

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

Directors' Report and Audited Financial Statements
31 December 2013

299740-W

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

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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 2013.

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 have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Bank RM'000
Profit for the year	<u>15,653</u>	<u>15,642</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 2013.

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Directors

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 Loke Tan Cheng
Mr Toh Chong
Ms Rushda Theeratharathorn
Mr Chris Chia Woon Liat
Mr Piti Sithi-Amnuai (appointed on 29.04.2013)
Y.A.M Tunku Ali Redhaudhin Ibni Tuanku Muhriz (appointed on 10.06.2013)
Mr Lee Khee Joo @ Lee Ying Chong (appointed on 30.10.2013)

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 2013.

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 31.12.2013
	Balance at 29.4.2013	Bought	Sold	
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 statement of comprehensive income of the Group and of the Bank were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts and that adequate allowances had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write-off any bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising from the normal course of business of the Group and of the Bank.

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Other statutory information (cont'd.)

(f) In the opinion of the directors:

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

Business overview for the financial year ended 31 December 2013 and outlook for the financial year 2014

Bangkok Bank Berhad (“BBB”) registered a profit before tax of RM20.72 million for 2013 which was comparative with 2012 of RM20.51 million. The improved earnings were mainly from higher net interest income of RM57.13 million and higher non interest income of RM14.37 million. However, the higher net interest income was partly off set by the higher loan impairment.

Gross loan outstanding increased by 21.21% from RM2.13 billion at end of December 2012 to RM2.58 billion at end of December 2013 mainly arising from trade financing and syndication loan. The loan growth and better loan margin contributed to the growth in the Bank’s net interest income.

Deposits from customers grew marginally from RM2.31 billion at end of December 2012 to RM2.46 billion at at end of December 2013. The Bank continue to heighten its focus on generating customer deposits to maintain a prudent liquidity position and to fund future loan growth.

As compared to 2012, non-interest income increased by 16.37% from RM12.34 million to RM14.37 million mainly due to net gain on sales of securities available-for-sale and securities held-for-trading coupled with foreign exchange gain.

The asset quality of the Bank’s loan portfolio has improved. Net impaired loan ratio decreased to 0.26% at end of December 2013 from 1.12% at end of December 2012. The lower ratio was mainly due to full settlement of one of the impaired corporate accounts and increased in gross loan outstanding.

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/Non-Independent Non-Executive 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; 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 Holding Company of Bangkok Bank Berhad after 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 Holding Company, 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. And in 2002, he was one of the 4 recipients of Bangkok Bank's first ever Top Senior Management "Gold Medal" Award.

**Mr Robert Tan Cheng, Loke
Executive Director/Chief Executive Officer**

Mr Robert Tan Cheng, Loke, a Malaysian, was appointed to the Board on 22 December 2006. He holds a Bachelor of Electrical Engineering and a Master of Business Administration (majoring in Marketing and Finance) from Concordia University, Canada. Mr Loke also holds a Postgraduate Diploma in Management from McGill University, Canada.

Mr Loke has more than 30 years experience in banking and finance industries. He has worked with a few multinational banks, such as Chase Manhattan, Nomura, OCBC, etc in Singapore and served in various senior management positions.

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Profile of directors (cont'd.)

**Mr Toh Chong
Non-Independent Non-Executive Director**

Mr Toh Chong, a Malaysian, was appointed to the Board on 25 January 2006. He holds a Bachelor of Arts (Hons) degree in Philosophy, Politics and Economics from Oxford University, UK and a Master of Science degree in Management from Massachusetts Institute of Technology, USA.

Mr Toh is a Senior Executive Vice President in the International Banking Group in Bangkok Bank Public Co Ltd ("BBL"). He also holds the positions of Executive Chairman of Bualuang Securities Public Co Ltd, the capital markets subsidiary of BBL, and the Chairman of Asia Cement Public Co Ltd. Mr Toh also serves on the boards of Bangkok Bank China and Bumrungrad Hospital Public Co Ltd. Prior to joining BBL, he had worked as an economist at the Government of Singapore Investment Corporation and in investment banking with Morgan Stanley.

**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 and Bangkok Bank (China) Co Ltd.

**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).

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Profile of directors (cont'd.)

**Mr Chris Chia Woon Liat (cont'd.)
Independent Non-Executive Director (cont'd.)**

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 on 10 June 2013. Tunku Ali holds a BA (Hons) in History and Social & Political Sciences from the University of Cambridge and a Masters in Public Administration from the John F Kennedy School of Government, Harvard University. He was previously a consultant at McKinsey & Company and a Senior Investment Executive at Khazanah National Berhad.

Currently, Tunku Ali is the Chairman of the Board of Trustees of the Munarah Foundation (focused on education, special needs children, healthcare and poverty issues), a Founding Trustee of Teach for Malaysia (dedicated to ending education inequity in Malaysia), a Governor of Marlborough College Malaysia, Pro-Chancellor of Universiti Sains Islam Malaysia and a Royal Resident Writer of Universiti Teknologi Malaysia and a Fellow at Universiti Kebangsaan Malaysia's Centre for Advancement of Social Business. He sits on the boards of several Khazanah portfolio companies, including Asia Capital Reinsurance Malaysia Sdn Bhd, Sun Life Malaysia Assurance Berhad, Themed Attractions and Resorts Sdn Bhd, Destination Resorts and Hotels Sdn Bhd and Iskandar Malaysia Studios Sdn Bhd. He is also an Independent Non-Executive Director of Bumi Armada Berhad, a company listed on Bursa Malaysia. He is also an Honorary Lieutenant Colonel in the Territorial Army of Malaysia.

Tunku Ali was listed by the World Economic Forum as a member of its Young Global Leaders (YGL) Class of 2013.

**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 Khee Joo has wide and varied experience in his 38 years 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.

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Profile of directors (cont'd.)

**Mr Lee Khee Joo @ Lee Ying Chong (cont'd.)
Independent Non-Executive Director (cont'd.)**

Mr Lee Khee Joo is a Fellow of the Association of Chartered Certified Accountants United Kingdom ("ACCA") and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Mr Lee Khee Joo is currently the Head of Financial Sector Talent Enrichment Programme ("FSTEP"), a position he holds since July 2008. He held various senior positions in the formerly Pacific Bank Berhad, Rakyat Merchant Bank, Malayan Banking Berhad, Koperasi Jaya Diri Malaysia Berhad ("KOJADI") and Hong Leong Bank Berhad. Mr Lee Khee Joo served as the Claims Manager, R&D Manager and Claims Committee member in the Credit Guarantee Corporation Malaysia Berhad.

Corporate Governance

Board of directors

Board composition

As at the date of this report, the Board of Bangkok Bank Berhad ("the Bank") consists of seven (7) members, comprising one (1) Executive Director/Chief Executive Officer ("CEO"), three (3) Independent Non-Executive Director and three (3) Non-Independent Non-Executive Directors.

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

During the financial year ended 31 December 2013, the Bank appointed the following persons to the Board:

	Name of Directors	Designation	Date of Appointment
1.	Mr Piti Sithi-Amnuai	Chairman/Non-Independent Non-Executive Director	29 April 2013
2.	Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	Independent Non-Executive Director	10 June 2013
3	Mr Lee Khee Joo @ Lee Ying Chong	Independent Non-Executive Director	30 October 2013

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.

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Corporate Governance (cont'd.)

Board of directors (cont'd.)

Board composition (cont'd.)

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.

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 Executive Director/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.

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Corporate Governance (cont'd.)

Board of directors (cont'd.)

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

The Board met seven (7) times during the financial year ended 31 December 2013. The attendance of Directors at Board Meetings held in the financial year ended 31 December 2013 is as follows:

	Name of Directors	Designation	Attendance
1.	Mr Piti Sithi-Amnuai (<i>appointed on 29.04.2013</i>)	Chairman /Non-Independent Non-Executive	5/5
2.	Mr Loke Tan Cheng	Executive Director/CEO	7/7
3	Mr Toh Chong	Non-Independent Non-Executive Director	7/7
4	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	6/7
5.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	7/7
6.	Y.A.M Tunku Ali Redhaudin Ibni Tuanku Muhriz (<i>appointed on 10.06.2013</i>)	Independent Non-Executive Director	4/4
7.	Mr Lee Khee Joo @ Lee Ying Chong (<i>appointed on 30.10.2013</i>)	Independent Non-Executive Director	2/2

The Revised BNM/GP1 *Frequency of Meetings and Attendance* 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.

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Corporate Governance (cont'd.)

Board of directors (cont'd.)

Board performance (cont'd.)

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.

(a) Nomination committee

During the financial year of 2013, 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 2013 are as follows:

	Committee Members	Designation	Attendance
1.	Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz - Chairman <i>(appointed on 10.06.2013)</i>	Independent Non-Executive Director	3/3
2	Mr Loke Tan Cheng	Executive Director/CEO	6/6
3	Mr Toh Chong	Non-Independent Non-Executive Director	6/6
4.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	5/6
5	Mr Chris Chia Woon Liat	Independent Non-Executive Director	6/6

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

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Board committees (cont'd.)

(a) Nomination committee (cont'd.)

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; and
- (v) 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 2013, the Remuneration Committee held four (4) meetings.

The composition of the Remuneration Committee and attendance of the members at the meetings held during the financial year 2013 are as follows:

	Committee Members	Designation	Attendance
1.	Mr Chris Chia Woon Liat - Chairman	Independent Non-Executive Director	4/4
2	Mr Toh Chong	Non-Independent Non-Executive Director	4/4
3	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	4/4
4.	Y.A.M Tunku Ali Redhaudin Ibni Tuanku Muhriz (<i>appointed on 10.06.2013</i>)	Independent Non-Executive Director	2/2
5	Mr Lee Khee Joo @ Lee Ying Chong (<i>appointed on 30.10.2013</i>)	Independent Non-Executive Director	1/1

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Board committees (cont'd.)

(b) Remuneration committee (cont'd.)

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.

The primary functions of the Remuneration Committee include the following:

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

(c) Risk management committee

During the financial year of 2013, the Risk Management Committee held six (6) meetings.

The composition of Risk Management Committee and attendance of the members at the meetings held during the financial year 2013 are as follows:

	Committee Members	Designation	Attendance
1.	Mr Lee Khee Joo @ Lee Ying Chong - Chairman <i>(appointed on 30.10.2013)</i>	Independent Non-Executive Director	1/1
2.	Mr Toh Chong	Non-Independent Non-Executive Director	6/6
3.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	5/6
4.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	6/6

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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 BASEL II 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.)

Risk management framework (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 ten (10) meetings.

The details of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2013 are as follows:

	Committee Members	Designation	Attendance
1.	Mr Chris Chia Woon Liat – Chairman	Independent Non-Executive Director	10/10
2.	Mr Toh Chong	Non-Independent Non-Executive Director	9/10
3.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	9/10
4.	Mr Lee Khee Joo @ Lee Ying Chong (<i>appointed on 30.10.2013</i>)	Independent Non-Executive Director	1/1

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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) Oversight of the functions of the Internal Audit Department to ensure it complies with BNM Guidelines on Internal Audit Function of Licensed Institutions;
- (iv) 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;
- (v) Review of the scope of the internal audit program, internal audit findings and recommend actions to be taken by management;
- (vi) Review of the effectiveness of the Bank's internal control system and risk management processes;
- (vii) Selection of external auditors for appointment by the Board;
- (viii) Assessment of objectivity, performance and independence of external auditors;
- (ix) Review of the external auditors' proposed audit scope and approach;
- (x) Review of the external auditors' management letter and management's response;
- (xi) Approval of the provision of non-audit service by the external auditors; and
- (xii) Review any related party transactions that may arise within the Bank.

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Board committees (cont'd.)

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.

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.

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Board committees (cont'd.)

Risk management (cont'd.)

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.

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.

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

Board committees (cont'd.)

Risk management (cont'd.)

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 35 to the financial statements.

The Bank's capital management process is further disclosed in Note 33 to the financial statements.

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 2013, 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 dated 14 May 2014.

Loke Tan Cheng

Chris Chia Woon Liat

Kuala Lumpur, Malaysia

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

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

We, Loke Tan Cheng and Chris Chia Woon Liat, 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 24 to 99 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 2013 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 May 2014.

Loke Tan Cheng

Chris Chia Woon Liat

Kuala Lumpur, Malaysia

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

I, Loke Tan Cheng, being the director primarily responsible for the financial management of Bangkok Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 24 to 99 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Loke Tan Cheng
at Kuala Lumpur in Wilayah Persekutuan
on 14 May 2014

Loke Tan Cheng

Before me,

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

Report on the financial statements

We have audited the financial statements of Bangkok Bank Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 24 to 99.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2013 and of their financial performance and 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.

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 Bank and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Bank 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
- (c) The auditors' report on the financial statements of the subsidiary was 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 member of the Bank, 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

Chan Hooi Lam
No. 2844/02/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
14 May 2014

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2013

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets					
Cash and short-term funds	4	295,570	387,441	295,502	387,383
Securities held-for-trading	5	9,803	49,987	9,803	49,987
Securities available-for-sale	6	520,747	534,901	520,747	534,901
Securities held-to-maturity	7	40,104	45,261	40,104	45,261
Loans, advances and financing	8	2,493,493	2,058,230	2,493,493	2,058,230
Derivative assets	36	2,134	465	2,134	465
Other assets	9	6,058	6,550	6,058	6,550
Statutory deposit with Bank Negara Malaysia	10	90,000	70,000	90,000	70,000
Investment in subsidiary	11	-	-	10	10
Property and equipment	12	78,803	69,430	78,803	69,430
Intangible assets	13	1,012	188	1,012	188
Deferred tax assets	14	14,727	9,591	14,727	9,591
Total assets		3,552,451	3,232,044	3,552,393	3,231,996
Liabilities and shareholder's equity					
Deposits from customers	15	2,457,461	2,308,631	2,457,461	2,308,631
Deposits and placements of banks and other financial institutions	16	365,099	136,136	365,099	136,136
Bills and acceptances payable		108,953	191,394	108,953	191,394
Derivative liabilities	36	2,582	961	2,582	961
Other liabilities	17	45,987	35,507	45,984	35,503
Total liabilities		2,980,082	2,672,629	2,980,079	2,672,625
Share capital	18	400,000	400,000	400,000	400,000
Statutory reserve	19(a)	146,482	138,661	146,472	138,651
Revaluation reserve	19(b)	(2,668)	31	(2,668)	31
Retained profits	20	28,555	20,723	28,510	20,689
Shareholder's equity		572,369	559,415	572,314	559,371
Total liabilities and shareholder's equity		3,552,451	3,232,044	3,552,393	3,231,996
Commitments and contingencies	28	2,391,131	1,844,779	2,391,131	1,844,779

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Income statements
For the year ended 31 December 2013

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income	21	138,704	126,310	138,704	126,310
Interest expense	22	(81,573)	(74,840)	(81,573)	(74,840)
Net interest income		57,131	51,470	57,131	51,470
Loan loss and allowances, net	23	(15,361)	(10,855)	(15,361)	(10,855)
		41,770	40,615	41,770	40,615
Non-interest income	24	14,382	12,361	14,365	12,344
Net income		56,152	52,976	56,135	52,959
Overhead expenses	25	(35,423)	(32,454)	(35,420)	(32,451)
Profit before taxation		20,729	20,522	20,715	20,508
Taxation	26	(5,076)	(5,677)	(5,073)	(5,673)
Profit for the year		15,653	14,845	15,642	14,835
Earnings per share (sen)					
- basic	27	3.91	3.71		
- diluted	27	3.91	3.71		

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 year ended 31 December 2013**

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit for the year	<u>15,653</u>	<u>14,845</u>	<u>15,642</u>	<u>14,835</u>
Other comprehensive income:				
Net (loss)/gain on securities available-for-sale	(3,599)	57	(3,599)	57
Income tax relating to components of other comprehensive income (Note 14)	<u>900</u>	<u>(14)</u>	<u>900</u>	<u>(14)</u>
Other comprehensive income for the year that may be subsequently reclassified to profit or loss	<u>(2,699)</u>	<u>43</u>	<u>(2,699)</u>	<u>43</u>
Total comprehensive income for the year	<u>12,954</u>	<u>14,888</u>	<u>12,943</u>	<u>14,878</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 year ended 31 December 2013

	<----- Group ----->				
	Share capital RM'000	<---Non-distributable---> Statutory reserve RM'000	Revaluation reserve RM'000	Distributable: Retained profits RM'000	Total RM'000
At 1 January 2012					
- as previously stated	400,000	131,244	(12)	17,716	548,948
- MFRS adoption	-	-	-	(4,421)	(4,421)
- as restated	400,000	131,244	(12)	13,295	544,527
Total comprehensive income	-	-	43	14,845	14,888
Transfer to statutory reserve	-	7,417	-	(7,417)	-
At 31 December 2012	400,000	138,661	31	20,723	559,415
At 1 January 2013	400,000	138,661	31	20,723	559,415
Total comprehensive income	-	-	(2,699)	15,653	12,954
Transfer to statutory reserve	-	7,821	-	(7,821)	-
At 31 December 2013	400,000	146,482	(2,668)	28,555	572,369

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 December 2013 (cont'd.)

	<----- Bank ----->				
	Share capital RM'000	<---Non-distributable---> Statutory reserve RM'000	Revaluation reserve RM'000	Distributable: Retained profits RM'000	Total RM'000
At 1 January 2012					
- as previously stated	400,000	131,234	(12)	17,692	548,914
- MFRS adoption	-	-	-	(4,421)	(4,421)
- as restated	400,000	131,234	(12)	13,271	544,493
Total comprehensive income	-	-	43	14,835	14,878
Transfer to statutory reserve	-	7,417	-	(7,417)	-
At 31 December 2012	400,000	138,651	31	20,689	559,371
At 1 January 2013	400,000	138,651	31	20,689	559,371
Total comprehensive income	-	-	(2,699)	15,642	12,943
Transfer to statutory reserve	-	7,821	-	(7,821)	-
At 31 December 2013	400,000	146,472	(2,668)	28,510	572,314

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 2013

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities					
Profit before taxation		20,729	20,522	20,715	20,508
Adjustments for:					
Depreciation	12	1,865	2,249	1,865	2,249
Amortisation of intangible assets	13	192	205	192	205
Loan impairment allowances, net	23	15,886	11,275	15,886	11,275
Property and equipment written off	12	3	-	3	-
Gain on disposal of property and equipment	24	(96)	-	(96)	-
Write-back of impairment loss on securities held-to-maturity	24	(106)	(9)	(106)	(9)
Unrealised (gain)/loss on foreign exchange forward	24	(48)	731	(48)	731
Net loss on revaluation of securities held-for-trading	24	55	5	55	5
Net gain on disposal of securities held-for-trading	24	(231)	(92)	(231)	(92)
Net gain on disposal of securities available-for-sale	24	(657)	(44)	(657)	(44)
Amortisation of premium net of accretion of discount	21	(303)	788	(303)	788
Dividend income	24	(111)	(117)	(111)	(117)
Operating profit before working capital changes		37,178	35,513	37,164	35,499
(Increase)/decrease in operating assets:					
Loans and advances		(451,149)	(328,798)	(451,149)	(328,798)
Other assets		492	(3,629)	492	(3,630)
Statutory deposit with Bank Bank Negara Malaysia		(20,000)	(22,000)	(20,000)	(22,000)
Increase/(decrease) in operating liabilities:					
Deposits from customers		148,830	448,135	148,830	448,135
Deposits and placements of banks and other financial institutions		228,963	(53,819)	228,963	(53,819)
Bills and acceptances payable		(82,441)	122,078	(82,441)	122,078
Other liabilities		10,435	(354)	10,435	(354)
Cash (used in)/generated from operations carried forward		(127,692)	197,126	(127,706)	197,111

Bangkok Bank Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2013 (cont'd.)

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from operating activities (cont'd.)					
Cash (used in)/generated from operations brought forward		(127,692)	197,126	(127,706)	197,111
Taxes paid		(9,253)	(8,399)	(9,249)	(8,395)
Taxes refunded		-	3,250	-	3,248
Net cash (used in)/generated from operating activities		(136,945)	191,977	(136,955)	191,964
Cash flows from investing activities					
Purchase of property and equipment	12	(12,208)	(1,172)	(12,208)	(1,172)
Proceeds from disposal of property and equipment		105	-	105	-
Purchase of intangible assets	13	(58)	(50)	(58)	(50)
Net sale/(purchase) of securities held-for-trading		40,369	(49,609)	40,369	(49,609)
Net sale/(purchase) of securities available-for-sale		11,663	(458,352)	11,663	(458,352)
Net proceeds from securities held-to-maturity		5,106	40,009	5,106	40,009
Dividends received		97	115	97	115
Net cash generated/(used in) from investing activities		45,074	(469,059)	45,074	(469,059)
Net decrease in cash and cash equivalents		(91,871)	(277,082)	(91,881)	(277,095)
Cash and cash equivalents at beginning of financial year		387,441	664,523	387,383	664,478
Cash and cash equivalents at end of financial year		295,570	387,441	295,502	387,383
Cash and cash equivalents comprise:					
Cash and short-term funds		295,570	387,441	295,502	387,383
Deposits and placements with bank		-	-	-	-
		295,570	387,441	295,502	387,383

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

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

Notes to the financial statements - 31 December 2013

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 11. 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 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 14 May 2014.

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").

2.2 Standards effective during the financial year

The adoption of MFRS which have been effective during the financial year did not have any material financial impact to the financial statements, other than the disclosures required under MFRS 13 *Fair Value Measurement* as provided in Note 36.

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

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

2.3 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issues Committee ("IC") Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Bank.

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 10, MFRS 12 and MFRS 127 *Investment Entities*

Amendments to MFRS 136 *Recoverable Amount Disclosure for Non-Financial Assets*

Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*

IC Interpretation 21 *Levies*

Effective date to be announced by MASB

MFRS 9 *Financial Instruments*

The Bank plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and the Bank upon their initial application except as described below:

(a) MFRS 9 *Financial Instruments*

MFRS 9, as issued, reflects the first phase of the International Accounting Standard Board's ("IASB") work on the replacement of MFRS 139 *Financial Instruments: Recognition and Measurement* and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139") and revises the impairment methodology and hedge accounting requirements. The Standard may have material impact on the financial statements of the Group and the Bank upon its first adoption. As the Standard is still being revised and developed, the Bank is in the midst of analysing the requirements of the standard and its impact.

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

3. Significant accounting policies

(a) Subsidiary and basis of consolidation

(i) Subsidiary

Subsidiary is an entity over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

(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.

The acquisition of the subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

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.

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

3. Significant accounting policies (cont'd.)

(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

Other fees and commission on a variety of services and facilities extended to customers are recognised on inception of such transactions.

(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 net 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 receivables.

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.

(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 positive 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
(Incorporated in Malaysia)**

3. Significant accounting policies (cont'd.)

(c) Financial assets (cont'd.)

(iv) Available-for-sale financial assets

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.

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

(d) Impairment of financial assets

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

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

**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 write-off is later 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.

(iii) Collective impairment allowance

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

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

3. Significant accounting policies (cont'd.)

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

(iii) Collective impairment allowance (cont'd.)

In the previous financial year, the Group and the Bank had applied the transitional arrangement set out in BNM/GP3 Guidelines on Classification and Impairment Provisions for Loans/Financing to maintain collective impairment allowance of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

During the current financial year, the Group and the Bank have changed its accounting policy to fully comply with MFRS 139, after the expiry of the abovementioned transition arrangement on 31 December 2012. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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%

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

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

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 or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

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

(f) Intangible assets

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

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

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.

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

(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.

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.

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

(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.

(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 that do not meet the hedge accounting criteria. 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. 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 any derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

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

(j) Financial guarantee contracts

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

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

(k) Leases

(i) As lessee

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

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

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

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

(k) Leases (cont'd.)

(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).

(l) 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:

	2013	2012
Singapore Dollar	2.59	2.50
Thai Baht	0.10	0.10
United States Dollar	3.28	3.06

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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) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case, the deferred tax is also charged or credited to equity.

(p) 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.

(q) Share capital and share issuance expenses

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

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

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

(r) Fair value measurement

The Group and the Bank measure financial instruments, such as, derivatives, and currently the Group and the Bank do not have non-financial assets measured at fair value. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 36.

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 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.

A fair value measurement of a non-financial assets 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 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.

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

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

A fair value measurement of a non-financial assets 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 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.

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 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.

4. Cash and short-term funds

	Group	
	31.12.2013	31.12.2012
	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	245,570	357,441
Money at call and deposit placements maturing within one month	50,000	30,000
	<u>295,570</u>	<u>387,441</u>

Bangkok Bank Berhad
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4. Cash and short-term funds (cont'd.)

	Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Cash and balances with banks and Bank Negara Malaysia	245,502	357,383
Money at call and deposit placements maturing within one month	50,000	30,000
	<u>295,502</u>	<u>387,383</u>

5. Securities held-for-trading

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Bank Negara Monetary Notes	9,803	49,987
	<u>9,803</u>	<u>49,987</u>

6. Securities available-for-sale

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
In Malaysia:		
At fair value		
Money market instruments:		
Malaysian Government Securities	79,220	91,049
Cagamas Bonds	50,000	15,121
Government Investment Issues	240,159	187,042
Bank Negara Monetary Notes	29,903	9,997
Negotiable Instruments of Deposit	-	180,000
Unquoted securities in Malaysia:		
Private debt securities	120,593	50,820
	<u>519,875</u>	<u>534,029</u>
At cost		
Unquoted securities:		
Shares	872	872
	<u>520,747</u>	<u>534,901</u>

Bangkok Bank Berhad
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7. Securities held-to-maturity

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
In Malaysia:		
At amortised cost		
Money market instruments:		
Malaysian Government Securities	-	-
Unquoted securities:		
Private debt securities	40,104	45,261
	<u>40,104</u>	<u>45,261</u>

8. Loans, advances and financing

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
At amortised cost		
Overdrafts	139,862	91,149
Term loans		
- Housing loans	5,152	5,963
- Syndicated term loan	62,658	-
- Other term loans	579,359	590,306
Revolving credits	508,595	409,889
Bills receivables	5,748	7,673
Trust receipts	139,683	89,712
Bankers' acceptances	1,140,862	924,647
Other financing	1,151	12,209
Staff loans	1,877	1,745
	<u>2,584,947</u>	<u>2,133,293</u>
Unearned interest	(7,290)	(6,758)
Gross loans, advances and financing	<u>2,577,657</u>	<u>2,126,535</u>
Less: Allowance for impaired loans and financing		
- Individual impairment allowance	(20,882)	(22,147)
- Collective impairment allowance	(63,282)	(46,158)
Net loans, advances and financing	<u>2,493,493</u>	<u>2,058,230</u>

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

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

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Maturing within one year	2,004,971	1,544,098
One year to three years	62,515	164,056
Three years to five years	122,891	48,899
Over five years	387,280	369,482
	<u>2,577,657</u>	<u>2,126,535</u>

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

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Purchase of securities	-	1,891
Purchase of transport vehicles	424	308
Purchase of residential properties	6,655	7,314
Purchase of non-residential properties	99,233	89,892
Purchase of fixed assets other than land and building	28,655	15,725
Personal use	1,834	6,275
Construction	133,161	141,466
Mergers and acquisitions	77,986	91,722
Working capital	2,089,761	1,712,162
Others	139,948	59,780
	<u>2,577,657</u>	<u>2,126,535</u>

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

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Domestic non-bank financial institutions	267,126	200,900
Domestic business enterprises		
- Small medium enterprises	659,202	620,822
- Others	1,642,416	1,290,916
Individuals	8,913	13,897
	<u>2,577,657</u>	<u>2,126,535</u>

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

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

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Variable rate		
- BLR plus	392,927	408,360
- Cost-plus	2,104,712	1,665,056
- Other variable rates	80,018	53,119
	<u>2,577,657</u>	<u>2,126,535</u>

- (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	
	31.12.2013	31.12.2012
	RM'000	RM'000
Balance as at 1 January	45,695	51,384
Classified as impaired during the year	2,112	19,285
Reclassified as non-impaired during the year	(430)	(708)
Amount recovered	(19,865)	(2,100)
Amount written off	(27)	(22,166)
Balance as at end of year	<u>27,485</u>	<u>45,695</u>
Individual impairment allowance	<u>(20,882)</u>	<u>(22,147)</u>
Net impaired loans, advances and financing	<u>6,603</u>	<u>23,548</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less individual impairment allowance	<u>0.26%</u>	<u>1.12%</u>

Definition of impaired loan is disclosed in Note 3(c)(ii).

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

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

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Individual impairment allowance		
Balance as at 1 January	22,147	41,520
Allowance made during the year (Note 23)	1,298	3,858
Amount written back (Note 23)	(2,536)	(1,065)
Amount written off	(27)	(22,166)
Balance as at end of year	<u>20,882</u>	<u>22,147</u>
Collective impairment allowance		
Balance as at 1 January as previously stated	46,158	31,782
Effect of removal of transitional provision to fully adopt MFRS 139	-	5,894
Balance as at 1 January as restated	<u>46,158</u>	<u>37,676</u>
Allowance made during the year (Note 23)	<u>17,124</u>	<u>8,482</u>
Balance as at end of year	<u>63,282</u>	<u>46,158</u>
Collective impairment allowance as % of gross loans, advances and financing less individual impairment allowance	<u>2.48%</u>	<u>2.19%</u>

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)(ii) 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, whether or not there had been any rescheduling or restructuring of payment terms; and
- Watchlist accounts that had been monitored as Special Mention accounts for more than 3 times in the last 6 months.

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

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

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Purchase of residential properties	1,822	1,778
Working capital	23,206	41,460
Others	2,457	2,457
	<u>27,485</u>	<u>45,695</u>

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

9. Other assets

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Other receivables, deposits and prepayments	6,058	6,550
Tax recoverable	-	-
	<u>6,058</u>	<u>6,550</u>

10. Statutory deposit with Bank Negara Malaysia

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amounts of which are determined as a set percentage of total eligible liabilities of the Bank.

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11. Investment in subsidiary

	Bank	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost	10	10

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

Name of company	Percentage of equity held		Principal activity
	2013	2012	
	%	%	
BBL Nominees (Tempatan) Sdn. Bhd	100	100	Provision of nominee services to local clients of the Bank

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12. Property and equipment

Group and Bank	Freehold land and buildings* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings and computer equipment RM'000	Property under construction RM'000	Work in progress RM'000	Total RM'000
2013						
Cost						
At 1 January 2013	19,028	1,486	9,262	53,422	1,297	84,495
Additions	91	609	279	9,959	1,270	12,208
Write-off	-	-	-	-	(3)	(3)
Disposal	-	(347)	-	-	-	(347)
Reclassifications	-	-	151	-	(151)	-
Reclassified to intangible assets (Note 13)	-	-	-	-	(958)	(958)
At 31 December 2013	<u>19,119</u>	<u>1,748</u>	<u>9,692</u>	<u>63,381</u>	<u>1,455</u>	<u>95,395</u>
Accumulated depreciation						
At 1 January 2013	8,058	808	6,199	-	-	15,065
Charge for the year (Note 25)	649	224	992	-	-	1,865
Disposal	-	(338)	-	-	-	(338)
At 31 December 2013	<u>8,707</u>	<u>694</u>	<u>7,191</u>	<u>-</u>	<u>-</u>	<u>16,592</u>
Net carrying amount	<u>10,412</u>	<u>1,054</u>	<u>2,501</u>	<u>63,381</u>	<u>1,455</u>	<u>78,803</u>
2012						
Cost						
At 1 January 2012	18,890	1,486	9,184	53,379	574	83,513
Additions	97	-	264	43	768	1,172
Write-off	-	-	(187)	-	-	(187)
Reclassifications	41	-	4	-	(45)	-
Reclassified to intangible assets (Note 13)	-	-	(3)	-	-	(3)
At 31 December 2012	<u>19,028</u>	<u>1,486</u>	<u>9,262</u>	<u>53,422</u>	<u>1,297</u>	<u>84,495</u>
Accumulated depreciation						
At 1 January 2012	7,409	606	4,988	-	-	13,003
Charge for the year (Note 25)	649	202	1,398	-	-	2,249
Write off	-	-	(187)	-	-	(187)
At 31 December 2012	<u>8,058</u>	<u>808</u>	<u>6,199</u>	<u>-</u>	<u>-</u>	<u>15,065</u>
Net carrying amount	<u>10,970</u>	<u>678</u>	<u>3,063</u>	<u>53,422</u>	<u>1,297</u>	<u>69,430</u>

* Included in the above is freehold land costing RM714,000 (2012: RM714,000).

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13. Intangible assets

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Computer software		
Cost		
At 1 January	2,176	2,123
Additions	58	50
Reclassified from property and equipment (Note 12)	958	3
At 31 December	<u>3,192</u>	<u>2,176</u>
Accumulated amortisation		
At 1 January	1,988	1,782
Amortisation (Note 25)	192	205
Reclassified from property and equipment	-	1
At 31 December	<u>2,180</u>	<u>1,988</u>
Net carrying amount	<u>1,012</u>	<u>188</u>

14. Deferred tax assets

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
At 1 January	9,591	9,087
Recognised in income statements (Note 26)	4,236	518
Recognised in equity	900	(14)
At 31 December	<u>14,727</u>	<u>9,591</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	15,465	10,284
Deferred tax liabilities	(738)	(693)
	<u>14,727</u>	<u>9,591</u>

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14. Deferred tax assets (cont'd.)

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

Group and Bank

Deferred tax assets

	Collective impairment allowance RM'000	Revaluation reserve RM'000	Others RM'000	Total RM'000
At 1 January 2012	9,419	4	596	10,019
Recognised in income statements	283	-	(4)	279
Recognised in equity	-	(14)	-	(14)
At 31 December 2012	<u>9,702</u>	<u>(10)</u>	<u>592</u>	<u>10,284</u>
At 1 January 2013	9,702	(10)	592	10,284
Recognised in income statements	4,281	-	-	4,281
Recognised in equity	-	900	-	900
At 31 December 2013	<u>13,983</u>	<u>890</u>	<u>592</u>	<u>15,465</u>

Deferred tax liabilities

	Property and equipment RM'000	Total RM'000
At 1 January 2012	932	932
Recognised in income statements	(239)	(239)
At 31 December 2012	<u>693</u>	<u>693</u>
At 1 January 2013	693	693
Recognised in income statements	45	45
At 31 December 2013	<u>738</u>	<u>738</u>

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15. Deposits from customers

(i) By type of deposit

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Fixed deposits	1,840,725	1,795,129
Negotiable instruments of deposits	280,000	110,000
Current accounts	167,851	181,719
Savings deposits	13,912	16,564
Short term deposits	154,973	205,219
	<u>2,457,461</u>	<u>2,308,631</u>

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

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Due within six months	2,037,913	1,903,542
Six months to one year	232,471	168,775
One year to three years	4,594	35,961
Over three years	720	2,070
	<u>2,275,698</u>	<u>2,110,348</u>

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

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Domestic financial institutions	180,000	30,000
Government	100,000	80,000
Business enterprises	1,846,462	1,886,209
Individuals	288,084	251,342
Others	42,915	61,080
	<u>2,457,461</u>	<u>2,308,631</u>

(iv) All the deposits from customers are unsecured.

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16. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Licensed banks	363,950	122,428
Other financial institutions	1,149	12,208
Bank Negara Malaysia	-	1,500
	<u>365,099</u>	<u>136,136</u>

17. Other liabilities

	Group	
	31.12.2013	31.12.2012
	RM'000	RM'000
Accruals	2,224	2,572
Tax payables	116	71
Interest payables	14,466	12,294
Other payables	29,181	20,570
	<u>45,987</u>	<u>35,507</u>

	Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Accruals	2,224	2,572
Tax payables	116	70
Interest payables	14,466	12,294
Other payables	29,178	20,567
	<u>45,984</u>	<u>35,503</u>

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18. Share capital

	Group and Bank			
	Number of ordinary shares of RM1 each		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised				
At 1 January	400,000	400,000	400,000	400,000
At 31 December	400,000	400,000	400,000	400,000
Issued and fully paid-up				
At 1 January	400,000	400,000	400,000	400,000
At 31 December	400,000	400,000	400,000	400,000

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

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

19. 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.

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20. Retained profits

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the Section 108 balance as at 31 December 2012 and 2011 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2012 and 2011, the Bank has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained profit.

21. Interest income

	Group and Bank	
	2013	2012
	RM'000	RM'000
Loans, advances and financing		
- Interest income other than recoveries from impaired loans	106,883	94,567
- Recoveries from impaired loans	179	-
- Interest income on impaired loans	1,110	1,483
Deposits and placements with banks and other financial institutions	13,225	15,875
Securities held-for-trading	299	100
Securities available-for-sale	14,740	12,255
Securities held-to-maturity	1,965	2,818
	138,401	127,098
Amortisation of premium net of accretion of discount		
- Securities held-for-trading	8	291
- Securities available-for-sale	451	(852)
- Securities held-to-maturity	(156)	(227)
	138,704	126,310

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22. Interest expense

	Group and Bank	
	2013	2012
	RM'000	RM'000
Deposits from customers	73,329	66,674
Deposits and placements of banks and other financial institutions	8,244	8,166
	<u>81,573</u>	<u>74,840</u>

23. Loan impairment charges/(write-back), net

	Group and Bank	
	2013	2012
	RM'000	RM'000
Allowance/(write-back) for impaired loans, advances and financing Individual impairment		
- made during the financial year (Note 8(vii))	1,298	3,858
- written back (Note 8(vii))	(2,536)	(1,065)
Collective impairment, net (Note 8(vii))	17,124	8,482
Impaired loans, advances and financing recovered	(525)	(420)
	<u>15,361</u>	<u>10,855</u>

24. Non-interest income

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	3,943	3,697	3,926	3,680
Service charges and fees	903	909	903	909
Guarantee fees	1,523	1,855	1,523	1,855
	<u>6,369</u>	<u>6,461</u>	<u>6,352</u>	<u>6,444</u>

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

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Investment income:				
Net gain/(loss) on disposal of investments:				
- Securities held-for-trading	231	92	231	92
- Securities available-for-sale	657	44	657	44
Net loss on revaluation of securities held-for-trading	(55)	(5)	(55)	(5)
Write-back of impairment losses on securities held-to-maturity	106	9	106	9
Gross dividend from securities available-for-sale	111	117	111	117
	<u>1,050</u>	<u>257</u>	<u>1,050</u>	<u>257</u>
Other income:				
Foreign exchange gain	6,322	5,876	6,322	5,876
Unrealised gain loss on foreign exchange forward	48	(731)	48	(731)
Rental income	491	493	491	493
Gain on disposal of property and equipment	96	-	96	-
Others	6	5	6	5
	<u>6,963</u>	<u>5,643</u>	<u>6,963</u>	<u>5,643</u>
	<u>14,382</u>	<u>12,361</u>	<u>14,365</u>	<u>12,344</u>

25. Overhead expenses

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Personnel costs				
Salaries, allowances and bonuses	19,282	16,829	19,282	16,829
Defined contribution plan				
- Employees Provident Fund	2,855	2,422	2,855	2,422
Others	1,859	1,538	1,859	1,538
	<u>23,996</u>	<u>20,789</u>	<u>23,996</u>	<u>20,789</u>

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25. Overhead expenses (cont'd.)

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Establishment costs				
Depreciation (Note 12)	1,865	2,249	1,865	2,249
Amortisation of intangible assets (Note 13)	192	205	192	205
Repair and maintenance	774	979	774	979
Rental of premises	853	840	853	840
Computerisation costs	1,027	870	1,027	870
Others	1,557	1,477	1,557	1,477
	<u>6,268</u>	<u>6,620</u>	<u>6,268</u>	<u>6,620</u>
Marketing costs				
Advertising and publicity	257	242	257	242
Others	93	79	93	79
	<u>350</u>	<u>321</u>	<u>350</u>	<u>321</u>
Administration and general costs				
Communication expenses	1,096	1,012	1,096	1,012
Subscriptions	834	791	834	791
Professional fees	665	665	665	665
Auditors remunerations	312	278	309	275
Non-executive directors' remuneration	504	556	504	556
Insurance	248	254	248	254
Travelling	285	317	285	317
Others	865	851	865	851
	<u>4,809</u>	<u>4,724</u>	<u>4,806</u>	<u>4,721</u>
Total	<u>35,423</u>	<u>32,454</u>	<u>35,420</u>	<u>32,451</u>

The above expenses include the following statutory disclosures:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' fee and remuneration (Note 30)	3,836	1,950	3,836	1,950
Hire of equipment	113	113	113	113
Auditors' remuneration				
- Statutory audit	136	129	135	128
- Other regulated related services	49	47	49	47
- Other services	125	100	125	100
	<u>4,249</u>	<u>2,339</u>	<u>4,249</u>	<u>2,339</u>

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26. Taxation

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current year	9,301	7,892	9,298	7,888
Under/(over) provision in prior years	11	(1,697)	11	(1,697)
	<u>9,312</u>	<u>6,195</u>	<u>9,309</u>	<u>6,191</u>
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	(4,236)	(518)	(4,236)	(518)
	<u>5,076</u>	<u>5,677</u>	<u>5,073</u>	<u>5,673</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 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:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>20,729</u>	<u>20,522</u>	<u>20,715</u>	<u>20,508</u>
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	5,182	5,131	5,179	5,127
Effect of expenses not deductible for tax purposes	248	406	248	406
Income not subject to tax	(11)	-	(11)	-
Under provision of deferred tax in prior years	(354)	1,837	(354)	1,837
Over provision in prior years	11	(1,697)	11	(1,697)
Tax expense for the year	<u>5,076</u>	<u>5,677</u>	<u>5,073</u>	<u>5,673</u>

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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	
	2013	2012
Profit for the year ("RM'000")	15,653	14,845
Weighted average number of ordinary shares in issue ("'000")	400,000	400,000
Basic earnings per share (sen)	3.91	3.71

There is no dilutive potential in the ordinary shares as at 31 December 2013 and 31 December 2012.

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 book. The Group and the Bank's involvement in derivatives are only restricted to foreign forward exchange contracts and interest rate swaps. The policies of market risk management in respect of foreign exchange risk are disclosed in Note 35(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 2013				
Direct credit substitutes	24,112	-	24,112	22,571
Transaction-related contingent items	155,175	-	77,588	76,173
Short-term self-liquidating trade-related contingencies	30,001	-	6,000	5,996
Forward foreign exchange contracts - less than one year	375,278	2,134	6,801	3,962
Interest rate related contracts - less than one year	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original - maturity more than one year	94,883	-	47,442	47,441
- maturity less than one year	1,687,599	-	337,520	336,818
Any commitment that are unconditionally cancelled at any time without prior notice	24,083	-	-	-
Total	2,391,131	2,134	499,463	492,961
31 December 2012				
Direct credit substitutes	16,009	-	16,009	15,303
Transaction-related contingent items	118,099	-	59,050	56,825
Short-term self-liquidating trade-related contingencies	41,138	-	8,228	8,228
Forward foreign exchange contracts - less than one year	275,537	465	3,227	2,149
Interest rate related contracts - less than one year	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original - maturity more than one year	105,860	-	52,930	52,929
- maturity less than one year	1,265,584	-	253,117	251,331
Any commitment that are unconditionally cancelled at any time without prior notice	22,552	-	-	-
Total	1,844,779	465	392,561	386,765

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28. Commitments and contingencies (cont'd.)

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).

Banking Institutions can apply a 0% credit conversion factor ("CCF"), instead of 50% on the undrawn portion of credit facilities with an original maturity of more than one year, conditional upon the institution undertaking a credit review of the facility at least annually and having the right to withdraw the facility following an unsatisfactory assessment and can also apply a 0% CCF (instead of 20%) on the undrawn portions of credit facilities with an original maturity of less than one year as a temporary measure until 31 December 2012 under the Risk Weighted Capital Adequacy Framework ("RWCAF").

29. Significant related party transactions and balances

(i) Related party transactions

	Group and Bank	
	2013	2012
	RM'000	RM'000
Income		
Interest on advances to holding company and its branches	19	42
Expenditure		
Interest on advances from holding company and its branches	385	133
Amount due to		
Deposits and placements from holding company and its branches	229	68
Amount due from		
Cash and short-term funds placed with holding company and its branches	5,986	5,655

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

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29. Significant related party transactions and balances (cont'd.)

(ii) Key management personnel

Key management personnel 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 the directors of the Bank and certain senior management personnel of the Bank.

The remuneration of certain senior management personnel who are part of key management personnel included in the income statements was as follows:

	Group and Bank	
	2013	2012
	RM'000	RM'000
Salary and emoluments	3,644	1,953
Defined contribution plan	454	188
Benefits-in-kind	194	180
	<u>4,292</u>	<u>2,321</u>

Directors' remuneration including benefits-in-kind are disclosed in Note 30.

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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 RM'000	Fees RM'000	Bonus RM'000	Other emoluments* RM'000	Benefits-in- kind RM'000	Total remuneration RM'000
2013						
Executive Director/Chief Executive Officer:						
Loke Tan Cheng	1,296	-	1,540	460	36	3,332
Non-Executive Directors:						
Pithi Sithi-Amnuai	-	89	-	5	-	94
Rushda Theeratharathorn	-	84	-	15	-	99
Toh Chong	-	84	-	16	-	100
Chris Chia Woon Liat	-	108	-	17	-	125
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	60	-	4	-	64
Lee Khee Joo @ Lee Ying Chong	-	19	-	3	-	22
	-	444	-	60	-	504
Total directors' remuneration	1,296	444	1,540	520	36	3,836

* Includes allowances and EPF.

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

Group and Bank

	Salary	Fees	Bonus	Other emoluments*	Benefits-in-kind	Total remuneration
2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Director/Chief Executive Officer:						
Loke Tan Cheng	1,176	-	-	188	30	1,394
Non-Executive Directors:						
Staporn Kavitanon	-	22	-	-	-	22
Chris Chia Woon Liat	-	108	-	16	-	124
Rushda Theeratharathorn	-	84	-	15	-	99
Professor Dato' Ruslan Khalid	-	99	-	112	-	211
Toh Chong	-	84	-	16	-	100
	-	397	-	159	-	556
Total directors' remuneration	1,176	397	-	347	30	1,950

* Includes allowances and EPF.

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31. Lease and commitments

The Group as Lessee

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

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

	Group and Bank	
	2013	2012
	RM'000	RM'000
Future minimum rentals payments:		
Not later than 1 year	910	421
Later than 1 year and not later than 5 years		
	430	317
	<u>1,340</u>	<u>738</u>

32. Capital commitments

Capital commitment as at the reporting date is as follows:

	2013	2012
	RM'000	RM'000
Capital expenditure		
Approved and contracted for:		
Property and equipment	69,619	79,578
	<u>69,619</u>	<u>79,578</u>

33. 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.

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33. Capital management (cont'd.)

The Bank's capital requirements and capital adequacy ratios, 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) are disclosed in Note 35.

34. Capital adequacy

- (i) Capital adequacy ratios 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 11), which is not involved in banking operations. The subsidiary is fully consolidated in the Group's financial statements.

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

- (ii) The implementation of Basel III in Malaysia which 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. Further guidance on the capital buffer requirements will be announced by BNM before 2016.

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34. Capital adequacy (cont'd.)

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

	2013	2012
Tier-1 Capital ratio	17.01%	20.18%
Total capital ratios/Risk-weighted capital ratio	<u>18.22%</u>	<u>21.88%</u>

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 Tier-1 capital ratio and total capital ratio/risk-weighted capital ratio.

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

	2013	2012
	RM'000	RM'000
Tier-1 Capital		
Paid-up share capital	-	400,000
Statutory reserve	-	138,651
Retained profits	-	20,689
Less: Deferred tax assets (excluding those from revaluation reserve)	-	(9,601)
Total Tier-1 Capital	<u>-</u>	<u>549,739</u>
Common Equity Tier-1 Capital		
Paid-up share capital	400,000	-
Statutory reserve	146,472	-
Unrealised losses on 'available-for-sale' financial instruments	(2,668)	-
Retained profits	28,510	-
Less: Deferred tax assets (excluding those from revaluation reserve)	(13,837)	-
Total Common Equity Tier-1 Capital	<u>558,477</u>	<u>-</u>
Tier-2 Capital		
Collective impairment (only those attributable to non-impaired loan, advances and financing)	<u>39,431</u>	<u>46,130</u>
Total Tier-2 Capital	<u>39,431</u>	<u>46,130</u>
Total capital		
Tier-1 Capital	558,477	549,739
Tier-2 Capital	39,431	46,130
Less: Investment in subsidiary	(10)	(10)
Total Capital	<u>597,898</u>	<u>595,859</u>

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34. Capital adequacy (cont'd.)

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

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.

(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 31.12.2013 RM'000	Risk- weighted assets 31.12.2013 RM'000	Principal 31.12.2012 RM'000	Risk- Weighted assets 31.12.2012 RM'000
0%	653,359	-	690,544	-
20%	276,752	55,350	330,891	66,178
35%	4,422	1,548	4,364	1,527
50%	11,977	5,989	10,918	5,459
75%	-	-	-	-
100%	3,084,205	3,084,205	2,505,419	2,505,419
150%	4,900	7,350	21,551	32,327
Total risk-weighted assets for credit risk		3,154,442		2,610,910
Total risk-weighted assets for market risk		12,116		6,502
Total risk-weighted assets for operational risk		115,722		106,101
Total risk-weighted assets		<u>3,282,280</u>		<u>2,723,513</u>

35. 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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35. 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:

Group and Bank	2013 RM'000	2012 RM'000
Neither past due nor	2,463,344	2,042,835
Past due but not impaired	94,121	44,762
Impaired	27,482	45,696
	<u>2,584,947</u>	<u>2,133,293</u>

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35. 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

Group and Bank	1 to 2 month RM'000	2 to 3 month RM'000	Total RM'000
2013			
Corporate loans/financing	94,121	-	94,121
2012			
Corporate loans/financing	44,762	-	44,762

Impaired

The definition of impaired loans, advances and financing is described in Note 3(c)(ii)

(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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35. 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 date of the statement of financial position would have been higher by approximately RM10,713,000 (2012: RM24,481,000) for the Group and the Bank without the collaterals.

Repossessed collateral

For the financial years ended 31 December 2013 and 2012, 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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35. Financial risk management objectives and policies (cont'd.)

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

(v) Industry analysis

Group	Government and central bank	Primary agriculture	Manufacturing	Electricity, gas and water supply	Construction	Wholesale & Retails	Finance, Insurance, Real Estate & Business Services	Transport, Storage & Telecomm	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2013										
Cash and short-term funds	205,515	-	-	-	-	-	90,055	-	-	295,570
Securities held-for-trading	9,803	-	-	-	-	-	-	-	-	9,803
Securities available-for-sale	349,282	-	-	100,555	-	-	70,910	-	-	520,747
Securities held-to-maturity	-	40,091	-	-	-	-	13	-	-	40,104
Loans, advances and financing less Collective impairment	-	270,902	833,178	2,483	82,590	680,787	632,702	41,827	12,306	2,556,775 (63,282)
Derivative assets	-	480	211	-	-	606	837	-	-	2,134
Statutory Deposit with Bank Negara Malaysia	90,000	-	-	-	-	-	-	-	-	90,000
Commitments										
Commitments and Contingencies	-	156,999	809,510	1,038	158,437	608,682	614,605	22,493	19,367	2,391,131
Bank										
Cash and short-term funds	205,515	-	-	-	-	-	89,987	-	-	295,502
Securities held-for-trading	9,803	-	-	-	-	-	-	-	-	9,803
Securities available-for-sale	349,282	-	-	100,555	-	-	70,910	-	-	520,747
Securities held-to-maturity	-	40,091	-	-	-	-	13	-	-	40,104
Loans, advances and financing less Collective impairment	-	270,902	833,178	2,483	82,590	680,787	632,702	41,827	12,306	2,556,775 (63,282)
Derivative assets	-	480	211	-	-	606	837	-	-	2,134
Statutory Deposit with Bank Negara Malaysia	90,000	-	-	-	-	-	-	-	-	90,000
Commitments										
Commitments and Contingencies	-	156,999	809,510	1,038	158,437	608,682	614,605	22,493	19,367	2,391,131

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

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

(v) Industry analysis

Group	Government	Primary	Electricity,				Finance,	Transport,		Total
	and central bank	Agriculture	Manufacturing	gas and water supply	Construction	Wholesale & Retails	Real Estate & Business Services	Storage & Telecomm	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2012										
Cash and short-term funds	325,141	-	-	-	-	-	62,300	-	-	387,441
Securities held-for-trading	49,987	-	-	-	-	-	-	-	-	49,987
Securities available-for-sale	288,088	-	-	-	-	-	246,813	-	-	534,901
Securities held-to-maturity	-	40,195	-	5,053	-	-	13	-	-	45,261
Loans, advances and financing less Collective impairment	-	217,703	677,066	-	68,486	499,979	593,527	31,048	16,579	2,104,388 (46,158)
Derivative assets	-	42	94	-	-	88	241	-	-	465
Statutory Deposit with Bank Negara Malaysia	70,000	-	-	-	-	-	-	-	-	70,000
Commitments										
Commitments and Contingencies	-	84,571	748,661	38	147,982	372,751	455,458	30,499	4,819	1,844,779
Bank										
Cash and short-term funds	325,141	-	-	-	-	-	62,242	-	-	387,383
Securities held-for-trading	49,987	-	-	-	-	-	-	-	-	49,987
Securities available-for-sale	288,088	-	-	-	-	-	246,813	-	-	534,901
Securities held-to-maturity	-	40,195	-	5,053	-	-	13	-	-	45,261
Loans, advances and financing less Collective impairment	-	217,703	677,066	-	68,486	499,979	593,527	31,048	16,579	2,104,388 (46,158)
Derivative assets	-	42	94	-	-	88	241	-	-	465
Statutory Deposit with Bank Negara Malaysia	70,000	-	-	-	-	-	-	-	-	70,000
Commitments										
Commitments and Contingencies	-	84,571	748,661	38	147,982	372,751	455,458	30,499	4,819	1,844,779

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35. 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 interest rate risk and foreign currency exchange 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.

Currency	2013		2012	
	Exchange Rate		Exchange Rate	
	+10%	- 10%	+10%	- 10%
	RM'000	RM'000	RM'000	RM'000
Group and Bank				
USD	140	(140)	175	(175)
SGD	66	(66)	56	(56)
NZD	60	(60)	27	(27)
THB	52	(52)	36	(36)
Others	139	(139)	104	(104)

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35. 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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**Bangkok Bank Berhad
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35. 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	Over 5 years RM'000				
As at 31 December 2013									
Assets									
Cash and short-term funds	250,068	-	-	-	-	45,502	-	295,570	3.07
Securities held-for-trading	-	-	-	-	9,803	-	-	9,803	3.85
Securities available-for-sale	-	29,903	90,706	350,051	49,215	872	-	520,747	3.47
Securities held-to-maturity	-	-	-	40,091	-	13	-	40,104	4.11
Loans, advances and financing									
- non-impaired	2,550,172	-	-	-	-	-	-	2,550,172	4.68
- impaired *	(56,679)	-	-	-	-	-	-	(56,679)	9.35
Other non-interest sensitive balances	-	-	-	-	-	192,734	-	192,734	
Total assets	2,743,561	29,903	90,706	390,142	59,018	239,121	-	3,552,451	

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

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Bangkok Bank Berhad
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35. 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	Over 5 years RM'000				
As at 31 December 2013									
Liabilities									
Deposits from customers	983,690	1,006,988	461,469	5,314	-	-	-	2,457,461	3.12
Deposits and placements of banks and other financial institutions	232,803	131,080	1,149	-	-	67	-	365,099	1.29
Bills and acceptances payable	-	105,828	3,125	-	-	-	-	108,953	3.23
Other non-interest sensitive balances	-	-	-	-	-	48,569	-	48,569	
Total liabilities	1,216,493	1,243,896	465,743	5,314	-	48,636	-	2,980,082	
Shareholder's equity	-	-	-	-	-	572,369	-	572,369	
Total liabilities and shareholder's equity	1,216,493	1,243,896	465,743	5,314	-	621,005	-	3,552,451	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap									
	1,527,068	(1,213,993)	(375,037)	384,828	59,018	(381,884)	-	-	

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**Bangkok Bank Berhad
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35. 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	Over 5 years RM'000				
As at 31 December 2012									
Assets									
Cash and short-term funds	350,058	-	-	-	-	37,383	-	387,441	3.04
Securities held-for-trading	49,987	-	-	-	-	-	-	49,987	3.04
Securities available-for-sale	89,998	100,000	20,126	323,905	-	872	-	534,901	3.51
Securities held-to-maturity	-	-	5,054	40,194	-	13	-	45,261	4.10
Loans, advances and financing									
- non-impaired	2,080,839	-	-	-	-	-	-	2,080,839	4.60
- impaired *	(22,609)	-	-	-	-	-	-	(22,609)	9.31
Other non-interest sensitive balances	-	-	-	-	-	156,224	-	156,224	
Total assets	2,548,273	100,000	25,180	364,099	-	194,492	-	3,232,044	

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

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35. 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	Over 5 years RM'000				
As at 31 December 2012									
Liabilities									
Deposits from customers	1,179,178	696,636	394,786	38,031	-	-	-	2,308,631	3.06
Deposits and placements of banks and other financial institutions	105,478	30,590	-	-	-	68	-	136,136	0.65
Bills and acceptances payable	63,096	59,895	68,403	-	-	-	-	191,394	3.20
Other non-interest sensitive balances	-	-	-	-	-	36,468	-	36,468	
Total liabilities	1,347,752	787,121	463,189	38,031	-	36,536	-	2,672,629	
Shareholder's equity	-	-	-	-	-	559,415	-	559,415	
Total liabilities and shareholder's equity	1,347,752	787,121	463,189	38,031	-	595,951	-	3,232,044	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap									
	1,200,521	(687,121)	(438,009)	326,068	-	(401,459)	-	-	

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35. 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	Over 5 years RM'000				
As at 31 December 2013									
Assets									
Cash and short-term funds	250,000	-	-	-	-	45,502	-	295,502	3.07
Securities held-for-trading	-	-	-	-	9,803	-	-	9,803	3.85
Securities available-for-sale	-	29,903	90,706	350,051	49,215	872	-	520,747	3.47
Securities held-to-maturity	-	-	-	40,091	-	13	-	40,104	4.11
Loans, advances and financing									
- non-impaired	2,550,172	-	-	-	-	-	-	2,550,172	4.68
- impaired *	(56,679)	-	-	-	-	-	-	(56,679)	9.35
Other non-interest sensitive balances	-	-	-	-	-	192,744	-	192,744	
Total assets	2,743,493	29,903	90,706	390,142	59,018	239,131	-	3,552,393	

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

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35. 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	Over 5 years RM'000				
As at 31 December 2013									
Liabilities									
Deposits from customers	983,690	1,006,988	461,469	5,314	-	-	-	2,457,461	3.12
Deposits and placements of banks and other financial institutions	232,803	131,080	1,149	-	-	67	-	365,099	1.29
Bills and acceptances payable	-	105,828	3,125	-	-	-	-	108,953	3.23
Other non-interest sensitive balances	-	-	-	-	-	48,566	-	48,566	
Total liabilities	1,216,493	1,243,896	465,743	5,314	-	48,633	-	2,980,079	
Shareholder's equity	-	-	-	-	-	572,314	-	572,314	
Total liabilities and shareholder's equity	1,216,493	1,243,896	465,743	5,314	-	620,947	-	3,552,393	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	1,527,000	(1,213,993)	(375,037)	384,828	59,018	(381,816)	-	-	

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35. 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	Over 5 years RM'000				
As at 31 December 2012									
Assets									
Cash and short-term funds	350,000	-	-	-	-	37,383	-	387,383	3.04
Securities held-for-trading	49,987	-	-	-	-	-	-	49,987	3.04
Securities available-for-sale	89,998	100,000	20,126	323,905	-	872	-	534,901	3.51
Securities held-to-maturity	-	-	5,054	40,194	-	13	-	45,261	4.10
Loans, advances and financing									
- non-impaired	2,080,839	-	-	-	-	-	-	2,080,839	4.60
- impaired *	(22,609)	-	-	-	-	-	-	(22,609)	9.31
Other non-interest sensitive balances	-	-	-	-	-	156,234	-	156,234	
Total assets	2,548,215	100,000	25,180	364,099	-	194,502	-	3,231,996	

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

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35. 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	Over 5 years RM'000				
As at 31 December 2012									
Liabilities									
Deposits from customers	1,179,178	696,636	394,786	38,031	-	-	-	2,308,631	3.06
Deposits and placements of banks and other financial institutions	105,478	30,590	-	-	-	68	-	136,136	0.65
Bills and acceptances payable	63,096	59,895	68,403	-	-	-	-	191,394	3.20
Other non-interest sensitive balances	-	-	-	-	-	36,464	-	36,464	
Total liabilities	1,347,752	787,121	463,189	38,031	-	36,532	-	2,672,625	
Shareholder's equity	-	-	-	-	-	559,371	-	559,371	
Total liabilities and shareholder's equity	1,347,752	787,121	463,189	38,031	-	595,903	-	3,231,996	
On-balance sheet interest sensitivity gap representing total interest sensitivity gap	1,200,463	(687,121)	(438,009)	326,068	-	(401,401)	-	-	

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35. 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:

	2013	2012
	RM million	RM million
<u>Movement in basis points</u>	+/- 100 bps	+/- 100 bps
Effect on Net Interest Income	+/- 3.7	+/- 4.1
Effect on Economic Value of Equity	+/- 10.9	+/- 20.7

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 higher / lower by RM3.7 million and RM10.9 million (2012: RM4.1 million and RM20.7 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 relates to the ability of the Group and of the Bank to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

The primary tool used for monitoring liquidity is the Bank Negara Malaysia New Liquidity Framework ("NLF"). The NLF is further supplemented with the Group's and the Bank's internal liquidity risk management policies set by the Board of Directors and incorporated in the Asset Liability Management policies and procedures. These policies ensure that the liquidity surpluses are within the limit. The liquidity risk management activities are carried out through a combination of management of Cash Flow Reports, maintenance of high quality long-term and short-term marketable securities that can be readily converted to cash, diversification of the funding base and proactive management of the Group's and of the Bank's customer deposits.

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35. 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 2013								
Assets								
Cash and short-term funds	296,225	-	-	-	-	-	-	296,225
Securities held-for-trading	-	-	-	-	-	10,000	-	10,000
Securities available-for-sale	1,613	34,255	-	90,000	350,000	50,000	-	525,868
Securities held-to-maturity	-	-	-	40,000	218	493	-	40,711
Loans, advances and financing	1,087,564	659,032	292,447	84,856	305,613	107,720	-	2,537,233
Derivative financial asset	843	812	478	1	-	-	-	2,134
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	90,000	90,000
Total assets	1,386,245	694,099	292,925	214,857	655,831	168,213	90,000	3,502,171
Liabilities								
Deposits from customers	972,359	1,030,745	230,085	244,465	5,626	-	-	2,483,280
Deposits and placements of banks and other financial institutions	234,316	131,250	-	-	-	-	-	365,566
Bills and acceptances payable	-	105,828	3,125	-	-	-	-	108,953
Derivative financial liabilities	614	1,499	469	-	-	-	-	2,582
Total liabilities	1,207,289	1,269,322	233,679	244,465	5,626	-	-	2,960,381
Net maturity mismatch	178,956	(575,223)	59,246	(29,608)	650,205	168,213	90,000	541,791

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

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

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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
As at 31 December 2012								
Assets								
Cash and short-term funds	388,074	-	-	-	-	-	-	388,074
Securities held-for-trading	50,000	-	-	-	-	-	-	50,000
Securities available-for-sale	92,260	105,630	1,532	20,000	320,000	-	-	539,422
Securities held-to-maturity	-	138	869	5,000	40,260	556	-	46,823
Loans, advances and financing	772,161	555,189	284,570	58,427	321,044	152,322	-	2,143,713
Derivative financial asset	121	156	188	-	-	-	-	465
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	70,000	70,000
Total assets	1,302,616	661,113	287,159	83,427	681,304	152,878	70,000	3,238,497
Liabilities								
Deposits from customers	1,195,724	695,605	213,977	173,849	40,324	-	-	2,319,479
Deposits and placements of banks and other financial institutions	105,589	30,627	-	-	-	-	-	136,216
Bills and acceptances payable	51,999	82,391	57,004	-	-	-	-	191,394
Derivative financial liabilities	672	93	195	-	-	-	-	960
Total liabilities	1,353,984	808,716	271,176	173,849	40,324	-	-	2,648,049
Net maturity mismatch	(51,368)	(147,603)	15,983	(90,422)	640,980	152,878	70,000	590,448

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35. 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 2013								
Assets								
Cash and short-term funds	296,157	-	-	-	-	-	-	296,157
Securities held-for-trading	-	-	-	-	-	10,000	-	10,000
Securities available-for-sale	1,613	34,255	-	90,000	350,000	50,000	-	525,868
Securities held-to-maturity	-	-	-	40,000	218	493	-	40,711
Loans, advances and financing	1,087,564	659,032	292,447	84,856	305,613	107,720	-	2,537,232
Derivative financial asset	843	812	478	1	-	-	-	2,134
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	90,000	90,000
Total assets	1,386,177	694,099	292,925	214,857	655,831	168,213	90,000	3,502,102
Liabilities								
Deposits from customers	972,359	1,030,745	230,085	244,465	5,626	-	-	2,483,279
Deposits and placements of banks and other financial institutions	234,316	131,250	-	-	-	-	-	365,566
Bills and acceptances payable	-	105,828	3,125	-	-	-	-	108,953
Derivative financial liabilities	614	1,499	469	-	-	-	-	2,582
Total liabilities	1,207,288	1,269,323	233,679	244,465	5,626	-	-	2,960,380
Net maturity mismatch	178,889	(575,224)	59,246	(29,608)	650,205	168,213	90,000	541,722

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35. 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 2012								
Assets								
Cash and short-term funds	388,016	-	-	-	-	-	-	388,016
Securities held-for-trading	50,000	-	-	-	-	-	-	50,000
Securities available-for-sale	92,260	105,630	1,532	20,000	320,000	-	-	539,422
Securities held-to-maturity		138	869	5,000	40,260	556	-	46,823
Loans, advances and financing	772,161	555,189	284,570	58,427	321,044	152,322	-	2,143,713
Derivative financial asset	121	156	188	-	-	-	-	465
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	70,000	70,000
Total assets	1,302,558	661,113	287,159	83,427	681,304	152,878	70,000	3,238,439
Liabilities								
Deposits from customers	1,195,724	695,605	213,977	173,849	40,324	-	-	2,319,479
Deposits and placements of banks and other financial institutions	105,589	30,627	-	-	-	-	-	136,216
Bills and acceptances payable	51,999	82,391	57,004	-	-	-	-	191,394
Derivative financial liabilities	672	93	195	-	-	-	-	960
Total liabilities	1,353,984	808,716	271,176	173,849	40,324	-	-	2,648,049
Net maturity mismatch	(51,426)	(147,603)	15,983	(90,422)	640,980	152,878	70,000	590,390

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36. 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			
	31.12.2013		31.12.2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Securities held-to-maturity	40,104	40,309	45,261	45,259
Loans and advances	2,577,657	2,577,604	2,126,535	2,126,238

The fair values of the Group's and the Bank's quoted securities, money market instruments and private debt securities are estimated at their market values as disclosed in Note 5 and Note 6.

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		
	31.12.2013		
	Nominal/ notional amount	Positive fair value	Negative fair value
	RM'000	RM'000	RM'000
Forward foreign exchange contracts	375,278	2,134	(2,582)

	Group and Bank		
	31.12.2012		
	Nominal/ notional amount	Positive fair value	Negative fair value
	RM'000	RM'000	RM'000
Forward foreign exchange contracts	275,537	465	(961)

	Group and Bank		
	1.1.2012		
	Nominal/ notional amount	Positive fair value	Negative fair value
	RM'000	RM'000	RM'000
Forward foreign exchange contracts	332,876	2,972	(2,737)

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36. 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, held-to-maturity and available-for-sale

The fair value of securities held-to-maturity and available-for-sale are estimated based on broker/dealer price quotations.

(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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36. 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	Note	Level 1	Level 2	Level 3	Total
31 December 2013		RM'000	RM'000	RM'000	RM'000
<u>Securities held-for-trading</u> 5					
Money market instruments:					
Government Investment Issue		-	9,803	-	9,803
		-	9,803	-	9,803
<u>Securities available-for-sale</u> 6					
Money market instruments:					
Malaysian Government					
Securities		-	79,220	-	79,220
Cagamas Bonds		-	50,000	-	50,000
Government Investment Issue		-	240,159	-	240,159
BNM Monetary Notes		-	29,903	-	29,903
Negotiable Instruments of Deposit		-	-	-	-
Unquoted securities in					
Malaysia:					
Private debt securities		-	120,593	-	120,593
		-	519,875	-	519,875
<u>Securities held-to-maturity</u>					
Unquoted securities in					
Malaysia:					
Private debt securities	7	-	40,309	-	40,309
		-	40,309	-	40,309
<u>Derivatives</u>					
Derivative financial assets					
Unrealised gain on derivatives		-	2,134	-	2,134
Derivative financial liabilities					
Unrealised loss on derivatives		-	(2,582)	-	(2,582)
		-	(448)	-	(448)

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

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

Group and Bank	Note	Level 1	Level 2	Level 3	Total
31 December 2012		RM'000	RM'000	RM'000	RM'000
<u>Securities held-for-trading</u>	5				
Money market instruments:					
BNM Monetary Notes		-	49,987	-	49,987
		-	49,987	-	49,987
<u>Securities available-for-sale</u>	6				
Money market instruments:					
Malaysian Government Securities		-	91,049	-	91,049
Cagamas Bonds		-	15,121	-	15,121
Government Investment Issue		-	187,042	-	187,042
BNM Monetary Notes		-	9,997	-	9,997
Negotiable Instruments of Deposit		-	180,000	-	180,000
Unquoted securities in Malaysia:					
Private debt securities		-	50,820	-	50,820
		-	534,029	-	534,029
<u>Securities held-to-maturity</u>					
Unquoted securities in Malaysia:					
Private debt securities	7	-	45,259	-	45,259
		-	45,259	-	45,259
<u>Derivatives</u>					
Derivative financial assets					
Unrealised gain on derivatives		-	465	-	465
Derivative financial liabilities					
Unrealised loss on derivatives		-	(961)	-	(961)
		-	(496)	-	(496)

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