



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

**Directors' Report and Audited Financial Statements**  
**31 December 2015**

**299740-W**

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

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**Bangkok Bank Berhad  
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**Directors' report**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2015.

**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**

	<b>Group 2015 RM'000</b>	<b>Bank 2015 RM'000</b>
Profit for the year	<u>13,945</u>	<u>13,938</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 2015.

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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 Piti Sithi-Amnuai  
 Mr Toh Chong  
 Ms Rushda Theeratharathorn  
 Mr Chris Chia Woon Liat  
 Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz  
 Mr Lee Khee Joo @ Lee Ying Chong  
 Mr Tham Kwok Meng (Appointed with effect from 26.03.2015)  
 Mr Loke Tan Cheng (Resigned with effect from 06.02.2015)

**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 31 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 2015.

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 31.12.2015
	Balance at 1.1.2015	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 2015 and outlook for the financial year 2016**

Bangkok Bank Berhad (“BBB”) registered a profit before tax of RM27.6 million in 2015 as compared to a loss of RM8.9 million in 2014. Expansion in all sources of income coupled with lower impairment charges had been the main contributor.

Gross loan outstanding increased from RM2.91 billion at end of December 2014 to reach RM3.05 billion at end of September 2015 and subsequently declined to RM2.85 billion at end of December 2015. The decrease was mainly due to tightening of the Bank's lending criteria and repayment of trade facilities towards year end.

Deposits from customers grew marginally from RM3.11 billion at end of December 2014 to RM3.13 billion at end of December 2015. This is the result of the Bank's heightened focus on generating customer deposits to maintain prudent liquidity position and to fund future loan growth.

Impaired loans increased from RM116.0 million at end of December 2014 to RM152.5 million at end of December 2015 due to newly classified impaired loans. Net impaired loans ratio increased from 1.73% at end of December 2014 to 2.24% at end of December 2015.

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, Bangkok, Thailand; Advanced Management Program, Harvard Business School from Harvard University, Boston, USA; Management Development Program, Asian Institute of Management from Philippines and Diploma in Business Administration, Hutchings Commercial College from Malaysia.

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

Mr Piti was the first Thai recipient of the Asian Institute of Management's first Alumni Achievement Award in affirmation of the visible professional achievement in 1979. In 2002, he was one of the 4 recipients of Bangkok Bank's first ever Top Senior Management "Gold Medal" Award.

**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 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 at Bualuang Securities Public Co Ltd and Chairman at Bangkok Capital Asset Management Co Ltd, the capital markets subsidiaries of BBL, as well as the Chairman of Asia Cement Public Co Ltd. Mr Toh also serves on the boards of Bangkok Bank China Company Limited, Bumrungrad Hospital Public Co Ltd and Asia Landmark Fund. Prior to joining BBL, he had worked as an economist at the Government of Singapore Investment Corporation and in investment banking with Morgan Stanley.

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

**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).

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).



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

**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 investments professional 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), Chairman and Founding Trustee of Teach for Malaysia (dedicated to ending education inequity in Malaysia), Chairman of the Board of Governors of Marlborough College Malaysia, Pro-Chancellor of Universiti Sains Islam 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 Sun Life Malaysia Assurance Berhad, Themed Attractions and Resorts Sdn Bhd, and Iskandar Malaysia Studios Sdn Bhd. He is Chairman/Independent Non-Executive Director of Bumi Armada Berhad, a company listed on Bursa Malaysia and 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 experiences in the 38 years stint in the banking and financial industry. He holds a Bachelor of Economics (Hons) degree from the University of Malaya as well as post-graduate Diploma of Accountancy at the same Alma Mater. He also has MBA Degree from the University of Queensland, Australia.

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

Mr Lee 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: Executive Vice President ("EVP") of former Pacific Bank Berhad, CEO of former Rakyat Merchant Bank, EVP of Malayan Banking Berhad, General Manager of Koperasi Jaya Diri Malaysia Berhad ("KOJADI") and Technical Advisor of Internal Audit, Hong Leong Bank Berhad.

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

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

**Mr Tham Kwok Meng  
Independent Non-Executive Director**

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

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

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

**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 four (4) 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.

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

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

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

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

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

**Board's duties and responsibilities**

The Board is chaired by Mr Piti Sithi-Amnuai.

There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Bank are firmly in hand. The day-to-day conduct of the Bank's business is delegated to the 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.

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

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

**Frequency and conduct of board meetings**

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

The Board met eleven (11) times during the financial year ended 31 December 2015. The attendance of Directors at Board Meetings held in the financial year ended 31 December 2015 is as follows:

	<b>Name of Directors</b>	<b>Designation</b>	<b>Attendance</b>
1.	Mr Piti Sithi-Amnuai	Chairman/Non-Independent Non-Executive	11/11
2.	Mr Toh Chong	Non-Independent Non-Executive Director	11/11
3	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	11/11
4	Mr Chris Chia Woon Liat	Independent Non-Executive Director	9/11
5.	Y.A.M Tunku Ali Redhaudin Ibni Tuanku Muhriz	Independent Non-Executive Director	11/11
6.	Mr Lee Khee Joo @ Lee Ying Chong	Independent Non-Executive Director	10/11
7.	Mr Tham Kwok Meng (Appointed w.e.f 26.03.2015)	Independent Non-Executive Director	9/9
8.	Mr Loke Tan Cheng (Resigned w.e.f 06.02.2015)	Executive Director/CEO	1/1

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.

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

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

**Board performance**

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

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

**Board committees**

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

**(a) Nomination committee**

During the financial year of 2015, the Nomination Committee held eleven (11) meetings.

The composition of the Nomination Committee and attendance of the members at the meetings held during the financial year 2015 are as follows:

	<b>Committee Members</b>	<b>Designation</b>	<b>Attendance</b>
1.	Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz - Chairman	Independent Non-Executive Director	11/11
2.	Mr Toh Chong	Non-Independent Non-Executive Director	10/11
3.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	11/11
4.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	9/11
5.	Mr Tham Kwok Meng (Appointed w.e.f 26.03.2015)	Independent Non-Executive Director	8/9
6.	Mr Loke Tan Cheng (Resigned w.e.f 06.02.2015)	Executive Director/CEO	1/1

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

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

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

The primary functions of the Nomination Committee include the following:

- (i) Establishes the minimum requirements for the Board in terms of required mix of skills, experience, qualification and other core competencies. Establishes minimum requirements for the CEO;
- (ii) Recommends and assesses the nominees for directorship, Board Committee members and the CEO;
- (iii) Oversees through an annual review of overall composition of the Board in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors;
- (iv) Establishes a mechanism for the formal annual assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various Committees and the performance of the CEO and other key Senior Management Officers; 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.

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

**(b) Remuneration committee**

During the financial year of 2015, the Remuneration Committee held five (5) meetings.

The composition of the Remuneration Committee and attendance of the members at the meetings held during the financial year 2015 are as follows:

	<b>Committee Members</b>	<b>Designation</b>	<b>Attendance</b>
1.	Mr Lee Khee Joo @ Lee Ying Chong - Chairman	Independent Non-Executive Director	5/5
2.	Mr Toh Chong	Non-Independent Non-Executive Director	5/5
3.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	5/5
4.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	4/5
5.	Y.A.M Tunku Ali Redhauddin Ibni Tuanku Muhriz	Independent Non-Executive Director	5/5
6.	Mr Tham Kwok Meng (Appointed w.e.f 26.03.2015)	Independent Non-Executive Director	2/2

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.

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

**(c) Risk management committee**

During the financial year of 2015, the Risk Management Committee held nine (9) meetings.

The composition of Risk Management Committee and attendance of the members at the meetings held during the financial year 2015 are as follows:

	<b>Committee Members</b>	<b>Designation</b>	<b>Attendance</b>
1.	Mr Tham Kwok Meng - Chairman <i>(Appointed w.e.f 26.03.2015)</i>	Independent Non-Executive Director	7/7
2.	Mr Toh Chong	Non-Independent Non-Executive Director	8/9
3.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	9/9
4.	Mr Chris Chia Woon Liat	Independent Non-Executive Director	9/9
5.	Mr Lee Khee Joo @ Lee Ying Chong	Independent Non-Executive Director	9/9

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.



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

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

**Risk management framework**

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

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

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

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

Level 1: Policies, especially those which have impact on the risk framework and risk tolerances shall be approved at the Board's level.

Level 2: Subject-specific risk guidelines and standards are to be approved at Management Committee level, such as choice of appropriate statistical methodologies to compute specific product's market risk exposure.

Level 3: Procedures supporting policy implementation shall be approved at departmental levels. These policies and procedures rely on constant communication, judgment, knowledge of products and markets and controls by business and support units.

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

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

**(d) Audit committee**

During the financial year, the Audit Committee held fifteen (15) meetings.

The details of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2015 are as follows:

	<b>Committee Members</b>	<b>Designation</b>	<b>Attendance</b>
1.	Mr Chris Chia Woon Liat – Chairman	Independent Non-Executive Director	13/15
2.	Mr Toh Chong	Non-Independent Non-Executive Director	12/15
3.	Ms Rushda Theeratharathorn	Non-Independent Non-Executive Director	14/15
4.	Mr Lee Khee Joo @ Lee Ying Chong	Independent Non-Executive Director	14/15
5.	Mr Tham Kwok Meng (appointed on 26.3.2015)	Independent Non-Executive Director	12/12

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;

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

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

- (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.

**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.

**Bangkok Bank Berhad  
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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 36 to the financial statements.

The Bank's capital management process is further disclosed in Note 34 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 2015, 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 30 to the financial statements.

**Compliance with Bank Negara Malaysia's Expectations on Financial Reporting**

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

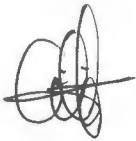
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**Bangkok Bank Berhad  
(Incorporated in Malaysia)**

**Auditors**

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

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



Chris Chia Woon Liat

Kuala Lumpur, Malaysia

**1 6 MAY 2016**



Lee Khee Joo @ Lee Ying Chong


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

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

We, Chris Chia Woon Liat and Lee Khee Joo @ Lee Ying Chong, being two of the directors of Bangkok Bank Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 24 to 102 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 2015 and of their financial performance and cash flows for the year then ended.

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



Chris Chia Woon Liat



Lee Khee Joo @ Lee Ying Chong

Kuala Lumpur, Malaysia  
16 MAY 2016

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

I, Chiravit Supatanakul (Thailand Passport No. AA3422996), being the officer primarily responsible for the financial management of Bangkok Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 24 to 102 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the above named Chiravit Supatanakul  
at Kuala Lumpur in Wilayah Persekutuan  
on 16 MAY 2016

  
Chiravit Supatanakul

Before me,



NO. 102 & 104 1st FLOOR BANGUNAN  
PERSATUAN YAP SELANGOR  
JALAN TUN HS LEE  
50000 KUALA LUMPUR

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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 2015 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 102.

*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.

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 2015 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 us for those purposes.
- (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. 2844/02/18(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
16 May 2016

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

**Statements of financial position as at 31 December 2015**

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Assets</b>					
Cash and short-term funds	4	135,976	698,076	135,888	697,994
Deposits and placements with banks and other financial institutions	5	-	40,000	-	40,000
Securities held-for-trading	6	-	49,970	-	49,970
Securities available-for-sale	7	1,193,573	1,117,435	1,193,573	1,117,435
Securities held-to-maturity	8	13	13	13	13
Loans, advances and financing	9	2,693,380	2,781,245	2,693,380	2,781,245
Derivative assets	37	6,971	21,337	6,971	21,337
Other assets	10	22,704	17,969	22,703	17,969
Statutory deposit with Bank Negara Malaysia	11	114,000	89,000	114,000	89,000
Investment in subsidiary	12	-	-	10	10
Property and equipment	13	131,052	132,674	131,052	132,674
Intangible assets	14	305	686	305	686
Deferred tax assets	15	5,476	12,809	5,476	12,809
<b>Total assets</b>		<b>4,303,450</b>	<b>4,961,214</b>	<b>4,303,371</b>	<b>4,961,142</b>
<b>Liabilities and shareholder's equity</b>					
Deposits from customers	16	3,129,926	3,114,986	3,129,926	3,114,986
Deposits and placements of banks and other financial institutions	17	340,327	958,939	340,327	958,939
Bills and acceptances payable		-	72,831	-	72,831
Derivative liabilities	37	8,144	5,282	8,144	5,282
Other liabilities	18	42,037	43,230	42,034	43,227
<b>Total liabilities</b>		<b>3,520,434</b>	<b>4,195,268</b>	<b>3,520,431</b>	<b>4,195,265</b>
Share capital	19	600,000	600,000	600,000	600,000
Statutory reserve	20(a)	153,451	146,482	153,441	146,472
Revaluation reserve	20(b)	602	(2,523)	602	(2,523)
Retained profits	21	28,963	21,987	28,897	21,928
<b>Shareholder's equity</b>		<b>783,016</b>	<b>765,946</b>	<b>782,940</b>	<b>765,877</b>
<b>Total liabilities and shareholder's equity</b>		<b>4,303,450</b>	<b>4,961,214</b>	<b>4,303,371</b>	<b>4,961,142</b>
<b>Commitments and contingencies</b>	29	<b>2,754,204</b>	<b>2,898,077</b>	<b>2,754,204</b>	<b>2,898,077</b>

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

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

**Income statements**

**For the year ended 31 December 2015**

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	22	204,148	165,067	204,148	165,067
Interest expense	23	(117,249)	(96,861)	(117,249)	(96,861)
Net interest income		86,899	68,206	86,899	68,206
Non-interest income	25	15,100	13,538	15,086	13,518
Net income		101,999	81,744	101,985	81,724
Overhead expenses	26	(42,526)	(37,891)	(42,522)	(37,888)
		59,473	43,853	59,463	43,836
Loan loss and allowances, net	24	(31,875)	(52,790)	(31,875)	(52,790)
Profit/(loss) before taxation		27,598	(8,937)	27,588	(8,954)
Taxation	27	(13,653)	2,369	(13,650)	2,372
Profit/(loss) for the year		13,945	(6,568)	13,938	(6,582)
Earnings/(loss) per share (sen)					
- basic	28	2.32	(1.58)		
- diluted	28	2.32	(1.58)		

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 2015**

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit/(loss) for the year		<u>13,945</u>	<u>(6,568)</u>	<u>13,938</u>	<u>(6,582)</u>
Other comprehensive income:					
Net gain on securities available-for-sale		4,168	193	4,168	193
Income tax relating to components of other comprehensive income	15	<u>(1,043)</u>	<u>(48)</u>	<u>(1,043)</u>	<u>(48)</u>
Other comprehensive income for the year that may be subsequently reclassified to profit or loss		<u>3,125</u>	<u>145</u>	<u>3,125</u>	<u>145</u>
Total comprehensive income/ (loss) for the year		<u>17,070</u>	<u>(6,423)</u>	<u>17,063</u>	<u>(6,437)</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 2015**

<----- Group ----->						
	Note	Share capital RM'000	<---Non-distributable--->		Distributable:	Total RM'000
			Statutory reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	
<b>At 1 January 2014</b>		400,000	146,482	(2,668)	28,555	572,369
Total comprehensive loss		-	-	145	(6,568)	(6,423)
Issue of share capital	19	200,000	-	-	-	200,000
<b>At 31 December 2014</b>		<u>600,000</u>	<u>146,482</u>	<u>(2,523)</u>	<u>21,987</u>	<u>765,946</u>
<b>At 1 January 2015</b>		600,000	146,482	(2,523)	21,987	765,946
Total comprehensive income		-	-	3,125	13,945	17,070
Transfer to statutory reserve		-	6,969	-	(6,969)	-
<b>At 31 December 2015</b>		<u>600,000</u>	<u>153,451</u>	<u>602</u>	<u>28,963</u>	<u>783,016</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 2015 (cont'd.)**

	<----- Bank ----->				
		<---Non-distributable--->		Distributable:	
	Share capital	Statutory reserve	Revaluation reserve	Retained profits	Total
Note	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2014</b>	400,000	146,472	(2,668)	28,510	572,314
Total comprehensive loss	-	-	145	(6,582)	(6,437)
Issue of share capital	19 200,000	-	-	-	200,000
<b>At 31 December 2014</b>	<u>600,000</u>	<u>146,472</u>	<u>(2,523)</u>	<u>21,928</u>	<u>765,877</u>
<b>At 1 January 2015</b>	600,000	146,472	(2,523)	21,928	765,877
Total comprehensive income	-	-	3,125	13,938	17,063
Transfer to statutory reserve	-	6,969	-	(6,969)	-
<b>At 31 December 2015</b>	<u>600,000</u>	<u>153,441</u>	<u>602</u>	<u>28,897</u>	<u>782,940</u>

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

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

**Statements of cash flows**  
**For the year ended 31 December 2015**

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>					
Profit/(loss) before taxation		27,598	(8,937)	27,588	(8,954)
Adjustments for:					
Depreciation	13	3,398	1,824	3,398	1,824
Amortisation of intangible assets	14	471	473	471	473
Loan impairment allowances, net	24	32,802	52,845	32,802	52,845
Property and equipment written off	13	-	9	-	9
Write-back of impairment loss on securities held-to-maturity	25	(52)	(42)	(52)	(42)
Unrealised loss/(gain) on foreign exchange forward	25	17,227	(16,502)	17,227	(16,502)
Net loss/(gain) on revaluation of securities held-for-trading	25	2	(60)	2	(60)
Net gain on disposal of securities held-for-trading	25	(132)	(135)	(132)	(135)
Net (gain)/loss on disposal of securities available-for-sale	25	(214)	66	(214)	66
Amortisation of premium net of accretion of discount	22	(2,573)	(1,334)	(2,573)	(1,334)
Dividend income	25	(122)	(114)	(122)	(114)
Operating profit before working capital changes		78,405	28,093	78,395	28,076
Decrease/(increase) in operating assets:					
Loans and advances		55,063	(340,597)	55,063	(340,597)
Other assets		(3,945)	(1,568)	(3,945)	(1,568)
Statutory deposit with Bank Negara Malaysia		(25,000)	1,000	(25,000)	1,000
Increase/(decrease) in operating liabilities:					
Deposits from customers		14,940	657,525	14,940	657,525
Deposits and placements of banks and other financial institutions		(618,612)	593,840	(618,612)	593,840
Bills and acceptances payable		(72,831)	(36,122)	(72,831)	(36,122)
Other liabilities		(1,193)	(2,641)	(1,193)	(2,641)

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

**Statements of cash flows**  
**For the year ended 31 December 2015 (cont'd.)**

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities (cont'd.)</b>					
Cash (used in)/ generated from operations brought forward		(573,173)	899,530	(573,183)	899,513
Taxes paid		(8,153)	(9,417)	(8,149)	(9,414)
Taxes refunded		-	3,195	-	3,195
Net cash (used in)/generated from operating activities		<u>(581,326)</u>	<u>893,308</u>	<u>(581,332)</u>	<u>893,294</u>
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	13	(1,776)	(55,794)	(1,776)	(55,794)
Proceeds from disposal of property and equipment		-	-	-	-
Purchase of intangible assets	14	(90)	(57)	(90)	(57)
Net purchase of securities held-for-trading		(189,144)	(398,452)	(189,144)	(398,452)
Net purchase of securities available-for-sale		(2,318,936)	(1,535,024)	(2,318,936)	(1,535,024)
Net proceeds from disposal of securities available-for-sale		69,720	69,876	69,720	69,876
Net proceeds from disposal of securities held-for-trading		239,278	358,493	239,278	358,493
Net proceeds from maturity of available-for-sale		2,180,000	870,000	2,180,000	870,000
Net proceeds from maturity of securities held-to-maturity		52	40,042	52	40,042
Dividends received		122	114	122	114
Net cash used in investing activities		<u>(20,774)</u>	<u>(650,802)</u>	<u>(20,774)</u>	<u>(650,802)</u>



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

**Statements of cash flows**  
**For the year ended 31 December 2015 (cont'd.)**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from financing activities</b>				
Proceeds from issuance of share capital representing net cash generated from financing activities	-	200,000	-	200,000
<b>Net (decrease)/increase in cash and cash equivalents</b>	(602,100)	442,506	(602,106)	442,492
<b>Cash and cash equivalents at beginning of financial year</b>	738,076	295,570	737,994	295,502
<b>Cash and cash equivalents at end of financial year</b>	135,976	738,076	135,888	737,994
Cash and cash equivalents comprise:				
Cash and short-term funds	135,976	698,076	135,888	697,994
Deposits and placements with bank	-	40,000	-	40,000
	135,976	738,076	135,888	737,994

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

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

**Notes to the financial statements - 31 December 2015**

**1. Corporate information**

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

The Bank is a public limited liability licensed bank, incorporated and domiciled in Malaysia. The principal place of business of the Bank is located at 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 \_\_\_\_\_.

**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 Changes in accounting policies**

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

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

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

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

On 1 January 2015, the Group and the Bank adopted the following new and amended MFRSs and Issues Committee ("IC") Interpretation mandatory for annual financial periods beginning on or after 1 January 2015.

<b>Descriptions</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 119:	
Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014

The application of these amendments has had no material impact on the disclosures or the amounts recognised in the financial statements of the Group and the Bank.

**2.3 Standards issued but not yet effective**

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

<b>Descriptions</b>	<b>Effective for annual periods beginning on or after</b>
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138:	
Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141:	
Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128:	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operation	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016

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

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

<b>Descriptions</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 10, MFRS 12 and Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

These pronouncements are not expected to have significant impact to the financial statements of the Group and the Bank upon their initial application other than as

In November 2014, Malaysian Accounting Standards Board ("MASB") issued the final version of MFRS 9: Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Bank is in the midst of analysing the requirements of the standard and its impacts.

**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.

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

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

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

**(ii) Basis of consolidation**

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

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

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.

**(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.

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

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

**(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.

**(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.

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

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

**(ii) Loans and receivables (cont'd.)**

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

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

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

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

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

**(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.

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

**(d) Impairment of financial assets**

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

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

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

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

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.



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

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

**(iii) Collective impairment allowance**

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

The Group and the Bank are fully complied with MFRS 139. 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%

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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.

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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.

**(ii) As lessor**

Leases where the Group and the Bank retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3(b)(iv).

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

**(I) Foreign currencies**

**(i) Functional and presentation currency**

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

**(ii) Foreign currency transactions**

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

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

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

	<b>2015</b>	<b>2014</b>
Singapore Dollar	3.04	2.64
Thai Baht	0.12	0.11
United States Dollar	4.29	3.50

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

**(m) Employee benefits**

**(i) Short term benefits**

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

**(ii) Defined contribution plans**

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

**(iii) Termination benefits**

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

**(n) Provisions**

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

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

**(o) 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 37.

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 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 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.

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

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

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

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

**3.1 Significant accounting judgements, estimates and assumptions (cont'd)**

**(a) Allowance for impairment on loans and advances**

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

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

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

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

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

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and Bank Negara Malaysia	68,976	398,076
Money at call and deposit placements maturing within one month	67,000	300,000
	<u>135,976</u>	<u>698,076</u>

	<b>Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and Bank Negara Malaysia	68,888	397,994
Money at call and deposit placements maturing within one month	67,000	300,000
	<u>135,888</u>	<u>697,994</u>

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed bank	-	40,000
	<u>-</u>	<u>40,000</u>

**6. Securities held-for-trading**

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia:		
<b>At fair value</b>		
Money market instruments:		
Bank Negara Monetary Notes	-	49,970
	<u>-</u>	<u>49,970</u>

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia:		
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Securities	282,350	149,027
Cagamas Bonds	49,990	49,783
Government Investment Issues	360,692	149,325
Bank Negara Monetary Notes	-	378,391
Malaysia Treasury Bills	59,755	-
Negotiable Instruments of Deposit	300,000	250,000
Unquoted securities in Malaysia:		
Private debt securities	139,914	140,037
	<u>1,192,701</u>	<u>1,116,563</u>
<b>At cost</b>		
Unquoted securities:		
Shares	872	872
	<u>1,193,573</u>	<u>1,117,435</u>

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
In Malaysia:		
<b>At amortised cost</b>		
Unquoted securities:		
Private debt securities	13	13
	<u>13</u>	<u>13</u>

**9. Loans, advances and financing**

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Overdrafts	176,088	196,349
Term loans		
- Housing loans	3,932	4,749
- Syndicated term loan	124,453	40,588
- Other term loans	1,085,931	797,758
Revolving credits	541,850	621,273
Bills receivables	7,412	12,054
Trust receipts	92,451	200,177
Bankers' acceptances	826,370	1,045,655
Other financing	-	1,100
Staff loans	1,064	1,601
	<u>2,859,551</u>	<u>2,921,304</u>
Unearned interest	(6,512)	(8,115)
Gross loans, advances and financing	<u>2,853,039</u>	<u>2,913,189</u>
Less: Allowance for impaired loans and financing		
- Individual impairment allowance	(90,525)	(66,739)
- Collective impairment allowance	(69,134)	(65,205)
Net loans, advances and financing	<u>2,693,380</u>	<u>2,781,245</u>

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

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	1,766,364	2,140,563
One year to three years	145,911	35,057
Three years to five years	493,247	394,414
Over five years	447,517	343,155
	<u>2,853,039</u>	<u>2,913,189</u>

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of transport vehicles	330	507
Purchase of residential properties	4,904	7,021
Purchase of non-residential properties	69,771	75,010
Purchase of fixed assets other than land and building	43,202	38,701
Personal use	16,011	15,425
Construction	285,492	230,045
Mergers and acquisitions	50,517	64,243
Working capital	2,151,690	2,273,448
Others	231,122	208,789
	<u>2,853,039</u>	<u>2,913,189</u>

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions	265,549	308,900
Domestic business enterprises		
- Small medium enterprises	629,525	754,463
- Others	1,914,246	1,809,449
Individuals	43,719	40,377
	<u>2,853,039</u>	<u>2,913,189</u>

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

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Variable rate		
- BLR plus	516,483	541,150
- Cost-plus	2,294,451	2,207,055
- Other variable rates	42,105	164,984
	<u>2,853,039</u>	<u>2,913,189</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:

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	116,032	27,485
Classified as impaired during the year	46,709	102,751
Reclassified as non-impaired during the year	(864)	(535)
Amount recovered	(4,270)	(8,605)
Amount written off	(5,087)	(5,064)
Balance as at end of year	<u>152,520</u>	<u>116,032</u>
Individual impairment allowance	<u>(90,525)</u>	<u>(66,739)</u>
Net impaired loans, advances and financing	<u>61,995</u>	<u>49,293</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less individual impairment allowance	<u>2.24%</u>	<u>1.73%</u>

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



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

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

	Note	Group and Bank	
		2015	2014
		RM'000	RM'000
<b>Individual impairment allowance</b>			
Balance as at 1 January		66,739	20,882
Allowance made during the year	24	29,617	52,259
Amount written back	24	(744)	(1,337)
Amount written off		(5,087)	(5,065)
Balance as at end of year		<u>90,525</u>	<u>66,739</u>
<b>Collective impairment allowance</b>			
Balance as at 1 January		65,205	63,282
Allowance made during the year	24	25,461	1,923
Allowance written back	24	(21,532)	-
Balance as at end of year		<u>69,134</u>	<u>65,205</u>
Collective impairment allowance as % of gross loans, advances and financing less individual impairment allowance		<u>2.50%</u>	<u>2.29%</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)(i) are selected for individual impairment review on a monthly basis. The Group and the Bank also perform monthly individual impairment reviews for:

- Special Mention accounts that are in arrears between 1 to 3 months, 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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**9. Loans, advances and financing (cont'd.)**

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of residential properties	1,602	2,095
Working capital	140,752	113,937
Construction	9,831	-
Others	335	-
	<u>152,520</u>	<u>116,032</u>

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

**10. Other assets**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Other receivables, deposits and prepayments	11,569	7,624
Tax recoverable	11,135	10,345
	<u>22,704</u>	<u>17,969</u>

	<b>Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Other receivables, deposits and prepayments	11,569	7,624
Tax recoverable	11,134	10,345
	<u>22,703</u>	<u>17,969</u>

**11. 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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**12. Investment in subsidiary**

	<b>Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	10	10

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

<b>Name of company</b>	<b>Percentage of equity held</b>		<b>Principal activity</b>
	<b>2015</b>	<b>2014</b>	
	<b>%</b>	<b>%</b>	
BBL Nominees (Tempatan) Sdn Bhd	100	100	Provision of nominee services to local clients of the Bank

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**13. Property and equipment**

Group and Bank	Note	Freehold land and buildings*	Motor vehicles	Office equipment, furniture and computer equipment	Property under construction	Work in progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>							
<b>Cost</b>							
At 1 January 2015		19,158	1,753	11,775	117,480	924	151,090
Additions		-	-	390	1,223	163	1,776
Reclassifications		118,703	-	-	(118,703)	-	-
At 31 December 2015		<u>137,861</u>	<u>1,753</u>	<u>12,165</u>	<u>-</u>	<u>1,087</u>	<u>152,866</u>
<b>Accumulated depreciation</b>							
At 1 January 2015		9,314	938	8,164	-	-	18,416
Charge for the year	26	1,754	244	1,400	-	-	3,398
At 31 December 2015		<u>11,068</u>	<u>1,182</u>	<u>9,564</u>	<u>-</u>	<u>-</u>	<u>21,814</u>
<b>Net carrying amount</b>		<u>126,793</u>	<u>571</u>	<u>2,601</u>	<u>-</u>	<u>1,087</u>	<u>131,052</u>
<b>2014</b>							
<b>Cost</b>							
At 1 January 2014		19,119	1,748	9,692	63,381	1,455	95,395
Additions		39	5	822	54,099	829	55,794
Write-off		-	-	-	-	(9)	(9)
Reclassifications		-	-	1,261	-	(1,261)	-
Reclassified to intangible assets	14	-	-	-	-	(90)	(90)
At 31 December 2014		<u>19,158</u>	<u>1,753</u>	<u>11,775</u>	<u>117,480</u>	<u>924</u>	<u>151,090</u>
<b>Accumulated depreciation</b>							
At 1 January 2014		8,707	694	7,191	-	-	16,592
Charge for the year	26	607	244	973	-	-	1,824
At 31 December 2014		<u>9,314</u>	<u>938</u>	<u>8,164</u>	<u>-</u>	<u>-</u>	<u>18,416</u>
<b>Net carrying amount</b>		<u>9,844</u>	<u>815</u>	<u>3,611</u>	<u>117,480</u>	<u>924</u>	<u>132,674</u>

\* Included in the above is freehold land costing RM714,000 (2014: RM714,000).

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**14. Intangible assets**

		<b>Group and Bank</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Computer software</b>			
<b>Cost</b>			
At 1 January		3,339	3,192
Additions		90	57
Reclassified from property and equipment	13	-	90
At 31 December		<u>3,429</u>	<u>3,339</u>
<b>Accumulated amortisation</b>			
At 1 January		2,653	2,180
Amortisation	26	471	473
At 31 December		<u>3,124</u>	<u>2,653</u>
<b>Net carrying amount</b>		<u>305</u>	<u>686</u>

**15. Deferred tax assets**

		<b>Group and Bank</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>RM'000</b>	<b>RM'000</b>
At 1 January		12,809	14,727
Recognised in income statements	27	(6,290)	(1,870)
Recognised in equity		(1,043)	(48)
At 31 December		<u>5,476</u>	<u>12,809</u>
Presented after appropriate offsetting as follows:			
Deferred tax assets		5,917	13,791
Deferred tax liabilities		(441)	(982)
		<u>5,476</u>	<u>12,809</u>

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**15. Deferred tax assets (cont'd.)**

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

**Group and Bank**

**Deferred tax assets**

	<b>Collective impairment allowance RM'000</b>	<b>Revaluation reserve RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 January 2014	13,983	890	592	15,465
Recognised in income statements	(2,120)	-	494	(1,626)
Recognised in equity	-	(48)	-	(48)
At 31 December 2014	<u>11,863</u>	<u>842</u>	<u>1,086</u>	<u>13,791</u>
At 1 January 2015	11,863	842	1,086	13,791
Recognised in income statements	(6,480)	-	(351)	(6,831)
Recognised in equity	-	(1,043)	-	(1,043)
At 31 December 2015	<u>5,383</u>	<u>(201)</u>	<u>735</u>	<u>5,917</u>

**Deferred tax liabilities**

	<b>Property and equipment RM'000</b>	<b>Total RM'000</b>
At 1 January 2014	738	738
Recognised in income statements	244	244
At 31 December 2014	<u>982</u>	<u>982</u>
At 1 January 2015	982	982
Recognised in income statements	(541)	(541)
At 31 December 2015	<u>441</u>	<u>441</u>

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**16. Deposits from customers**

- (i) By type of deposit

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits	2,083,169	1,930,764
Negotiable instruments of deposits	400,000	640,000
Current accounts	240,441	215,217
Savings deposits	11,533	12,520
Short term deposits	394,783	316,485
	<u>3,129,926</u>	<u>3,114,986</u>

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	2,715,588	2,766,006
Six months to one year	157,983	104,420
One year to three years	1,119	15,613
Over three years	3,262	1,210
	<u>2,877,952</u>	<u>2,887,249</u>

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic financial institutions	444,109	540,000
Government	-	100,000
Business enterprises	2,297,918	2,127,859
Individuals	387,899	345,052
Others	-	2,075
	<u>3,129,926</u>	<u>3,114,986</u>

- (iv) All the deposits from customers are unsecured.

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	340,327	957,843
Other financial institutions	-	1,096
	<u>340,327</u>	<u>958,939</u>

**18. Other liabilities**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Accruals	2,486	2,224
Interest payables	16,144	16,302
Other payables	23,407	24,704
	<u>42,037</u>	<u>43,230</u>

	<b>Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Accruals	2,486	2,224
Interest payables	16,144	16,302
Other payables	23,404	24,701
	<u>42,034</u>	<u>43,227</u>



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**19. Share capital**

	<b>Group and Bank</b>			
	<b>Number of ordinary shares of RM1 each</b>		<b>Amount</b>	
	<b>2015 '000</b>	<b>2014 '000</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<b>Authorised</b>				
At 1 January	600,000	400,000	600,000	400,000
Created during the year	-	200,000	-	200,000
At 31 December	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
<b>Issued and fully paid-up</b>				
At 1 January	600,000	400,000	600,000	400,000
Issue of share capital	-	200,000	-	200,000
At 31 December	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>

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

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

**20. Other reserves**

- (a) The statutory reserve is maintained in compliance with the requirements of BNM and is not distributable as cash dividends.
- (b) The revaluation reserve arises from the changes in the fair value of the available-for-sale securities and is not distributable as cash dividends.

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**21. 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 gazette 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 shareholdings 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. As at 31 December 2015 and 31 December 2014, the Bank may distribute its retained profits as single-tier dividends.

**22. Interest income**

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing		
- Interest income other than recoveries from impaired loans	144,255	124,760
- Recoveries from impaired loans	7,758	-
- Interest income on impaired loans	4,176	2,523
Deposits and placements with banks and other financial institutions	10,966	13,113
Securities held-for-trading	102	126
Securities available-for-sale	34,318	21,699
Securities held-to-maturity	-	1,512
	201,575	163,733
Amortisation of premium net of accretion of discount		
- Securities held-for-trading	34	12
- Securities available-for-sale	2,539	1,413
- Securities held-to-maturity	-	(91)
	204,148	165,067

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**23. Interest expense**

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	105,680	85,914
Deposits and placements of banks and other financial institutions	11,569	10,947
	<u>117,249</u>	<u>96,861</u>

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

		<b>Group and Bank</b>	
		<b>2015</b>	<b>2014</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance/(write-back) for impaired loans, advances and financing			
Individual impairment:			
- made during the financial year	9(vii)	29,617	52,259
- written back	9(vii)	(744)	(1,337)
Collective impairment:			
- made during the financial year	9(vii)	25,461	1,923
- written back	9(vii)	(21,532)	-
Impaired loans, advances and financing recovered		(927)	(55)
		<u>31,875</u>	<u>52,790</u>

**25. Non-interest income**

	<b>Group</b>		<b>Bank</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income:				
Commission	4,112	4,646	4,098	4,626
Service charges and fees	2,918	1,978	2,918	1,978
Guarantee fees	1,836	2,342	1,836	2,342
	<u>8,866</u>	<u>8,966</u>	<u>8,852</u>	<u>8,946</u>

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**25. Non-interest income (cont'd.)**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Investment income:				
Net gain/(loss) on disposal of investments:				
- Securities held-for-trading	132	135	132	135
- Securities available-for-sale	214	(66)	214	(66)
Net (loss)/gain on revaluation of securities held-for-trading	(2)	60	(2)	60
Write-back of impairment losses on securities held-to-maturity	52	42	52	42
Gross dividend from securities available-for-sale	122	114	122	114
	<u>518</u>	<u>285</u>	<u>518</u>	<u>285</u>
Other income:				
Foreign exchange gain/(loss)	22,587	(12,628)	22,587	(12,628)
Unrealised (loss)/gain on foreign exchange forwards	(17,227)	16,502	(17,227)	16,502
Rental income	341	384	341	384
Others	15	29	15	29
	<u>5,716</u>	<u>4,287</u>	<u>5,716</u>	<u>4,287</u>
	<u>15,100</u>	<u>13,538</u>	<u>15,086</u>	<u>13,518</u>

**26. Overhead expenses**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs				
Salaries, allowances and bonuses	19,550	19,954	19,550	19,954
Defined contribution plan				
- Employees Provident Fund	2,773	3,035	2,773	3,035
Others	2,917	2,105	2,917	2,105
	<u>25,240</u>	<u>25,094</u>	<u>25,240</u>	<u>25,094</u>

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

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Establishment costs					
Depreciation	13	3,398	1,824	3,398	1,824
Amortisation of intangible assets	14	471	473	471	473
Repair and maintenance		1,478	688	1,478	688
Rental of premises		858	858	858	858
Computerisation costs		1,114	1,135	1,114	1,135
Others		1,690	1,693	1,690	1,693
		<u>9,009</u>	<u>6,671</u>	<u>9,009</u>	<u>6,671</u>
Marketing costs					
Advertising and publicity		214	261	214	261
Others		49	77	49	77
		<u>263</u>	<u>338</u>	<u>263</u>	<u>338</u>
Administration and general costs					
Communication expenses		1,135	1,095	1,135	1,095
Subscriptions		1,139	973	1,139	973
Professional fees		2,473	811	2,473	811
Auditors remunerations		319	325	317	322
Non-executive directors' remuneration		844	717	844	717
Insurance		489	260	489	260
Travelling		294	328	294	328
Others		1,321	1,279	1,319	1,279
		<u>8,014</u>	<u>5,788</u>	<u>8,010</u>	<u>5,785</u>
Total		<u>42,526</u>	<u>37,891</u>	<u>42,522</u>	<u>37,888</u>

The above expenses include the following statutory disclosures:

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors' fee and remuneration	31	1,747	2,370	1,747	2,370
Hire of equipment		112	110	112	110
Auditors' remuneration					
- Statutory audit and reviews		191	183	189	182
- Other regulatory related services		92	89	92	89
- Other services		36	53	36	51
		<u></u>	<u></u>	<u></u>	<u></u>

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**27. Taxation**

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax:					
Current year		7,363	(1,756)	7,360	(1,759)
Overprovision in prior years		-	(2,483)	-	(2,483)
		<u>7,363</u>	<u>(4,239)</u>	<u>7,360</u>	<u>(4,242)</u>
Deferred tax:	15				
Relating to origination and reversal of temporary differences		(190)	(250)	(190)	(250)
Under provision in prior years		6,480	2,120	6,480	2,120
Total deferred tax expense		<u>6,290</u>	<u>1,870</u>	<u>6,290</u>	<u>1,870</u>
Tax expense/(recoverable)		<u>13,653</u>	<u>(2,369)</u>	<u>13,650</u>	<u>(2,372)</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit/(loss) 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit/(loss) before taxation	<u>27,598</u>	<u>(8,937)</u>	<u>27,588</u>	<u>(8,954)</u>
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	6,900	(2,234)	6,897	(2,239)
Effect of expenses not deductible for tax purposes	273	228	273	230
Underprovision of deferred tax in prior years	6,480	2,120	6,480	2,120
Overprovision in prior years	-	(2,483)	-	(2,483)
Tax expense/(recoverable) for the year	<u>13,653</u>	<u>(2,369)</u>	<u>13,650</u>	<u>(2,372)</u>

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**28. Earnings/(loss) per share**

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
Profit/(loss) for the year ("RM'000")	13,945	(6,568)
Weighted average number of ordinary shares in issue ("000")	600,000	416,667
Basic earnings/(loss) per share (sen)	<u>2.32</u>	<u>(1.58)</u>

There is no dilutive potential in the ordinary shares as at 31 December 2015 and 31 December 2014.

**29. Commitments and contingencies**

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

The Group and Bank do not enter into over-the-counter ("OTC") derivative transactions, repo-style transactions and credit derivative contracts booked in its trading and banking books other than the involvement in derivatives restricted to foreign forward exchange contracts and interest rate swaps. The policies of market risk management in respect of foreign exchange risk are disclosed in Note 36(b).

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

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

<b>Group and Bank</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>31 December 2015</b>				
Direct credit substitutes	5,969	-	5,969	5,287
Transaction-related contingent items	191,951	-	95,975	90,436
Short-term self-liquidating trade-related contingencies	24,821	-	4,964	4,964
Forward foreign exchange contracts - less than one year	417,807	6,971	12,066	9,461
Other commitments, such as formal standby facilities and credit lines, with an original - maturity more than one year	69,859	-	34,930	34,926
- maturity less than one year	1,946,535	-	389,307	389,276
Any commitment that are unconditionally cancelled at any time without prior notice	97,262	-	-	-
<b>Total</b>	<b>2,754,204</b>	<b>6,971</b>	<b>543,211</b>	<b>534,350</b>
<b>31 December 2014</b>				
Direct credit substitutes	9,915	-	9,915	9,257
Transaction-related contingent items	188,313	-	94,156	91,536
Short-term self-liquidating trade-related contingencies	66,688	-	13,338	13,033
Forward foreign exchange contracts - less than one year	743,742	21,337	29,147	12,486
Other commitments, such as formal standby facilities and credit lines, with an original - maturity more than one year	25,462	-	12,731	12,727
- maturity less than one year	1,811,893	-	362,379	361,340
Any commitment that are unconditionally cancelled at any time without prior notice	52,064	-	-	-
<b>Total</b>	<b>2,898,077</b>	<b>21,337</b>	<b>521,666</b>	<b>500,379</b>



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**29. 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).

As at reporting date, the commitments and contingencies of the Group and of the Bank above have not included the following:

The Bank has been served with a notification by the regulators with potential fines on non-compliance to regulatory and legislative requirements which amount cannot be determined reliably yet.

The above findings were related to 2014 transactions.

**30. Significant related party transactions and balances**

**(i) Related party transactions**

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income</b>		
Interest on advances to holding company and its branches	2	2
	<hr/>	<hr/>
<b>Expenditure</b>		
Interest on advances from holding company and its branches	1,764	1,721
	<hr/>	<hr/>
<b>Amount due to</b>		
Deposits and placements from holding company and its branches	327,448	570,872
	<hr/>	<hr/>
<b>Amount due from</b>		
Cash and short-term funds placed with holding company and its branches	6,054	5,580
	<hr/>	<hr/>

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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**30. 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:

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Salary and emoluments	2,095	1,935
Defined contribution plan	74	222
Benefits-in-kind	220	177
	<u>2,389</u>	<u>2,334</u>

Directors' remuneration including benefits-in-kind are disclosed in Note 31.

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**31. Directors' fees and remuneration**

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

**Group and Bank**

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

\* Includes allowances and EPF.

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

**Group and Bank**

	<b>Salary RM'000</b>	<b>Fees RM'000</b>	<b>Bonus RM'000</b>	<b>Other emoluments* RM'000</b>	<b>Benefits-in- kind RM'000</b>	<b>Total remuneration RM'000</b>
<b>2014</b>						
<b>Executive Director/Chief Executive Officer:</b>						
Loke Tan Cheng	1,386	-	-	228	39	1,653
<b>Non-Executive Directors:</b>						
Pithi Sithi-Amnuai	-	132	-	8	-	140
Rushda Theeratharathorn	-	84	-	19	-	103
Toh Chong	-	84	-	18	-	102
Chris Chia Woon Liat	-	108	-	20	-	128
YAM Tunku Ali Redhauddin Ibni Tuanku Muhriz	-	108	-	8	-	116
Lee Khee Joo @ Lee Ying Chong	-	108	-	20	-	128
	-	624	-	93	-	717
<b>Total directors' remuneration</b>	<b>1,386</b>	<b>624</b>	<b>-</b>	<b>321</b>	<b>39</b>	<b>2,370</b>

\* Includes allowances and EPF.

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### 32. Lease and commitments

#### The Group as Lessee

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

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

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Future minimum rentals payments:		
Not later than 1 year	911	902
Later than 1 year and not later than 5 years	459	378
	<u>1,370</u>	<u>1,280</u>

### 33. Capital commitments

Capital commitment as at the reporting date is as follows:

	<b>Group and Bank</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure		
Approved and contracted for:		
Property and equipment	-	15,520
	<u>-</u>	<u>15,520</u>

### 34. 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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**34. 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.

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

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

- (ii) The implementation of Basel III in Malaysia 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 risk-weighted assets ("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.
- (iii) The capital adequacy ratios of the Bank as at the reporting date, are as follows:

	<b>2015</b>	<b>2014</b>
Common equity tier-1 capital ratio	21.10%	19.93%
Total capital ratios	<u>22.29%</u>	<u>21.14%</u>

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

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

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

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

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier-1 Capital</b>		
Paid-up share capital	600,000	600,000
Statutory reserve	153,441	146,472
Unrealised losses on 'available-for-sale' financial instruments	271	(2,523)
Retained profits	28,897	21,928
Less: Deferred tax assets (excluding those from revaluation reserve)	(5,678)	(11,967)
Total Common Equity Tier-1 Capital	<u>776,931</u>	<u>753,910</u>
<b>Tier-2 Capital</b>		
Collective impairment (only those attributable to non-impaired loan, advances and financing)	44,068	45,542
Total Tier-2 Capital	<u>44,068</u>	<u>45,542</u>
<b>Total capital</b>		
Tier-1 Capital	776,931	753,910
Tier-2 Capital	44,068	45,542
Less: Investment in subsidiary	(10)	(10)
Total Capital	<u>820,989</u>	<u>799,442</u>

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

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

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

	Principal 2015 RM'000	Risk- weighted assets 2015 RM'000	Principal 2014 RM'000	Risk- Weighted assets 2014 RM'000
0%	839,324	-	1,138,892	-
20%	578,964	115,793	798,393	159,679
35%	2,409	843	3,365	1,178
50%	66,069	33,034	30,564	15,281
100%	3,329,070	3,329,070	3,396,120	3,396,120
150%	31,114	46,671	47,402	71,103
Total risk-weighted assets for credit risk		3,525,411		3,643,361
Total risk-weighted assets for market risk		10,578		9,277
Total risk-weighted assets for operational risk		146,762		129,484
Total risk-weighted assets		<u>3,682,751</u>		<u>3,782,122</u>

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

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

**(a) Credit risk management**

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

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

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

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

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

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

Gross loans, advances and financing are analysed as follows:

<b>Group and Bank</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
Neither past due nor	2,611,776	2,788,358
Past due but not impaired	95,255	16,914
Impaired	152,520	116,032
	<u>2,859,551</u>	<u>2,921,304</u>

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

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

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

Neither past due nor impaired

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

Past due but not impaired

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

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

	<b>1 to 2 month RM'000</b>	<b>2 to 3 month RM'000</b>	<b>Total RM'000</b>
<b>Group and Bank 2015</b>			
Corporate loans/financing	95,255	-	95,255
<b>2014</b>			
Corporate loans/financing	16,914	-	16,914

Impaired

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

**(iii) Collateral**

**Effects of holding**

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.

For loan, advances and financing, individual assessment allowance as at the date of the statement of financial position would have been higher by approximately RM61,842,000 (2014: RM50,894,000) for the Group and the Bank without the collaterals.

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

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

**(iii) Collateral (cont'd.)**

**Repossessed collateral**

For the financial years ended 31 December 2015 and 2014, 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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**36. Financial risk management objectives and policies (cont'd.)**

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

**(v) Industry analysis**

<b>Group</b>	<b>Government and central bank RM'000</b>	<b>Primary Agriculture RM'000</b>	<b>Manufacturing RM'000</b>	<b>Electricity, gas and water supply RM'000</b>	<b>Construction RM'000</b>	<b>Wholesale &amp; Retails RM'000</b>	<b>Finance, Insurance, Real Estate &amp; Business Services RM'000</b>	<b>Transport, Storage &amp; Telecomm RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2015</b>										
Cash and short-term funds	12,434	-	-	-	-	-	123,542	-	-	135,976
Securities available-for-sale	702,797	-	-	99,930	-	20,004	370,842	-	-	1,193,573
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	268,584	922,250	4,823	184,265	604,642	666,053	64,274	47,623	2,762,514 (69,134)
Derivative assets	-	37	832	-	-	5,047	1,055	-	-	6,971
Statutory Deposit with Bank Negara Malaysia	114,000	-	-	-	-	-	-	-	-	114,000
<b>Commitments</b>										
Commitments and Contingencies	-	193,659	999,143	4,641	226,276	724,336	556,477	28,970	20,702	2,754,204
<b>Bank</b>										
Cash and short-term funds	12,346	-	-	-	-	-	123,542	-	-	135,888
Securities available-for-sale	702,797	-	-	99,930	-	20,004	370,842	-	-	1,193,573
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	268,584	922,250	4,823	184,265	604,642	666,053	64,274	47,623	2,762,514 (69,134)
Derivative assets	-	37	832	-	-	5,047	1,055	-	-	6,971
Statutory Deposit with Bank Negara Malaysia	114,000	-	-	-	-	-	-	-	-	114,000
<b>Commitments</b>										
Commitments and Contingencies	-	193,659	999,143	4,641	226,276	724,336	556,477	28,970	20,702	2,754,204

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**36. 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
<b>As at 31 December 2014</b>										
Cash and short-term funds	367,292	-	-	-	-	-	330,784	-	-	698,076
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	40,000	-	-	40,000
Securities held-for-trading	49,970	-	-	-	-	-	-	-	-	49,970
Securities available-for-sale	676,744	-	-	100,142	-	19,954	320,595	-	-	1,117,435
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	265,997	939,798	2,477	142,840	724,163	670,586	56,023	44,566	2,846,450 (65,205)
Derivative assets	-	1,148	838	-	-	3,094	16,257	-	-	21,337
Statutory Deposit with Bank Negara Malaysia	89,000	-	-	-	-	-	-	-	-	89,000
<b>Commitments</b>										
Commitments and Contingencies	-	181,285	895,056	1,006	275,964	1,102,212	371,779	24,308	46,467	2,898,077
<b>Bank</b>										
Cash and short-term funds	367,210	-	-	-	-	-	330,784	-	-	697,994
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	40,000	-	-	40,000
Securities held-for-trading	49,970	-	-	-	-	-	-	-	-	49,970
Securities available-for-sale	676,744	-	-	100,142	-	19,954	320,595	-	-	1,117,435
Securities held-to-maturity	-	-	-	-	-	-	13	-	-	13
Loans, advances and financing less Collective impairment	-	265,997	939,798	2,477	142,840	724,163	670,586	56,023	44,566	2,846,450 (65,205)
Derivative assets	-	1,148	838	-	-	3,094	16,257	-	-	21,337
Statutory Deposit with Bank Negara Malaysia	89,000	-	-	-	-	-	-	-	-	89,000
<b>Commitments</b>										
Commitments and Contingencies	-	181,285	895,056	1,006	275,964	1,102,212	371,779	24,308	46,467	2,898,077

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**36. 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.

	2015		2014	
	Exchange Rate		Exchange Rate	
	+10%	- 10%	+10%	- 10%
	RM'000	RM'000	RM'000	RM'000
<b>Currency</b>				
<b>Group and Bank</b>				
USD	229	(229)	84	(84)
THB	134	(134)	62	(62)
GBP	107	(107)	24	(24)
AUD	99	(99)	24	(24)
Others	154	(154)	102	(102)

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**36. 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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**36. 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	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				
<b>As at 31 December 2015</b>									
<b>Assets</b>									
Cash and short-term funds	67,000	-	-	-	-	68,976	135,976	3.15	
Securities available-for-sale	100,000	309,799	256,403	526,499	-	872	1,193,573	3.55	
Securities held-to-maturity	-	-	-	-	-	13	13	-	
Loans, advances and financing									
- non-impaired	2,700,519	-	-	-	-	-	2,700,519	4.92	
- impaired *	(7,139)	-	-	-	-	-	(7,139)	7.22	
Other non-interest sensitive balances	-	-	-	-	-	280,508	280,508		
<b>Total assets</b>	<b>2,860,380</b>	<b>309,799</b>	<b>256,403</b>	<b>526,499</b>	<b>-</b>	<b>350,369</b>	<b>4,303,450</b>		

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



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**36. 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	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				
<b>As at 31 December 2015</b>									
<b>Liabilities</b>									
Deposits from customers	1,444,180	1,275,600	405,765	4,381	-	-	3,129,926	3.64	
Deposits and placements of banks and other financial institutions	206,064	127,931	-	-	-	6,332	340,327	0.49	
Other non-interest sensitive balances	-	-	-	-	-	50,181	50,181		
<b>Total liabilities</b>	<b>1,650,244</b>	<b>1,403,531</b>	<b>405,765</b>	<b>4,381</b>	<b>-</b>	<b>56,513</b>	<b>3,520,434</b>		
<b>Shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>783,016</b>	<b>783,016</b>		
<b>Total liabilities and shareholder's equity</b>	<b>1,650,244</b>	<b>1,403,531</b>	<b>405,765</b>	<b>4,381</b>	<b>-</b>	<b>839,529</b>	<b>4,303,450</b>		
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>	<b>1,210,136</b>	<b>(1,093,732)</b>	<b>(149,362)</b>	<b>522,118</b>	<b>-</b>	<b>(489,160)</b>	<b>(0)</b>		

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**36. 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	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				
<b>As at 31 December 2014</b>									
<b>Assets</b>									
Cash and short-term funds	659,182	-	-	-	-	38,894	698,076	3.41	
Deposits and placements with banks and other financial institutions	-	40,000	-	-	-	-	40,000	3.78	
Securities held-for-trading	49,970	-	-	-	-	-	49,970	3.51	
Securities available-for-sale	429,716	198,674	-	488,173	-	872	1,117,435	3.30	
Securities held-to-maturity	-	-	-	-	-	13	13	-	
Loans, advances and financing									
- non-impaired	2,797,157	-	-	-	-	-	2,797,157	4.87	
- impaired *	(15,912)	-	-	-	-	-	(15,912)	9.06	
Other non-interest sensitive balances	-	-	-	-	-	274,475	274,475		
<b>Total assets</b>	<b>3,920,113</b>	<b>238,674</b>	<b>-</b>	<b>488,173</b>	<b>-</b>	<b>314,254</b>	<b>4,961,214</b>		

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

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**36. 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	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				
<b>As at 31 December 2014</b>									
<b>Liabilities</b>									
Deposits from customers	1,709,361	1,159,991	228,811	16,823	-	-	3,114,986	3.38	
Deposits and placements of banks and other financial institutions	672,651	278,860	1,096	-	-	6,332	958,939	1.62	
Bills and acceptances payable	51,191	21,640	-	-	-	-	72,831	3.72	
Other non-interest sensitive balances	-	-	-	-	-	48,512	48,512		
<b>Total liabilities</b>	<b>2,433,203</b>	<b>1,460,491</b>	<b>229,907</b>	<b>16,823</b>	<b>-</b>	<b>54,844</b>	<b>4,195,268</b>		
<b>Shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>765,946</b>	<b>765,946</b>		
<b>Total liabilities and shareholder's equity</b>	<b>2,433,203</b>	<b>1,460,491</b>	<b>229,907</b>	<b>16,823</b>	<b>-</b>	<b>820,790</b>	<b>4,961,214</b>		
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>	<b>1,486,910</b>	<b>(1,221,817)</b>	<b>(229,907)</b>	<b>471,350</b>	<b>-</b>	<b>(506,536)</b>	<b>-</b>		

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**36. 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	Total	Effective interest rate %
	Up to 1 month	> 1-3 months	> 3-12 months	1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 31 December 2015</b>								
<b>Assets</b>								
Cash and short-term funds	67,000	-	-	-	-	68,888	135,888	3.15
Securities available-for-sale	100,000	309,799	256,403	526,499	-	872	1,193,573	3.55
Securities held-to-maturity	-	-	-	-	-	13	13	-
Loans, advances and financing								
- non-impaired	2,700,519	-	-	-	-	-	2,700,519	4.92
- impaired *	(7,139)	-	-	-	-	-	(7,139)	7.22
Other non-interest sensitive balances	-	-	-	-	-	280,517	280,517	
<b>Total assets</b>	<b>2,860,380</b>	<b>309,799</b>	<b>256,403</b>	<b>526,499</b>	<b>-</b>	<b>350,290</b>	<b>4,303,371</b>	

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

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**36. 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	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				
<b>As at 31 December 2015</b>									
<b>Liabilities</b>									
Deposits from customers	1,444,180	1,275,600	405,765	4,381	-	-	3,129,926	3.64	
Deposits and placements with banks and other financial institutions	206,064	127,931	-	-	-	6,332	340,327	0.49	
Other non-interest sensitive balances	-	-	-	-	-	50,178	50,178		
<b>Total liabilities</b>	<b>1,650,244</b>	<b>1,403,531</b>	<b>405,765</b>	<b>4,381</b>	<b>-</b>	<b>56,510</b>	<b>3,520,431</b>		
<b>Shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>782,940</b>	<b>782,940</b>		
<b>Total liabilities and shareholder's equity</b>	<b>1,650,244</b>	<b>1,403,531</b>	<b>405,765</b>	<b>4,381</b>	<b>-</b>	<b>839,450</b>	<b>4,303,371</b>		
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>	<b>1,210,136</b>	<b>(1,093,732)</b>	<b>(149,362)</b>	<b>522,118</b>	<b>-</b>	<b>(489,160)</b>	<b>(0)</b>		

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**36. 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	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				
<b>As at 31 December 2014</b>									
<b>Assets</b>									
Cash and short-term funds	659,100	-	-	-	-	38,894	697,994	3.41	
Deposits and placements with banks and other financial institutions	-	40,000	-	-	-	-	40,000	3.78	
Securities held-for-trading	49,970	-	-	-	-	-	49,970	3.51	
Securities available-for-sale	429,716	198,674	-	488,173	-	872	1,117,435	3.30	
Securities held-to-maturity	-	-	-	-	-	13	13	-	
Loans, advances and financing									
- non-impaired	2,797,157	-	-	-	-	-	2,797,157	4.87	
- impaired *	(15,912)	-	-	-	-	-	(15,912)	9.06	
Other non-interest sensitive balances	-	-	-	-	-	274,485	274,485		
<b>Total assets</b>	<b>3,920,031</b>	<b>238,674</b>	<b>-</b>	<b>488,173</b>	<b>-</b>	<b>314,264</b>	<b>4,961,142</b>		

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

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**36. 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	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				
<b>As at 31 December 2014</b>									
<b>Liabilities</b>									
Deposits from customers	1,709,361	1,159,991	228,811	16,823	-	-	3,114,986	3.38	
Deposits and placements of banks and other financial institutions	672,651	278,860	1,096	-	-	6,332	958,939	1.62	
Bills and acceptances payable	51,191	21,640	-	-	-	-	72,831	3.72	
Other non-interest sensitive balances	-	-	-	-	-	48,509	48,509		
<b>Total liabilities</b>	<b>2,433,203</b>	<b>1,460,491</b>	<b>229,907</b>	<b>16,823</b>	<b>-</b>	<b>54,841</b>	<b>4,195,265</b>		
<b>Shareholder's equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>765,877</b>	<b>765,877</b>		
<b>Total liabilities and shareholder's equity</b>	<b>2,433,203</b>	<b>1,460,491</b>	<b>229,907</b>	<b>16,823</b>	<b>-</b>	<b>820,718</b>	<b>4,961,142</b>		
<b>On-balance sheet interest sensitivity gap representing total interest sensitivity gap</b>	<b>1,486,828</b>	<b>(1,221,817)</b>	<b>(229,907)</b>	<b>471,350</b>	<b>-</b>	<b>(506,454)</b>	<b>-</b>		

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**36. 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:

	<b>2015</b>	<b>2014</b>
	<b>RM'million</b>	<b>RM'million</b>
<u>Movement in basis points</u>	<b>+/- 100 bps</b>	<b>+/- 100 bps</b>
Effect on Net Interest Income	+/- 3.4	+/- 4.2
Effect on Economic Value of Equity	+/- 11.5	+/- 8.9

As at the reporting date, if interest rate increase/decrease by 100 bps with all the other variables held constant, the Group's and the Bank's Net Interest Income ("NII") and Economic Value of Equity ("EVE") would have been increase/decrease by RM3.4 million and RM11.5 million (2014: RM4.2 million and RM8.9 million) respectively. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observed market environment.

**(c) Liquidity risk management**

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

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



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

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

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

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt; 6-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non specific maturity RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2015</b>								
<b>Assets</b>								
Cash and short-term funds	125,414	-	-	-	-	-	-	125,414
Securities available-for-sale	52,087	151,402	165,437	300,307	525,423	-	-	1,194,656
Securities held-to-maturity	-	-	-	-	-	13	-	13
Loans, advances and financing	681,228	431,422	364,648	346,201	807,842	127,225	-	2,758,566
Derivative financial asset	205	936	4,895	935	-	-	-	6,971
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	114,000	114,000
<b>Total assets</b>	<b>858,934</b>	<b>583,760</b>	<b>534,980</b>	<b>647,443</b>	<b>1,333,265</b>	<b>127,238</b>	<b>114,000</b>	<b>4,199,620</b>
<b>Liabilities</b>								
Deposits from customers	878,839	774,462	880,020	625,744	4,762	-	-	3,163,827
Deposits and placements of banks and other financial institutions	156,741	106,642	55,852	21,499	-	-	-	340,734
Derivative financial liabilities	1,975	524	5,580	65	-	-	-	8,144
<b>Total liabilities</b>	<b>1,037,555</b>	<b>881,628</b>	<b>941,452</b>	<b>647,308</b>	<b>4,762</b>	<b>-</b>	<b>-</b>	<b>3,512,705</b>
<b>Net maturity mismatch</b>	<b>(178,621)</b>	<b>(297,868)</b>	<b>(406,472)</b>	<b>135</b>	<b>1,328,503</b>	<b>127,238</b>	<b>114,000</b>	<b>686,915</b>

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

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

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

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt; 6-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non specific maturity RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2014</b>								
<b>Assets</b>								
Cash and short-term funds	690,428	-	-	-	-	-	-	690,428
Deposits and placements with banks and other financial institutions	-	40,259	-	-	-	-	-	40,259
Securities held-for-trading	50,000	-	-	-	-	-	-	50,000
Securities available-for-sale	232,038	401,417	-	201	490,000	454	-	1,124,110
Securities held-to-maturity	-	-	-	-	-	13	-	13
Loans, advances and financing	1,100,354	649,657	357,769	80,371	546,326	83,946	-	2,818,423
Derivative financial asset	19,614	713	939	71	-	-	-	21,337
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	89,000	89,000
<b>Total assets</b>	<b>2,092,434</b>	<b>1,092,046</b>	<b>358,708</b>	<b>80,643</b>	<b>1,036,326</b>	<b>84,413</b>	<b>89,000</b>	<b>4,833,570</b>
<b>Liabilities</b>								
Deposits from customers	1,687,355	1,173,708	127,101	107,552	17,605	-	-	3,113,321
Deposits and placements of banks and other financial institutions	679,650	279,684	-	-	-	-	-	959,334
Bills and acceptances payable	51,191	21,640	1,096	-	-	-	-	73,927
Derivative financial liabilities	2,820	1,756	706	-	-	-	-	5,282
<b>Total liabilities</b>	<b>2,421,016</b>	<b>1,476,788</b>	<b>128,903</b>	<b>107,552</b>	<b>17,605</b>	<b>-</b>	<b>-</b>	<b>4,151,864</b>
<b>Net maturity mismatch</b>	<b>(328,582)</b>	<b>(384,742)</b>	<b>229,805</b>	<b>(26,909)</b>	<b>1,018,721</b>	<b>84,413</b>	<b>89,000</b>	<b>681,706</b>

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

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

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

<b>Bank</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt; 6-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non specific maturity RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2015</b>								
<b>Assets</b>								
Cash and short-term funds	125,326	-	-	-	-	-	-	125,326
Securities available-for-sale	52,087	151,402	165,437	300,307	525,423	-	-	1,194,656
Securities held-to-maturity	-	-	-	-	-	13	-	13
Loans, advances and financing	681,228	431,422	364,648	346,201	807,842	127,225	-	2,758,566
Derivative financial asset	205	936	4,895	935	-	-	-	6,971
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	114,000	114,000
<b>Total assets</b>	<b>858,846</b>	<b>583,760</b>	<b>534,980</b>	<b>647,443</b>	<b>1,333,265</b>	<b>127,238</b>	<b>114,000</b>	<b>4,199,532</b>
<b>Liabilities</b>								
Deposits from customers	878,839	774,462	880,020	625,744	4,762	-	-	3,163,827
Deposits and placements with banks and other financial institutions	156,741	106,642	55,852	21,499	-	-	-	340,734
Derivative financial liabilities	1,975	524	5,580	65	-	-	-	8,144
<b>Total liabilities</b>	<b>1,037,555</b>	<b>881,628</b>	<b>941,452</b>	<b>647,308</b>	<b>4,762</b>	<b>-</b>	<b>-</b>	<b>3,512,705</b>
<b>Net maturity mismatch</b>	<b>(178,709)</b>	<b>(297,868)</b>	<b>(406,472)</b>	<b>135</b>	<b>1,328,503</b>	<b>127,238</b>	<b>114,000</b>	<b>686,827</b>

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

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

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

<b>Bank</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-6 months RM'000</b>	<b>&gt; 6-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non specific maturity RM'000</b>	<b>Total RM'000</b>
<b>As at 31 December 2014</b>								
<b>Assets</b>								
Cash and short-term funds	690,346	-	-	-	-	-	-	690,346
Deposits and placements with banks and other financial institutions	-	40,259	-	-	-	-	-	40,259
Securities held-for-trading	50,000	-	-	-	-	-	-	50,000
Securities available-for-sale	232,038	401,417	-	201	490,000	454	-	1,124,110
Securities held-to-maturity	-	-	-	-	-	13	-	13
Loans, advances and financing	1,100,354	649,657	357,769	80,371	546,326	83,946	-	2,818,423
Derivative financial asset	19,614	713	939	71	-	-	-	21,337
Statutory Deposit with Bank Negara Malaysia	-	-	-	-	-	-	89,000	89,000
<b>Total assets</b>	<b>2,092,352</b>	<b>1,092,046</b>	<b>358,708</b>	<b>80,643</b>	<b>1,036,326</b>	<b>84,413</b>	<b>89,000</b>	<b>4,833,488</b>
<b>Liabilities</b>								
Deposits from customers	1,687,355	1,173,708	127,101	107,552	17,605	-	-	3,113,321
Deposits and placements of banks and other financial institutions	679,650	279,684	-	-	-	-	-	959,334
Bills and acceptances payable	51,191	21,640	1,096	-	-	-	-	73,927
Derivative financial liabilities	2,820	1,756	706	-	-	-	-	5,282
<b>Total liabilities</b>	<b>2,421,016</b>	<b>1,476,788</b>	<b>128,903</b>	<b>107,552</b>	<b>17,605</b>	<b>-</b>	<b>-</b>	<b>4,151,864</b>
<b>Net maturity mismatch</b>	<b>(328,664)</b>	<b>(384,742)</b>	<b>229,805</b>	<b>(26,909)</b>	<b>1,018,721</b>	<b>84,413</b>	<b>89,000</b>	<b>681,624</b>

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**37. Fair values of financial instruments**

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

	<b>Group and Bank</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>
Securities held-to-maturity	13	13	13	13
Loans and advances	2,693,380	2,693,368	2,781,245	2,781,141

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 6 and Note 7.

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

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

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

	<b>Group and Bank</b>		
	<b>2014</b>		
	<b>Nominal/ notional amount RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
Forward foreign exchange contracts	743,742	21,337	(5,282)

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

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

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

<b>Group and Bank</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2015</b>		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Securities held-for-trading</u>	6				
Money market instruments:					
Government Investment Issue		-	-	-	-
		-	-	-	-
<u>Securities available-for-sale</u>	7				
Money market instruments:					
Malaysian Government					
Securities		-	282,350	-	282,350
Cagamas Bonds		-	49,990	-	49,990
Government Investment Issue		-	360,692	-	360,692
BNM Monetary Notes		-	-	-	-
Malaysia Treasury Bills		-	59,755	-	59,755
Negotiable Instruments		-		-	
of Deposit		-	300,000	-	300,000
Unquoted securities in					
Malaysia:					
Private debt securities		-	139,914	-	139,914
		-	1,192,701	-	1,192,701
<u>Derivatives</u>					
Derivative financial assets					
Unrealised gain on derivatives		-	6,971	-	6,971
Derivative financial liabilities					
Unrealised loss on derivatives		-	(8,144)	-	(8,144)
		-	(1,173)	-	(1,173)

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

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

<b>Group and Bank</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2014</b>		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Securities held-for-trading</u>	6				
Money market instruments:					
BNM Monetary Notes		-	49,970	-	49,970
		-	49,970	-	49,970
<u>Securities available-for-sale</u>	7				
Money market instruments:					
Malaysian Government Securities		-	149,027	-	149,027
Cagamas Bonds		-	49,783	-	49,783
Government Investment Issue		-	149,325	-	149,325
BNM Monetary Notes		-	378,391	-	378,391
Negotiable Instruments of Deposit		-	250,000	-	250,000
Unquoted securities in Malaysia:					
Private debt securities		-	140,037	-	140,037
		-	1,116,563	-	1,116,563
<u>Derivatives</u>					
Derivative financial assets					
Unrealised gain on derivatives		-	21,337	-	21,337
Derivative financial liabilities					
Unrealised loss on derivatives		-	(5,282)	-	(5,282)
		-	16,055	-	16,055

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