

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

Unaudited Interim Condensed Financial Statements
30 September 2019

299740-W

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

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

**Performance review for the nine-month period ended 30 September 2019 and
commentary on the prospects**

Bangkok Bank Berhad ("BBB") registered a profit before tax ("PBT") of RM4.3 million for the nine months of 2019 as compared to a higher profit of RM24.1 million recorded during the previous corresponding period. The lower PBT was mainly due to higher expected credit loss ("ECL") allowances which was offset by higher operating profit. Higher ECL allowances amounting to RM35.1 million as compared to RM8.7 million in the previous corresponding period. The increase in ECL allowances was mainly due to newly classified impaired loans in the second quarter of 2019. The higher operating profit was mainly due to higher net interest income coupled with lower overhead expenses which were negated by the lower non interest income. Net interest income improved from RM65.7 million in the previous corresponding period to RM72.8 million for the nine months of 2019. Improvement in net interest income was mainly due to increase in income outpaced increase in interest expense.

Deposits from customers grew from RM2.7 billion as at 31 December 2018 to RM2.9 billion as at 30 September 2019. This is the result of the Bank's efforts on heightening focus on generating customer deposits to maintain prudent liquidity position and to fund future loan growth.

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

Bangkok Bank Berhad
(Incorporated in Malaysia)

Unaudited interim condensed statements of financial position as at 30 September 2019

	Note	Group		Bank	
		30.9.2019 RM'000	31.12.2018 RM'000	30.9.2019 RM'000	31.12.2018 RM'000
Assets					
Cash and short-term funds		485,749	699,370	485,623	699,252
Deposits and placements with banks and other financial institutions		-	371,412	-	371,412
Financial assets at fair value through other comprehensive income ("FVOCI")	12	1,018,255	667,330	1,018,255	667,330
Financial assets at amortised costs	13	101,115	102,387	101,115	102,387
Loans, advances and financing	14	3,238,207	3,397,375	3,238,207	3,397,375
Derivative assets		593	1,225	593	1,225
Tax recoverable		15,830	14,156	15,827	14,150
Other assets	15	6,148	6,280	6,148	6,280
Statutory deposit with Bank Negara Malaysia		82,979	80,496	82,979	80,496
Investment in subsidiary		-	-	10	10
Property and equipment	16	129,822	132,791	129,822	132,791
Intangible assets		670	694	670	694
Right-of-use assets	2.5	8,566	-	8,566	-
Deferred tax assets		3,293	7,492	3,293	7,492
Total assets		5,091,227	5,481,008	5,091,108	5,480,894
Liabilities and shareholder's equity					
Deposits from customers	17	2,911,393	2,695,990	2,911,393	2,695,990
Deposits and placements from banks and other financial institutions	18	877,358	1,491,432	877,358	1,491,432
Derivative liabilities		427	1,011	427	1,011
Other liabilities	19	38,536	36,237	38,534	36,233
Total liabilities		3,827,714	4,224,670	3,827,712	4,224,666

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed statements of financial position as at
30 September 2019 (cont'd.)

	Note	Group		Bank	
		30.9.2019 RM'000	31.12.2018 RM'000	30.9.2019 RM'000	31.12.2018 RM'000
Liabilities and shareholder's equity (cont'd.)					
Share capital		1,000,000	1,000,000	1,000,000	1,000,000
FVOCI reserve		17,315	11,074	17,315	11,074
Retained profits		246,198	245,264	246,081	245,154
Shareholder's equity		<u>1,263,513</u>	<u>1,256,338</u>	<u>1,263,396</u>	<u>1,256,228</u>
Total liabilities and shareholder's equity		<u>5,091,227</u>	<u>5,481,008</u>	<u>5,091,108</u>	<u>5,480,894</u>
Commitments and contingencies	25	<u>2,866,630</u>	<u>2,742,058</u>	<u>2,866,630</u>	<u>2,742,058</u>

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed income statements
For the financial period ended 30 September 2019

	Note	Group			
		Third Quarter Ended		Cumulative 9 Months Ended	
		1.7.2019	1.7.2018	1.1.2019	1.1.2018
		to	to	to	to
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		RM'000	RM'000	RM'000	RM'000
Interest income	20	55,957	57,741	176,790	162,914
Interest expense	21	(31,880)	(34,828)	(104,041)	(97,233)
Net interest income		24,077	22,913	72,749	65,681
Non-interest income	23	3,066	5,015	10,021	13,282
Net income		27,143	27,928	82,770	78,963
Overhead expenses	24	(14,217)	(14,752)	(43,355)	(46,154)
		12,926	13,176	39,415	32,809
Allowance for expected credit losses (made)/ written back, net	22	(14,022)	(2,225)	(35,077)	(8,663)
(Loss)/Profit before taxation		(1,096)	10,951	4,338	24,146
Taxation		1,109	(2,333)	(3,404)	(9,043)
Net profit for the financial period		13	8,618	934	15,103
Earnings per share (sen)					
- basic		0.00	0.86	0.09	1.51
- diluted		0.00	0.86	0.09	1.51

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited condensed interim income statements
For the financial period ended 30 September 2019 (cont'd.)

	Note	Bank			
		Third Quarter Ended		Cumulative 9 Months Ended	
		1.7.2019	1.7.2018	1.1.2019	1.1.2018
		to	to	to	to
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		RM'000	RM'000	RM'000	RM'000
Interest income	20	55,957	57,741	176,790	162,914
Interest expense	21	(31,880)	(34,828)	(104,041)	(97,233)
Net interest income		24,077	22,913	72,749	65,681
Non-interest income	23	3,064	5,012	10,010	13,272
Net income		27,141	27,925	82,759	78,953
Overhead expenses	24	(14,217)	(14,751)	(43,353)	(46,152)
		12,924	13,174	39,406	32,801
Allowance for expected credit losses (made)/ written back, net	22	(14,022)	(2,225)	(35,077)	(8,663)
(Loss)/Profit before taxation		(1,098)	10,949	4,329	24,138
Taxation		1,110	(2,332)	(3,402)	(9,041)
Net profit for the financial period		12	8,617	927	15,097

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
(Incorporated in Malaysia)

Unaudited interim condensed statements of comprehensive income
For the financial period ended 30 September 2019

	Group			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019 to 30.09.2019 RM'000	1.7.2018 to 30.09.2018 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000
Net profit for the period	13	8,618	934	15,103
Other comprehensive income that will be reclassified to the income statement subsequently:				
Net gain on financial assets at FVOCI	3,419	2,251	8,034	(84)
Income tax relating to components of other comprehensive income	(803)	(359)	(1,793)	214
Other comprehensive income for the period, net of tax	2,616	1,892	6,241	130
Total comprehensive income for the period, net of tax	2,629	10,510	7,175	15,233

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed statements of comprehensive income
For the financial period ended 30 September 2019 (cont'd.)

	Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019 to 30.09.2019 RM'000	1.7.2018 to 30.09.2018 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000
Net profit for the period	12	8,617	927	15,097
Other comprehensive income that will be reclassified to the income statement subsequently:				
Net gain on financial assets at FVOCI	3,419	2,251	8,034	(84)
Income tax relating to components of other comprehensive income	(803)	(359)	(1,793)	214
Other comprehensive income for the period, net of tax	2,616	1,892	6,241	130
Total comprehensive income for the period, net of tax	2,628	10,509	7,168	15,227

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed statements of changes in equity
For the financial period ended 30 September 2019

Group	<--- Non-distributable--->		Distributable	Total RM'000
	Share capital RM'000	FVOCI reserve RM'000	Retained profits RM'000	
At 1 January 2018	1,000,000	1,683	236,943	1,238,626
Impact of adopting MFRS 9	-	16,218	(24,582)	(8,364)
At 1 January 2018, as restated	1,000,000	17,901	212,361	1,230,262
Total comprehensive income	-	130	15,103	15,233
At 30 September 2018	1,000,000	18,031	227,464	1,245,495
At 1 January 2019	1,000,000	11,074	245,264	1,256,338
Total comprehensive income	-	6,241	934	7,175
At 30 September 2019	1,000,000	17,315	246,198	1,263,513
Bank	<--- Non-distributable--->		Distributable	Total RM'000
	Share capital RM'000	FVOCI reserve RM'000	Retained profits RM'000	
At 1 January 2018	1,000,000	1,683	236,845	1,238,528
Impact of adopting MFRS 9	-	16,218	(24,582)	(8,364)
At 1 January 2018, as restated	1,000,000	17,901	212,263	1,230,164
Total comprehensive income	-	130	15,097	15,227
At 30 September 2018	1,000,000	18,031	227,360	1,245,391
At 1 January 2019	1,000,000	11,074	245,154	1,256,228
Total comprehensive income	-	6,241	927	7,168
At 30 September 2019	1,000,000	17,315	246,081	1,263,396

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed statements of cash flows
For the financial period ended 30 September 2019

	Note	Group		Bank	
		1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000
Cash flows from operating activities					
Profit before taxation		4,338	24,146	4,329	24,138
Adjustments for:					
Depreciation	24	3,188	3,548	3,188	3,548
Amortisation of intangible assets	24	316	167	316	167
Amortisation of right-of-use assets	24	977	-	977	-
Property and equipment written off		108	-	108	-
Interest expense on lease liability	2.5	261	-	261	-
Interest income from financial assets	20	(30,247)	-	(30,247)	-
Allowance for ECL made	22	36,933	8,663	36,933	8,663
Write back of impairment losses of financial assets at amortised cost		(2)	(7)	(2)	(7)
Unrealised loss on foreign exchange forward	23	47	844	47	844
Net loss on revaluation of financial assets at FVTPL		-	(15)	-	(15)
Amortisation of premium, net of (accretion of discount)	20	184	(653)	184	(653)
Dividend from financial assets at FVOCI	23	(102)	(83)	(102)	(83)
Operating profit before working capital changes		16,001	36,610	15,992	36,602

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed statements of cash flows
For the financial period ended 30 September 2019 (cont'd.)

	Group		Bank	
	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000
Cash flows from operating activities (cont'd.)				
Balance carried forward	16,001	36,610	15,992	36,602
(Increase)/Decrease in operating assets:				
Loans, advances and financing	120,139	(443,570)	120,139	(443,570)
Other assets	132	(2,694)	132	(2,694)
Right-of-use assets	(8,566)	-	(8,566)	-
Statutory deposits with Bank Negara Malaysia	(2,483)	(9,982)	(2,483)	(9,982)
Increase/(Decrease) in operating liabilities:				
Deposits from customers	215,403	213,281	215,403	213,281
Deposits and placement from banks and other financial institutions	(614,074)	453,535	(614,074)	453,535
Other liabilities [#]	5,550	(95)	5,552	(94)
Cash generated from operating activities	(267,898)	247,085	(267,905)	247,078
Taxes paid	(14,408)	(8,997)	(14,410)	(8,992)
Taxes refunded	12,101	-	12,101	-
Net cash generated from operating activities	(270,205)	238,088	(270,214)	238,086
Cash flows from investing activities				
Purchase of financial assets at FVOCI	(1,678,866)	(227,259)	(1,678,866)	(227,259)
Proceeds from sale of financial assets at FVTPL	-	10,020	-	10,020
Proceeds from sale of financial assets at FVOCI	1,360,403	285,000	1,360,403	285,000
Dividend from financial assets at FVOCI	102	83	102	83
Proceeds from partial redemption/interest of financial assets at amortised costs	4,982	7	4,982	7

[#] The other liabilities for 30 September 2019 includes the payment of lease liabilities and interest expense on lease liabilities.

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed statements of cash flows
For the financial period ended 30 September 2019 (cont'd.)

	Group		Bank	
	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000
Cash flows from investing activities (cont'd.)				
Purchase of property and equipment	(593)	(1,075)	(593)	(1,075)
Purchase of intangible assets	(27)	(137)	(27)	(137)
Proceeds from disposal of property and equipment	-	113	-	113
Net cash (used in)/generated from investing activities	(313,999)	66,752	(313,999)	66,752
Cash flows from financing activities				
Payment of lease liabilities	(949)	-	(949)	-
Net cash used in financing activities	(949)	-	(949)	-
Net (decrease)/increase in cash and cash equivalents	(585,153)	304,840	(585,162)	304,838
Cash and cash equivalents at beginning of financial period	1,070,782	797,742	1,070,664	797,634
Cash and cash equivalents at end of financial period*	485,629	1,102,582	485,502	1,102,472
Cash and cash equivalents comprise:				
Cash and short-term funds	485,749	751,461	485,623	751,351
Deposits and placements of banks and other financial institutions	-	350,973	-	350,973
	485,749	1,102,434	485,623	1,102,324

* The cash and cash equivalents for 30 September 2019 do not include ECL. The cash and cash equivalents after including ECL are as follows:

	Group		Bank	
	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2018 to 30.09.2018 RM'000
Cash and cash equivalents	485,629	1,102,582	485,502	1,102,472
Allowance for ECL arising from initial adoption of MFRS 9	-	(284)	-	(284)
Allowance for ECL	121	136	121	136
	485,750	1,102,434	485,623	1,102,324

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

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

Notes to the unaudited interim condensed financial statements - 30 September 2019

1. Corporate information

Bangkok Bank Berhad ("the Bank") is a public limited liability licensed bank, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 1-45-01, Menara Bangkok Bank, Laman Sentral Berjaya, 105 Jalan Ampang, 50450 Kuala Lumpur.

The principal activities of the Bank are banking and related financial services.

The Bank also controls a wholly-owned subsidiary named BBL Nominees (Tempatan) Sdn. Bhd. The principal activity of its subsidiary is provision of nominees services to local clients of the Bank.

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

The holding company of the Bank is Bangkok Bank Public Company Limited, a bank incorporated in Thailand.

2. Basis of preparation of the financial statements

2.1 Basis of preparation and presentation of the unaudited interim condensed financial statements

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

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

The unaudited interim condensed financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018. These explanatory notes attached to the unaudited interim condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the financial year ended 31 December 2018.

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

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2018, except for the adoption of new standard, IC interpretation and amendments to standards effective as of 1 January 2019 as follows:

Descriptions	Effective for annual periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 9: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 119: <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 128: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to MFRS Standards 2015-2017 Cycle:	
(i) Amendments to MFRS 3 <i>Business Combinations: Previously Held Interest in a Joint Operation</i>	1 January 2019
(ii) Amendments to MFRS 11 <i>Joint Arrangements: Previously Held Interest in a Joint Operation</i>	1 January 2019
(iii) Amendments to MFRS 112 <i>Income Taxes: Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i>	1 January 2019
(iv) Amendments to MFRS 123 <i>Borrowing Costs: Borrowing Costs Eligible for Capitalisation</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019

The adoption of the above new standard, IC interpretation and amendments to standards does not have any significant financial impact to the Group and the Bank other than MFRS 16.

MFRS 16 Leases

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

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(Incorporated in Malaysia)**

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

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

(i) Lessee

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

(ii) Lessor

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

The Group and the Bank have applied the standard using the modified retrospective approach and have not restated comparative information for the financial year ended 31 December 2018. The impact arising from the adoption of MFRS 16 is disclosed in Note 2.5.

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

As at the reporting date, the following are standards, amendments to standards, annual improvements to standards and IC interpretations issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective.

Descriptions	Effective for annual periods beginning on or after
Amendments to MFRS 2 <i>Share-Based Payments</i>	1 January 2020
Amendment to MFRS 3 <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020

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

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

Descriptions	Effective for annual periods beginning on or after
Amendment to MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 134 <i>Interim Financial Reporting</i>	1 January 2020
Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendments to MFRS 138 <i>Intangible Assets</i>	1 January 2020
Amendment to IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2020
Amendment to IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendment to IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
Amendment to IC Interpretation 22 <i>Foreign Currency Transactions and Advance Considerations</i>	1 January 2020
Amendment to IC Interpretation 132 <i>Intangible Assets - Web Site Costs</i>	1 January 2020
Amendments to MFRS 3 <i>Business Combinations: Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 <i>Presentation of Financial Statements</i> and MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

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

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's and the Bank's 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting that, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's and the Bank's control and are reflected in the assumptions if and when they occur.

(a) Impairment losses on financial assets

The measurement of impairment losses under MFRS 9 across all categories of financial assets requires judgement, in particular, estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and assessment of significant increase in credit risk. These estimates are driven by a number of factors, changes which can result in different levels of allowances.

The Group and the Bank's Expected Credit Loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk resulting in impairment losses on financial assets to be measured on a lifetime basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic factors and the effect on PDs, LGDs and EADs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings.

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

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

(b) Deferred tax and current tax

In determining the Group's and the Bank's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Group and the Bank provide for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where an outflow is probable.

The recoverability of the Group's and the Bank's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

2.5 Impact of adopting MFRS 16

(i) Right-of-use assets

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, lease incentives received. Unless the Group and the Bank are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of the purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating a lease, if the lease term reflects the Group and the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

2.5 Impact of adopting MFRS 16 (cont'd.)

(iii) Significant judgement in determining the lease term of contracts with renewal options

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Bank have the option, under some of the leases to lease the assets for additional terms of three to five years. The Group and the Bank apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group and the Bank reassess the lease term if there is a significant event or change in circumstances that is within control and affect the ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group and the Bank include the renewal period as part of the lease term for leases of office equipment and premises due to the significance of these assets to the operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

(iv) Amount recognised in statement of financial position and profit and loss

The carrying amounts of the Group's and the Bank's right-of-use assets and lease liabilities as at 1 January 2019 and the movements during the period:

	←----- Right-of-use assets ----->			Lease Liabilities RM'000
	Premises RM'000	Other Equipments RM'000	Total RM'000	
As at 1 January 2019	8,698	434	9,132	9,132
Addition	411	-	411	411
Amortisation of right-of-use assets	(763)	(214)	(977)	-
Interest expense	-	-	-	261
Payments	-	-	-	(949)
As at 30 September 2019	8,346	220	8,566	8,855

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

2.5 Impact of adopting MFRS 16 (cont'd.)

(v) Impact to capital adequacy ratio

Based on the Capital Adequacy Frameworks issued by Bank Negara Malaysia, the "right-of-use assets" will be accorded a risk weight of 100% for the computation of risk weighted assets.

Capital adequacy	31 December 2018 RM'000	Impact of adopting MFRS 16 RM'000	1 January 2019 RM'000
CET 1 Capital	1,241,951	-	1,241,951
Tier 1 Capital	1,241,951	-	1,241,951
Total Capital	1,297,710	-	1,297,710
Risk Weighted Assets	4,642,799	9,132	4,651,931
CET 1 Capital Ratio	26.75%	-0.05%	26.70%
Tier 1 Capital Ratio	26.75%	-0.05%	26.70%
Total Capital Ratio	27.95%	-0.05%	27.90%

3. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group and the Bank during the financial period ended 30 September 2019.

5. Comments about seasonal or cyclical factors

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

6. Changes in estimates

There were no significant changes in estimates of amounts reported in prior financial periods that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 September 2019.

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7. Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the nine months ended 30 September 2019.

8. Subsequent events

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

9. Changes in composition of the Group

There were no changes in the composition of the Group during the financial period ended 30 September 2019.

10. Dividends paid

No dividend was declared or paid during the financial period ended 30 September 2019.

11. Segmental information

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

12. Financial assets at fair value through other comprehensive income

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Debt instruments		
Malaysian Government Securities	121,765	120,692
Government Investment Issues	471,155	273,394
Malaysia Treasury Bills	-	49,833
Negotiable Instruments of Deposit	310,797	110,631
Corporate bonds	102,925	101,549
	<u>1,006,642</u>	<u>656,099</u>
Equity instruments		
Unquoted shares	11,613	11,231
	<u>1,018,255</u>	<u>667,330</u>

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12. Financial assets at fair value through other comprehensive income (cont'd.)

The following ECL for debt instruments at FVOCI are not recognised in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total RM'000
At 1 January 2019	19	-	731	750
New debt instruments originated	91	-	-	91
Debt instruments derecognised	(5)	-	-	(5)
ECL allowance made	74	-	-	74
At 30 September 2019	<u>179</u>	<u>-</u>	<u>731</u>	<u>910</u>
Group and Bank				
At 1 January 2018				
- as previously stated	-	-	731	731
- impact of adopting MFRS 9	311	-	-	311
At 1 January 2018, restated	<u>311</u>	<u>-</u>	<u>731</u>	<u>1,042</u>
New debt instruments originated	7	-	-	7
ECL allowance written back	(18)	-	-	(18)
Debt instruments derecognised	(281)	-	-	(281)
At 31 December 2018	<u>19</u>	<u>-</u>	<u>731</u>	<u>750</u>

13. Financial assets at amortised cost

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Debt instruments		
Corporate bonds	101,119	102,374
Unquoted securities:		
Corporate bonds	<u>582</u>	<u>584</u>
	101,701	102,958
Less: allowance for ECL	<u>(586)</u>	<u>(571)</u>
	<u>101,115</u>	<u>102,387</u>

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13. Financial assets at amortised cost (cont'd.)

Movements in the allowance for ECL on financial assets at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
	ECL	ECL	ECL	
Group and Bank	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	-	-	571	571
ECL allowance made	18	-	-	18
ECL allowance written back	-	-	(3)	(3)
At 30 September 2019	<u>18</u>	<u>-</u>	<u>568</u>	<u>586</u>
Group and Bank				
At 1 January 2018	-	-	580	580
- as previously stated	-	-	-	-
- impact of adopting MFRS 9	-	-	-	-
At 1 January 2018, restated	<u>-</u>	<u>-</u>	<u>580</u>	<u>580</u>
ECL allowance written back	-	-	(9)	(9)
At 31 December 2018	<u>-</u>	<u>-</u>	<u>571</u>	<u>571</u>

14. Loans, advances and financing

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
At amortised cost		
Overdrafts	79,960	108,023
Term loans:		
- Housing loans	2,398	2,663
- Syndicated term loan	149,029	206,890
- Other term loans	896,231	970,063
Revolving credits	1,494,604	1,439,076
Bills receivables	101,576	47,081
Trust receipts	187,936	129,701
Bankers' acceptances	509,099	639,898
Staff loans	479	534
	<u>3,421,312</u>	<u>3,543,929</u>
Unearned interest	(3,043)	(5,521)
Gross loans, advances and financing	<u>3,418,269</u>	<u>3,538,408</u>
Less: allowance for ECL		
- Stage 1	(58,354)	(55,571)
- Stage 2	(19,899)	(19,803)
- Stage 3	(101,809)	(65,659)
Net loans, advances and financing	<u>3,238,207</u>	<u>3,397,375</u>

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

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

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Maturing within one year	2,608,417	2,526,686
One year to three years	157,721	324,325
Three years to five years	225,436	349,868
Over five years	426,695	337,529
	<u>3,418,269</u>	<u>3,538,408</u>

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

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Primary agriculture	323,317	321,694
Mining and quarrying	12,813	15,090
Manufacturing	1,015,020	1,081,360
Construction	422,281	336,724
Wholesale and retail trade and restaurants and hotels	371,743	508,977
Transport, storage and communication	75,943	82,685
Finance, insurance, real estate and business activities	1,114,178	1,099,862
Education, health and others	-	3,772
Household	82,974	88,244
	<u>3,418,269</u>	<u>3,538,408</u>

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

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Domestic non-bank financial institutions	586,643	480,832
Domestic business enterprises:		
- Small medium enterprises	308,129	334,234
- Others	2,440,523	2,635,052
Individuals	82,974	88,290
	<u>3,418,269</u>	<u>3,538,408</u>

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

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

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Fixed rate		
- Housing loan	-	131
- Other fixed rate loan/financing	58,225	64,583
Variable rate		
- Base lending rate plus	206,770	258,540
- Cost-plus	2,268,637	2,021,273
- Other variable rates	884,637	1,193,881
	<u>3,418,269</u>	<u>3,538,408</u>

(v) Loans, advances and financing according to geographical distribution are as follows:

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Malaysia	3,418,269	3,535,525
Other countries	-	2,883
	<u>3,418,269</u>	<u>3,538,408</u>

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

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Balance as at 1 January	97,550	121,525
Classified as impaired during the period/year	66,134	11,454
Amount recovered during the period/year	(19,985)	(14,690)
Amount written off during the period/year	(1,132)	(20,739)
Balance as at 30 September/31 December	<u>142,567</u>	<u>97,550</u>
Allowance for ECL Stage 3	(101,809)	(65,659)
Net impaired loans, advances and financing	<u>40,758</u>	<u>31,891</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less Stage 3 ECL allowance	<u>1.23%</u>	<u>0.92%</u>

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

(vii) Movements in the allowance for ECL on loans, advances and financing are as follows:

	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total RM'000
Group and Bank				
At 1 January 2019	55,571	19,803	65,659	141,033
New loans, advances and financing originated	3,028	-	-	3,028
Loans, advances and financing derecognised (other than write-off)	(5,157)	(1,059)	(610)	(6,826)
Transfer to Stage 1	(716)	716	-	-
Transfer to Stage 2	(2,283)	2,283	-	-
Transfer to Stage 3	(43,617)	(4)	43,621	-
Net measurement due to changes in credit risk	51,528	(1,840)	(5,734)	43,954
Amount written off	-	-	(1,127)	(1,127)
At 30 September 2019	<u>58,354</u>	<u>19,899</u>	<u>101,809</u>	<u>180,062</u>
Group and Bank				
At 1 January 2018				
- as previously stated				150,888
- impact of adopting MFRS 9				5,820
At 1 January 2018, as restated	39,632	30,698	86,378	<u>156,708</u>
New loans, advances and financing originated	22,739	1,461	-	24,200
Loans, advances and financing derecognised (other than write-off)	(10,021)	(5,447)	(7,303)	(22,771)
Transfer to Stage 1	10,904	(10,904)	-	-
Transfer to Stage 2	(3,232)	3,232	-	-
Transfer to Stage 3	(50)	(602)	652	-
Net measurement due to changes in credit risk	(4,401)	1,365	6,671	3,635
Amount written off	-	-	(20,739)	(20,739)
At 31 December 2018	<u>55,571</u>	<u>19,803</u>	<u>65,659</u>	<u>141,033</u>

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

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

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Manufacturing	125,182	69,990
Construction	1,326	1,326
Wholesale and retail trade and restaurants and hotels	14,429	24,493
Household	1,630	1,741
	<u>142,567</u>	<u>97,550</u>

15. Other assets

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Deposits and prepayments	2,684	2,803
Other receivables	3,464	3,477
	<u>6,148</u>	<u>6,280</u>

16. Property and equipment

During the nine months period ended 30 September 2019, the Group and the Bank acquired assets with a cost of RM593,000 (31.12.2018: RM3,120,000).

17. Deposits from customers

(i) By type of deposit:

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Fixed deposits	2,447,038	2,463,245
Current accounts	322,574	175,543
Savings deposits	8,371	8,164
Short term deposits	133,410	49,038
	<u>2,911,393</u>	<u>2,695,990</u>

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17. Deposits from customers (cont'd.)

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

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Due within six months	2,219,844	1,889,287
Six months to one year	354,774	617,880
One year to three years	5,296	4,285
Over three years	533	831
	<u>2,580,447</u>	<u>2,512,283</u>

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

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Business enterprises	2,497,080	2,134,708
Individuals	414,313	561,282
	<u>2,911,393</u>	<u>2,695,990</u>

18. Deposits and placements from banks and other financial institutions

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Licensed banks	463,045	578,405
Other financial institutions	414,313	913,027
	<u>877,358</u>	<u>1,491,432</u>

Included in deposits and placements are deposits and placements from the holding company and its branches amounting to RM210,830,000 (2018: RM352,695,000).

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19. Other liabilities

	Group		Bank	
	30.9.2019 RM'000	31.12.2018 RM'000	30.9.2019 RM'000	31.12.2018 RM'000
Accruals	8,289	11,166	8,287	11,162
Allowance for ECL on commitments and contingencies	11,273	14,524	11,273	14,524
Lease liability (Note 2.5)	8,855	-	8,855	-
Other payables	10,119	10,547	10,119	10,547
	<u>38,536</u>	<u>36,237</u>	<u>38,534</u>	<u>36,233</u>

Movements in the allowance for impairment on loan/financing commitments and financial guarantees are as follows:

	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total RM'000
Group and Bank				
At 1 January 2019	9,928	4,596	-	14,524
New loan/financing commitments, and financing guarantee originated	199	-	-	199
Loan/financing commitments, and financing guarantee derecognised	(384)	(48)	-	(432)
Transfer to Stage 1	1,398	(1,398)	-	-
Transfer to Stage 2	(1,998)	1,998	-	-
Transfer to Stage 3	6	-	(6)	-
Net measurement due to changes in credit risk	(2,556)	(468)	6	(3,018)
At 30 September 2019	<u>6,593</u>	<u>4,680</u>	<u>-</u>	<u>11,273</u>
Group and Bank				
At 1 January 2018				
- as previously stated	-	-	-	-
- impact of adopting MFRS 9	11,534	6,577	-	18,111
At 1 January 2018, restated	<u>11,534</u>	<u>6,577</u>	<u>-</u>	<u>18,111</u>
New loan/financing commitments, and financing guarantee originated	1,970	-	-	1,970
Loan/financing commitments, and financing guarantee derecognised	(494)	(687)	-	(1,181)
Transfer to Stage 1	4,230	(4,230)	-	-
Transfer to Stage 2	(810)	810	-	-
Transfer to Stage 3	-	-	-	-
Net measurement due to changes in credit risk	(6,502)	2,126	-	(4,376)
At 31 December 2018	<u>9,928</u>	<u>4,596</u>	<u>-</u>	<u>14,524</u>

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20. Interest income

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019	1.7.2018	1.1.2019	1.1.2018
	to	to	to	to
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	40,381	41,563	125,219	118,198
- Recoveries from impaired loans	(76)	79	415	107
- Interest income on impaired loans	831	599	1,805	1,749
Deposits and placements with banks and other financial institutions	3,365	8,096	19,288	22,280
Financial assets at FVTPL	-	-	-	64
Debt instruments at amortised cost	1,255	1,107	3,725	1,107
Debt instruments at FVOCI	10,365	5,909	26,522	18,756
	<u>56,121</u>	<u>57,353</u>	<u>176,974</u>	<u>162,261</u>
(Amortisation of premium)/ accretion of discounts, net				
- Financial assets at FVOCI	(164)	388	(184)	653
	<u>55,957</u>	<u>57,741</u>	<u>176,790</u>	<u>162,914</u>

21. Interest expense

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019	1.7.2018	1.1.2019	1.1.2018
	to	to	to	to
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	28,390	30,806	90,088	87,547
Deposits and placements from banks and other financial institutions	3,490	4,022	13,953	9,686
	<u>31,880</u>	<u>34,828</u>	<u>104,041</u>	<u>97,233</u>

Included in interest expense on deposits and placements from banks and other financial institutions are interest expense on deposits and placements from the holding company and its branches amounting to RM10,301,000 (30.9.2018: RM2,793,000) as disclosed in Note 28.

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22. Allowance for expected credit losses made/(written back),net

	Group and Bank			Total
	Cumulative 9 Months Ended			
	1.1.2019 to 30.9.2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Cash and short term funds	86	-	-	86
- Financial assets at FVOCI	160	-	-	160
- Financial assets at amortised costs	18	-	-	18
- Loans, advances and financing	17,204	3,053	47,028	67,285
- Statutory deposit with Bank Negara Malaysia	10	-	-	10
- Commitment and contingencies	2,198	2,012	-	4,210
	<u>19,676</u>	<u>5,065</u>	<u>47,028</u>	<u>71,769</u>
Allowance for ECL written back				
- Cash and short term funds	(29)	-	-	(29)
- Financial assets at amortised costs	-	-	(3)	(3)
- Loans, advances and financing	(14,421)	(2,957)	(9,751)	(27,129)
- Commitment and contingencies	(5,533)	(1,928)	-	(7,461)
	<u>(19,983)</u>	<u>(4,885)</u>	<u>(9,754)</u>	<u>(34,622)</u>
Impaired loans, advances and financing recovered	-	-	(2,070)	(2,070)
Total	<u>(307)</u>	<u>180</u>	<u>35,204</u>	<u>35,077</u>

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22. Allowance for expected credit losses made/(written back),net (cont'd.)

	Group and Bank			Total
	Third Quarter Ended			
	1.7.2019 to 30.9.2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Cash and short term funds	48	-	-	48
- Financial assets at FVOCI	41	-	-	41
- Financial assets at amortised costs	5	-	-	5
- Loans, advances and financing	-	-	19,940	19,940
- Commitment and contingencies	436	58	-	494
	<u>530</u>	<u>58</u>	<u>19,940</u>	<u>20,528</u>
Allowance for ECL written back				
- Cash and short term funds	(29)	-	-	(29)
- Deposits and placements with banks and other financial institutions	(11)	-	-	(11)
- Financial assets at amortised costs	-	-	(1)	(1)
- Loans, advances and financing	(1,978)	(2,065)	(997)	(5,040)
- Commitment and contingencies	(1,352)	(45)	(10)	(1,407)
	<u>(3,370)</u>	<u>(2,110)</u>	<u>(1,008)</u>	<u>(6,488)</u>
Impaired loans, advances and financing recovered	-	-	(18)	(18)
Total	<u>(2,840)</u>	<u>(2,052)</u>	<u>18,914</u>	<u>14,022</u>

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22. Allowance for expected credit losses made/(written back),net (cont'd.)

	Group and Bank			
	Cumulative 9 Months Ended			
	1.1.2018 to 30.9.2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Cash and short term funds	149	-	-	149
- Financial assets at FVOCI	3	-	-	3
- Loans, advances and financing	21,934	557	5,616	28,107
- Commitment and contingencies	1,668	1,502	-	3,170
	<u>23,754</u>	<u>2,059</u>	<u>5,616</u>	<u>31,429</u>
Allowance for ECL written back				
- Cash and short term funds	(317)	-	-	(317)
- Financial assets at FVOCI	(296)	-	-	(296)
- Loans, advances and financing	-	(14,352)	(1,176)	(15,528)
- Commitment and contingencies	(3,896)	(2,726)	-	(6,622)
	<u>(4,509)</u>	<u>(17,078)</u>	<u>(1,176)</u>	<u>(22,763)</u>
Impaired loans, advances and financing recovered	-	-	(3)	(3)
Total	<u>19,245</u>	<u>(15,019)</u>	<u>4,440</u>	<u>8,663</u>

	Group and Bank			
	Third Quarter Ended			
	1.7.2018 to 30.9.2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Cash and short term funds	3	-	-	3
- Financial assets at FVOCI	3	-	-	3
- Loans, advances and financing	6,998	-	665	7,663
- Commitment and contingencies	531	-	-	531
	<u>7,535</u>	<u>-</u>	<u>665</u>	<u>8,200</u>
Allowance for ECL written back				
- Loans, advances and financing	-	(2,048)	(894)	(2,942)
- Commitment and contingencies	(2,656)	(376)	-	(3,032)
	<u>(2,656)</u>	<u>(2,424)</u>	<u>(894)</u>	<u>(5,974)</u>
Impaired loans, advances and financing recovered	-	-	(1)	(1)
Total	<u>4,879</u>	<u>(2,424)</u>	<u>(229)</u>	<u>2,225</u>

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23. Non-interest income

	Group			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019 to 30.9.2019	1.7.2018 to 30.9.2018	1.1.2019 to 30.9.2019	1.1.2018 to 30.9.2018
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	866	1,019	2,449	3,298
Service charges and fees	454	1,100	1,919	2,791
Guarantee fees	647	924	1,989	2,342
	<u>1,967</u>	<u>3,043</u>	<u>6,357</u>	<u>8,431</u>
Investment income:				
Net gain on revaluation of FVTPL	-	-	-	16
Writeback of impairment losses on financial assets at amortised cost	-	3	-	7
Gross dividend from securities financial assets at FVOCI	47	28	102	83
	<u>47</u>	<u>31</u>	<u>102</u>	<u>106</u>
Other income:				
Foreign exchange gain	963	1,041	3,277	5,226
Unrealised (loss)/gain on foreign exchange forwards	(101)	730	(47)	(844)
Rental income	190	88	323	274
Gain on disposal of property and equipment	-	81	-	81
Others	-	1	9	8
	<u>1,052</u>	<u>1,941</u>	<u>3,562</u>	<u>4,745</u>
Total	<u>3,066</u>	<u>5,015</u>	<u>10,021</u>	<u>13,282</u>

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

	Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019	1.7.2018	1.1.2019	1.1.2018
	to	to	to	to
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	864	1,016	2,438	3,288
Service charges and fees	454	1,100	1,919	2,791
Guarantee fees	647	924	1,989	2,342
	<u>1,965</u>	<u>3,040</u>	<u>6,346</u>	<u>8,421</u>
Investment income:				
Net gain on revaluation of financial assets at FVTPL	-	-	-	16
Writeback of impairment losses on financial assets at amortised cost	-	3	-	7
Gross dividend from financial assets at FVOCI	47	28	102	83
	<u>47</u>	<u>31</u>	<u>102</u>	<u>106</u>
Other income:				
Foreign exchange gain	963	1,041	3,277	5,226
Unrealised (loss)/gain on foreign exchange forwards	(101)	730	(47)	(844)
Rental income	190	88	323	274
Gain on disposal of property and equipment	-	81	-	81
Others	-	1	9	8
	<u>1,052</u>	<u>1,941</u>	<u>3,562</u>	<u>4,745</u>
Total	<u>3,064</u>	<u>5,012</u>	<u>10,010</u>	<u>13,272</u>

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24. Overhead expenses

	Group			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019	1.7.2018	1.1.2019	1.1.2018
	to	to	to	to
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	7,583	7,670	21,789	23,256
Defined Contribution Plan - Employees Provident Fund	1,187	1,197	3,302	3,538
Others	523	524	1,448	2,472
	<u>9,293</u>	<u>9,391</u>	<u>26,539</u>	<u>29,266</u>
Establishment costs				
Depreciation	817	1,174	3,188	3,548
Amortisation of intangible assets	169	52	316	167
Amortisation of right-of-use assets	526	-	977	-
Repair and maintenance	719	802	1,917	2,172
Information technology	197	239	892	884
Rental expenses	-	208	-	661
Others	633	638	1,750	1,812
	<u>3,061</u>	<u>3,113</u>	<u>9,040</u>	<u>9,244</u>
Marketing costs				
Advertising and publicity	32	206	210	373
Others	14	16	69	78
	<u>46</u>	<u>222</u>	<u>279</u>	<u>451</u>
Administration and general costs				
Communication expenses	356	313	878	899
Subscriptions	459	395	2,597	2,318
Professional fees	164	527	937	557
Auditors remunerations	62	78	459	742
Non-executive directors' remuneration	289	286	840	856
Insurance	19	30	435	404
Travelling	118	94	301	245
Others	350	303	1,050	1,172
	<u>1,817</u>	<u>2,026</u>	<u>7,497</u>	<u>7,193</u>
Total	<u>14,217</u>	<u>14,752</u>	<u>43,355</u>	<u>46,154</u>

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24. Overhead expenses (cont'd.)

	Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019 to 30.9.2019 RM'000	1.7.2018 to 30.9.2018 RM'000	1.1.2019 to 30.9.2019 RM'000	1.1.2018 to 30.9.2018 RM'000
Personnel costs				
Salaries, allowances and bonuses	7,583	7,670	21,789	23,256
Defined Contribution Plan - Employees Provident Fund	1,187	1,197	3,302	3,538
Others	523	524	1,448	2,472
	<u>9,293</u>	<u>9,391</u>	<u>26,539</u>	<u>29,266</u>
Establishment costs				
Depreciation	817	1,174	3,188	3,548
Amortisation of intangible assets	169	52	316	167
Amortisation of right-of-use assets	526	-	977	-
Repair and maintenance	719	802	1,917	2,172
Information technology	197	239	892	884
Rental expenses	-	208	-	661
Others	633	638	1,750	1,812
	<u>3,061</u>	<u>3,113</u>	<u>9,040</u>	<u>9,244</u>
Marketing costs				
Advertising and publicity	32	206	210	373
Others	14	16	69	78
	<u>46</u>	<u>222</u>	<u>279</u>	<u>451</u>
Administration and general costs				
Communication expenses	356	313	878	899
Subscriptions	459	395	2,597	2,318
Professional fees	164	527	937	557
Auditors remunerations	62	77	459	740
Non-executive directors' remuneration	289	286	840	856
Insurance	19	30	435	404
Travelling	118	94	301	245
Others	350	303	1,048	1,172
	<u>1,817</u>	<u>2,025</u>	<u>7,495</u>	<u>7,191</u>
Total	<u>14,217</u>	<u>14,751</u>	<u>43,353</u>	<u>46,152</u>

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25. Commitments and contingencies

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

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

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

Group and Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
30 September 2019				
Direct credit substitutes	37,023	-	37,023	36,473
Transaction-related contingent items	331,763	-	165,882	156,387
Short-term self-liquidating trade-related contingencies	43,001	-	8,600	8,600
Forward foreign exchange contracts				
- less than one year	222,275	593	2,400	1,395
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	141,733	-	70,867	70,863
- maturity less than one year	2,064,605	-	412,921	412,513
Any commitment that are unconditionally cancelled at any time without prior notice	26,230	-	-	-
Total	2,866,630	593	697,693	686,231

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25. Commitments and contingencies (cont'd.)

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

Group and Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
31 December 2018				
Direct credit substitutes	36,842	-	36,470	35,931
Transaction-related contingent items	342,790	-	163,934	158,908
Short-term self-liquidating trade-related contingencies	71,244	-	13,939	13,870
Forward foreign exchange contracts				
- less than one year	276,984	1,225	4,136	3,209
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	167,820	-	83,048	83,048
- maturity less than one year	1,825,555	-	359,591	359,591
Any commitment that are unconditionally cancelled at any time without prior notice	20,823	-	-	-
Total	2,742,058	1,225	661,118	654,557

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

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26. Fair value hierarchy

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

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

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

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

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

Group and Bank 30 September 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets at FVOCI (Note 12)</u>				
Debt instruments				
Malaysian Government				
Securities	-	121,765	-	121,765
Government Investment Issue	-	471,155	-	471,155
Negotiable Instruments of				
Deposit	-	310,797	-	310,797
Corporate bonds	-	102,925	-	102,925
Equity instruments				
Unquoted shares	-	11,613	-	11,613
	-	1,018,255	-	1,018,255
<u>Financial assets at amortised costs</u>				
Debt instruments				
Corporate bonds	-	104,824	-	104,824
	-	104,824	-	104,824
<u>Derivatives financial instruments</u>				
Derivative assets	-	593	-	593
Derivative liabilities	-	(427)	-	(427)

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26. Fair value hierarchy (cont'd.)

Group and Bank 31 December 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets at FVOCI (Note 12)</u>				
Debt instruments				
Malaysian Government Securities	-	120,692	-	120,692
Government Investment Issue	-	273,394	-	273,394
Malaysia Treasury Bills	-	49,833	-	49,833
Negotiable Instruments of Deposit	-	110,631	-	110,631
Corporate bonds	-	101,549	-	101,549
Equity instruments:				
Unquoted shares	-	11,231	-	11,231
	-	667,330	-	667,330
<u>Financial assets at amortised costs (Note 13)</u>				
Debt instruments:				
Corporate bonds	-	102,374	-	102,374
	-	102,374	-	102,374
<u>Derivatives</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	1,225	-	1,225
Derivative financial liabilities				
Unrealised loss on derivatives	-	(1,011)	-	(1,011)

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

Valuation methods and assumptions

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

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

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.

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27. Capital adequacy

- (a) The capital adequacy ratios of the Bank are computed in accordance with BNM's revised Capital Adequacy Frameworks on Capital Components and Basel II - Risk-weighted Assets issued on 2 February 2018. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for Common Equity Tier 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio are 4.5%, 6.0% and 8.0% respectively.

The total risk-weighted assets of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk;
- (iii) Basic Indicator Approach for Operational Risk.

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

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

- (b) Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions.

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

	Bank	
	30.9.2019	31.12.2018
CET 1 Capital Ratio	27.54%	26.75%
Tier 1 Capital Ratio	27.54%	26.75%
Total Capital Ratio	<u>28.74%</u>	<u>27.95%</u>

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27. Capital adequacy (cont'd.)

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

	Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
CET 1 Capital		
Paid-up share capital	1,000,000	1,000,000
Unrealised gain on financial assets at FVOCI	17,315	11,074
Retained profits	246,081	245,154
Less: Regulatory adjustments, applied on CET1 Capital:		
Other intangibles	(670)	(694)
Deferred tax assets	(3,293)	(7,492)
55% of unrealised gain on financial assets at at FVOCI	(9,523)	(6,091)
Total CET 1 Capital	<u>1,249,910</u>	<u>1,241,951</u>
Tier 2 Capital		
Stage 1 and 2 ECL *	54,319	55,769
Total Tier 2 Capital	<u>54,319</u>	<u>55,769</u>
Total capital		
CET 1 Capital	1,249,910	1,241,951
Tier 2 Capital	54,319	55,769
Less: Investment in subsidiary	(10)	(10)
Total Capital	<u>1,304,219</u>	<u>1,297,710</u>

* General provisions are subject to a maximum of 1.25% of the total credit RWA determined under the Standardised Approach for credit risk.

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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27. Capital adequacy (cont'd.)

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

	Principal	Risk-weighted	Principal	Risk-weighted
	30.9.2019	assets	31.12.2018	assets
	RM'000	30.9.2019	RM'000	31.12.2018
		RM'000		RM'000
0%	858,052	-	751,201	-
20%	472,619	94,524	1,133,507	226,701
35%	989	346	1,160	406
50%	423,354	211,677	99,055	49,528
75%	4,356	3,267	-	-
100%	4,032,610	4,032,610	4,184,872	4,184,872
150%	2,049	3,074	-	-
Total risk-weighted assets for credit risk		4,345,498		4,461,507
Total risk-weighted assets for market risk		7,659		7,378
Total risk-weighted assets for operational risk		184,888		173,914
Total risk-weighted assets		<u>4,538,045</u>		<u>4,642,799</u>

28. Significant related party transactions and balances

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

(i) Related party transactions

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2019	1.7.2018	1.1.2019	1.1.2018
	to	to	to	to
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	RM'000	RM'000	RM'000	RM'000
Income				
Interest on advances to the holding company and its branches	11	8	66	28
Expenditure				
Interest on advances from the holding company and its branches	1,969	1,621	10,301	4,414
Administrative expenses to holding company	67	86	314	300

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

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

(ii) Related party balances

	Group and Bank	
	30.9.2019	31.12.2018
	RM'000	RM'000
Amount due to		
Deposits and placements from the holding company and its branches	210,830	352,695
Amount due from		
Cash and short-term funds placed with the holding company and its branches	9,800	6,809