About A Sustainable FI Remuneration System for Senior Management and Material Risk Takers?

Other External Seminars/Conferences

1. MIA 50th Anniversary Commemorative Lecture
2. Cryptocurrency & Blockchain Technology

Internal Training Programmes

1. AML/CFT Awareness Training – Financial Crime Risk and Management in Trade Finance
2. New Companies Act 2016
3. IFRS 9 Briefing

**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.

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**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 Nominating 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 2017, 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 2017 are as follows:

	<b>Committee Members</b>	<b>Designation</b>	<b>Attendance</b>
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

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;

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**Board committees (cont'd.)**

**(a) Nomination committee (cont'd.)**

- (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, Key Senior Management Officers and Company Secretary 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 2017, the Remuneration Committee held five (5) meetings.

The composition of the Remuneration Committee and attendance of the members at the meetings held during the financial year 2017 are as follows:

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

**Terms of Reference**

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.

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**Board committees (cont'd.)**

**(b) Remuneration committee (cont'd.)**

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;
- (iii) Recommends to the Board the proposed overall salary increment and overall annual bonus of the staff; and
- (iv) Oversees remuneration review for the Management Committee annually.

**(c) Risk management committee**

During the financial year of 2017, 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 2017 are as follows:

	<b>Committee Members</b>	<b>Designation</b>	<b>Attendance</b>
1.	Mr. Tham Kwok Meng - Chairman	Independent Director	7/7
2.	Ms. Rushda Theeratharathorn	Executive Director	7/7
3.	Mr. Lee Khee Joo @ Lee Ying Chong	Independent Director	7/7
4.	Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz*	Independent Director	3/3
5.	Mr. Banlue Chantadisai**	Independent Director	3/3

\* Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz resigned as member w.e.f 01.08.2017

\*\* Mr. Banlue Chantadisai appointed as a member w.e.f. 01.08.2017



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**Board committees (cont'd.)**

**(c) Risk management committee (cont'd.)**

Terms of Reference

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.

**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.

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**Board committees (cont'd.)**

**(c) Risk management committee (cont'd.)**

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.

**(d) Audit committee**

During the financial year, the Audit Committee held nine (9) meetings.

The details of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2017 are as follows:

	<b>Committee Members</b>	<b>Designation</b>	<b>Attendance</b>
1.	Mr. Banlue Chantadisai * - Chairman	Independent Director	2/2
2.	Mr. Chris Chia Woon Liat **	Non-Independent Director	9/9
3.	Ms. Rushda Theeratharathorn	Executive Director	9/9
4.	Mr. Lee Khee Joo @ Lee Ying Chong	Independent Director	9/9
5.	Mr. Tham Kwok Meng	Independent Director	7/9

\* Mr. Banlue Chantadisai was appointed as Chairman of the Audit Committee w.e.f. 5.10.2017.

\*\* Mr. Chris Chia vacated office as Chairman of the Audit Committee on 4.10.2017 after serving the maximum allowable tenure and was re-designated as a non-independent director.

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

**Board committees (cont'd.)**

**(d) Audit committee (cont'd.)**

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; and
- (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, Net Interest Income ("NII") 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 34 to the financial statements.

The Bank's capital management process is further disclosed in Note 32 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 2017, 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 29 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 and the Guidelines on Classification and Impairment provision for Loans/Financing.

**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 have 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 2017 is shown in the table below:-

Total value of remuneration awards for year 2017	Chief Executive Officer		Senior Management and Other Material Risk Takers	
	Unrestricted RM'000	Deferred RM'000	Unrestricted RM'000	Deferred RM'000
<b>Fixed Remuneration</b>	<b>963</b>	<b>-</b>	<b>7,030</b>	<b>-</b>
Cash-based	901	-	6,883	-
Other	62	-	147	-
<b>Variable Remuneration</b>	<b>158</b>	<b>75</b>	<b>2,550</b>	<b>308</b>
Cash-based	150	75	2,542	308
Other	8	-	8	-
<b>Grand Total</b>	<b>1,121</b>	<b>75</b>	<b>9,580</b>	<b>308</b>



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

**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 25 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 June 2018.



Tham Kwok Meng

Kuala Lumpur, Malaysia



Lee Khee Joo @ Lee Ying Chong

**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 29 to 117 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 December 2017 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 dated 6 June 2018.



Tham Kwok Meng



Lee Khee Joo @ Lee Ying Chong

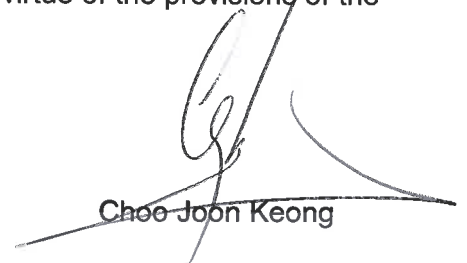
Kuala Lumpur, Malaysia

**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 29 to 117 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 6 June 2018.

  
Choo Joon Keong

Before me,



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

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 2017 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 29 to 117.

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 2017, 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 Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*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.



299740-W

**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.

299740-W

**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

AF: 0039

Chartered Accountants

Kuala Lumpur, Malaysia

6 June 2018



Lee Pei Yin

03189/05/2019 J

Chartered Accountant

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

**Statements of financial position**  
**As at 31 December 2017**

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Cash and short-term funds	4	546,644	283,533	546,536	283,434
Deposits and placements with banks and other financial institutions	5	251,098	153,931	251,098	153,931
Securities held for trading	6	-	10,240	-	10,240
Securities available-for-sale	7	735,728	820,028	735,728	820,028
Securities held-to-maturity	8	13	13	13	13
Loans, advances and financing	9	2,982,387	2,725,493	2,982,387	2,725,493
Derivative assets		4,713	1,552	4,713	1,552
Tax recoverable		11,216	8,973	11,212	8,972
Other assets	10	2,968	2,858	2,968	2,858
Statutory deposit with Bank Negara Malaysia	11	78,000	88,000	78,000	88,000
Investment in a subsidiary	12	-	-	10	10
Property and equipment	13	140,693	141,513	140,693	141,513
Intangible assets	14	776	61	776	61
Deferred tax assets	15	2,701	2,130	2,701	2,130
<b>Total assets</b>		<b>4,756,937</b>	<b>4,238,325</b>	<b>4,756,835</b>	<b>4,238,235</b>
<b>Liabilities and shareholder's equity</b>					
Deposits from customers	16	2,433,089	1,856,627	2,433,089	1,856,627
Deposits and placements of banks and other financial institutions	17	1,061,441	1,552,943	1,061,441	1,552,943
Derivative liabilities		3,623	3,598	3,623	3,598
Other liabilities	18	20,158	13,068	20,154	13,065
<b>Total liabilities</b>		<b>3,518,311</b>	<b>3,426,236</b>	<b>3,518,307</b>	<b>3,426,233</b>
Share capital	19	1,000,000	600,000	1,000,000	600,000
Statutory reserve	20(a)	-	169,039	-	169,039
Revaluation reserve	20(b)	1,683	(1,532)	1,683	(1,532)
Retained profits	20(c)	236,943	44,582	236,845	44,495
<b>Shareholder's equity</b>		<b>1,238,626</b>	<b>812,089</b>	<b>1,238,528</b>	<b>812,002</b>
<b>Total liabilities and shareholder's equity</b>		<b>4,756,937</b>	<b>4,238,325</b>	<b>4,756,835</b>	<b>4,238,235</b>
<b>Commitments and contingencies</b>	28	2,390,928	2,226,929	2,390,928	2,226,929

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 2017**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	21	193,697	179,640	193,697	179,640
Interest expense	22	(112,347)	(104,467)	(112,347)	(104,467)
Net interest income		81,350	75,173	81,350	75,173
Non-interest income	24	12,984	15,334	12,967	15,315
Net income		94,334	90,507	94,317	90,488
Overhead expenses	25	(60,368)	(53,779)	(60,365)	(53,775)
		33,966	36,728	33,952	36,713
Loan loss and allowances, net	23	(2,041)	2,443	(2,041)	2,443
Profit before taxation		31,925	39,171	31,911	39,156
Taxation	26	(8,603)	(7,964)	(8,600)	(7,960)
Profit for the financial year		23,322	31,207	23,311	31,196
Earnings per share (sen)					
- basic	27	2.33	5.20		
- diluted	27	2.33	5.20		

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 2017**

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the financial year		<u>23,322</u>	<u>31,207</u>	<u>23,311</u>	<u>31,196</u>
Other comprehensive income:					
Gain/(Loss) on fair value changes for securities available-for-sale		4,230	(2,819)	4,230	(2,819)
Income tax relating to components of other comprehensive income	15	<u>(1,015)</u>	<u>685</u>	<u>(1,015)</u>	<u>685</u>
Other comprehensive income/ (loss) for the financial year that may be subsequently reclassified to profit or loss		<u>3,215</u>	<u>(2,134)</u>	<u>3,215</u>	<u>(2,134)</u>
Total comprehensive income for the financial year		<u>26,537</u>	<u>29,073</u>	<u>26,526</u>	<u>29,062</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 2017**

	<----- Group ----->				
		<---Non-distributable--->		Distributable:	
	Share capital RM'000	Statutory reserve Note 20(a) RM'000	Revaluation reserve Note 20(b) RM'000	Retained profits Note 20(c) RM'000	Total RM'000
<b>At 1 January 2016</b>	600,000	153,451	602	28,963	783,016
Total comprehensive income	-	-	(2,134)	31,207	29,073
Transfer to statutory reserve	-	15,588	-	(15,588)	-
<b>At 31 December 2016</b>	<b>600,000</b>	<b>169,039</b>	<b>(1,532)</b>	<b>44,582</b>	<b>812,089</b>
<b>At 1 January 2017</b>	600,000	169,039	(1,532)	44,582	812,089
Total comprehensive income	-	-	3,215	23,322	26,537
Transfer to statutory reserve	-	(169,039)	-	169,039	-
Issue of share capital	400,000	-	-	-	400,000
<b>At 31 December 2017</b>	<b>1,000,000</b>	<b>-</b>	<b>1,683</b>	<b>236,943</b>	<b>1,238,626</b>

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 2017 (cont'd.)**

	<----- Bank ----->				
		<---Non-distributable--->		Distributable:	
	Share capital RM'000	Statutory reserve Note 20(a) RM'000	Revaluation reserve Note 20(b) RM'000	Retained profits Note 20(c) RM'000	Total RM'000
<b>At 1 January 2016</b>	600,000	153,441	602	28,897	782,940
Total comprehensive income	-	-	(2,134)	31,196	29,062
Transfer to statutory reserve	-	15,598	-	(15,598)	-
<b>At 31 December 2016</b>	<u>600,000</u>	<u>169,039</u>	<u>(1,532)</u>	<u>44,495</u>	<u>812,002</u>
<b>At 1 January 2017</b>	600,000	169,039	(1,532)	44,495	812,002
Total comprehensive income	-	-	3,215	23,311	26,526
Transfer to retained earnings	-	(169,039)	-	169,039	-
Issue of shares	400,000	-	-	-	400,000
<b>At 31 December 2017</b>	<u>1,000,000</u>	<u>-</u>	<u>1,683</u>	<u>236,845</u>	<u>1,238,528</u>

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 2017**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>					
Profit before taxation		31,925	39,171	31,911	39,156
Adjustments for:					
Depreciation	25	4,926	4,547	4,926	4,547
Amortisation of intangible assets	25	117	244	117	244
Loan loss and allowances, net		2,049	(2,386)	2,049	(2,386)
Write-back of impairment loss on securities held-to-maturity	24	(10)	(14)	(10)	(14)
Unrealised (gain)/loss on foreign exchange forward	24	(3,136)	874	(3,136)	874
Net loss/(gain) on revaluation of securities held for trading	24	133	(133)	133	(133)
Net gain on disposal of securities held for trading	24	(163)	(14)	(163)	(14)
(Accretion of discounts)/amortisation of premium, net	21	(655)	731	(655)	731
Dividend income	24	(102)	(122)	(102)	(122)
Operating profit before working capital changes		35,084	42,898	35,070	42,883
(Increase)/Decrease in operating assets:					
Loans and advances		(258,943)	(29,727)	(258,943)	(29,727)
Other assets		(110)	224	(110)	224
Statutory deposits with Bank Negara Malaysia		10,000	26,000	10,000	26,000
Net purchase of securities held for trading		(69,480)	(40,612)	(69,480)	(40,612)
Net purchase of securities available-for-sale		(280,815)	(686,519)	(280,815)	(686,519)

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

**Statements of cash flows**

**For the financial year ended 31 December 2017 (cont'd.)**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities (cont'd.)</b>					
Net proceeds from disposal of securities held for trading		79,750	30,515	79,750	30,515
Net proceeds from maturity of available-for-sale		370,000	1,065,000	370,000	1,065,000
Net proceeds from maturity of securities held-to-maturity		10	14	10	14
Increase/(decrease) in operating liabilities:					
Deposits from customers		576,462	29,332	576,462	29,332
Deposits and placements of banks other financial institutions		(491,502)	(106,159)	(491,502)	(106,159)
Other liabilities		7,089	(12,825)	7,089	(12,825)
Cash used in operating activities		(22,455)	318,141	(22,469)	318,126
Taxes paid		(12,432)	(2,019)	(12,426)	(2,015)
Taxes refunded		1	247	-	247
Net cash used in operating activities		(34,886)	316,369	(34,895)	316,358
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	13	(4,854)	(15,008)	(4,854)	(15,008)
Purchase of intangible assets	13	(84)	-	(84)	-
Dividends received	14	102	122	102	122
Net cash used in investing activities		(4,836)	(14,886)	(4,836)	(14,886)

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

**Statements of cash flows**

**For the financial year ended 31 December 2017 (cont'd.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of share capital representing net cash generated from financing activities	400,000	-	400,000	-
<b>Net increase in cash and cash equivalents</b>	360,278	301,483	360,269	301,472
<b>Cash and cash equivalents at beginning of financial year</b>	437,464	135,981	437,365	135,893
<b>Cash and cash equivalents at end of financial year</b>	<b>797,742</b>	<b>437,464</b>	<b>797,634</b>	<b>437,365</b>
Cash and cash equivalents comprise:				
Cash and short-term funds	546,644	283,533	546,536	283,434
Deposits and placements with bank and other financial institutions	251,098	153,931	251,098	153,931
	<b>797,742</b>	<b>437,464</b>	<b>797,634</b>	<b>437,365</b>

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

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

**Notes to the financial statements - 31 December 2017**

**1. Corporate information**

The principal activities of Bangkok Bank Berhad ("the Bank") are banking and related financial services. The principal activity of its subsidiary is described in Note 12. There have been no significant changes in the nature of the principal activities during the financial year.

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 effective 1 October 2016 from the previous principal place of business located at 105, Jalan Tun H.S. Lee, 50000 Kuala Lumpur.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of directors on 6 June 2018.

**2. Basis of preparation of the financial statements**

**2.1 Basis of preparation**

The financial statements of the Group and the Bank 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 convention, unless otherwise stated in the accounting policies. 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").

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

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

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Bank adopted the following new and amended MFRSs and annual improvements to MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Descriptions	Effective for annual periods beginning on or after
MFRS 107 <i>Disclosures Initiatives</i>	1 January 2017
MFRS 112 <i>Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 107)</i>	1 January 2017
Annual improvements to MFRSs 2014-2016 Cycle	
– MFRS 12 Disclosure of Interests in Other Entities	1 January 2017

**MFRS 107 *Disclosures Initiatives (Amendments to MFRS 107)***

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Bank.

**MFRS 112 *Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.



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

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

**2.2 Changes in accounting policies (cont'd.)**

**MFRS 112 *Recognition of Deferred Tax for Unrealised Losses*  
 (Amendments to MFRS 112) (cont'd.)**

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Bank.

**MFRS 12 Disclosure of Interests in Other Entities**

The amendments clarified that the disclosure requirements in MFRS 12 are applicable to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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

The following are standards, annual improvements to standards and IC interpretations issued by 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 these standards, annual improvements to standards and IC Interpretation, if applicable, when they become effective:

<b>Descriptions</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
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 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

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

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

<b>Descriptions</b>	<b>Effective for annual periods beginning on or after</b>
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
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 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

**MFRS 9 Financial Instruments**

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

**(i) Classification and measurement**

MFRS 9 requires financial assets to be classified on the basis of two criteria:

- (1) The business model within financial assets are managed; and
- (2) The contractual cash flows characteristic.

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

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

**MFRS 9 *Financial Instruments* (cont'd)**

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

Financial assets will be measured at amortised cost if the assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income ("FVOCI") if the assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.

Financial assets which are neither held at amortised cost nor at FVOCI will be measured at FVTPL.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI (i.e. without recycling profit or loss upon derecognition).

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

**(ii) Impairment**

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under the current accounting standard. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

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

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

**MFRS 9 *Financial Instruments* (cont'd)**

**(ii) Impairment (cont'd)**

The measurement of expected loss will involve increased complexity and judgement that include:

- 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 will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

**(i) Stage 1: 12-month ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

**(ii) Stage 2: Lifetime ECL - non-credit impaired**

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.

**(iii) Stage 3: Lifetime ECL - credit impaired**

Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

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

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

**MFRS 9 *Financial Instruments* (cont'd)**

**(ii) Impairment (cont'd)**

The measurement of expected loss will involve increased complexity and judgement that include (cont'd):

- Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments such as credit cards and overdrafts. The expected life for these revolver facilities is expected to be behavioural life.

- Forward looking information

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

**(iii) Hedge accounting**

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

Overall, the Group and the Bank anticipate impact to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification and measurement requirements will affect the presentation and disclosures within the Group's and the Bank's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses.

**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 depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 is more prescriptive than the current MFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. The standard will affect entities across all industries.

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

**MFRS 16 Leases**

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

**(i) Lessee**

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

**(ii) Lessor**

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

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

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

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

***MFRS 17 Insurance Contracts***

MFRS 17, together with MFRS 9, will result in a profound change to the accounting in MFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

The amendments are effective for annual periods beginning on or after 1 January 2021, with comparative figures required.

***Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions***

The amendments address three main areas:

- (a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- (b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- (c) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement.

These amendments are not expected to have any impact on the Group and on the Bank.

***Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts***

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

**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 Interpretation issued but not yet effective (cont'd.)**

***Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (cont'd.)***

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Group has opted not to apply the exemptions permitted under these amendments and will fully adopt MFRS 9 effective on 1 January 2018.

***Amendments to MFRS 9: Prepayment Features with Negative Compensation***

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. Prepayment features with negative compensation do not automatically fail SPPI.

The amendments are intended to provide clarity for prepayment features with negative compensation when applying the SPPI test. The amendment are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The amendments must be applied retrospectively.

***Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments require the full gain to be recognised when the assets transferred to an associate or joint venture in which it meets the definition of a business as defined in MFRS 3 Business Combinations. Any gain or loss on assets transferred to an associate or joint venture that do not meet the definition of a business would be recognised only to the extent of the unrelated investors' interest in the associate or joint venture. The amendments originally apply prospectively effective for periods beginning on or after 1 January 2016, with early application permitted.



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

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

**Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (cont'd.)**

On 31 December 2015, MASB announced to defer the effective date of the amendments, except for the amendments which clarify how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests, where early application still permitted. The deferment is in line with the IASB's recent decision which removed the requirement to apply Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) by 2016. The IASB's reason for making the decision to defer the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

**Amendments to MFRS 119: *Plan Amendment, Curtailment or Settlement***

The amendments require to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement, which occurs during the reporting period. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements.

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. These amendments will not have a significant impact on The Group's and the Bank's financial statements.

**Amendments to MFRS 128: *Long-term Interests in Associates and Joint Ventures***

The amendments clarify that an entity should also apply MFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

The amendments will eliminate diversity in practice. The amendment are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The amendments must be applied retrospectively.

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

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

**Amendments to MFRS 140: *Transfers of Investment Property***

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property is insufficient to support the change in use.

The amendments apply for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities are given two options to apply these amendments:

- (i) the *prospective approach* – apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date; or
- (ii) the *retrospective approach* – apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

**Annual Improvements to MFRSs 2014-2016 Cycle**

**(i) Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards***

The amendments removed a number of short-term exemptions because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

**(ii) Amendments to MFRS 128 *Investments in Associates and Joint Ventures***

The amendments clarify that a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds) may choose, on an investment by investment basis, to account for its investments in joint ventures and associates at fair value or using the equity method. The method chosen for each investment must be made on initial recognition.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

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

**Annual Improvements to MFRSs 2015-2017 Cycle**

**(i) Amendments to MFRS 3 *Business Combinations***

The amendments clarify that if an entity in a joint operation that is a business subsequently obtains control of the joint operation, it must remeasure its previously held interest at the acquisition-date fair value. Any difference between the acquisition-date fair value and previous carrying value is recognised as a gain or loss. The amendments therefore means that when the entity in a joint operation that is a business subsequently obtains control of the joint operation, it applies the same requirements already in MFRS 3 that apply to business combinations achieved in stages.

The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

**(ii) Amendments to MFRS 11 *Joint Arrangements***

The amendments clarify that if an entity that participates in (but does not have joint control over) a joint operation that is a business subsequently obtains joint control of the joint operation, it must not remeasure its previously held interest. The amendments therefore aligns with the accounting applied to transactions in which an associate becomes a joint venture and vice versa.

The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

**(iii) Amendments to MFRS 112 *Income Tax***

The amendments clarify that an entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

The amendments apply for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

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

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

**Annual Improvements to MFRSs 2015-2017 Cycle (cont'd.)**

**(iv) Amendments to MFRS 123 *Borrowing Costs***

Paragraph 14 of MFRS 123 requires an entity to exclude borrowings made specifically for the purpose of obtaining/constructing a qualifying asset i.e. specific borrowings, when determining the funds that an entity borrows generally i.e. general borrowings and the funds that it uses for the purpose of obtaining/constructing a qualifying asset. The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. Therefore, from that date, the rate applied on those specific borrowings are included in the determination of the capitalisation rate of general borrowings accordingly.

The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

**IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration***

IC Interpretation 22 addresses the exchange rate that should be used to measure revenue (or expense) when the related consideration was received (or paid) in advance. It requires that the exchange rate to use is the one that applied when the non-monetary asset (or liability) arising from the receipt (or payment) of advance consideration was initially recognised.

IC Interpretation 22 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities are given two options to apply these amendments:

- (i) retrospectively according to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors ; or
- (ii) prospectively to all assets, expenses and income in the scope of the interpretation initially recognised on or after:
  - the beginning of the reporting period in which the entity first applies the interpretation; or
  - the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the interpretation.

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

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

**IC Interpretation 23 *Uncertainty over Income Tax Treatments***

IC Interpretation 23 clarifies application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments (e.g. when recognising a current tax asset if tax laws require entities to make payments on a disputed tax treatment).

The Interpretation specifically addresses the following:

- (a) Whether an entity considers uncertain tax treatments separately;
- (b) The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group and the Bank are in the process of assessing the financial implication and for adopting the interpretation and plan to adopt the new interpretation on the required effective date.

**3. Significant accounting policies**

**(a) Subsidiary and basis of consolidation**

**(i) 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.

**Bangkok Bank Berhad  
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**3. Significant accounting policies (cont'd.)**

**(a) Subsidiary and basis of consolidation (cont'd.)**

**(ii) 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.

**(b) Revenue recognition**

**(i) Interest and financing income**

Interest income is recognised using the effective interest method. Interest income includes the amortisation of premiums or accretion of discounts. 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.

**(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 of a financial instrument.**

**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

**(b) Revenue recognition (cont'd.)**

**(ii) Fee and other income (cont'd.)**

Income that forms an integral part of the effective interest rate 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 income statements.

**(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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

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**3. Significant accounting policies (cont'd.)**

**(c) Financial assets (cont'd.)**

**(ii) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivable.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as impaired where repayments are in arrears for three (3) months or more from the first day of default for loans and overdrafts. Trade bills, bankers' acceptances and trust receipts are classified as impaired when they are due and unpaid for three (3) months from the first day of default.

In addition, loans and receivables are classified as impaired when there are indications of existence of objective evidence of impairment.

**(iii) Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Bank have the intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

**(iv) Available-for-sale financial assets**

Financial assets available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Available-for-sale are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.



**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

**(c) Financial assets (cont'd.)**

**(iv) Available-for-sale financial assets (cont'd.)**

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Bank's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

**(d) Impairment of financial assets**

Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each reporting date. Impairment loss is recognised when there is objective evidence such as significant financial difficulty of the issuer, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of a financial asset is below its carrying amount.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

**(i) Individual impairment allowance on financial assets carried at amortised cost**

For financial assets carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the assets' original effective interest rate. The amount of the impairment loss is recognised in profit or loss. Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the assets' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in profit or loss.

**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

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

**(i) Individual impairment allowance on financial assets carried at amortised cost (cont'd.)**

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Bank. If a loan written off is subsequently recovered, the recovery is credited to profit or loss.

**(ii) Individual impairment allowance on available-for-sale financial assets**

For available-for-sale investments in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to profit or loss, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed in profit or loss subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the profit or loss if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the profit or loss.

Collective impairment allowance is made for estimated losses inherent in but not currently identifiable to individual financial assets.

**(iii) Collective impairment allowance**

Loans, advances and financing that are individually assessed and found not to be individually impaired are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of loans, advances and financing could include the Group's and the Bank's past experience of collections, an increase in the default rates or loss experiences experienced by credit rating agencies on rated borrowers and observable changes in economic conditions that correlate with default on receivables.

**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

**(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.

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.

**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

**(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.

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.

**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

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

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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

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.

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 139, 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 other financial liabilities.

**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

**(h) Financial liabilities (cont'd.)**

**(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) Other financial liabilities**

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.

**(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.

**Bangkok Bank Berhad**  
**(Incorporated in Malaysia)****3. Significant accounting policies (cont'd.)****(j) Financial guarantee contracts (cont'd.)**

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) Leases****(i) As lessee**

Finance leases, which transfer to the Group and the Bank substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Bank will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(ii) As lessor**

Leases where the Group and the Bank retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

**(I) Foreign currencies**

**(i) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

**(ii) 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 not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, 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.

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:

	<b>2017</b>	<b>2016</b>
United States Dollar	4.05	4.49
Singapore Dollar	3.03	3.10



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**3. Significant accounting policies (cont'd.)**

**(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.

**(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) 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, 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.

**Bangkok Bank Berhad**  
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**3. Significant accounting policies (cont'd.)**

**(o) Current income tax**

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

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

**(p) 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.

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.

**(q) Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents include cash and short term funds and deposits and placements with banks and financial institutions.

**(r) 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.

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

**3. Significant accounting policies (cont'd.)**

**(r) Share capital and share issuance expenses (cont'd.)**

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.

**(s) 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 35.

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

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.

**Bangkok Bank Berhad  
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**3. Significant accounting policies (cont'd.)**

**(t) Fair value measurement (cont'd.)**

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.

**3.1 Significant accounting judgements, estimates and assumptions**

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 have 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)****3. Significant accounting policies (cont'd.)****3.1 Significant accounting judgements, estimates and assumptions (cont'd.)****(a) Allowance for impairment on loans and advances**

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

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

**(b) Deferred tax assets and income taxes**

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group and the Bank are subjected to income taxes in Malaysia and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking advice of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

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**4. Cash and short-term funds**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and Bank Negara Malaysia	316,587	80,625
Money at call and deposit placements maturing within one month	230,057	202,908
	<u>546,644</u>	<u>283,533</u>

	<b>Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and Bank Negara Malaysia	316,479	80,526
Money at call and deposit placements maturing within one month	230,057	202,908
	<u>546,536</u>	<u>283,434</u>

**5. Deposits and placements with banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	50,115	-
Licensed banks	200,983	153,931
	<u>251,098</u>	<u>153,931</u>

**6. Securities held for trading**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>In Malaysia</u></b>		
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Securities	-	10,240
	<u>-</u>	<u>10,240</u>

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**7. Securities available-for-sale**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>In Malaysia</u></b>		
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Securities	233,668	323,090
Government Investment Issues	313,445	281,498
Malaysia Treasury Bills	-	78,215
Negotiable Instruments of Deposit	-	50,304
Unquoted securities:		
Corporate bonds	187,743	86,049
	<u>734,856</u>	<u>819,156</u>
<b>At cost</b>		
Unquoted securities:		
Shares	872	872
	<u>735,728</u>	<u>820,028</u>

**8. Securities held-to-maturity**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>In Malaysia</u></b>		
<b>At amortised cost</b>		
Unquoted securities:		
Corporate bonds	593	603
Accumulated impairment losses	(580)	(590)
	<u>13</u>	<u>13</u>

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**9. Loans, advances and financing**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Overdrafts	123,238	158,334
Term loans:		
- Housing loans	2,853	3,326
- Syndicated term loan	42,385	116,387
- Other term loans	980,738	1,049,558
Revolving credits	1,276,920	766,482
Bills receivables	907	3,522
Trust receipts	91,493	141,127
Bankers' acceptances	618,823	644,589
Staff loans	656	787
	<u>3,138,013</u>	<u>2,884,112</u>
Unearned interest	(4,738)	(5,271)
Gross loans, advances and financing	<u>3,133,275</u>	<u>2,878,841</u>
Less: Allowance for impaired loans and financing:		
- Individual impairment allowance	(85,786)	(88,812)
- Collective impairment allowance	(65,102)	(64,536)
Net loans, advances and financing	<u>2,982,387</u>	<u>2,725,493</u>

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	2,268,604	1,833,516
One year to three years	267,761	281,740
Three years to five years	350,343	395,634
Over five years	246,567	367,951
	<u>3,133,275</u>	<u>2,878,841</u>



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**9. Loans, advances and financing (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	117,223	-
Purchase of transport vehicles	196	174
Purchase of residential properties	3,706	4,452
Purchase of non-residential properties	196,604	99,552
Purchase of fixed assets other than land and building	77,768	45,756
Personal use	2,647	13,488
Construction	351,291	326,191
Mergers and acquisitions	1,084	36,779
Working capital	2,350,700	2,027,500
Others	32,056	324,949
	<b>3,133,275</b>	<b>2,878,841</b>

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions	423,719	369,070
Domestic business enterprises		
- Small medium enterprises	540,001	592,013
- Others	2,056,668	1,883,453
Individuals	112,887	34,305
	<b>3,133,275</b>	<b>2,878,841</b>

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Variable rate		
- Base lending rate plus	1,045,597	495,116
- Cost-plus	2,042,813	2,284,243
- Other variable rates	44,865	99,482
	<b>3,133,275</b>	<b>2,878,841</b>

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**9. Loans, advances and financing (cont'd.)**

- (v) All loan, 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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	139,926	152,520
Classified as impaired during the year	3,504	37,782
Reclassified as non-impaired during the year	-	(18,058)
Amount recovered during the year	(17,396)	(28,393)
Amount written off during the year	(4,509)	(3,925)
Balance as at 31 December	121,525	139,926
Individual impairment allowance	(85,786)	(88,812)
Net impaired loans, advances and financing	35,739	51,114
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less individual impairment allowance	1.17%	1.83%

Definition of impaired loan is disclosed in Note 3(d)(i).

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

	<b>Note</b>	<b>Group and Bank</b>	
		<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Individual impairment allowance</b>			
Balance as at 1 January		88,812	90,525
Allowance made during the year	23	4,625	8,466
Amount written back during the year	23	(3,142)	(6,254)
Amount written off		(4,509)	(3,925)
Balance as at 31 December		85,786	88,812
<b>Collective impairment allowance</b>			
Balance as at 1 January		64,536	69,134
Allowance made during the year	23	19,442	15,042
Allowance written back during the year	23	(18,876)	(19,640)
Balance as at 31 December		65,102	64,536

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**9. Loans, advances and financing (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Collective impairment allowance as % of gross loans, advances and financing less individual impairment allowance	2.14%	2.31%

The Group and the Bank perform individual impairment assessment based on certain obligatory and judgemental triggers that may indicate potential impairment. All impaired accounts as defined in Note 3(d)(i) are selected for individual impairment review on a monthly basis. The Group and the Bank also perform monthly individual impairment reviews for:

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

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of transport vehicles	43	-
Purchase of residential properties	1,396	1,542
Purchase of non residential properties	6,751	-
Working capital	112,270	126,456
Others	1,065	11,928
	<b>121,525</b>	<b>139,926</b>

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

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**10. Other assets**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits and prepayments	2,011	1,595
Other receivables	957	1,263
	<u>2,968</u>	<u>2,858</u>

**11. 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.

**12. Investment in a subsidiary**

	<b>Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	<u>10</u>	<u>10</u>

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

<b>Name of company</b>	<b>Percentage of equity held</b>		<b>Principal activity</b>
	<b>2017</b>	<b>2016</b>	
	<b>%</b>	<b>%</b>	
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 Chiravit Supatanakul  
 Ms Kaan Wai May  
 Mr Chin Yaw Chung  
 Mr Ng Jui Meng (*Resigned w.e.f. 01.05.2018*)

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**13. 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
<b>2017</b>						
<b>Cost</b>						
At 1 January 2017		137,861	1,750	12,486	15,774	167,871
Additions		-	-	400	4,454	4,854
Reclassifications **		12,975	-	4,641	(18,364)	(748)
At 31 December 2017		<u>150,836</u>	<u>1,750</u>	<u>17,527</u>	<u>1,864</u>	<u>171,977</u>
<b>Accumulated depreciation</b>						
At 1 January 2017		14,007	1,423	10,928	-	26,358
Charge for the year	25	<u>3,324</u>	<u>179</u>	<u>1,423</u>	<u>-</u>	<u>4,926</u>
At 31 December 2017		<u>17,331</u>	<u>1,602</u>	<u>12,351</u>	<u>-</u>	<u>31,284</u>
<b>Net carrying amount</b>		<u>133,505</u>	<u>148</u>	<u>5,176</u>	<u>1,864</u>	<u>140,693</u>
<b>2016</b>						
<b>Cost</b>						
At 1 January 2016		137,861	1,753	12,165	1,087	152,866
Additions		-	-	321	14,687	15,008
Write-off		-	(3)	-	-	(3)
At 31 December 2016		<u>137,861</u>	<u>1,750</u>	<u>12,486</u>	<u>15,774</u>	<u>167,871</u>
<b>Accumulated depreciation</b>						
At 1 January 2016		11,068	1,182	9,564	-	21,814
Charge for the year	25	<u>2,939</u>	<u>244</u>	<u>1,364</u>	<u>-</u>	<u>4,547</u>
Write-Off		-	(3)	-	-	(3)
At 31 December 2016		<u>14,007</u>	<u>1,423</u>	<u>10,928</u>	<u>-</u>	<u>26,358</u>
<b>Net carrying amount</b>		<u>123,854</u>	<u>327</u>	<u>1,558</u>	<u>15,774</u>	<u>141,513</u>

\* Included in the above is freehold land costing RM714,000 (2016: RM714,000).

\*\* Reclassified to intangible assets of RM748,000 (2016: Nil).

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**14. Intangible assets**

		<b>Group and Bank</b>	
		<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Computer software</b>			
<b>Cost</b>			
At 1 January		3,429	3,429
Additions		84	-
Reclassified from property and equipment	13	748	-
At 31 December		<u>4,261</u>	<u>3,429</u>
<b>Accumulated amortisation</b>			
At 1 January		3,368	3,124
Amortisation	25	117	244
At 31 December		<u>3,485</u>	<u>3,368</u>
<b>Net carrying amount</b>		<u>776</u>	<u>61</u>

**15. Deferred tax assets**

		<b>Group and Bank</b>	
		<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January		2,130	5,476
Recognised in income statement	26	1,586	(4,031)
Recognised in equity		(1,015)	685
At 31 December		<u>2,701</u>	<u>2,130</u>
Presented after appropriate offsetting as follows:			
Deferred tax assets		2,990	2,342
Deferred tax liabilities		(289)	(212)
		<u>2,701</u>	<u>2,130</u>

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**15. 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**

	<b>Collective impairment allowance RM'000</b>	<b>Revaluation reserve RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	5,383	(201)	735	5,917
Recognised in income statement	(5,383)	-	1,123	(4,260)
Recognised in equity	-	685	-	685
At 31 December 2016	-	484	1,858	2,342
At 1 January 2017	-	484	1,858	2,342
Recognised in income statement	-	-	1,663	1,663
Recognised in equity	-	(1,015)	-	(1,015)
At 31 December 2017	-	(531)	3,521	2,990

**Deferred tax liabilities**

	<b>Property and equipment RM'000</b>	<b>Total RM'000</b>
At 1 January 2016	441	441
Recognised in income statement	(229)	(229)
At 31 December 2016	212	212
At 1 January 2017	212	212
Recognised in income statement	77	77
At 31 December 2017	289	289

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**16. Deposits from customers**

(i) By type of deposit

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits	2,249,793	1,615,423
Current accounts	148,708	187,247
Savings deposits	8,217	9,437
Short term deposits	26,371	44,520
	<u>2,433,089</u>	<u>1,856,627</u>

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	1,874,313	1,408,619
Six months to one year	396,471	246,398
One year to three years	4,098	2,129
Over three years	1,282	2,797
	<u>2,276,164</u>	<u>1,659,943</u>

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

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	1,865,526	1,393,576
Individuals	567,563	463,051
	<u>2,433,089</u>	<u>1,856,627</u>

(iv) All the deposits from customers are unsecured.



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**17. Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	335,667	541,758
Other financial institutions	725,774	1,011,185
	<u>1,061,441</u>	<u>1,552,943</u>

Included in deposits and placements are deposits and placements from the holding company and its branches amounting to RM245,098,000 (2016: RM395,946,000) as disclosed in Note 29.

**18. Other liabilities**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Accruals	9,014	7,487
Other payables	11,144	5,581
	<u>20,158</u>	<u>13,068</u>

	<b>Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Accruals	9,010	7,484
Other payables	11,144	5,581
	<u>20,154</u>	<u>13,065</u>

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**19. Share capital**

	<b>Group and Bank</b>			
	<b>Number of ordinary shares of RM1 each</b>		<b>Amount</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Issued and fully paid-up:</b>				
At 1 January	1,000,000	600,000	1,000,000	600,000
At 31 December	<u>1,000,000</u>	<u>600,000</u>	<u>1,000,000</u>	<u>600,000</u>

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.

**20. Other reserves**

- (a) The statutory reserve is maintained in compliance with the requirements of BNM and is not distributable as cash dividends.
- (b) The revaluation reserve arises from the changes in the fair value of the available-for-sale securities and is not distributable as cash dividends.
- (c) The Bank may distribute dividends out of its entire retained profits as at 31 December 2017 under the single-tier system.

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**21. Interest income**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing		
- Interest income other than recoveries from impaired loans	135,461	136,974
- Recoveries from impaired loans	304	467
- Interest income on impaired loans	2,345	3,954
Deposits and placements with banks and other financial institutions	25,325	4,786
Securities held for trading	36	57
Securities available-for-sale	29,571	34,133
	<u>193,042</u>	<u>180,371</u>
Accretion of discounts/(amortisation of premium), net		
- Securities held for trading	-	(3)
- Securities available-for-sale	655	(728)
	<u>193,697</u>	<u>179,640</u>

**22. Interest expense**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	106,566	100,737
Deposits and placements of banks and other financial institutions	5,781	3,730
	<u>112,347</u>	<u>104,467</u>

**23. Loan loss and allowances, net**

		<b>Group and Bank</b>	
		<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance/(Write-back) for impaired loans, advances and financing			
Individual impairment:			
- made during the financial year	9(vii)	4,625	8,466
- written back	9(vii)	(3,142)	(6,254)
Collective impairment:			
- made during the financial year	9(vii)	19,442	15,042
- written back	9(vii)	(18,876)	(19,640)
Impaired loans, advances and financing recovered		(8)	(57)
		<u>2,041</u>	<u>(2,443)</u>

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**24. Non-interest income**

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income:				
Commission	3,855	4,044	3,838	4,025
Service charges and fees	2,372	1,562	2,372	1,562
Guarantee fees	2,480	2,187	2,480	2,187
	<u>8,707</u>	<u>7,793</u>	<u>8,690</u>	<u>7,774</u>
Investment income:				
Net gain on disposal of investments:				
- Securities held for trading	163	14	163	14
Net (loss)/gain on revaluation of securities held for trading	(133)	133	(133)	133
Write-back of impairment losses on securities held-to-maturity	10	14	10	14
Gross dividend from securities available-for-sale	102	122	102	122
	<u>142</u>	<u>283</u>	<u>142</u>	<u>283</u>
Other income:				
Foreign exchange gain	585	7,757	585	7,757
Unrealised gain/(loss) on foreign exchange forwards	3,136	(874)	3,136	(874)
Rental income	367	364	367	364
Others	47	11	47	11
	<u>4,135</u>	<u>7,258</u>	<u>4,135</u>	<u>7,258</u>
	<u>12,984</u>	<u>15,334</u>	<u>12,967</u>	<u>15,315</u>

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**25. Overhead expenses**

		<b>Group</b>		<b>Bank</b>	
		<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Personnel costs</b>					
Salaries, allowances and bonuses		30,780	25,172	30,780	25,172
Defined contribution plan - Employees Provident Fund		4,581	3,374	4,581	3,374
Others		4,441	3,866	4,441	3,866
		<u>39,802</u>	<u>32,412</u>	<u>39,802</u>	<u>32,412</u>
<b>Establishment costs</b>					
Depreciation	13	4,926	4,547	4,926	4,547
Amortisation of intangible assets	14	117	244	117	244
Repair and maintenance		2,254	2,223	2,254	2,223
Rental of premises		906	899	906	899
Information technology expenses		1,395	1,315	1,395	1,315
Others		3,233	2,273	3,233	2,273
		<u>12,831</u>	<u>11,501</u>	<u>12,831</u>	<u>11,501</u>
<b>Marketing costs</b>					
Advertising and publicity		310	184	310	184
Others		45	40	45	40
		<u>355</u>	<u>224</u>	<u>355</u>	<u>224</u>
<b>Administration and general costs</b>					
Communication expenses		1,320	1,086	1,320	1,086
Subscriptions		1,270	1,365	1,270	1,365
Professional fees		851	1,573	851	1,573
Auditors remunerations		342	344	339	342
Non-executive directors' remuneration		907	978	907	978
Insurance		324	548	324	548
Travelling		601	373	601	373
Loss on indemnity		-	2,402	-	2,402
Others		1,765	973	1,765	971
		<u>7,380</u>	<u>9,642</u>	<u>7,377</u>	<u>9,638</u>
<b>Total</b>		<u>60,368</u>	<u>53,779</u>	<u>60,365</u>	<u>53,775</u>

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**25. Overhead expenses (cont'd)**

The above expenses include the following statutory disclosures:

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Directors' fee and remuneration	30	907	978	907	978
Hire of equipment		212	120	212	120
Auditors' remuneration					
- Statutory audit		166	166	164	164
- Other regulated related services		51	51	51	51
- Other services		123	127	123	127

**26. Taxation**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax:					
Current year		9,419	12,422	9,416	12,418
Under/(Over) provision in prior years		770	(8,489)	770	(8,489)
		10,189	3,933	10,186	3,929
Deferred tax:					
Relating to origination and reversal of temporary differences	15	(1,586)	4,031	(1,586)	4,031
Tax expense		8,603	7,964	8,600	7,960

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 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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**26. Taxation (cont'd)**

	<b>Group</b>		<b>Bank</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	31,925	39,171	31,911	39,156
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	7,662	9,401	7,659	9,397
Effect of expenses not deductible for tax purposes	171	1,669	171	1,669
Underprovision of deferred tax in prior years	-	5,383	-	5,383
Under/(Over) provision of income tax in prior year	770	(8,489)	770	(8,489)
Tax expense for the year	8,603	7,964	8,600	7,960

**27. 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:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
Profit for the year ("RM'000")	23,322	31,207
Weighted average number of ordinary shares in issue ("000")	1,000,000	600,000
Basic earnings per share (sen)	2.33	5.20

There is no dilutive potential in the ordinary shares as at 31 December 2017 and 31 December 2016.

**28. 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 34(b).

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**28. Commitments and contingencies (cont'd.)**

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

<b>Group and Bank</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>31 December 2017</b>				
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	-	-	-
<b>Total</b>	<b>2,390,928</b>	<b>4,713</b>	<b>528,701</b>	<b>518,613</b>
<b>31 December 2016</b>				
Direct credit substitutes	27,521	-	27,521	26,834
Transaction-related contingent items	197,497	-	98,749	88,765
Short-term self-liquidating trade-related contingencies	52,292	-	10,458	10,405
Forward foreign exchange contracts				
- less than one year	135,256	1,552	3,115	2,081
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	40,216	-	20,108	22,708
- maturity less than one year	1,714,892	-	342,978	342,819
Any commitment that are unconditionally cancelled at any time without prior notice	59,255	-	-	-
<b>Total</b>	<b>2,226,929</b>	<b>1,552</b>	<b>502,929</b>	<b>493,612</b>

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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**29. 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**

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income</b>		
Interest on advances to holding company and its branches	104	71
<b>Expenditure</b>		
Interest on advances from holding company and its branches	4,892	2,847
Administrative expenses to holding company	701	442

**(ii) Related party balances**

<b>Amount due to</b>		
Deposits and placements from holding company and its branches	245,098	395,946
<b>Amount due from</b>		
Cash and short-term funds placed with holding company and its branches	13,907	10,061

**(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:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CEO and Deputy CEO:</b>		
Salary and emoluments*	2,643	1,524
Defined contribution plan	94	-
Benefits-in-kind	185	231
	2,922	1,755
Directors' remuneration including benefits-in-kind (Note 30)	907	978
	3,829	2,733

\* Includes estimate for bonus

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**30. Directors' fees and remuneration**

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

**Group and Bank**

	<b>Salary</b>	<b>Fees</b>	<b>Bonus</b>	<b>Other</b>	<b>Benefits-in-kind</b>	<b>Total</b>
<b>2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>emoluments*</b>	<b>RM'000</b>	<b>remuneration</b>
				<b>RM'000</b>		<b>RM'000</b>
<b>Executive Directors:</b>						
Rushda Theeratharathorn	-	84	-	26	-	110
Chaiyarit Anuchitworawong	-	84	-	8	-	92
	-	168	-	34	-	202 #
<b>Non-Executive Directors:</b>						
Pithi Sithi-Amnuai	-	132	-	9	-	141
Chris Chia Woon Liat	-	108	-	17	-	125
Y.A.M. Tunku Ali Redhaudhin Ibni Tuanku Muhriz	-	114	-	11	-	125
Lee Khee Joo @ Lee Ying Chong	-	108	-	26	-	134
Tham Kwok Meng	-	108	-	23	-	131
Banlue Chantadisai	-	41	-	8	-	49
	-	611	-	94	-	705 #
<b>Total directors' remuneration</b>	-	779	-	128	-	907

\* Includes allowances and EPF.

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**30. Directors' fees and remuneration (cont'd.)**

**Group and Bank**

	<b>Salary</b>	<b>Fees</b>	<b>Bonus</b>	<b>Other</b>	<b>Benefits-in-kind</b>	<b>Total</b>
<b>2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>emoluments* RM'000</b>	<b>RM'000</b>	<b>remuneration RM'000</b>
<b>Non-Executive Directors:</b>						
Pithi Sithi-Amnuai	-	132	-	8	-	140
Rushda Theeratharathorn	-	84	-	19	-	103
Toh Chong (resigned w.e.f. 22.07.2016)	-	49	-	8	-	57
Chris Chia Woon Liat	-	108	-	59	-	167
Y.A.M. Tunku Ali Redhaudhin Ibni Tuanku Muhriz	-	158	-	9	-	167
Lee Khee Joo @ Lee Ying Chong	-	108	-	63	-	171
Tham Kwok Meng	-	115	-	58	-	173
	-	754	-	224	-	978 #
<b>Total directors' remuneration</b>	-	754	-	224	-	978

\* Includes allowances and EPF.

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### 31. Lease and commitments

#### The Group as Lessee

The Group and the Bank have non-cancellable long-term lease commitments in respect of premises and equipment on hire, all of which are classified as operating leases.

A summary of the non-cancellable long term commitments, net of sub-leases is as follows:

	<b>Group and Bank</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Future minimum rentals payments:		
Not later than 1 year	959	959
Later than 1 year and not later than 5 years	524	1,483
	<u>1,483</u>	<u>2,442</u>

### 32. 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 33.

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### 33. 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.

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 12), which is not involved in banking operations. The subsidiary is fully consolidated in the Group's financial statements.

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

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

	2017	2016
Common equity tier-1 capital ratio	30.62%	21.96%
Total capital ratios	31.82%	23.15%

In assessing the adequacy of its internal capital levels to support current and future activities, the Bank ensures that it complies with the minimum requirements of Bank Negara Malaysia of at least 8% in common equity tier-1 capital ratio and total capital ratio.

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**33. Capital adequacy (cont'd.)**

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

	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier 1 Capital</b>		
Paid-up share capital	1,000,000	600,000
Statutory reserve	-	169,039
Unrealised gain/(loss) on available-for-sale securities	757	(1,532)
Retained profits	236,845	44,495
Less: Regulatory adjustment, applied on CET1 Capital		
Other intangibles	(776)	(61)
Deferred tax assets	(2,701)	(2,130)
<b>Total Common Equity Tier 1 Capital</b>	<u>1,234,125</u>	<u>809,811</u>
<b>Tier 2 Capital</b>		
Collective impairment (only those attributable to non-impaired loans, advances and financing)	48,232	43,909
<b>Total Tier 2 Capital</b>	<u>48,232</u>	<u>43,909</u>
<b>Total capital</b>		
Common Equity Tier 1 Capital	1,234,125	809,811
Tier 2 Capital	48,232	43,909
Less: Investment in subsidiary	(10)	(10)
<b>Total Capital</b>	<u>1,282,347</u>	<u>853,710</u>

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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**33. Capital adequacy (cont'd.)**

- (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 2017 RM'000	Risk- weighted assets 2017 RM'000	Principal 2016 RM'000	Risk- Weighted assets 2016 RM'000
0%	929,579	-	893,815	-
20%	521,408	104,282	402,785	80,557
35%	1,587	555	1,948	682
50%	205,157	102,578	94,333	47,166
100%	3,646,262	3,646,262	3,340,892	3,340,892
150%	3,229	4,844	28,935	43,403
Total risk-weighted assets for credit risk		3,858,521		3,512,700
Total risk-weighted assets for market risk		7,532		18,481
Total risk-weighted assets for operational risk		164,508		156,713
Total risk-weighted assets		<u>4,030,561</u>		<u>3,687,894</u>

**34. 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 of the Bank's overall business strategy.

The Board of Directors recognises that a critical factor in the Group's and of 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 are approved by the Board.

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**34. 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 Review and 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:

	<b>2017</b>	<b>2016</b>
<b>Group and Bank</b>	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	2,971,285	2,672,203
Past due but not impaired	40,465	66,712
Impaired	121,525	139,926
	<u>3,133,275</u>	<u>2,878,841</u>



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**34. 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**

	<b>Months in arrears</b>		<b>Total</b>
	<b>1 to 2 months</b>	<b>2 to 3 months</b>	
<b>Group and Bank</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2017</b>			
Corporate loans/financing	40,465	-	40,465
<b>2016</b>			
Corporate loans/financing	66,712	-	66,712

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.

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**34. 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, individual assessment allowance as at the reporting date would have been higher by approximately RM39,870,000 (2016: RM55,844,000) for the Group and the Bank without the collaterals.

**Repossessed collateral**

For the financial years ended 31 December 2017 and 2016, 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.

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

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

**(v) Industry analysis**

<b>As at 31 December 2017</b>	<b>Government and central bank RM'000</b>	<b>Primary Agriculture RM'000</b>	<b>Manufacturing RM'000</b>	<b>Electricity, gas and water supply RM'000</b>	<b>Construction RM'000</b>	<b>Wholesale &amp; Retails RM'000</b>	<b>Finance, Insurance, Real Estate &amp; Business Services RM'000</b>	<b>Transport, Storage &amp; Telecomm RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Group</b>										
Cash and short-term funds	240,662	-	-	-	-	-	305,982	-	-	546,644
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	251,098	-	-	251,098
Securities held for trading	-	-	-	-	-	-	-	-	-	-
Securities available-for-sale	547,113	-	-	50,837	-	-	137,778	-	-	735,728
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	259,864	768,281	-	294,420	474,632	1,041,629	92,234	116,429	3,047,489 (65,102)
Derivative assets	-	-	3,046	-	-	480	1,187	-	-	4,713
Statutory Deposit with Bank Negara Malaysia	78,000	-	-	-	-	-	-	-	-	78,000
<b>Commitments</b>										
Commitments and Contingencies	-	134,925	911,092	-	258,355	562,561	479,264	13,865	30,866	2,390,928
<b>Bank</b>										
Cash and short-term funds	240,554	-	-	-	-	-	305,982	-	-	546,536
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	251,098	-	-	251,098
Securities held for trading	-	-	-	-	-	-	-	-	-	-
Securities available-for-sale	547,113	-	-	50,837	-	-	137,778	-	-	735,728
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	259,864	768,281	-	294,420	474,632	1,041,629	92,234	116,429	3,047,489 (65,102)
Derivative assets	-	-	3,046	-	-	480	1,187	-	-	4,713
Statutory Deposit with Bank Negara Malaysia	78,000	-	-	-	-	-	-	-	-	78,000
<b>Commitments</b>										
Commitments and Contingencies	-	134,925	911,092	-	258,355	562,561	479,264	13,865	30,866	2,390,928

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

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

**(v) Industry analysis**

As at 31 December 2016	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
<b>Group</b>										
Cash and short-term funds	120,430	-	-	-	-	-	163,103	-	-	283,533
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	153,931	-	-	153,931
Securities held for trading	10,240	-	-	-	-	-	-	-	-	10,240
Securities available-for-sale	682,803	-	-	50,642	-	-	86,583	-	-	820,028
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	252,810	799,605	-	132,532	623,109	868,817	62,119	51,037	2,790,029 (64,536)
Derivative assets	-	4	613	-	-	46	889	-	-	1,552
Statutory Deposit with Bank Negara Malaysia	88,000	-	-	-	-	-	-	-	-	88,000
<b>Commitments</b>										
Commitments and Contingencies	5,697	150,680	799,564	1,500	218,778	590,826	418,455	24,563	16,866	2,226,929
<b>Bank</b>										
Cash and short-term funds	120,331	-	-	-	-	-	163,103	-	-	283,434
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	153,931	-	-	153,931
Securities held for trading	10,240	-	-	-	-	-	-	-	-	10,240
Securities available-for-sale	682,803	-	-	50,642	-	-	86,583	-	-	820,028
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	252,810	799,605	-	132,532	623,109	868,817	62,119	51,037	2,790,029 (64,536)
Derivative assets	-	4	613	-	-	46	889	-	-	1,552
Statutory Deposit with Bank Negara Malaysia	88,000	-	-	-	-	-	-	-	-	88,000
<b>Commitments</b>										
Commitments and Contingencies	5,697	150,680	799,564	1,500	218,778	590,826	418,455	24,563	16,866	2,226,929

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**34. 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 and foreign currency exchange risk and interest rate risk.

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.

Currency	Currency Exposure RM'000	2017		Currency Exposure RM'000	2016	
		Exchange Rate			Exchange Rate	
		+10%	- 10%		+10%	- 10%
		RM'000	RM'000		RM'000	RM'000
Group and Bank						
USD	1,198	120	(120)	3,916	392	(392)
SGD	1,181	118	(118)	2,440	244	(244)
Others	3,395	338	(338)	7,898	799	(799)

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

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

**(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.

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.

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**34. 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 2017								
Assets								
Cash and short-term funds	240,554	-	-	-	306,090	-	546,644	3.05
Deposits and placements with banks and other financial institutions	-	160,358	90,740	-	-	-	251,098	3.44
Securities available-for-sale	-	50,915	257,974	425,967	872	-	735,728	3.88
Securities held-to-maturity	-	-	-	-	13	-	13	-
Loans, advances and financing								
- non-impaired	2,994,880	-	-	-	-	-	2,994,880	4.93
- impaired *	(12,493)	-	-	-	-	-	(12,493)	7.23
Other non-interest sensitive balances	-	-	-	-	236,354	4,713	241,067	
<b>Total assets</b>	<b>3,222,941</b>	<b>211,273</b>	<b>348,714</b>	<b>425,967</b>	<b>543,329</b>	<b>4,713</b>	<b>4,756,937</b>	

\* This is arrived at after deducting the collective impairment and individual impairment from gross impaired loans outstanding.

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**34. 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 2017								
Liabilities								
Deposits from customers	712,986	872,220	842,503	5,380	-	-	2,433,089	3.63
Deposits and placements of banks and other financial institutions	707,243	211,693	141,247	-	1,258	-	1,061,441	2.05
Other non-interest sensitive balances	-	-	-	-	20,158	3,623	23,781	
Total liabilities	1,420,229	1,083,913	983,750	5,380	21,416	3,623	3,518,311	
Shareholder's equity	-	-	-	-	1,238,626	-	1,238,626	
Total liabilities and shareholder's equity	1,420,229	1,083,913	983,750	5,380	1,260,042	3,623	4,756,937	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap								
	1,802,712	(872,640)	(635,036)	420,587	(716,713)	1,090	-	



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**34. 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 2016									
Assets									
Cash and short-term funds	202,908	-	-	-	80,625	-	283,533		
Deposits and placements with banks and other financial institutions	-	140,452	13,479	-	-	-	153,931	3.05	
Securities held for trading	-	-	-	-	-	10,240	10,240	4.13	
Securities available-for-sale	50,304	50,541	169,258	549,053	872	-	820,028	3.55	
Securities held-to-maturity	-	-	-	-	13	-	13	-	
Loans, advances and financing									
- non-impaired	2,718,288	-	-	-	-	-	2,718,288	4.73	
- impaired *	7,205	-	-	-	-	-	7,205	6.91	
Other non-interest sensitive balances	-	-	-	-	243,535	1,552	245,087		
<b>Total assets</b>	<b>2,978,705</b>	<b>190,993</b>	<b>182,737</b>	<b>549,053</b>	<b>325,045</b>	<b>11,792</b>	<b>4,238,325</b>		

\* This is arrived at after deducting the collective impairment and individual impairment from gross impaired loans outstanding.

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**34. 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 2016								
Liabilities								
Deposits from customers	707,823	586,486	557,392	4,926	-	-	1,856,627	3.52
Deposits and placements of banks and other financial institutions	1,003,387	195,615	352,763	-	1,178	-	1,552,943	1.60
Other non-interest sensitive balances	-	-	-	-	13,068	3,598	16,666	
Total liabilities	1,711,210	782,101	910,155	4,926	14,246	3,598	3,426,236	
Shareholder's equity	-	-	-	-	812,089	-	812,089	
Total liabilities and shareholder's equity	1,711,210	782,101	910,155	4,926	826,335	3,598	4,238,325	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap								
	1,267,495	(591,108)	(727,418)	544,127	(501,290)	8,194	-	

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**34. 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 2017								
Assets								
Cash and short-term funds	240,554	-	-	-	305,982	-	546,536	3.05
Deposits and placements with banks and other financial institutions	-	160,358	90,740	-	-	-	251,098	3.44
Securities available-for-sale	-	50,915	257,974	425,967	872	-	735,728	3.88
Securities held-to-maturity	-	-	-	-	13	-	13	-
Loans, advances and financing								
- non-impaired	2,994,880	-	-	-	-	-	2,994,880	4.93
- impaired *	(12,493)	-	-	-	-	-	(12,493)	7.23
Other non-interest sensitive balances	-	-	-	-	236,360	4,713	241,073	
<b>Total assets</b>	<b>3,222,941</b>	<b>211,273</b>	<b>348,714</b>	<b>425,967</b>	<b>543,227</b>	<b>4,713</b>	<b>4,756,835</b>	

\* This is arrived at after deducting the collective impairment and individual impairment from gross impaired loans outstanding.

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**34. 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 RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
As at 31 December 2017								
Liabilities								
Deposits from customers	712,986	872,220	842,503	5,380	-	-	2,433,089	3.63
Deposits and placements with banks and other financial institutions	707,243	211,693	141,247	-	1,258	-	1,061,441	2.05
Other non-interest sensitive balances	-	-	-	-	20,154	3,623	23,777	
Total liabilities	1,420,229	1,083,913	983,750	5,380	21,412	3,623	3,518,307	
Shareholder's equity	-	-	-	-	1,238,528	-	1,238,528	
Total liabilities and shareholder's equity	1,420,229	1,083,913	983,750	5,380	1,259,940	3,623	4,756,835	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap								
	1,802,712	(872,640)	(635,036)	420,587	(716,713)	1,090	-	

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**34. 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 2016								
Assets								
Cash and short-term funds	202,908	-	-	-	80,526	-	283,434	
Deposits and placements with banks and other financial institutions	-	140,452	13,479	-	-	-	153,931	3.05
Securities held for trading	-	-	-	10,240	-	-	10,240	4.13
Securities available-for-sale	50,304	50,541	169,258	549,053	872	-	820,028	3.55
Securities held-to-maturity	-	-	-	-	13	-	13	-
Loans, advances and financing								
- non-impaired	2,718,288	-	-	-	-	-	2,718,288	4.73
- impaired *	7,205	-	-	-	-	-	7,205	6.91
Other non-interest sensitive balances	-	-	-	-	243,544	1,552	245,096	
Total assets	2,978,705	190,993	182,737	559,293	324,955	1,552	4,238,235	

\* This is arrived at after deducting the collective impairment and individual impairment from gross impaired loans outstanding.

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**34. 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 2016								
Liabilities								
Deposits from customers	707,823	586,486	557,392	4,926	-	-	1,856,627	3.52
Deposits and placements with banks and other financial institutions	1,003,387	195,615	352,763	-	1,178	-	1,552,943	1.60
Other non-interest sensitive balances	-	-	-	-	13,065	3,598	16,663	
Total liabilities	1,711,210	782,101	910,155	4,926	14,243	3,598	3,426,233	
Shareholder's equity	-	-	-	-	812,002	-	812,002	
Total liabilities and shareholder's equity	1,711,210	782,101	910,155	4,926	826,245	3,598	4,238,235	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap								
	1,267,495	(591,108)	(727,418)	554,367	(501,290)	(2,046)	-	

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

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

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

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:

	<b>2017</b>	<b>2016</b>
	<b>RM'million</b>	<b>RM'million</b>
<u>Movement in basis points</u>	<u>+/- 100 bps</u>	<u>+/- 100 bps</u>
Effect on Net Interest Income	+/- 11.0	+/- 5.5
Effect on Economic Value of Equity	+/- 6.6	+/- 7.5

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 RM11.0 million and RM6.6 million (2016: RM5.5 million and RM7.5 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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**34. 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**

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt; 6-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non specific maturity RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2017</b>								
<b>Assets</b>								
Cash and short-term funds	541,601	-	-	-	-	-	-	541,601
Deposits and placements with banks and other financial institutions	-	160,882	91,913	-	-	-	-	252,795
Securities held for trading	-	-	-	-	-	-	-	-
Securities available-for-sale	1,613	50,000	90,000	165,000	420,000	-	-	726,613
Securities held-to-maturity	-	-	-	-	422	171	-	593
Loans, advances and financing	1,372,667	557,000	291,090	130,265	609,471	61,150	-	3,021,643
Derivative financial asset	1,293	2,701	719	-	-	-	-	4,713
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	78,000	78,000
<b>Total assets</b>	<b>1,917,174</b>	<b>770,583</b>	<b>473,722</b>	<b>295,265</b>	<b>1,029,893</b>	<b>61,321</b>	<b>78,000</b>	<b>4,625,958</b>
<b>Liabilities</b>								
Deposits from customers	596,400	879,179	452,188	407,846	5,655	-	-	2,341,268
Deposits and placements of banks and other financial institutions	687,599	232,780	64,998	79,198	-	-	-	1,064,575
Derivative financial liabilities	409	2,428	684	-	-	-	-	3,521
<b>Total liabilities</b>	<b>1,284,408</b>	<b>1,114,387</b>	<b>517,870</b>	<b>487,044</b>	<b>5,655</b>	<b>-</b>	<b>-</b>	<b>3,409,364</b>
<b>Net maturity mismatch</b>	<b>632,766</b>	<b>(343,804)</b>	<b>(44,148)</b>	<b>(191,779)</b>	<b>1,024,238</b>	<b>61,321</b>	<b>78,000</b>	<b>1,216,594</b>



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**34. 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.)**

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt; 6-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non specific maturity RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2016</b>								
<b>Assets</b>								
Cash and short-term funds	285,305	-	-	-	-	-	-	285,305
Deposits and placements with banks and other financial institutions	-	140,928	76,058	4,531	-	-	-	221,517
Securities held for trading	-	-	-	-	10,240	-	-	10,240
Securities available-for-sale	1,613	100,410	-	170,000	545,000	-	-	817,023
Securities held-to-maturity	-	-	-	-	414	188	-	602
Loans, advances and financing	982,268	568,286	273,161	128,932	728,356	62,165	-	2,743,168
Derivative financial asset	51	615	886	-	-	-	-	1,552
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	88,000	88,000
<b>Total assets</b>	<b>1,269,237</b>	<b>810,239</b>	<b>350,105</b>	<b>303,463</b>	<b>1,284,010</b>	<b>62,353</b>	<b>88,000</b>	<b>4,167,407</b>
<b>Liabilities</b>								
Deposits from customers	438,907	857,832	276,523	292,335	5,265	-	-	1,870,862
Deposits and placements of banks and other financial institutions	981,802	206,184	227,287	145,727	-	-	-	1,560,999
Bills and acceptances payable	-	-	-	-	-	-	-	-
Derivative financial liabilities	76	2,674	848	-	-	-	-	3,598
<b>Total liabilities</b>	<b>1,420,784</b>	<b>1,066,690</b>	<b>504,657</b>	<b>438,062</b>	<b>5,265</b>	<b>-</b>	<b>-</b>	<b>3,435,459</b>
<b>Net maturity mismatch</b>	<b>(151,547)</b>	<b>(256,451)</b>	<b>(154,552)</b>	<b>(134,599)</b>	<b>1,278,744</b>	<b>62,353</b>	<b>88,000</b>	<b>731,948</b>

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**34. 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.)**

<b>Bank</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt; 6-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non specific maturity RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2017</b>								
<b>Assets</b>								
Cash and short-term funds	541,492	-	-	-	-	-	-	541,492
Deposits and placements with banks and other financial institutions	-	160,882	91,913	-	-	-	-	252,795
Securities held for trading	-	-	-	-	-	-	-	-
Securities available-for-sale	1,613	50,000	90,000	165,000	420,000	-	-	726,613
Securities held-to-maturity	-	-	-	-	422	171	-	593
Loans, advances and financing	1,372,667	557,000	291,090	130,265	609,471	61,150	-	3,021,643
Derivative financial asset	1,293	2,701	719	-	-	-	-	4,713
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	78,000	78,000
<b>Total assets</b>	<b>1,917,065</b>	<b>770,583</b>	<b>473,722</b>	<b>295,265</b>	<b>1,029,893</b>	<b>61,321</b>	<b>78,000</b>	<b>4,625,849</b>
<b>Liabilities</b>								
Deposits from customers	596,400	879,179	452,188	407,846	5,655	-	-	2,341,268
Deposits and placements with banks and other financial institutions	687,599	232,780	64,998	79,198	-	-	-	1,064,575
Derivative financial liabilities	409	2,428	684	-	-	-	-	3,521
<b>Total liabilities</b>	<b>1,284,408</b>	<b>1,114,387</b>	<b>517,870</b>	<b>487,044</b>	<b>5,655</b>	<b>-</b>	<b>-</b>	<b>3,409,364</b>
<b>Net maturity mismatch</b>	<b>632,657</b>	<b>(343,804)</b>	<b>(44,148)</b>	<b>(191,779)</b>	<b>1,024,238</b>	<b>61,321</b>	<b>78,000</b>	<b>1,216,485</b>

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**34. 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.)**

<b>Bank</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt; 6-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non specific maturity RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2016</b>								
<b>Assets</b>								
Cash and short-term funds	285,206	-	-	-	-	-	-	285,206
Deposits and placements with banks and other financial institutions	-	140,928	76,058	4,531	-	-	-	221,517
Securities held for trading	-	-	-	-	10,240	-	-	10,240
Securities available-for-sale	1,613	100,410	-	170,000	545,000	-	-	817,023
Securities held-to-maturity	-	-	-	-	414	188	-	602
Loans, advances and financing	982,268	568,286	273,161	128,932	728,356	62,165	-	2,743,168
Derivative financial asset	51	615	886	-	-	-	-	1,552
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	88,000	88,000
<b>Total assets</b>	<b>1,269,138</b>	<b>810,239</b>	<b>350,105</b>	<b>303,463</b>	<b>1,284,010</b>	<b>62,353</b>	<b>88,000</b>	<b>4,167,308</b>
<b>Liabilities</b>								
Deposits from customers	438,907	857,832	276,523	292,335	5,265	-	-	1,870,862
Deposits and placements of banks and other financial institutions	981,802	206,184	227,287	145,727	-	-	-	1,560,999
Derivative financial liabilities	76	2,674	848	-	-	-	-	3,598
<b>Total liabilities</b>	<b>1,420,784</b>	<b>1,066,690</b>	<b>504,657</b>	<b>438,062</b>	<b>5,265</b>	<b>-</b>	<b>-</b>	<b>3,435,459</b>
<b>Net maturity mismatch</b>	<b>(151,646)</b>	<b>(256,451)</b>	<b>(154,552)</b>	<b>(134,599)</b>	<b>1,278,744</b>	<b>62,353</b>	<b>88,000</b>	<b>731,849</b>

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**35. 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:

	<b>Group and Bank</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>
Loans and advances	2,982,387	2,982,432	2,725,493	2,725,504

The fair values of the Group's and the Bank's quoted securities, money market instruments and corporate bonds are estimated at their market values as disclosed in Note 6 and Note 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:

	<b>Group and Bank</b>		
	<b>2017</b>		
	<b>Nominal/ notional amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
Forward foreign exchange contracts	376,100	4,713	(3,623)

	<b>Group and Bank</b>		
	<b>2016</b>		
	<b>Nominal/ notional amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
Forward foreign exchange contracts	135,256	1,552	(3,598)

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**35. 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 carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

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

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

Included in AFS securities as at 31 December 2017 were investment in equity securities of RM872,000 (2016: RM872,000) of the Group and the Bank that were carried at cost as their fair values could not be reliably measured. These securities were acquired for long term investment purposes.

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

**(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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**35. 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:

<b>Group and Bank 31 December 2017</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<u>Securities available-for-sale</u> (Note 7)				
Money market instruments:				
Malaysian Government				
Securities	-	233,668	-	233,668
Government Investment Issue	-	313,445	-	313,445
Unquoted securities in				
Malaysia:				
Corporate bonds	-	187,743	-	187,743
	-	734,856	-	734,856
<u>Derivatives</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	4,713	-	4,713
Derivative financial liabilities				
Unrealised loss on derivatives	-	(3,623)	-	(3,623)

There was no securities held for trading (Note 6) in the current financial year ended 31 December 2017.

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**35. Fair values of financial instruments (cont'd.)**

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

<b>Group and Bank 31 December 2016</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<u>Securities held for trading (Note 6)</u>				
Money market instruments:				
Malaysian Government Securities	-	10,240	-	10,240
	-	10,240	-	10,240
<u>Securities available-for-sale (Note 7)</u>				
Money market instruments:				
Malaysian Government Securities	-	323,090	-	323,090
Government Investment Issue	-	281,498	-	281,498
Malaysia Treasury Bills	-	78,215	-	78,215
Negotiable Instruments of Deposit	-	50,304	-	50,304
Unquoted securities in Malaysia:				
Corporate bonds	-	86,049	-	86,049
	-	819,156	-	819,156
<u>Derivatives</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	1,552	-	1,552
Derivative financial liabilities				
Unrealised loss on derivatives	-	(3,598)	-	(3,598)