



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

Directors' Report and Audited Financial Statements
31 December 2016

299740-W

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

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**Bangkok Bank Berhad
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016.

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.

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

Results

	Group 2016 RM'000	Bank 2016 RM'000
Profit for the financial year	<u>31,207</u>	<u>31,196</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the 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 2016.

Increase of authorised share capital and issue of share capital

Subsequent to the financial year 31 December 2016 on 13 January 2017, the authorised share capital of the Bank increased to RM1,000,000,000 from RM600,000,000 through the creation of 400,000,000 authorised ordinary shares of RM1.00 each. The issued and paid-up share capital also increased to RM1,000,000,000 from RM600,000,000 with the issuance of 400,000,000 new ordinary shares of RM1.00 each at par for cash for working capital purposes.

**Bangkok Bank Berhad
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The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Mr Piti Sithi-Amnuai
 Ms Rushda Theeratharathorn
 Mr Chris Chia Woon Liat
 Y.A.M. Tunku Ali Redhaudin 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 Toh Chong (*Resigned w.e.f. 22.07.2016*)

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.

Directors' interests

Mr Piti Sithi-Amnuai holds 149,941 shares in Bangkok Bank Public Company Limited, the holding company of the Bank, as at 31 December 2016.

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

	No. of ordinary shares of THB10 each ("share")			
	Balance at 1.1.2016	Bought	Sold	Balance at 31.12.2016
Mr Piti Sithi-Amnuai	149,941	-	-	149,941

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.

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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.

Subsequent events

The subsequent events are disclosed in Note 36 to the financial statements. There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance.

Business overview for the financial year ended 31 December 2016 and outlook for the financial year 2017

Bangkok Bank Berhad (“BBB”) registered a profit before tax of RM39.16 million in 2016 as compared to RM27.59 million in 2015. 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 RM2.85 billion at end of December 2015 to RM2.88 billion at end of December 2016. 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 slightly increased from RM1.83 billion at end of December 2015 to RM1.86 billion at end of December 2016. 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 RM152.52 million at end of December 2015 to RM139.93 million at end of December 2016 due to reclassifications to as non-impaired corporate accounts as well as recoveries during the year. Net impaired loans ratio decreased from 2.24% at end of December 2015 to 1.83% at end of December 2016.

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 Piti Sithi-Amnuai
Chairman/Independent Director**

Mr Piti Sithi-Amnuai, a Thai citizen, was appointed to the Board on 29 April 2013. He holds a Honorary Doctorate of Philosophy Degree in Business Administration from Rangsit University, Bangkok, Thailand; Advanced Management Program, Harvard Business School from Harvard University, Boston, USA; Management Development Program, Asian Institute of Management from Philippines and Diploma in Business Administration, Hutchings Commercial College from Malaysia.

Mr Piti is currently a Non-Executive Director and Advisor of Bangkok Bank Public Co. Ltd., the Parent Bank of the Bank after having relinquished his position as Executive Co-Chairman of the Executive Board of Directors in year 2010. Currently, he still holds the position as an advisor of Bangkok Insurance Public Company Limited and Bangkok Life Co. Ltd. He was the Chairman of the Risk Management Committee of the Parent Bank, the Chairman of Asean Finance Corporation, a Merchant Bank, Singapore, the Chairman of Berli Jucker Public Co., Ltd., and a director of several other Thai companies.

Mr Piti was the first Thai recipient of the Asian Institute of Management's first Alumni Achievement Award in affirmation of the visible professional achievement in 1979. In 2002, he was one of the four recipients of Bangkok Bank's first ever Top Senior Management "Gold Medal" Award.

**Ms Rushda Theeratharathorn
Non-Independent Non-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 ASEAN Finance Corporation Limited, Singapore, 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
Independent Non-Executive 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 Redhauddin Ibni Tuanku Muhriz
Independent Non-Executive Director**

Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz ("Tunku Ali"), a Malaysian, was appointed to the Board Bangkok Bank Berhad on 10 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 Non-Executive Director**

Mr Lee Khee Joo @ Lee Ying Chong, a Malaysian, was appointed to the Board on 30 October 2013. Mr Lee 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.

Mr Lee is currently the Corporate Strategic Alliances with Eng Sheng Sdn Bhd since 18 July 2016. He held various senior positions: 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 SMIs - Options and Opportunities".

**Mr Tham Kwok Meng
Independent Non-Executive 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.

Corporate Governance

Board of directors

Board composition

As at the date of this report, the Board of Bangkok Bank Berhad ("the Bank") consists of six (6) members, comprising one (1) Chairman/Independent Director, four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.

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

**Bangkok Bank Berhad
(Incorporated in Malaysia)****Corporate Governance (cont'd.)****Board of directors (cont'd.)****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.

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 ten (10) times during the financial year ended 31 December 2016. The attendance of Directors at Board Meetings held in the financial year ended 31 December 2016 is as follows:

	Name of Directors	Designation	Attendance
1.	Mr Piti Sithi-Amnuai*	Chairman/Independent Director	9/10
2.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	10/10
3.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	9/10
4.	Y.A.M. Tunku Ali Redhaudin Ibni Tuanku Muhriz	Independent Non-Executive Director	9/10
5.	Mr Lee Khee Joo @ Lee Ying Chong	Independent Non-Executive Director	10/10
6.	Mr Tham Kwok Meng	Independent Non-Executive Director	10/10
7.	Mr Toh Chong (Resigned w.e.f 22.07.2016)	Non-Independent Non-Executive Director	4/6

* Mr Piti Sithi-Amnuai has been redesignated as Chairman/Independent Director w.e.f. 20.10.2016

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Corporate Governance (cont'd.)

Board of directors (cont'd.)

Frequency and conduct of board meetings (cont'd.)

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 to further enhance their skills and knowledge in discharging their responsibilities.

Board performance

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

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

Board committees

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

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Board committees (cont'd.)

(a) Nomination committee

During the financial year of 2016, 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 2016 are as follows:

	Committee Members	Designation	Attendance
1.	Y.A.M Tunku Ali Redhaudin Ibni Tuanku Muhriz - Chairman	Independent Non-Executive Director	6/6
2.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	6/6
3.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	6/6
4.	Mr Tham Kwok Meng	Independent Non-Executive Director	6/6
5.	Mr Toh Chong (Resigned w.e.f 22.07.2016)	Non-Independent Non-Executive Director	3/4

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 2016, the Remuneration Committee held six (6) meetings.

The composition of the Remuneration Committee and attendance of the members at the meetings held during the financial year 2016 are as follows:

	Committee Members	Designation	Attendance
1.	Mr Lee Khee Joo @ Lee Ying Chong - Chairman	Independent Non-Executive Director	6/6
2.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	6/6
3.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	6/6
4.	Y.A.M Tunku Ali Redhaudin Ibni Tuanku Muhriz	Independent Non-Executive Director	6/6
5.	Mr Tham Kwok Meng	Independent Non-Executive Director	6/6
6.	Mr Toh Chong (Resigned w.e.f 22.07.2016)	Non-Independent Non-Executive Director	2/3

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) Oversee remuneration review for the Management Committee annually.

(c) Risk management committee

During the financial year of 2016, the Risk Management Committee held eight (8) meetings.

The composition of Risk Management Committee and attendance of the members at the meetings held during the financial year 2016 are as follows:

	Committee Members	Designation	Attendance
1.	Mr Tham Kwok Meng - Chairman	Independent Non-Executive Director	8/8
2.	Ms Rushda Theeratharathorn *	Non-Independent Non-Executive Director	5/5
3.	Mr Chris Chia Woon Liat**	Independent Non-Executive Director	3/3
4.	Mr Lee Khee Joo @ Lee Ying Chong	Independent Non-Executive Director	8/8
5.	Y.A.M. Tunku Ali Redhauddin Ibni Tuanku Muhriz***	Independent Non-Executive Director	-
6	Mr Toh Chong (Resigned w.e.f. 22.07.2016)	Non-Independent Non-Executive Director	2/3

* Ms Rushda resigned as member w.e.f 14.06.2016 and re-appointed as member w.e.f. 22.11.2016

** Mr Chris Chia resigned as member w.e.f. 14.06.2016.

*** Y.A.M. Tunku ali Redhauddin Ibni Tuanku Muhriz appointed as a member w.e.f. 19.12.2016

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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 2016 are as follows:

	Committee Members	Designation	Attendance
1.	Mr Chris Chia Woon Liat – Chairman	Independent Non-Executive Director	9/9
2.	Mr Toh Chong**	Non-Independent Non-Executive Director	3/4
3.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	8/9
4.	Mr Lee Khee Joo @ Lee Ying Chong	Independent Non-Executive Director	9/9
5.	Mr Tham Kwok Meng*	Independent Non-Executive Director	4/5

* Mr Tham Kwok Meng resigned as member w.e.f 14.06.2016 and re-appointed as member w.e.f 05.12.2016

** Mr Toh Chong resigned as member w.e.f 14.06.2016.

**Bangkok Bank Berhad
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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.

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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 & 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 functions 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 support and business units 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 2016, 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.

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

Auditors

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

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



Chris Chia Woon Liat

Kuala Lumpur, Malaysia
5 May 2017



Lee Khee Joo @ Lee Ying Chong

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

**Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965**

We, Chris Chia Woon Liat and Lee Khee Joo @ Lee Ying Chong, being two of the directors of Bangkok Bank Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 27 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 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.



Chris Chia Woon Liat



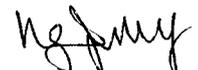
Lee Khee Joo @ Lee Ying Chong

Kuala Lumpur, Malaysia
5 May 2017

**Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965**

I, Ng Jui Meng (Singapore Passport No. E5766451E), 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 27 to 114 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 above named Ng Jui Meng
at Kuala Lumpur in Wilayah Persekutuan
on 5 May 2017


Ng Jui Meng

Before me,



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

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

Report on 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 2016 of the Group and of the Company, 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 Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 27 to 114.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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 1965 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 Company 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 Company 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 Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company 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 Company, 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 Company 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.

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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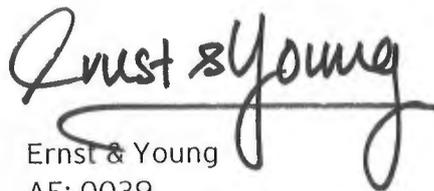
Independent auditors' report to the member of
Bangkok Bank Berhad (cont'd.)
(Incorporated in Malaysia)

Report on other legal and regulatory requirements (cont'd.)

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 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
5 May 2017



Lee Pei Yin
No. 3189/05/17(J)
Chartered Accountant

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of financial position
as at 31 December 2016

		Group			Bank		
		31.12.2016	31.12.2015	1.1.2015	31.12.2016	31.12.2015	1.1.2015
			(Restated)	(Restated)		(Restated)	(Restated)
			(Note 37)	(Note 37)		(Note 37)	(Note 37)
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	4	283,533	135,981	699,058	283,434	135,893	698,976
Deposits and placements with banks and other financial institutions	5	153,931	-	40,116	153,931	-	40,116
Securities held for trading	6	10,240	-	49,970	10,240	-	49,970
Securities available-for-sale	7	820,028	1,202,055	1,122,549	820,028	1,202,055	1,122,549
Securities held-to-maturity	8	13	13	13	13	13	13
Loans, advances and financing	9	2,725,493	2,693,380	2,781,245	2,725,493	2,693,380	2,781,245
Derivative assets		1,552	6,971	21,337	1,552	6,971	21,337
Tax recoverable		8,973	11,135	10,345	8,972	11,134	10,345
Other assets	10	2,858	3,082	1,412	2,858	3,082	1,412
Statutory deposit with Bank Negara Malaysia	11	88,000	114,000	89,000	88,000	114,000	89,000
Investment in a subsidiary	12	-	-	-	10	10	10
Property and equipment	13	141,513	131,052	132,674	141,513	131,052	132,674
Intangible assets	14	61	305	686	61	305	686
Deferred tax assets	15	2,130	5,476	12,809	2,130	5,476	12,809
Total assets		4,238,325	4,303,450	4,961,214	4,238,235	4,303,371	4,961,142
Liabilities and shareholder's equity							
Deposits from customers	16	1,856,627	1,827,295	2,038,939	1,856,627	1,827,295	2,038,939
Deposits and placements of banks and other financial institutions	17	1,552,943	1,659,102	2,051,288	1,552,943	1,659,102	2,051,288
Bills and acceptances payable		-	-	72,831	-	-	72,831
Derivative liabilities		3,598	8,144	5,282	3,598	8,144	5,282
Other liabilities	18	13,068	25,893	26,928	13,065	25,890	26,925
Total liabilities		3,426,236	3,520,434	4,195,268	3,426,233	3,520,431	4,195,265
Share capital	19	600,000	600,000	600,000	600,000	600,000	600,000
Statutory reserve	20(a)	169,039	153,451	146,482	169,039	153,441	146,472
Revaluation reserve	20(b)	(1,532)	602	(2,523)	(1,532)	602	(2,523)
Retained profits	20(c)	44,582	28,963	21,987	44,495	28,897	21,928
Shareholder's equity		812,089	783,016	765,946	812,002	782,940	765,877
Total liabilities and shareholder's equity		4,238,325	4,303,450	4,961,214	4,238,235	4,303,371	4,961,142
Commitments and contingencies	28	2,226,929	2,754,204	2,898,077	2,226,929	2,754,204	2,898,077

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

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Bangkok Bank Berhad
(Incorporated in Malaysia)

Income statements

For the financial year ended 31 December 2016

		Group		Bank	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Interest income	21	179,640	204,148	179,640	204,148
Interest expense	22	(104,467)	(117,249)	(104,467)	(117,249)
Net interest income		<u>75,173</u>	<u>86,899</u>	<u>75,173</u>	<u>86,899</u>
Non-interest income	24	15,334	15,100	15,315	15,086
Net income		<u>90,507</u>	<u>101,999</u>	<u>90,488</u>	<u>101,985</u>
Overhead expenses	25	(53,779)	(42,526)	(53,775)	(42,522)
		<u>36,728</u>	<u>59,473</u>	<u>36,713</u>	<u>59,463</u>
Loan loss and allowances, net	23	<u>2,443</u>	<u>(31,875)</u>	<u>2,443</u>	<u>(31,875)</u>
Profit before taxation		<u>39,171</u>	<u>27,598</u>	<u>39,156</u>	<u>27,588</u>
Taxation	26	(7,964)	(13,653)	(7,960)	(13,650)
Profit for the financial year		<u>31,207</u>	<u>13,945</u>	<u>31,196</u>	<u>13,938</u>
Earnings per share (sen)					
- basic	27	5.20	2.32		
- diluted	27	<u>5.20</u>	<u>2.32</u>		

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

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Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2016

		Group		Bank	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Profit for the financial year		<u>31,207</u>	<u>13,945</u>	<u>31,196</u>	<u>13,938</u>
Other comprehensive income:					
(Loss)/gain on fair value changes for securities available-for-sale		(2,819)	4,168	(2,819)	4,168
Income tax relating to components of other comprehensive income	15	<u>685</u>	<u>(1,043)</u>	<u>685</u>	<u>(1,043)</u>
Other comprehensive (loss)/ income for the financial year that may be subsequently reclassified to profit or loss		<u>(2,134)</u>	<u>3,125</u>	<u>(2,134)</u>	<u>3,125</u>
Total comprehensive income for the financial year		<u>29,073</u>	<u>17,070</u>	<u>29,062</u>	<u>17,063</u>

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

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

**Statements of changes in equity
For the financial year ended 31 December 2016**

	<----- Group ----->				
	Share capital RM'000	<---Non-distributable---> Statutory reserve Note 20(a) RM'000	Revaluation reserve Note 20(b) RM'000	Distributable: Retained profits Note 20(c) RM'000	Total RM'000
At 1 January 2015	600,000	146,482	(2,523)	21,987	765,946
Total comprehensive income	-	-	3,125	13,945	17,070
Transfer to statutory reserve	-	6,969	-	(6,969)	-
At 31 December 2015	<u>600,000</u>	<u>153,451</u>	<u>602</u>	<u>28,963</u>	<u>783,016</u>
At 1 January 2016	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)	-
At 31 December 2016	<u>600,000</u>	<u>169,039</u>	<u>(1,532)</u>	<u>44,582</u>	<u>812,089</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 2016 (cont'd.)

	<----- Bank ----->				
	Share capital RM'000	<---Non-distributable---> Statutory reserve Note 20(a) RM'000	Revaluation reserve Note 20(b) RM'000	Distributable: Retained profits Note 20(c) RM'000	Total RM'000
At 1 January 2015	600,000	146,472	(2,523)	21,928	765,877
Total comprehensive income	-	-	3,125	13,938	17,063
Transfer to statutory reserve	-	6,969	-	(6,969)	-
At 31 December 2015	<u>600,000</u>	<u>153,441</u>	<u>602</u>	<u>28,897</u>	<u>782,940</u>
At 1 January 2016	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)	-
At 31 December 2016	<u>600,000</u>	<u>169,039</u>	<u>(1,532)</u>	<u>44,495</u>	<u>812,002</u>

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2016

	Note	Group		Bank	
		2016 RM'000	2015 (Restated) (Note 37) RM'000	2016 RM'000	2015 (Restated) (Note 37) RM'000
Cash flows from operating activities					
Profit before taxation		39,171	27,598	39,156	27,588
Adjustments for:					
Depreciation	13	4,547	3,398	4,547	3,398
Amortisation of intangible assets	14	244	471	244	471
Loan loss and allowances, net	23	(2,386)	32,802	(2,386)	32,802
Write-back of impairment loss on securities held-to-maturity	24	(14)	(52)	(14)	(52)
Unrealised loss on foreign exchange forward	24	874	17,227	874	17,227
Net (gain)/loss on revaluation of securities held for trading	24	(133)	2	(133)	2
Net gain on disposal of securities held for trading	24	(14)	(132)	(14)	(132)
Net gain on disposal of securities available-for-sale	24	-	(214)	-	(214)
Amortisation of premium net of (accretion of discount)	21	731	(2,573)	731	(2,573)
Dividend income	24	(122)	(122)	(122)	(122)
Operating profit before working capital changes		42,898	78,405	42,883	78,395
Decrease/(increase) in operating assets:					
Loans and advances		(29,727)	55,063	(29,727)	55,063
Other assets		224	(1,670)	224	(1,670)
Statutory deposits with Bank Negara Malaysia		26,000	(25,000)	26,000	(25,000)
Net purchase of securities held for trading		(40,612)	(189,144)	(40,612)	(189,144)
Net purchase of securities available-for-sale		(686,519)	(2,322,304)	(686,519)	(2,322,304)
Net proceeds from disposal of securities available-for-sale		-	69,720	-	69,720

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2016 (cont'd.)

	Note	Group		Bank	
		2016 RM'000	2015 (Restated) (Note 37) RM'000	2016 RM'000	2015 (Restated) (Note 37) RM'000
Cash flows from operating activities (cont'd.)					
Net proceeds from disposal of securities held for trading		30,515	239,278	30,515	239,278
Net proceeds from maturity of available-for-sale		1,065,000	2,180,000	1,065,000	2,180,000
Net proceeds from maturity of securities held-to-maturity		14	52	14	52
Increase/(decrease) in operating liabilities:					
Deposits from customers		29,332	(211,644)	29,332	(211,644)
Deposits and placements of banks other financial institutions		(106,159)	(392,186)	(106,159)	(392,186)
Bills and acceptances payable		-	(72,831)	-	(72,831)
Other liabilities		(12,825)	(1,035)	(12,825)	(1,035)
Cash generated from/(used in) operations activities		318,141	(593,296)	318,126	(593,306)
Taxes paid		(2,019)	(8,153)	(2,015)	(8,149)
Taxes refunded		247	-	247	-
Net cash generated from/(used in) from operating activities		316,369	(601,449)	316,358	(601,455)
Cash flows from investing activities					
Purchase of property and equipment	13	(15,008)	(1,776)	(15,008)	(1,776)
Purchase of intangible assets	14	-	(90)	-	(90)
Dividends received		122	122	122	122
Net cash used in investing activities		(14,886)	(1,744)	(14,886)	(1,744)
Net increase/(decrease) in cash and cash equivalents		301,483	(603,193)	301,472	(603,199)
Cash and cash equivalents at beginning of financial year		135,981	739,174	135,893	739,092
Cash and cash equivalents at end of financial year		437,464	135,981	437,365	135,893
Cash and cash equivalents comprise:					
Cash and short-term funds		283,533	135,981	283,434	135,893
Deposits and placements with bank and other financial institutions		153,931	-	153,931	-
		437,464	135,981	437,365	135,893

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

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

Notes to the financial statements - 31 December 2016

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 5 May 2017.

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, 1965 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").

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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:

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

On 1 January 2016, the Group and the Bank adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2016.

Descriptions	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141: <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 11: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 127: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS 101: <i>Disclosure Initiatives</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

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

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

2.2 Changes in accounting policies (cont'd.)

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

The amendments are not applicable to the Group's and the Bank's financial statements.

Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments do not have any impact on the Group's consolidated financial statements as there has been no interest acquired in a joint operation during the year.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. These amendments do not have any impact on the Group's and the Bank's financial statements.

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

2.2 Changes in accounting policies (cont'd.)

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have any impact on the Group's and the Bank's financial statements.

*Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities:
Applying the Consolidation Exception*

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are not applicable to the Group's financial statements as the Group does not apply the consolidation exception.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing MFRS preparer, this standard does not apply.

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

2.2 Changes in accounting policies (cont'd.)

MFRS 14 Regulatory Deferral Accounts (cont'd.)

The amendments are not applicable to the Group's financial statements as the Group and the Bank.

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Bank's financial statements.

Standards	Descriptions
MFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	<p>The amendment to MFRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.</p> <p>The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.</p>
MFRS 7 <i>Financial Instruments: Disclosures</i>	<p>The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.</p> <p>In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.</p>

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

2.2 Changes in accounting policies (cont'd.)

Annual Improvements to MFRSs 2012–2014 Cycle (cont'd.)

Standards	Descriptions
MFRS 119 <i>Employee Benefits</i>	The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.
MFRS 134 <i>Interim Financial Reporting</i>	The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Bank's financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

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
MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018

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

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

Descriptions	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 16 <i>Leases</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
MFRS 107 <i>Disclosures Initiatives (Amendments to MFRS 107)</i>	

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.

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.

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

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

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

The amendments to MFRS 2 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 effective for annual periods beginning on or after 1 January 2018, with early application permitted. These amendments are not expected to have any impact on the Group and on the Bank.

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.

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 may have a material impact on the amounts reported and disclosures made in the Group’s and the Bank’s financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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

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

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and the Bank's financial assets, but no impact on the classification and measurement of the Group's and the Bank's financial liabilities. □

MFRS 16 Leases

MFRS 16 will replace 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*. 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.

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. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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.

MFRS 16 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.

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

2.3 Standards 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

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

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
(Incorporated in Malaysia)**

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).

**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.)

(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.

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.

(iv) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(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.

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

3. Significant accounting policies (cont'd.)

(c) Financial assets (cont'd.)

(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.

(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.

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

(c) Financial assets (cont'd.)

(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.

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.

(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.

**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

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.

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.

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

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

(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.

(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
(Incorporated in Malaysia)**

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.

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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 transfers 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. The accounting policy for rental income is set out in Note 3(b)(iv).

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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:

	2016	2015
United States Dollar	4.49	4.29
Singapore Dollar	3.10	3.04

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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.

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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.

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3. Significant accounting policies (cont'd.)

(r) Share capital and share issuance expenses

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 uses 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.

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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 determines 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.

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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

	Group	
	2016	2015
		(Restated)
	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	80,625	68,976
Money at call and deposit placements maturing within one month	202,908	67,005
	<u>283,533</u>	<u>135,981</u>

	Bank	
	2016	2015
		(Restated)
	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	80,526	68,888
Money at call and deposit placements maturing within one month	202,908	67,005
	<u>283,434</u>	<u>135,893</u>

5. Deposits and placements with banks and other financial institutions

	Group and Bank	
	2016	2015
	RM'000	RM'000
Licensed banks	153,931	-

6. Securities held for trading

	Group and Bank	
	2016	2015
	RM'000	RM'000
<u>In Malaysia</u>		
At fair value		
Money market instruments:		
Malaysian Government Securities	10,240	-

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7. Securities available-for-sale

	Group and Bank	
	2016	2015
		(Restated)
	RM'000	RM'000
<u>In Malaysia</u>		
At fair value		
Money market instruments:		
Malaysian Government Securities	323,090	284,506
Cagamas Bonds	-	50,309
Government Investment Issues	281,498	363,986
Malaysia Treasury Bills	78,215	59,755
Negotiable Instruments of Deposit	50,304	301,439
Unquoted securities:		
Corporate bonds	86,049	141,188
	<u>819,156</u>	<u>1,201,183</u>
At cost		
Unquoted securities:		
Shares	872	872
	<u>820,028</u>	<u>1,202,055</u>

8. Securities held-to-maturity

	Group and Bank	
	2016	2015
	RM'000	RM'000
<u>In Malaysia</u>		
At amortised cost		
Unquoted securities:		
Corporate bonds	603	617
Accumulated impairment losses	(590)	(604)
	<u>13</u>	<u>13</u>

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9. Loans, advances and financing

	Group and Bank	
	2016	2015
	RM'000	RM'000
At amortised cost		
Overdrafts	158,334	176,088
Term loans:		
- Housing loans	3,326	3,932
- Syndicated term loan	116,387	124,453
- Other term loans	1,049,558	1,085,931
Revolving credits	766,482	541,850
Bills receivables	3,522	7,412
Trust receipts	141,127	92,451
Bankers' acceptances	644,589	826,370
Staff loans	787	1,064
	<u>2,884,112</u>	<u>2,859,551</u>
Unearned interest	(5,271)	(6,512)
Gross loans, advances and financing	<u>2,878,841</u>	<u>2,853,039</u>
Less: Allowance for impaired loans and financing:		
- Individual impairment allowance	(88,812)	(90,525)
- Collective impairment allowance	(64,536)	(69,134)
Net loans, advances and financing	<u>2,725,493</u>	<u>2,693,380</u>

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Maturing within one year	1,833,516	1,766,364
One year to three years	281,740	145,911
Three years to five years	395,634	493,247
Over five years	367,951	447,517
	<u>2,878,841</u>	<u>2,853,039</u>

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

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Purchase of transport vehicles	174	330
Purchase of residential properties	4,452	4,904
Purchase of non-residential properties	99,552	69,771
Purchase of fixed assets other than land and building	45,756	43,202
Personal use	13,488	16,011
Construction	326,191	285,492
Mergers and acquisitions	36,779	50,517
Working capital	2,027,500	2,151,690
Others	324,949	231,122
	<u>2,878,841</u>	<u>2,853,039</u>

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Domestic non-bank financial institutions	369,070	265,549
Domestic business enterprises		
- Small medium enterprises	592,013	629,525
- Others	1,883,453	1,914,246
Individuals	34,305	43,719
	<u>2,878,841</u>	<u>2,853,039</u>

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Variable rate		
- Base lending rate plus	495,116	516,483
- Cost-plus	2,284,243	2,294,451
- Other variable rates	99,482	42,105
	<u>2,878,841</u>	<u>2,853,039</u>

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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:

	Group and Bank	
	2016	2015
	RM'000	RM'000
Balance as at 1 January	152,520	116,032
Classified as impaired during the year	37,782	46,709
Reclassified as non-impaired during the year	(18,058)	(864)
Amount recovered during the year	(28,393)	(4,270)
Amount written off during the year	(3,925)	(5,087)
Balance as at 31 December	<u>139,926</u>	<u>152,520</u>
Individual impairment allowance	<u>(88,812)</u>	<u>(90,525)</u>
Net impaired loans, advances and financing	<u>51,114</u>	<u>61,995</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less individual impairment allowance	<u>1.83%</u>	<u>2.24%</u>

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

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

	Note	Group and Bank	
		2016	2015
		RM'000	RM'000
Individual impairment allowance			
Balance as at 1 January		90,525	66,739
Allowance made during the year	23	8,466	29,617
Amount written back during the year	23	(6,254)	(744)
Amount written off		(3,925)	(5,087)
Balance as at 31 December		<u>88,812</u>	<u>90,525</u>
Collective impairment allowance			
Balance as at 1 January		69,134	65,205
Allowance made during the year	23	15,042	25,461
Allowance written back during the year	23	(19,640)	(21,532)
Balance as at 31 December		<u>64,536</u>	<u>69,134</u>

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

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

	Note	Group and Bank	
		2016 RM'000	2015 RM'000
Collective impairment allowance as % of gross loans, advances and financing less individual impairment allowance		2.31%	2.50%

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

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

	Group and Bank	
	2016 RM'000	2015 RM'000
Purchase of residential properties	1,542	1,602
Working capital	126,456	140,752
Construction	-	9,831
Others	11,928	335
	<u>139,926</u>	<u>152,520</u>

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

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10. Other assets

	Group and Bank	
	2016	2015 (Restated)
	RM'000	RM'000
Deposits and prepayments	1,595	1,764
Other receivables	1,263	1,318
	<u>2,858</u>	<u>3,082</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

	Bank	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	<u>10</u>	<u>10</u>

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

Name of company	Percentage of equity held		Principal activity
	2016	2015	
	%	%	
BBL Nominees (Tempatan) Sdn Bhd	100	100	Provision of nominee services to local clients of the Bank

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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	Property under construction	Work in progress	Total	
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	
2016							
Cost							
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>-</u>	<u>15,774</u>	<u>167,871</u>
Accumulated depreciation							
At 1 January 2016		11,068	1,182	9,564	-	-	21,814
Charge for the year	25	2,939	244	1,364	-	-	4,547
Write-off		-	(3)	-	-	-	(3)
At 31 December 2016		<u>14,007</u>	<u>1,423</u>	<u>10,928</u>	<u>-</u>	<u>-</u>	<u>26,358</u>
Net carrying amount		<u>123,854</u>	<u>327</u>	<u>1,558</u>	<u>-</u>	<u>15,774</u>	<u>141,513</u>
2015							
Cost							
At 1 January 2015		19,158	1,753	11,775	117,480	924	151,090
Additions		-	-	390	1,223	163	1,776
Reclassifications		118,703	-	-	(118,703)	-	-
At 31 December 2015		<u>137,861</u>	<u>1,753</u>	<u>12,165</u>	<u>-</u>	<u>1,087</u>	<u>152,866</u>
Accumulated depreciation							
At 1 January 2015		9,314	938	8,164	-	-	18,416
Charge for the year	25	1,754	244	1,400	-	-	3,398
At 31 December 2015		<u>11,068</u>	<u>1,182</u>	<u>9,564</u>	<u>-</u>	<u>-</u>	<u>21,814</u>
Net carrying amount		<u>126,793</u>	<u>571</u>	<u>2,601</u>	<u>-</u>	<u>1,087</u>	<u>131,052</u>

* Included in the above is freehold land costing RM714,000 (2015: RM714,000).

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14. Intangible assets

		Group and Bank	
	Note	2016	2015
		RM'000	RM'000
Computer software			
Cost			
At 1 January		3,429	3,339
Additions		-	90
At 31 December		<u>3,429</u>	<u>3,429</u>
Accumulated amortisation			
At 1 January		3,124	2,653
Amortisation	25	244	471
At 31 December		<u>3,368</u>	<u>3,124</u>
Net carrying amount		<u>61</u>	<u>305</u>

15. Deferred tax assets

		Group and Bank	
	Note	2016	2015
		RM'000	RM'000
At 1 January		5,476	12,809
Recognised in income statement	26	(4,031)	(6,290)
Recognised in equity		685	(1,043)
At 31 December		<u>2,130</u>	<u>5,476</u>
Presented after appropriate offsetting as follows:			
Deferred tax assets		2,342	5,917
Deferred tax liabilities		(212)	(441)
		<u>2,130</u>	<u>5,476</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

	Collective impairment allowance RM'000	Revaluation reserve RM'000	Others RM'000	Total RM'000
At 1 January 2015	11,863	842	1,086	13,791
Recognised in income statement	(6,480)	-	(351)	(6,831)
Recognised in equity	-	(1,043)	-	(1,043)
At 31 December 2015	<u>5,383</u>	<u>(201)</u>	<u>735</u>	<u>5,917</u>
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	<u>-</u>	<u>484</u>	<u>1,858</u>	<u>2,342</u>

Deferred tax liabilities

	Property and equipment RM'000	Total RM'000
At 1 January 2015	982	982
Recognised in income statement	(541)	(541)
At 31 December 2015	<u>441</u>	<u>441</u>
At 1 January 2016	441	441
Recognised in income statement	(229)	(229)
At 31 December 2016	<u>212</u>	<u>212</u>

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16. Deposits from customers

(i) By type of deposit

	Group and Bank	
	2016	2015
		(Restated)
	RM'000	RM'000
Fixed deposits	1,615,423	1,533,847
Current accounts	187,247	240,219
Savings deposits	9,437	11,536
Short term deposits	44,520	41,693
	<u>1,856,627</u>	<u>1,827,295</u>

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

	Group and Bank	
	2016	2015
		(Restated)
	RM'000	RM'000
Due within six months	1,408,619	1,458,133
Six months to one year	246,398	112,989
One year to three years	2,129	1,131
Over three years	2,797	3,287
	<u>1,659,943</u>	<u>1,575,540</u>

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

	Group and Bank	
	2016	2015
		(Restated)
	RM'000	RM'000
Business enterprises	1,393,576	1,436,704
Individuals	463,051	390,591
	<u>1,856,627</u>	<u>1,827,295</u>

(iv) All the deposits from customers are unsecured.

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17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2016	2015
		(Restated)
	RM'000	RM'000
Licensed banks	541,758	1,213,492
Other financial institutions	1,011,185	445,610
	<u>1,552,943</u>	<u>1,659,102</u>

Included in deposits and placements are deposits and placements from the holding company and its branches amounting to RM395,946,000 (31.12.2015: RM327,448,000) as disclosed in Note 29.

18. Other liabilities

	Group	
	2016	2015
		(Restated)
	RM'000	RM'000
Accruals	7,487	2,486
Other payables	5,581	23,407
	<u>13,068</u>	<u>25,893</u>

	Bank	
	2016	2015
		(Restated)
	RM'000	RM'000
Accruals	7,484	2,486
Other payables	5,581	23,404
	<u>13,065</u>	<u>25,890</u>

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19. Share capital

	Group and Bank			
	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Authorised:				
At 1 January	600,000	600,000	600,000	600,000
At 31 December	600,000	600,000	600,000	600,000
Issued and fully paid-up:				
At 1 January	600,000	600,000	600,000	600,000
At 31 December	600,000	600,000	600,000	600,000

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

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

Subsequent events:

Subsequent to the financial year 31 December 2016 on 13 January 2017, the authorised share capital of the Bank increased to RM1,000,000,000 from RM600,000,000 through the creation of 400,000,000 authorised ordinary shares of RM1.00 each. The issued and paid-up share capital also increased to RM1,000,000,000 from RM600,000,000 with the issuance of 400,000,000 new ordinary shares of RM1.00 each at par for cash for working capital purposes.

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 2016 under the single-tier system.

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21. Interest income

	Group and Bank	
	2016	2015
	RM'000	RM'000
Loans, advances and financing		
- Interest income other than recoveries from impaired loans	136,974	144,255
- Recoveries from impaired loans	467	7,758
- Interest income on impaired loans	3,954	4,176
Deposits and placements with banks and other financial institutions	4,786	10,966
Securities held for trading	57	102
Securities available-for-sale	34,133	34,318
	<u>180,371</u>	<u>201,575</u>
(Amortisation of premium), net of accretion of discount		
- Securities held for trading	(3)	34
- Securities available-for-sale	(728)	2,539
	<u>179,640</u>	<u>204,148</u>

22. Interest expense

	Group and Bank	
	2016	2015
	RM'000	RM'000
Deposits from customers	100,737	105,680
Deposits and placements of banks and other financial institutions	3,730	11,569
	<u>104,467</u>	<u>117,249</u>

23. Loan loss and allowances, net

		Group and Bank	
	Note	2016	2015
		RM'000	RM'000
Allowance/(write-back) for impaired loans, advances and financing			
Individual impairment:			
- made during the financial year	9(vii)	8,466	29,617
- written back	9(vii)	(6,254)	(744)
Collective impairment:			
- made during the financial year	9(vii)	15,042	25,461
- written back	9(vii)	(19,640)	(21,532)
Impaired loans, advances and financing recovered		(57)	(927)
		<u>(2,443)</u>	<u>31,875</u>

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24. Non-interest income

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fee income:				
Commission	4,044	4,112	4,025	4,098
Service charges and fees	1,562	2,918	1,562	2,918
Guarantee fees	2,187	1,836	2,187	1,836
	<u>7,793</u>	<u>8,866</u>	<u>7,774</u>	<u>8,852</u>
Investment income:				
Net gain on disposal of investments:				
- Securities held for trading	14	132	14	132
- Securities available-for-sale	-	214	-	214
Net gain/(loss) on revaluation of securities held for trading	133	(2)	133	(2)
Write-back of impairment losses on securities held-to-maturity	14	52	14	52
Gross dividend from securities available-for-sale	122	122	122	122
	<u>283</u>	<u>518</u>	<u>283</u>	<u>518</u>
Other income:				
Foreign exchange gain	7,757	22,587	7,757	22,587
Unrealised loss on foreign exchange forwards	(874)	(17,227)	(874)	(17,227)
Rental income	364	341	364	341
Others	11	15	11	15
	<u>7,258</u>	<u>5,716</u>	<u>7,258</u>	<u>5,716</u>
	<u>15,334</u>	<u>15,100</u>	<u>15,315</u>	<u>15,086</u>

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25. Overhead expenses

		Group		Bank	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Personnel costs					
Salaries, allowances and bonuses		25,172	19,550	25,172	19,550
Defined contribution plan					
- Employees Provident Fund		3,374	2,773	3,374	2,773
Others		3,866	2,917	3,866	2,917
		<u>32,412</u>	<u>25,240</u>	<u>32,412</u>	<u>25,240</u>
Establishment costs					
Depreciation	13	4,547	3,398	4,547	3,398
Amortisation of intangible assets	14	244	471	244	471
Repair and maintenance		2,223	1,478	2,223	1,478
Rental of premises		899	858	899	858
Information technology expenses		1,315	1,114	1,315	1,114
Others		2,273	1,690	2,273	1,690
		<u>11,501</u>	<u>9,009</u>	<u>11,501</u>	<u>9,009</u>
Marketing costs					
Advertising and publicity		184	214	184	214
Others		40	49	40	49
		<u>224</u>	<u>263</u>	<u>224</u>	<u>263</u>
Administration and general costs					
Communication expenses		1,086	1,135	1,086	1,135
Subscriptions		1,365	1,139	1,365	1,139
Professional fees		1,573	2,473	1,573	2,473
Auditors remunerations		344	319	342	317
Non-executive directors' remuneration		968	844	968	844
Insurance		548	489	548	489
Travelling		373	294	373	294
Loss on indemnity		2,402	-	2,402	-
Others		983	1,321	981	1,319
		<u>9,642</u>	<u>8,014</u>	<u>9,638</u>	<u>8,010</u>
Total		<u>53,779</u>	<u>42,526</u>	<u>53,775</u>	<u>42,522</u>

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25. Overhead expenses (cont'd)

The above expenses include the following statutory disclosures:

	Note	Group		Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' fee and remuneration	30	978	1,747	978	1,747
Hire of equipment		120	112	120	112
Auditors' remuneration					
- Statutory audit		166	151	164	149
- Other regulated related services		51	51	51	51
- Other services		127	117	127	117

26. Taxation

	Note	Group		Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:					
Current year		12,422	7,363	12,418	7,360
Overprovision in prior years		(8,489)	-	(8,489)	-
		3,933	7,363	3,929	7,360
Deferred tax:	15				
Relating to origination and reversal of temporary differences		4,031	(190)	4,031	(190)
Underprovision in prior years		-	6,480	-	6,480
Total deferred tax expense		4,031	6,290	4,031	6,290
Tax expense		7,964	13,653	7,960	13,650

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) 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)

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	39,171	27,598	39,156	27,588
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	9,401	6,900	9,397	6,897
Effect of expenses not deductible for tax purposes	1,669	273	1,669	273
Underprovision of deferred tax in prior years	5,383	6,480	5,383	6,480
Overprovision of income tax in prior year	(8,489)	-	(8,489)	-
Tax expense for the year	7,964	13,653	7,960	13,650

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:

	Group	
	2016	2015
Profit for the year ("RM'000")	31,207	13,945
Weighted average number of ordinary shares in issue ("000")	600,000	600,000
Basic earnings per share (sen)	5.20	2.32

There is no dilutive potential in the ordinary shares as at 31 December 2016 and 31 December 2015.

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:

Group and Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
31 December 2016				
Direct credit substitutes	27,521	-	27,521	26,834
Transaction-related contingent items	197,497	-	98,749	88,765
Short-term self-liquidating trade-related contingencies	52,292	-	10,458	10,405
Forward foreign exchange contracts - less than one year	135,256	1,552	3,115	2,081
Other commitments, such as formal standby facilities and credit lines, with an original - maturity more than one year	40,216	-	20,108	22,708
- maturity less than one year	1,714,892	-	342,978	342,819
Any commitment that are unconditionally cancelled at any time without prior notice	59,255	-	-	-
Total	2,226,929	1,552	502,929	493,612
31 December 2015				
Direct credit substitutes	5,969	-	5,969	5,287
Transaction-related contingent items	191,951	-	95,975	90,436
Short-term self-liquidating trade-related contingencies	24,821	-	4,964	4,964
Forward foreign exchange contracts - less than one year	417,807	6,971	12,066	9,461
Other commitments, such as formal standby facilities and credit lines, with an original - maturity more than one year	69,859	-	34,930	34,926
- maturity less than one year	1,946,535	-	389,307	389,276
Any commitment that are unconditionally cancelled at any time without prior notice	97,262	-	-	-
Total	2,754,204	6,971	543,211	534,350

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Income		
Interest on advances to holding company and its branches	71	2
Expenditure		
Interest on advances from holding company and its branches	2,847	1,764
Administrative expenses to holding company	442	405

(ii) Related party balances

Amount due to		
Deposits and placements from holding company and its branches	395,946	327,448
Amount due from		
Cash and short-term funds placed with holding company and its branches	10,061	6,054

(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 and senior management personnel of the Bank, being the Chief Executive Officer and Deputy Chief Executive Officer. The remuneration of KMP during the year are as follows:

	Group and Bank	
	2016	2015
	RM'000	RM'000
Senior management personnel:		
Salary and emoluments	1,524	2,095
Defined contribution plan	-	74
Benefits-in-kind	231	220
	1,755	2,389
Directors' remuneration including benefits-in-kind (Note 30)	978	1,747
	2,733	4,136

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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

	Salary	Fees	Bonus	Other emoluments*	Benefits-in-kind	Total remuneration
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors:						
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 Redhauddin Ibni Tuanku Muhriz	-	158	-	9	-	167
Lee Khee Joo @ Lee Ying Chong	-	108	-	63	-	171
Tham Kwok Meng	-	115	-	58	-	173
	-	754	-	224	-	978 #
Total directors' remuneration	-	754	-	224	-	978

* Includes allowances and EPF.

Inclusive of GST

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

Group and Bank

2015	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments* RM'000	Benefits-in- kind RM'000	Total remuneration RM'000
Executive Director/Chief Executive Officer:						
Loke Tan Cheng	462	-	-	420	16	898
Non-Executive Directors:						
Pithi Sithi-Amnuai	-	132	-	11	-	143
Rushda Theeratharathorn	-	84	-	25	-	109
Toh Chong	-	84	-	23	-	107
Chris Chia Woon Liat	-	108	-	22	-	130
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	113	-	11	-	124
Lee Khee Joo @ Lee Ying Chong	-	108	-	24	-	132
Tham Kwok Meng	-	83	-	21	-	104
	-	712	-	137	-	849 #
Total directors' remuneration	462	712	-	557	16	1,747

* Includes allowances and EPF.

Inclusive of GST

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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:

	Group and Bank	
	2016	2015
	RM'000	RM'000
Future minimum rentals payments:		
Not later than 1 year	959	911
Later than 1 year and not later than 5 years	2,442	459
	3,401	1,370

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:

	2016	2015
Common equity tier-1 capital ratio	21.96%	21.10%
Total capital ratios	23.15%	22.29%

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:

	2016	2015
	RM'000	RM'000
Common Equity Tier 1 Capital		
Paid-up share capital	600,000	600,000
Statutory reserve	169,039	153,441
Unrealised (loss)/gain on available-for-sale securities	(1,532)	602
Retained profits	44,495	28,897
Less: Regulatory adjustment, applied on CET1 Capital		
Other intangibles	(61)	-
Deferred tax assets	(2,130)	(5,678)
Gain on available-for-sale securities	-	(331)
Total Common Equity Tier 1 Capital	<u>809,811</u>	<u>776,931</u>
Tier 2 Capital		
Collective impairment (only those attributable to non-impaired loans, advances and financing)	<u>43,909</u>	<u>44,068</u>
Total Tier 2 Capital	<u>43,909</u>	<u>44,068</u>
Total capital		
Common Equity Tier 1 Capital	809,811	776,931
Tier 2 Capital	43,909	44,068
Less: Investment in subsidiary	(10)	(10)
Total Capital	<u>853,710</u>	<u>820,989</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 2016 RM'000	Risk- weighted assets 2016 RM'000	Principal 2015 RM'000	Risk- Weighted assets 2015 RM'000
0%	893,815	-	839,324	-
20%	402,785	80,557	578,964	115,793
35%	1,948	682	2,409	843
50%	94,333	47,166	66,069	33,034
100%	3,340,892	3,340,892	3,329,070	3,329,070
150%	28,935	<u>43,403</u>	31,114	<u>46,671</u>
Total risk-weighted assets for credit risk		3,512,700		3,525,411
Total risk-weighted assets for market risk		18,481		10,578
Total risk-weighted assets for operational risk		<u>156,713</u>		<u>146,762</u>
Total risk-weighted assets		<u><u>3,687,894</u></u>		<u><u>3,682,751</u></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:

	2016	2015
Group and Bank	RM'000	RM'000
Neither past due nor impaired	2,672,203	2,605,264
Past due but not impaired	66,712	95,255
Im	139,926	152,520
	<u>2,878,841</u>	<u>2,853,039</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

	Months in arrears		Total RM'000
	1 to 2 month RM'000	2 to 3 month RM'000	
Group and Bank 2016			
Corporate loans/financing	66,712	-	66,712
2015			
Corporate loans/financing	95,255	-	95,255

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 RM55,844,000 (2015: RM61,842,000) for the Group and the Bank without the collaterals.

Repossessed collateral

For the financial years ended 31 December 2016 and 2015, 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

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
Group										
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
Commitments										
Commitments and Contingencies	5,697	150,680	799,564	1,500	218,778	590,826	418,455	24,563	16,866	2,226,929
Bank										
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
Commitments										
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 and policies (cont'd.)

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

(v) Industry analysis

As at 31 December 2015	Government and central bank RM'000	Primary Agriculture RM'000	Manufacturing RM'000	Electricity, gas and water supply RM'000	Construction RM'000	Wholesale & Retails RM'000	Finance, Insurance, Real Estate & Business Services RM'000	Transport, Storage & Telecomm RM'000	Others RM'000	Total RM'000
Group										
Cash and short-term funds	12,434	-	-	-	-	-	123,547	-	-	135,981
Securities available-for-sale	708,247	-	-	100,745	-	20,004	373,059	-	-	1,202,055
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	268,584	922,250	4,823	184,265	604,642	666,053	64,274	47,623	2,762,514 (69,134)
Derivative assets	-	37	832	-	-	5,047	1,055	-	-	6,971
Statutory Deposit with Bank Negara Malaysia	114,000	-	-	-	-	-	-	-	-	114,000
Commitments										
Commitments and Contingencies	-	193,659	999,143	4,641	226,276	724,336	556,477	28,970	20,702	2,754,204
Bank										
Cash and short-term funds	12,346	-	-	-	-	-	123,547	-	-	135,893
Securities available-for-sale	708,247	-	-	100,745	-	20,004	373,059	-	-	1,202,055
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	268,584	922,250	4,823	184,265	604,642	666,053	64,274	47,623	2,762,514 (69,134)
Derivative assets	-	37	832	-	-	5,047	1,055	-	-	6,971
Statutory Deposit with Bank Negara Malaysia	114,000	-	-	-	-	-	-	-	-	114,000
Commitments										
Commitments and Contingencies	-	193,659	999,143	4,641	226,276	724,336	556,477	28,970	20,702	2,754,204

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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 makes 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 has 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.

	2016		2015	
	Exchange Rate		Exchange Rate	
	+10%	- 10%	+10%	- 10%
	RM'000	RM'000	RM'000	RM'000
Currency				
Group and Bank				
USD	392	(392)	76	(76)
SGD	244	(244)	33	(33)
Others	799	(799)	461	(461)

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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 →					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	
Total assets	2,978,705	190,993	182,737	549,053	-	325,045	11,792	4,238,325	

* 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.)

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 2015								
Assets								
Cash and short-term funds	67,005	-	-	-	68,976	-	135,981	3.15
Securities available-for-sale	100,481	311,399	257,578	531,725	872	-	1,202,055	3.55
Securities held-to-maturity	-	-	-	-	13	-	13	-
Loans, advances and financing								
- non-impaired	2,675,453	-	-	-	-	-	2,675,453	4.92
- impaired *	17,927	-	-	-	-	-	17,927	7.22
Other non-interest sensitive balances	-	-	-	-	265,050	6,971	272,021	
Total assets	2,860,866	311,399	257,578	531,725	334,911	6,971	4,303,450	

* 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 2015								
Liabilities								
Deposits from customers	807,697	527,882	487,298	4,418	-	-	1,827,295	3.64
Deposits and placements of banks and other financial institutions	845,797	633,157	173,816	-	6,332	-	1,659,102	0.49
Other non-interest sensitive balances	-	-	-	-	25,893	8,144	34,037	
Total liabilities	1,653,494	1,161,039	661,114	4,418	32,225	8,144	3,520,434	
Shareholder's equity	-	-	-	-	783,016	-	783,016	
Total liabilities and shareholder's equity	1,653,494	1,161,039	661,114	4,418	815,241	8,144	4,303,450	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	1,207,372	(849,640)	(403,536)	527,307	(480,330)	(1,173)	-	

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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 →					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	-	-	-	-	80,526	-	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	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 →					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 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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Bangkok Bank Berhad
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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					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 2015									
Assets									
Cash and short-term funds	67,005	-	-	-	-	68,888	-	135,893	3.15
Securities available-for-sale	100,481	311,399	257,578	531,725	872	-	-	1,202,055	3.55
Securities held-to-maturity	-	-	-	-	-	13	-	13	-
Loans, advances and financing									
- non-impaired	2,675,453	-	-	-	-	-	-	2,675,453	4.92
- impaired *	17,927	-	-	-	-	-	-	17,927	7.22
Other non-interest sensitive balances	-	-	-	-	-	265,059	6,971	272,030	
Total assets	2,860,866	311,399	257,578	531,725	334,832	6,971	4,303,371		

* 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					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 2015									
Liabilities									
Deposits from customers	807,697	527,882	487,298	4,418	-	-	1,827,295	3.64	
Deposits and placements with banks and other financial institutions	845,797	633,157	173,816	-	6,332	-	1,659,102	0.49	
Other non-interest sensitive balances	-	-	-	-	25,890	8,144	34,034		
Total liabilities	1,653,494	1,161,039	661,114	4,418	32,222	8,144	3,520,431		
Shareholder's equity	-	-	-	-	782,940	-	782,940		
Total liabilities and shareholder's equity	1,653,494	1,161,039	661,114	4,418	815,162	8,144	4,303,371		
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	1,207,372	(849,640)	(403,536)	527,307	(480,330)	(1,173)	-		

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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") 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:

<u>Movement in basis points</u>	2016 RM'million +/- 100 bps	2015 RM'million +/- 100 bps
Effect on Net Interest Income	+/- 5.5	+/- 3.4
Effect on Economic Value of Equity	+/- 7.5	+/- 11.5

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") and Economic Value of Equity ("EVE") would have been increase/decrease by RM5.5 million and RM7.5 million (2015: RM3.4 million and RM11.5 million) respectively. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observed market environment.

(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 adopts the new Liquidity Coverage Ratio ("LCR") as one of the liquidity measurement methods. In addition to ensuring compliance to LCR, the Group and Bank maintains 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 reports, 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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2016								
Assets								
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
Total assets	1,269,237	810,239	350,105	303,463	1,284,010	62,353	88,000	4,167,407
Liabilities								
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
Total liabilities	1,420,784	1,066,690	504,657	438,062	5,265	-	-	3,435,459
Net maturity mismatch	(151,547)	(256,451)	(154,552)	(134,599)	1,278,744	62,353	88,000	731,948

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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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2015								
Assets								
Cash and short-term funds	136,000	-	-	-	-	-	-	136,000
Securities available-for-sale	52,087	151,402	165,437	300,307	525,423	-	-	1,194,656
Securities held-to-maturity	-	-	-	-	-	13	-	13
Loans, advances and financing	681,228	431,422	364,648	346,201	807,842	127,225	-	2,758,566
Derivative financial asset	205	936	4,895	935	-	-	-	6,971
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	114,000	114,000
Total assets	869,520	583,760	534,980	647,443	1,333,265	127,238	114,000	4,210,206
Liabilities								
Deposits from customers	707,075	370,999	429,383	326,921	4,762	-	-	1,839,140
Deposits and placements of banks and other financial institutions	328,508	510,107	506,492	320,322	-	-	-	1,665,428
Bills and acceptances payable	-	-	-	-	-	-	-	-
Derivative financial liabilities	1,975	524	5,580	65	-	-	-	8,144
Total liabilities	1,037,559	881,630	941,454	647,308	4,762	-	-	3,512,712
Net maturity mismatch	(168,039)	(297,870)	(406,474)	135	1,328,503	127,238	114,000	697,494

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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.)

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2016								
Assets								
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
Total assets	1,269,138	810,239	350,105	303,463	1,284,010	62,353	88,000	4,167,308
Liabilities								
Deposits from customers	438,907	857,832	276,523	292,335	5,265	-	-	1,870,862
Deposits and placements with 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
Total liabilities	1,420,784	1,066,690	504,657	438,062	5,265	-	-	3,435,459
Net maturity mismatch	(151,646)	(256,451)	(154,552)	(134,599)	1,278,744	62,353	88,000	731,849

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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.)

Bank	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2015								
Assets								
Cash and short-term funds	135,912	-	-	-	-	-	-	135,912
Securities available-for-sale	52,087	151,402	165,437	300,307	525,423	-	-	1,194,656
Securities held-to-maturity	-	-	-	-	-	13	-	13
Loans, advances and financing	681,228	431,422	364,648	346,201	807,842	127,225	-	2,758,566
Derivative financial asset	205	936	4,895	935	-	-	-	6,971
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	114,000	114,000
Total assets	869,432	583,760	534,980	647,443	1,333,265	127,238	114,000	4,210,118
Liabilities								
Deposits from customers	707,075	370,999	429,383	326,921	4,762	-	-	1,839,140
Deposits and placements of banks and other financial institutions	328,508	510,107	506,492	320,322	-	-	-	1,665,428
Bills and acceptances payable	-	-	-	-	-	-	-	-
Derivative financial liabilities	1,975	524	5,580	65	-	-	-	8,144
Total liabilities	1,037,559	881,630	941,454	647,308	4,762	-	-	3,512,712
Net maturity mismatch	(168,127)	(297,870)	(406,474)	135	1,328,503	127,238	114,000	697,406

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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:

	Group and Bank			
	2016		2015	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Loans and advances	2,725,493	2,725,504	2,693,380	2,693,368

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:

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

	Group and Bank		
	2015		
	Nominal/ notional amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Forward foreign exchange contracts	417,807	6,971	(8,144)

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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 2016 were investment in equity securities of RM872,000 (2015: 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 amount 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:

Group and Bank 31 December 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Securities held for trading (Note 6)</u>				
Money market instruments:				
Malaysian Government Securities	-	10,240	-	10,240
	<u>-</u>	<u>10,240</u>	<u>-</u>	<u>10,240</u>
<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
	<u>-</u>	<u>819,156</u>	<u>-</u>	<u>819,156</u>
<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)

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

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

Group and Bank	Level 1	Level 2	Level 3	Total
31 December 2015	RM'000	RM'000	RM'000	RM'000
<u>Securities available-for-sale (Note 7)</u>				
Money market instruments:				
Malaysian Government Securities	-	284,506	-	284,506
Cagamas Bonds	-	50,309	-	50,309
Government Investment Issue	-	363,986	-	363,986
BNM Monetary Notes	-	-	-	-
Malaysia Treasury Bills	-	59,755	-	59,755
Negotiable Instruments of Deposit	-	301,439	-	301,439
Unquoted securities in				
Malaysia:	-	-	-	-
Corporate bonds	-	141,188	-	141,188
	-	<u>1,201,183</u>	-	<u>1,201,183</u>
<u>Derivatives</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	6,971	-	6,971
Derivative financial liabilities				
Unrealised loss on derivatives	-	(8,144)	-	(8,144)

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

36. Subsequent event

(a) Increase of authorised share capital and issue of share capital

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

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36. Subsequent event (cont'd)

(b) Adoption of the New Companies Act 2016

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 are:

- (i) Removal of the authorised share capital;
- (ii) Shares of the Bank will cease to have par or nominal value; and

The adoption of the New Act is not expected to have any financial impact on the Group and of the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Bank for the financial year ending 31 December 2017.

The Group's and the Bank's financial statements for the current financial year ended 31 December 2016 have continued to be drawn up in accordance with the requirements of the Companies Act, 1965 in Malaysia.

37. Restatement of comparative information

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

- (i) Interest receivable on short-term funds and investment securities and cash, previously classified as other assets have now been reclassified to the respective investment securities line item. The related notes affected are Note 4 ,Note 7 and Note 10.
- (ii) Interest payable on deposits from customers and deposits and placements of banks and other financial institutions previously classified as other liabilities have now been reclassified to the respective line item. The related notes affected are Note 16, Note 17 and Note 18.

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37. Restatement of comparative information (cont'd)

- (iii) Tax recoverable, previously classified as other assets have now been reclassified to a separate line item. The related notes affected is Note 10.
- (iv) Deposits from banks and other financial institutions, previously classified under deposits from customers have now been reclassified to deposits and placements with banks and other financial institutions. The related notes affected are Note 16 and Note 17.

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

- (i) Reconciliation of statements of financial position

Group	Note	As previously reported RM'000	Reclasification RM'000	As restated RM'000
As at 31 December 2015				
Assets				
Cash and short-term funds	4	135,976	5	135,981
Securities available-for-sale	7	1,193,573	8,482	1,202,055
Tax recoverable		-	11,135	11,135
Other assets	10	22,704	(19,622)	3,082
Liabilities				
Deposits from customers	16	3,129,926	(1,302,631)	1,827,295
Deposits and placements with banks and other financial institutions	17	340,327	1,318,775	1,659,102
Other liabilities	18	42,037	(16,144)	25,893
As at 1 January 2015				
Assets				
Cash and short-term funds	4	698,076	982	699,058
Deposits and placements from banks and other financial institutions	5	40,000	116	40,116
Securities available-for-sale	7	1,117,435	5,114	1,122,549
Tax recoverable		-	10,345	10,345
Other assets	10	17,969	(16,557)	1,412
Liabilities				
Deposits from customers	16	3,114,986	(1,076,047)	2,038,939
Deposits and placements with banks and other financial institutions	17	958,939	1,092,349	2,051,288
Other liabilities	18	43,230	(16,302)	26,928

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37. Restatement of comparative information (cont'd)

(i) Reconciliation of statements of financial position (cont'd)

Bank	Note	As previously reported RM'000	Reclassification RM'000	As restated RM'000
As at 31 December 2015				
Cash and short-term funds	4	135,888	5	135,893
Securities available-for-sale	7	1,193,573	8,482	1,202,055
Tax recoverable		-	11,134	11,134
Other assets	10	22,703	(19,621)	3,082
Liabilities				
Deposits from customers	16	3,129,926	(1,302,631)	1,827,295
Deposits and placements with banks and other financial institutions	17	340,327	1,318,775	1,659,102
Other liabilities	18	42,034	(16,144)	25,890
As at 1 January 2015				
Assets				
Cash and short-term funds	4	697,994	982	698,976
Deposits and placements from banks and other financial institutions	5	40,000	116	40,116
Securities available-for-sale	7	1,117,435	5,114	1,122,549
Tax recoverable		-	10,345	10,345
Other assets	10	17,969	(16,557)	1,412
Liabilities				
Deposits from customers	16	3,114,986	(1,076,047)	2,038,939
Deposits and placements with banks and other financial institutions	17	958,939	1,092,349	2,051,288
Other liabilities	18	43,227	(16,302)	26,925

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37. Restatement of comparative information (cont'd)

(ii) Reconciliation of statements of cash flows

Group	Note	As previously reported RM'000	Reclassification RM'000	As restated RM'000
For the financial year ended 31 December 2015				
Decrease/(increase) in operating assets:				
Other assets	10	(3,945)	2,275	(1,670)
Net purchase of securities available-for-sale		(2,318,936)	3,368	(2,322,304)
Increase/(decrease) in operating liabilities:				
Deposits from customers	16	14,940	226,584	(211,644)
Deposits and placements with banks and other financial institutions	17	(618,612)	(226,426)	(392,186)
Other liabilities	18	(1,193)	(158)	(1,035)
Cash and cash equivalents at the beginning of the year				
Cash and short-term funds		698,076	982	699,058
Deposits and placements with banks and other financial institutions		40,000	116	40,116
Cash and cash equivalents at the end of the year				
Cash and short-term funds		135,976	5	135,981

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37. Restatement of comparative information (cont'd)

(ii) Reconciliation of statements of cash flows (cont'd.)

Bank	Note	As previously reported RM'000	Reclassification RM'000	As restated RM'000
For the financial year ended 31 December 2015				
Decrease/(increase) in operating assets:				
Other assets	10	(3,945)	2,275	(1,670)
Net purchase of securities available-for-sale		(2,318,936)	3,368	(2,322,304)
Increase/(decrease) in operating liabilities:				
Deposits from customers	16	14,940	226,584	(211,644)
Deposits and placements with banks and other financial institutions	17	(618,612)	(226,426)	(392,186)
Other liabilities	18	(1,193)	(158)	(1,035)
Cash and cash equivalents at the beginning of the year				
Cash and short-term funds		697,994	982	698,976
Deposits and placements with banks and other financial institutions		40,000	116	40,116
		<u>737,994</u>	<u>1,098</u>	<u>739,092</u>
Cash and cash equivalents at the end of the year				
Cash and short-term funds		135,888	5	135,893