

**RHB BANK BERHAD - BANGKOK BRANCH**

**STATUTORY FINANCIAL STATEMENTS**

**31 DECEMBER 2015**



## AUDITOR'S REPORT

To the Board of Directors of RHB Bank Berhad

I have audited the accompanying financial statements of RHB Bank Berhad - Bangkok Branch, which comprise the statement of financial position as at 31 December 2015, and the related statements of profit or loss and other comprehensive income, changes in Head Office's equity and balances with other branches under the same entity and cash flows for the year then ended, and a summary of significant accounting policies and other notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RHB Bank Berhad - Bangkok Branch as at 31 December 2015, and its results of operations and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'Sakuna Yamsakul', written in a cursive style.

Sakuna Yamsakul  
Certified Public Accountant (Thailand) No. 4906  
PricewaterhouseCoopers ABAS Ltd.

Bangkok  
22 April 2016

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Financial Position**  
**As at 31 December 2015**

	Notes	As at 31 December	
		2015 Baht	2014 Baht
<b>Assets</b>			
Cash		5,180,667	7,377,868
Interbank and money market items, net	6	1,986,452,225	567,661,994
Investments, net	7	4,781,129,876	4,324,206,927
Net loans and accrued interest receivables			
Loans to customers		7,380,969,457	8,414,534,421
Accrued interest receivables		25,388,338	31,011,797
		<u>7,406,357,795</u>	<u>8,445,546,218</u>
Total loans and accrued interest receivables	8	7,406,357,795	8,445,546,218
Less Allowance for doubtful accounts	9	(168,875,307)	(188,360,271)
		<u>7,237,482,488</u>	<u>8,257,185,947</u>
Total loans and accrued interest receivables, net			
Leasehold improvements and equipment, net	10	44,290,025	48,281,498
Intangible assets, net	11	28,007,828	30,739,776
Deferred tax assets	12	14,164,177	26,733,613
Other assets	13	91,725,110	106,672,361
		<u>14,188,432,396</u>	<u>13,368,859,984</u>
<b>Total assets</b>			

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Manager

The notes on pages 9 to 45 form an integral part of these financial statements.

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Financial Position (Cont'd)**  
**As at 31 December 2015**

	Notes	As at 31 December	
		2015 Baht	2014 Baht
<b>Liabilities and Head Office's equity and balances with other branches under the same entity</b>			
<b>Liabilities</b>			
Deposits	14	2,217,069,395	2,451,113,876
Interbank and money market items, net	15	5,947,972,179	6,659,219,196
Demand liabilities		1,012,140	366,125
Provision for employee benefits obligation	16	4,834,635	4,262,369
Other liabilities	17	137,269,833	137,269,196
<b>Total liabilities</b>		<b>8,308,158,182</b>	<b>9,252,230,762</b>
<b>Head Office's equity and balances with other branches under the same entity</b>			
Fund remitted into Thailand for remaining assets under law	18	2,000,000,000	2,000,000,000
Net balance of inter-office accounts with the same entity		3,296,245,858	1,591,545,787
Other component of balance of inter-office accounts with the same entity		55,361,150	22,874,341
Retained earnings		528,667,206	502,209,094
<b>Total Head Office's equity and balances with other branches under the same entity</b>		<b>5,880,274,214</b>	<b>4,116,629,222</b>
<b>Total liabilities and Head Office's equity and balances with other branches under the same entity</b>		<b>14,188,432,396</b>	<b>13,368,859,984</b>

The notes on pages 9 to 45 form an integral part of these financial statements.

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2015**

	Notes	2015 Baht	2014 Baht
Interest incomes	24	388,076,773	376,116,769
Interest expenses	25	(218,859,154)	(209,654,473)
<b>Net interest income</b>		<b>169,217,619</b>	<b>166,462,296</b>
Fees and service incomes		9,050,355	11,402,677
Fees and services expenses		(5,022,618)	(4,674,027)
<b>Net fee and service incomes</b>	26	<b>4,027,737</b>	<b>6,728,650</b>
Net gain on trading activities and foreign exchange	27	10,573,795	11,248,507
Other operating income		10,988,962	3,281,364
<b>Total operating incomes</b>		<b>194,808,113</b>	<b>187,720,817</b>
<b>Other operating expenses</b>			
Employee expenses		100,137,895	111,953,673
Premises and equipment expenses		49,654,151	45,915,809
Taxes and duties		9,573,442	9,991,563
Other expenses		21,853,380	15,661,779
<b>Total other operating expenses</b>		<b>181,218,868</b>	<b>183,522,824</b>
Bad debts and doubtful debts	28	(19,484,964)	54,813,751
<b>Profit/(Loss) from operation before income tax</b>		<b>33,074,209</b>	<b>(50,615,758)</b>
Income tax expense (income)	29	6,741,067	(9,536,838)
<b>Net Profit/(Loss)</b>		<b>26,333,142</b>	<b>(41,078,920)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	16	156,212	1,326,613
Income tax on items that will not be reclassified	12	(31,242)	(265,322)
<b>Total items that will not be reclassified to profit or loss</b>		<b>124,970</b>	<b>1,061,291</b>
Items that will be reclassified to profit or loss			
Gains on remeasuring available-for-sale investments		40,608,511	19,908,037
Income tax relating to item that will be reclassified subsequently to profit or loss	12	(8,121,702)	(3,981,608)
<b>Total items that will be reclassified subsequently to profit or loss</b>		<b>32,486,809</b>	<b>15,926,429</b>
Total other comprehensive income		32,611,779	16,987,720
<b>Total comprehensive income (loss)</b>		<b>58,944,921</b>	<b>(24,091,200)</b>

The notes on pages 9 to 45 form an integral part of these financial statements.

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Changes in Head Office's Equity and Balance with Other Branches Under the Same Entity**  
**For the year ended 31 December 2015**

	Fund brought into maintain assets under law	Net balance of inter-office accounts with Head Office and other branches under the same entity	Other component of balance of inter-office accounts with the same entity	Retained earnings	Total
	Baht	Baht	Baht	Baht	Baht
<b>Opening balances as at 1 January 2014</b>	2,000,000,000	1,187,176,786	6,947,912	551,016,281	3,745,140,979
Increase during the year	-	404,369,001	-	(8,789,558)	395,579,443
Net profit for the year	-	-	15,926,429	(40,017,629)	(24,091,200)
<b>Closing balances as at 31 December 2014</b>	<b>2,000,000,000</b>	<b>1,591,545,787</b>	<b>22,874,341</b>	<b>502,209,094</b>	<b>4,116,629,222</b>
<b>Opening balances as at 1 January 2015</b>	2,000,000,000	1,591,545,787	22,874,341	502,209,094	4,116,629,222
Increase during the year	-	1,704,700,071	-	-	1,704,700,071
Net profit for the year	-	-	32,486,809	26,458,112	58,944,921
<b>Closing balances as at 31 December 2015</b>	<b>2,000,000,000</b>	<b>3,296,245,858</b>	<b>55,361,150</b>	<b>528,667,206</b>	<b>5,880,274,214</b>

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**RHB Bank Berhad - Bangkok Branch**  
**Statement of Cash Flows**  
**For the year ended 31 December 2015**

	<b>Notes</b>	<b>2015 Baht</b>	<b>2014 Baht</b>
<b>Cash flows from operating activities</b>			
Net operating loss before income tax		33,074,209	(50,615,758)
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:			
Depreciation and amortisation	10, 11	17,704,696	15,231,032
Amortisation of discount and premium in investment in securities		(69,652,133)	(29,028,071)
Bad debt and doubtful accounts (reversals)	9, 28	(19,484,964)	54,813,751
Provisions for employee benefits		1,188,478	5,504,995
Unrealised loss on exchange rate		3,955,331	6,530,353
Written-off equipment		4,399,811	-
Interest income	24	(388,076,773)	(376,116,769)
Interest expense	25	218,859,154	209,654,473
Interest paid		(212,568,192)	(194,146,051)
Interest received		398,038,760	372,179,148
Tax paid		(1,768,174)	(4,613,130)
Net profit (loss) from operating activities before changes in operating assets and liabilities		(14,329,797)	9,393,973
(Increase) decrease in operating assets			
Loans		1,039,188,423	(2,377,407,738)
Investments in loans		3,337,696	177,328
Other assets		3,784,868	1,320,177
Increase (decrease) in operating liabilities			
Deposits		(234,044,481)	821,044,593
Interbank and money market items, liabilities		(711,247,017)	1,861,139,463
Demand liabilities		646,015	(1,264,715)
Other liabilities		(10,061,662)	10,632,873
Head Office's equity and balances with other branches under the same entity, liabilities		1,705,766,725	403,999,969
Net cash received from operating activities		<u>1,783,040,770</u>	<u>729,035,923</u>

The notes on pages 9 to 45 form an integral part of these financial statements.



**RHB Bank Berhad - Bangkok Branch**  
**Statement of Cash Flows (Cont'd)**  
**For the year ended 31 December 2015**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
<b>Cash flows from investing activities</b>		
Purchases of investments in securities	(3,920,000,000)	(4,379,000,000)
Proceeds on sale of investments in securities	2,220,000,000	2,965,000,000
Maturity of investments in securities	1,350,000,000	1,063,188,675
Purchases of leasehold improvements and equipment	(12,660,591)	(8,210,274)
Purchases of intangible assets	(2,720,495)	(15,817,498)
Net cash used in investing activities	<u>(365,381,086)</u>	<u>(374,839,097)</u>
<b>Net increase in cash and cash equivalent</b>	1,417,659,684	354,196,826
Cash and cash equivalents at the beginning of the year	<u>578,592,020</u>	<u>224,395,194</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>1,996,251,704</u></u>	<u><u>578,592,020</u></u>
<b>Cash and cash equivalents at the end of the year comprise:</b>		
Cash	5,180,667	7,377,868
Interbank and money market items, assets	1,986,452,225	567,661,994
Head Office's equity and balances with other branches under the same entity, assets	<u>4,618,812</u>	<u>3,552,158</u>
	<u><u>1,996,251,704</u></u>	<u><u>578,592,020</u></u>

The notes on pages 9 to 45 form an integral part of these financial statements.

## **1 General information**

RHB Bank Berhad - Bangkok Branch (“the Bank”) is a segment of RHB Bank Berhad incorporated in Malaysia and is not a separately incorporated legal entity. The address of the Bank’s registered office is as follows:

Level 15 and 18, All Season Place, 87 Wireless Road, Lumpini, Pathumwan, Bangkok 10330.

On 28 August 2013, the banks have been approved from Bank of Thailand to establish 2 branches generally are Sriracha branch, Chonburi and Phra Nakhon Si Ayutthaya branch, Phra Nakhon Si Ayutthaya.

These financial statements have been approved for issue by Country Manager on 22 April 2016.

## **2 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **2.1 Basis of preparation**

The financial statements of the Thailand operations of RHB Bank Berhad have been prepared from the records of the Thailand operations and only reflect transactions recorded locally.

The financial statements have been prepared in accordance with procedures, policies and notifications of the Bank of Thailand regarding the preparation of the financial statements of commercial banks and the Thai Financial Reporting Standards under the Accounting Act B.E. 2543, being those Thai Accounting Standards under the Accounting Profession Act B.E. 2547. The primary financial statements (i.e. statement of financial position, statement of comprehensive income, statement of changes in Head Office’s equity and other branches under the same entity and statement of cash flows) are prepared in the format as required by the Notification of the Bank of Thailand (“BOT”), No. SorNorSor. 21/2558 dated 4 December 2015, “The Preparation and Format of the Financial Statements of Commercial Bank and Holding Parent Company of Financial Group”.

The Bank’s financial statements have been prepared under the historical cost convention except for some transactions as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

An English version of the financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

**2 Accounting policies (Cont'd)**

**2.2 Revised accounting standards, revised financial reporting standards, and related interpretations**

2.2.1 New financial reporting standards and revised financial reporting standards which are effective on 1 January 2015 and relevant to the Bank.

a) Financial reporting standards, which have a significant impact to the Bank:

TAS 1 (revised 2014)	Presentation of financial statements
TAS 19 (revised 2014)	Employee benefits
TFRS 13	Fair value measurement

TAS 1 (revised 2014), the main change is that a requirement for the Bank to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Bank has already grouped and presented items in statement of profit or loss and other comprehensive income following the changes in this standard.

TAS 19 (revised 2014), the key changes are (a) actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income' (OCI). Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss; and (b) past-service costs will be recognised in the period of a plan amendment; unvested benefits will no longer be spread over a future-service period. This standard has no significant impact to the Bank since the Bank has already recognised actuarial gains and losses and past service costs in accordance with any amendment to this standard.

TFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs. This standard has no impact to the Bank, except for disclosures. This standard has no impact to the Bank, except for disclosures which the Bank has disclosed in Note 5.

b) There are 41 financial reporting standards with minor changes and do not have impact to the Bank. The Bank's has determined that such revised accounting standards, revised financial reporting standards and related interpretations does not have significantly impact the financial statements being presented.

**2. Summary of significant accounting policies (Cont'd)**

**2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)**

2.2.2 Revised accounting standards and revised financial reporting standards are effective on 1 January 2016. These standards are relevant to the Bank and are not early adopted:

a) Financial reporting standards, which have a significant impact to the Bank:

TAS 16 (revised 2015)	Property, plant and equipment
TAS 19 (revised 2015)	Employee benefits
TAS 24 (revised 2015)	Related party disclosures
TFRS 13 (revised 2015)	Fair value measurement

TAS 16 (revised 2015), 'Property, plant and equipment' clarifies how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

TAS 19 (revised 2015), 'Employee benefits' is amended to apply to contributions from employees or third parties to defined benefit plans and to clarify the accounting treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period.

TAS 24 (revised 2015), 'Related party disclosures' includes as a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

TFRS 13 (revised 2015), 'Fair value measurement' is amended to clarify that the portfolio exception in TFRS 13 applies to all contracts (including non-financial contracts) within the scope of TAS 39 (when announced) or IFRS 9 (when announced).

The management has already assessed that those accounting standards have no significant impact on the Bank financial statements.

- b) There are 40 financial reporting standards with minor changes and do not have impact to the Bank. The Bank's management has determined that such revised accounting standards, revised financial reporting standards, and related interpretations will not have significantly impact the financial statements being presented.

**2 Accounting policies (Cont'd)**

**2.3 Recognition of income**

Interest income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue except for interest on loans classified as overdue in excess of three months where regardless of whether the loans are covered by collateral, the cash basis is then adopted and interest accrued in arrears for three months is reversed against interest income to comply with the Bank of Thailand guideline.

Discount received on purchase of bill of exchange are recognised on a straight-line basis over the period to maturity.

Other income

Other income is recognised on an accrual basis.

**2.4 Recognition of expenses**

Interest expenses

Interest on borrowings and deposits are recognised as expense on an accrual basis.

Other expenses

Other expenses are recognised on an accrual basis.

**2.5 Foreign currency translations**

(a) Functional and presentation currency

Items included in the financial statements of the Bank is measured using the currency of the primary economic environment in which the Bank operates which is Baht.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

## **2 Accounting policies (Cont'd)**

### **2.6 Forward exchange contracts**

Derivative financial instruments are mainly comprised of forward contracts to protect the bank against foreign currency risks.

Derivative financial instruments are initially recorded at fair value and subsequently stated at fair value. Derivative assets and liabilities will recognise for positive and negative changes in the fair value, respectively, and is presented as part of "Other assets" or "Other liabilities" in the statement of financial positions.

Realised gains (losses) and Unrealised gains (losses) from revaluation of foreign exchange rate are classified as net gain on trading activities and foreign exchange.

### **2.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the statements of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash, net balance of interbank and money market items and net balance of inter-office accounts with Head Office and other branches under the same entity which have maturity of three months or less from the date acquired.

### **2.8 Investments**

#### **Investments in securities**

The bank recognises and eliminates investments on the trade date.

Investments in debt securities which are classified as held-to-maturity securities are carried at amortised cost using effective interest method less allowance for impairment in value (if any).

Debt securities which are classified as available-for-sale securities are carried at fair value. Fair value of debt securities which have been traded on the Thai Bond Market Association are calculated by reference to last quoted bid prices at the close of business on the date of statement of financial position. Fair value of other debt securities is calculated by reference to the risk-free yield curve adjusted by an appropriate risk premium. Unrealised gain and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in other comprehensive income.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statement of comprehensive income.

**2 Accounting policies (Cont'd)**

**2.8 Investments (Cont'd)**

**Investments in securities (Cont'd)**

Trading investment are traded in active markets and valued at the market value at the close of business on the date of statement of financial position by reference to the Stock Exchange of Thailand and the Thai Bond Market Association quoted bid price. In the statement of comprehensive income, the unrealised gains and losses of trading investments are recognised in net income from trading transactions. In the statement of cash flows, trading investments are presented within the section on operating activities as part of changes in working capital.

The Bank uses the weighted average carrying amount of the total holding of the investment method in determining the cost of the disposed securities. Gains and losses realised on disposals of investments are taken to the statement of comprehensive income in the period in which the transactions take place.

**Investments in loans to customers**

Investments in loans to customers comprises investments incurred from purchasing or transferring loans which are classified as held-to-maturity investment because the management has intention and ability to hold to maturity. Investments in loans to customers are carried at amortised cost using effective interest method less allowance for impairment in value (if any).

A test for impairment is carried out when there is a factor indication that such investments in loans to customers might be impaired. If the carrying value of the investment in loans is greater than its recoverable amount, impairment loss is charged to the statement of comprehensive income.

**2.9 Loans, accrued interest income and allowance for doubtful accounts**

Loans are generally stated at the principal amount outstanding and accrued interest receivables. The allowance for doubtful accounts provides for risks of losses incurred on loans. The allowance is increased by provisions charged to expenses and decreased by write-offs, net of recoveries. The allowance for doubtful accounts is based on the management's review and assessment of the status of individual debtors as well as the Bank of Thailand's guidelines. Such assessment takes into consideration various factors including the risk involved, value of collateral and the status of individual debtors including the relationship of allowance for doubtful debts against the loan balances and accrued interest receivables through the economic situation which may have impact on the customers' ability to pay.

**2.10 Provision for items off the statement of financial position**

The Bank provides provision for items off the statement of financial position for debtors which are classified as substandard, doubtful, doubtful loss and loss in accordance with the Bank of Thailand's guidelines. In addition, the management considers to provide additional provision for debtors which are classified as pass or special mention. When the off the statement of financial position obligations are high level of credit risk, the provision is presented in the statements of financial position as other liabilities.

**2 Accounting policies (Cont'd)**

**2.11 Leasehold improvements and equipment**

Leasehold improvements and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis to write-off the cost of each asset to its residual value over the estimated useful life of the related assets, as follows:

Leasehold improvements	Period of the lease
Equipment	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset or the amount obtainable from the sale of the asset less any costs of disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income.

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

The Bank includes costs of dismantling and restoring the item and restoring the site on which it is located, when the Bank has obligation to do, with Building improvement. The Bank calculates the depreciation using straight line method, estimated useful life is equivalent to the residual life of rental contract. The Bank reviews useful life, residual value and depreciation method at least at each financial year-end.

**2.12 Intangible assets**

**Computer software**

Intangible assets represent computer software licences. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs which are recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of 10 years.



**2 Accounting policies (Cont'd)**

**2.13 Liabilities - bearing interest**

Liabilities which bear interest are recognised initially at the fair value of proceeds received, net of transaction costs incurred and are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

**2.14 Demand liabilities**

The Bank records the demand liabilities as of the date of transaction equivalents to amount of cash received. When demand liabilities are recalled and repaid, the Bank reverses the outstanding.

**2.15 Provisions**

Provisions (except provision for post-employment benefit) are recognised in the statements of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Bank expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when it is virtually certain after provision has been settled.

**2.16 Employee benefits**

**a) Provident Fund**

The Bank established a contributory registered provident fund, being a defined contribution plan, in accordance with the Provident Fund Act B.E. 2530. Under the plan, the employees must pay 5 or 10 percent of their basic salary to the fund depending on their decisions and the Bank contributes 10 percent of employees' salary. The Bank appointed a fund manager to manage the fund in accordance with the terms and conditions prescribed in the Ministerial Regulation No. 2 (B.E. 2532) issued under the Provident Fund Act B.E. 2530. The Bank's contributions to the provident fund are charged to the statement of comprehensive income.

**b) Post retirement benefits**

The Bank provides for post employment benefits, payable to employees under the Thai Labour Law. The liability in respect of employee's benefits is measured, using the Projected Unit Credit method which is calculated by an independent actuary in accordance with the Actuarial Technique. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yield on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and others. Remeasurement of post retirement benefit which occurred from changes in assumptions will be recognised as equity in the statement of other comprehensive incomes in the period to which they are related.

Past service costs are recognised immediately in profit or loss.

In determining the appropriate discount rate, the Bank considers the interest rates in which the benefits will be paid to the staff.

**2 Accounting policies (Cont'd)**

**2.17 Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or an equity instrument of another enterprise. The Bank's financial assets and liabilities comprises cash, interbank and money market items (assets and liabilities), investments, loans and interest receivable, deposits, demand liabilities and certain balance of other assets and other liabilities.

**2.18 Leases - where the Bank is the lessee**

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in which termination takes place.

**2.19 Current and deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Bank operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

**2 Accounting policies (Cont'd)**

**2.19 Current and deferred income taxes (Cont'd)**

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**3 Critical accounting estimates and assumptions**

Preparation of the financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions in certain circumstances, affecting reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting years. Actual results could differ from these estimates. The significant areas requiring managements to make judgments and estimates that affect reported amounts and disclosures are as follows:

**3.1 Impairment of investments in securities**

The Bank assesses the impairment of investments where objective evidence of impairment exists and determines that the investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires the Bank's judgment. In making this judgment, the Bank evaluates the volatility in the investment fair value and other factors which include the estimated future cash flows, the deterioration in the financial position of the issuer of the securities and the operating environment in the industry sector of the issuer.

**3.2 Allowance for doubtful accounts**

The Bank maintains an allowance for doubtful accounts to reflect impairment of loans and accrued interest receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Bank's assessment of future cash flows, such assessment being based on consideration of collection experience identified, instances of default and consideration of market trends. In addition, the Bank has additional allowance set up according to the Branch's internal policy which refers to the Head Office.

**3 Critical accounting estimates and assumptions (Cont'd)**

**3.3 Provisions**

Provisions (except provision for post-employment benefit) are recognised in the statements of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Bank expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when it is virtually certain after provision has been settled.

**3.4 Fair value of financial derivative instruments**

In determining the fair value of financial derivative instruments, the management has made judgment in valuing derivative instruments by using widely accepted valuation techniques and guidelines. The input parameter to the models used is taken from observable markets.

**3.5 Deferred tax assets**

Deferred tax liabilities are provided in full on all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. The Bank considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing whether to recognise deferred tax assets. The Bank assumptions regarding the future profitability and the anticipated timing of utilisation of deductible temporary differences and significant changes in these assumptions from period to period may have a material impact on the Bank's reported financial position and results of operations.

**4 Capital risk management**

The Bank's objectives when managing capital are to safeguard the Bank's ability to continue as a going concern in order to provide returns for Head Office and to maintain an optimal capital structure to reduce the cost of capital. Moreover, the Bank is required to manage its capital funds in accordance with the Act on Undertaking of Banking business B.E. 2551. The Bank's capital fund is presented in Note 18.

**5 Fair value**

**5.1 Fair value estimate**

The Bank uses the market approach to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards.

In applying the above-mentioned valuation techniques, the Bank endeavors to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorising such inputs into three levels as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.  
 Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).  
 Level 3: Inputs for the asset or liability that are not based on observable market data.

As at 31 December 2015, the Bank's financial assets measured at fair value are as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
<b>Assets</b>				
Available-for-sale investments				
Government and state enterprises securities	-	3,043,500	-	3,043,500
Private enterprises debt securities	-	377,024	-	377,024
Derivative assets	-	2,133	-	2,133
<b>Total assets</b>	<b>-</b>	<b>3,422,657</b>	<b>-</b>	<b>3,422,657</b>
<b>Liabilities</b>				
Derivative liabilities	-	3,238	-	3,238
<b>Total Liabilities</b>	<b>-</b>	<b>3,238</b>	<b>-</b>	<b>3,238</b>

There were no transfers between Levels during the period.

Fair values of available-for-sale investments are level 2. Their fair values are based on the yield curve of ThaiBMA or other financial institutions at the last business day of the period.

Fair value of derivative assets/liabilities are shown as level 2. The fair value are based on widely accepted valuation techniques. The input parameter to the model used is taken from observable market.

**5 Fair value (Cont'd)**

**5.1 Fair value estimate (Cont'd)**

As at 31 December 2015, the Bank's financial assets and liabilities that are not specified to measure at fair value are as follows:

	2015			Total Baht'000
	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
<b>Assets</b>				
Interbank and money market items, net	-	1,986,452	-	1,986,452
Held-to-maturity debt securities	-	1,367,814	-	1,367,814
Loans to customers and accrued interest receivables, net	-	7,191,000	-	7,191,000
<b>Total assets</b>	<b>-</b>	<b>10,545,266</b>	<b>-</b>	<b>10,545,266</b>
<b>Liabilities</b>				
Deposits	-	2,217,069	-	2,217,069
Interbank and money market items, net	-	5,947,972	-	5,947,972
Liabilities payable on demand	-	1,012	-	1,012
<b>Total liabilities</b>	<b>-</b>	<b>8,166,053</b>	<b>-</b>	<b>8,166,053</b>

Fair value of the following assets and liabilities estimated for the purpose of disclosure are as follows:

**Interbank and money market items, net**

The interbank and money market items (assets) are deposits at the BOT, deposits at other financial institutions. Accordingly, their carrying amount is a reasonable approximation of fair value.

The interbank and money market items (liabilities) are deposits and borrowing from other financial institutions, which are short-term or at call and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

**Held-to-maturity debt securities**

Fair values are calculated by using the bidding prices at ThaiBMA or other financial institutions, as the case may be.

**5 Fair value (Cont'd)**

**5.1 Fair value estimate (Cont'd)**

**Loans to customers and accrued interest receivable, net**

The fair value is the outstanding balance of loans and accrued interest less allowance for doubtful accounts for floated rate loans. The fair value of fixed rate loans was calculated based on the market effective rate.

**Deposits**

Deposits are saving deposits, current accounts, fixed or certificate of deposits. These deposits are typically short-term in nature. The management has assessed the existing effective rate of the deposit is a reasonable approximation of market effective rate. Accordingly, carrying amounts of saving deposits, current accounts and fixed or certificate of deposits with the 1-year maturity or less are reasonable approximation of their fair values.

**Liabilities payable on demand**

Liabilities payable on demand are call liabilities. Accordingly, their carrying amount is a reasonable approximation of fair value.

**6 Interbank and money market items, net - assets**

Interbank and money market items as at 31 December 2015 and 2014 consist of the followings:

	As at 31 December 2015			As at 31 December 2014		
	Demand Baht	Term Baht	Total Baht	Demand Baht	Term Baht	Total Baht
<b>Domestic items</b>						
The Bank of Thailand	1,616,230,552	-	1,616,230,552	346,708,554	-	346,708,554
Commercial banks	4,397,015	-	4,397,015	174,935	-	174,935
<b>Total domestic items</b>	<b>1,620,627,567</b>	<b>-</b>	<b>1,620,627,567</b>	<b>346,883,489</b>	<b>-</b>	<b>346,883,489</b>
<b>Foreign items</b>						
US Dollars	348,259,560	-	348,259,560	215,827,906	-	215,827,906
Euro	4,717,301	-	4,717,301	2,331,038	-	2,331,038
Pounds sterling	866,906	-	866,906	829,229	-	829,229
Japanese Yen	8,617,445	-	8,617,445	607,930	-	607,930
Australia Dollars	603,195	-	603,195	652,412	-	652,412
Hong Kong Dollars	2,590,710	-	2,590,710	507,469	-	507,469
New Zealand Dollars	169,541	-	169,541	22,521	-	22,521
<b>Total foreign items</b>	<b>365,824,658</b>	<b>-</b>	<b>365,824,658</b>	<b>220,778,505</b>	<b>-</b>	<b>220,778,505</b>
<b>Total interbank and money market items</b>	<b>1,986,452,225</b>	<b>-</b>	<b>1,986,452,225</b>	<b>567,661,994</b>	<b>-</b>	<b>567,661,994</b>

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**7 Investments, net**

Investments in securities and investments in loans to customers as at 31 December 2015 and 2014 comprised of the following:

	As at 31 December	
	2015	2014
	Fair value	Fair value
	Baht	Baht
<b>Available-for-sale securities</b>		
Government and state enterprise securities	3,043,500,174	1,128,852,875
Private enterprises debt securities	377,023,952	626,664,732
<b>Total</b>	<b>3,420,524,126</b>	<b>1,755,517,607</b>
	As at 31 December	
	2015	2014
	Amortised	Amortised
	Cost	Cost
	Baht	Baht
<b>Held to maturity debt securities</b>		
Government and state enterprise securities	1,360,605,750	2,565,351,624
Investment in loans to customers	1,268,886	6,127,518
<u>Less</u> Allowance for impairment	(1,268,886)	(2,789,822)
<b>Total</b>	<b>1,360,605,750</b>	<b>2,568,689,320</b>
<b>Total investments, net</b>	<b>4,781,129,876</b>	<b>4,324,206,927</b>

**8 Loans to customers and accrued interest receivables, net**

**8.1 Classified by loan type**

	As at 31 December	
	2015	2014
	Baht'000	Baht'000
Overdrafts	115,607	121,521
Loans	2,124,393	1,401,081
Trade finance loans	485,793	728,737
Promissory notes	4,652,812	6,160,612
Others	2,365	2,583
<b>Total loans to customers</b>	<b>7,380,970</b>	<b>8,414,534</b>
<u>Add</u> Accrued interest receivables	25,388	31,012
<u>Less</u> Allowance for doubtful accounts (Note 9)	(168,875)	(188,360)
<b>Total</b>	<b>7,237,483</b>	<b>8,257,186</b>



8 Loans to customers and accrued interest receivables, net (Cont'd)

8.2 Classified by currencies and customer's residence:

	As at 31 December 2015	
	Domestic Baht'000	Total Baht'000
Thai Baht	7,275,485	7,275,485
US Dollar	85,524	85,524
Yen	15,239	15,239
Euro	4,722	4,722
Total loans	7,380,970	7,380,970
<u>Add</u> Accrued interest receivables	25,388	25,388
Total loans and accrued interest Receivables	7,406,358	7,406,358
	As at 31 December 2014	
	Domestic Baht'000	Total Baht'000
Thai Baht	8,294,454	8,294,454
US Dollar	115,958	115,958
Yen	4,122	4,122
Total loans	8,414,534	8,414,534
<u>Add</u> Accrued interest receivables	31,012	31,012
Total loans and accrued interest receivables	8,445,546	8,445,546

8.3 Classified by type of business and loan classifications

Business type	As at 31 December 2015					Total Baht'000
	Normal Baht'000	Special mentioned Baht'000	Substandard Baht'000	Doubtful Baht'000	Doubtful loss Baht'000	
Manufacturing and commercial	4,285,222	17,629	-	47,242	6,043	4,356,136
Real estate and construction	27,646	3,247	-	-	149,608	180,501
Infrastructure and service	68,080	-	-	-	-	68,080
Others	2,762,461	-	3,039	8,141	2,612	2,776,253
Total loans	7,143,409	20,876	3,039	55,383	158,263	7,380,970
<u>Add</u> Accrued interest receivables	25,305	83	-	-	-	25,388
Total loans and accrued interest receivables	7,168,714	20,959	3,039	55,383	158,263	7,406,358

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**8 Loans to customers and accrued interest receivables, net (Cont'd)**

**8.3 Classified by type of business and loan classifications (Cont'd)**

Business type	As at 31 December 2014					
	Normal Baht'000	Special mentioned Baht'000	Substandard Baht'000	Doubtful Baht'000	Doubtful loss Baht'000	Total Baht'000
Manufacturing and commercial	4,052,752	-	46,732	-	6,011	4,105,495
Real estate and construction	21,906	-	-	-	150,510	172,416
Infrastructure and service	180,653	-	-	-	-	180,653
Housing loan	-	-	-	-	-	-
Others	3,953,361	-	-	-	2,609	3,955,970
<b>Total loans</b>	<b>8,208,672</b>	<b>-</b>	<b>46,732</b>	<b>-</b>	<b>159,130</b>	<b>8,414,534</b>
<b>Add</b> Accrued interest receivables	<b>31,012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,012</b>
<b>Total loans and accrued interest receivables</b>	<b>8,239,684</b>	<b>-</b>	<b>46,732</b>	<b>-</b>	<b>159,130</b>	<b>8,445,546</b>

**8.4 Classified by type of classification**

Classified loans and accrued interest receivables and the allowance for doubtful accounts in accordance with guidelines of the Bank of Thailand (BOT) are as follows:

Classification	As at 31 December 2015			
	Loans and accrued interest receivables Baht'000	Net amount used as a basis for setting allowance for doubtful account Baht'000	minimum % required BOT guidelines	Total allowance Baht'000
<b>1. Minimum amount to required by BOT</b>				
Normal	7,143,408	7,143,408	1	71,434
Special mentioned	20,877	20,877	2	418
Substandard	3,039	-	100	-
Doubtful	55,383	47,242	100	47,242
Doubtful loss	158,263	33,650	100	33,650
<b>Total</b>	<b>7,380,970</b>	<b>7,245,177</b>		<b>152,744</b>
<b>Add</b> Accrued interest receivables	<b>25,388</b>	<b>25,388</b>		<b>254</b>
<b>Total loans and accrued interest receivables</b>	<b>7,406,358</b>			
<b>2. Additional allowance set up according to the Branch's internal policy</b>				<b>15,877</b>
<b>Total</b>				<b>168,875</b>

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**8 Loans to customers and accrued interest receivables, net (Cont'd)**

**8.4 Classified by type of classification (Cont'd)**

Classification	As at 31 December 2014			
	Loans and accrued interest receivables Baht'000	Net amount used as a basis for setting allowance for doubtful account Baht'000	Minimum % required BOT guidelines	Total allowance Baht'000
<b>1. Minimum amount to required by BOT</b>				
Normal	8,208,672	8,208,672	1	82,087
Special mentioned	-	-	2	-
Substandard	46,732	46,732	100	46,732
Doubtful	-	-	100	-
Doubtful loss	159,130	41,338	100	41,338
<b>Total</b>	<b>8,414,534</b>	<b>8,296,742</b>		<b>170,157</b>
<u>Add</u> Accrued interest receivables	<u>31,012</u>	<u>31,012</u>		<u>310</u>
Total loans and accrued interest receivables	<u>8,445,546</u>			
<b>2. Additional allowance set up according to the Branch's internal policy</b>				<u>17,893</u>
<b>Total</b>				<u><u>188,360</u></u>

**9 Allowance for doubtful accounts**

	As at 31 December 2015					
	Normal Baht'000	Special mentioned Baht'000	Substandard Baht'000	Doubtful Baht'000	Doubtful loss Baht'000	Total Baht'000
At beginning of year	100,290	-	46,732	-	41,338	188,360
<u>Add</u> Additional allowance for doubtful accounts	26,709	465	-	47,242	4,699	79,115
<u>Less</u> Reversal of allowance	(39,481)	-	(46,732)	-	(12,387)	(98,600)
Allowance for doubtful accounts at end of year	<u>87,518</u>	<u>465</u>	<u>-</u>	<u>47,242</u>	<u>33,650</u>	<u>168,875</u>

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**9 Allowance for doubtful accounts (Cont'd)**

	As at 31 December 2014					
	Normal Baht'000	Special mentioned Baht'000	Substandard Baht'000	Doubtful Baht'000	Doubtful loss Baht'000	Total Baht'000
At beginning of year	90,671	-	-	-	43,173	133,844
<u>Add</u> Additional allowance for doubtful accounts	52,946	-	46,732	-	2,993	102,671
<u>Less</u> Reversal of allowance	(43,327)	-	-	-	(4,828)	(48,155)
Allowance for doubtful accounts at end of year	<u>100,290</u>	<u>-</u>	<u>46,732</u>	<u>-</u>	<u>41,338</u>	<u>188,360</u>

**10 Leasehold improvements and equipment, net**

	Leasehold improvements Baht	Furniture and fixtures Baht	Office equipment Baht	Motor vehicles Baht	Renovation in progress Baht	Total Baht
<b>At 1 January 2014</b>						
Cost	30,926,747	8,351,766	28,300,554	6,109,500	9,771,148	83,459,715
<u>Less</u> Accumulated depreciation	(10,096,674)	(4,058,587)	(11,983,102)	(6,109,498)	-	(32,247,861)
<b>Net book amount</b>	<u>20,830,073</u>	<u>4,293,179</u>	<u>16,317,452</u>	<u>2</u>	<u>9,771,148</u>	<u>51,211,854</u>
<b>For the year ended 31 December 2014</b>						
Opening net book amount	20,830,073	4,293,179	16,317,452	2	9,771,148	51,211,854
Additions	1,132,756	651,842	4,086,834	-	2,338,842	8,210,274
Transfer in (out)	5,075,229	1,498,670	5,536,091	-	(12,109,990)	-
Depreciation charge	(3,663,017)	(1,765,329)	(5,712,284)	-	-	(11,140,630)
<b>Closing net book amount</b>	<u>23,375,041</u>	<u>4,678,362</u>	<u>20,228,093</u>	<u>2</u>	<u>-</u>	<u>48,281,498</u>
<b>At 31 December 2014</b>						
Cost	37,134,732	10,502,278	37,923,479	6,109,500	-	91,669,989
<u>Less</u> Accumulated depreciation	(13,759,691)	(5,823,916)	(17,695,386)	(6,109,498)	-	(43,388,491)
<b>Net book amount</b>	<u>23,375,041</u>	<u>4,678,362</u>	<u>20,228,093</u>	<u>2</u>	<u>-</u>	<u>48,281,498</u>
<b>For the year ended 31 December 2015</b>						
Opening net book amount	23,375,041	4,678,362	20,228,093	2	-	48,281,498
Additions	5,331,632	1,476,766	2,682,193	3,170,000	-	12,660,591
Write off and Disposal	(3,905,314)	(5,483)	(101)	(1)	-	(3,910,899)
Depreciation charge	(4,352,965)	(1,743,788)	(6,215,376)	(429,036)	-	(12,741,165)
<b>Closing net book amount</b>	<u>20,448,394</u>	<u>4,405,857</u>	<u>16,694,809</u>	<u>2,740,965</u>	<u>-</u>	<u>44,290,025</u>
<b>At 31 December 2015</b>						
Cost	30,367,099	10,763,757	34,417,208	4,727,000	-	80,275,064
<u>Less</u> Accumulated depreciation	(9,918,705)	(6,357,900)	(17,722,399)	(1,986,035)	-	(35,985,039)
<b>Net book amount</b>	<u>20,448,394</u>	<u>4,405,857</u>	<u>16,694,809</u>	<u>2,740,965</u>	<u>-</u>	<u>44,290,025</u>

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**11 Intangible assets, net**

	<b>As at 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
<b>For the years ended 31 December</b>		
Opening net book amount	30,739,776	19,012,680
Additions	2,720,495	15,817,498
Disposal	(488,912)	-
Amortisation charge	(4,963,531)	(4,090,402)
<b>Closing net book amount</b>	<b>28,007,828</b>	<b>30,739,776</b>
<b>At 31 December</b>		
Cost	48,848,168	47,125,361
<u>Less</u> Accumulated amortisation	(20,840,340)	(16,385,585)
<b>Net book amount</b>	<b>28,007,828</b>	<b>30,739,776</b>

**12 Deferred tax assets, net**

Deferred tax assets are calculated on certain temporary differences under the liability method using an enacted tax rate of 20%.

The analysis of deferred tax assets is as follows:

	<b>As at 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered within 12 months	19,562,733	31,190,136
Deferred tax asset to be recovered after more than 12 months	11,228,783	5,277,671
	<b>30,791,516</b>	<b>36,467,807</b>
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be settled within 12 months	492,361	8,812,776
Deferred tax liability to be settled after more than 12 months	16,134,978	921,418
	<b>16,627,339</b>	<b>9,734,194</b>
<b>Deferred tax assets, net</b>	<b>14,164,177</b>	<b>26,733,613</b>

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**12 Deferred tax assets, net (Cont'd)**

The gross movement and the deferred income tax are as follows:

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
As at 1 January	26,733,613	20,840,289
Charges to profit and loss	(4,416,492)	10,140,254
Charges to other comprehensive income	(8,152,944)	(4,246,930)
As at 31 December	<u>14,164,177</u>	<u>26,733,613</u>

The movements in deferred tax assets and liabilities during the years are as follows:

	<b>2015</b>			
	<b>At</b>	<b>Recognised in</b>	<b>Recognised</b>	<b>At</b>
	<b>1 January</b>	<b>profit and loss</b>	<b>in other</b>	<b>31 December</b>
	<b>2015</b>	<b>income</b>	<b>comprehensive</b>	<b>2015</b>
	<b>Baht</b>	<b>(expenses)</b>	<b>income</b>	<b>Baht</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Deferred tax assets</b>				
Fair value loss	6,756,299	791,067	-	7,547,366
Loss Carry Forward	4,224,952	(4,224,952)	-	-
Provisions	25,486,556	(2,211,164)	(31,242)	23,244,150
<b>Total</b>	<u>36,467,807</u>	<u>(5,645,049)</u>	<u>(31,242)</u>	<u>30,791,516</u>
<b>Deferred tax liabilities</b>				
Depreciation	1,228,557	(1,228,557)	-	-
Fair value gain	8,505,637	-	8,121,702	16,627,339
<b>Total</b>	<u>9,734,194</u>	<u>(1,228,557)</u>	<u>8,121,702</u>	<u>16,627,339</u>
<b>Deferred tax assets, net</b>	<u>26,733,613</u>			<u>14,164,177</u>

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**12 Deferred tax assets, net (Cont'd)**

	2014			At 31 December 2014 Baht
	At 1 January 2014 Baht	Recognised in profit and loss income (expenses) Baht	Recognised in other comprehensive income Baht	
<b>Deferred tax assets</b>				
Fair value loss	3,518,070	3,238,229	-	6,756,299
Loss Carry Forward	-	4,224,952	-	4,224,952
Provisions	22,621,351	3,130,527	(265,322)	25,486,556
<b>Total</b>	<u>26,139,421</u>	<u>10,593,708</u>	<u>(265,322)</u>	<u>36,467,807</u>
<b>Deferred tax liabilities</b>				
Depreciation	775,102	453,455	-	1,228,557
Fair value gain	4,524,030	-	3,981,607	8,505,637
<b>Total</b>	<u>5,299,132</u>	<u>453,455</u>	<u>3,981,607</u>	<u>9,734,194</u>
<b>Deferred tax assets, net</b>	<u>20,840,289</u>			<u>26,733,613</u>

**13 Other assets**

	As at 31 December	
	2015 Baht	2014 Baht
Account receivable - court order	43,711,779	43,711,779
Accrued interest receivables	32,330,319	42,292,305
Deposits	2,880,582	4,101,830
Prepaid income taxes	5,581,777	5,579,589
Others	7,220,653	10,986,858
<b>Total</b>	<u>91,725,110</u>	<u>106,672,361</u>

**14 Deposits**

**14.1 Grouped by products**

	<b>As at 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
On demand	85,017,840	59,389,538
Savings	98,703,190	31,393,925
Term	2,033,348,365	2,360,330,413
<b>Total deposits</b>	<b>2,217,069,395</b>	<b>2,451,113,876</b>

**14.2 Grouped by maturity periods:**

	<b>As at 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Less than 1 year	2,217,069,395	2,451,113,876
Over than 1 years	-	-
<b>Total deposits</b>	<b>2,217,069,395</b>	<b>2,451,113,876</b>

**14.3 Grouped by currencies and residencies of customers:**

	<b>As at 31 December 2015</b>		
	<b>Domestic Baht</b>	<b>Foreign Baht</b>	<b>Total Baht</b>
Thai Baht	2,216,905,830	81,469	2,216,987,299
US Dollar	73,734	-	73,734
EURO	8,362	-	8,362
<b>Total deposits</b>	<b>2,216,987,926</b>	<b>81,469</b>	<b>2,217,069,395</b>

	<b>As at 31 December 2014</b>		
	<b>Domestic Baht</b>	<b>Foreign Baht</b>	<b>Total Baht</b>
Thai Baht	2,450,884,970	184,635	2,451,069,605
US Dollar	34,715	-	34,715
EURO	9,556	-	9,556
<b>Total deposits</b>	<b>2,450,929,241</b>	<b>184,635</b>	<b>2,451,113,876</b>



**15 Interbank and money market items, net - liabilities**

**Domestic items**

	<b>As at 31 December 2015</b>		
	<b>On demand Baht</b>	<b>Term Baht</b>	<b>Total Baht</b>
Commercial banks	5,415,631	1,260,000,000	1,265,415,631
Securities companies	1,192,556,548	3,490,000,000	4,682,556,548
Other financial institutions	-	-	-
<b>Total domestic items</b>	<b>1,197,972,179</b>	<b>4,750,000,000</b>	<b>5,947,972,179</b>

	<b>As at 31 December 2014</b>		
	<b>On demand Baht</b>	<b>Term Baht</b>	<b>Total Baht</b>
Commercial banks	4,338,762	2,860,000,000	2,864,338,762
Securities companies	917,477,027	2,877,344,493	3,794,821,520
Other financial institutions	58,914	-	58,914
<b>Total domestic items</b>	<b>921,874,703</b>	<b>5,737,344,493</b>	<b>6,659,219,196</b>

**16 Provision for employee benefits obligation**

The Bank has post-employment benefit plans in accordance with the Labor Protection Law which are unfunded defined benefit plans and presented as provision on the statements of financial positions.

The reconciliation of the present value of defined benefit obligations are as follows:

	<b>2015 Baht</b>	<b>2014 Baht</b>
Beginning balance	4,262,369	6,246,507
Current service costs	1,075,534	5,304,882
Interest costs	112,944	200,113
<u>Less</u> Benefits paid for the period	(460,000)	(6,162,520)
Remeasurements:		
(Gain) from change in demographic assumptions	(433,003)	(166,266)
Loss from change in financial assumptions	105,614	175,006
Experience (gain)/(loss)	171,177	(1,335,353)
<b>Ending balance</b>	<b>4,834,635</b>	<b>4,262,369</b>

**16 Provision for employee benefits obligation (Cont'd)**

Employee benefits under defined benefit plans authorised in the statements of profit or loss and other comprehensive income are as follows:

	<b>For the years ended 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Current service costs	1,075,534	5,304,882
Interest costs	112,944	200,113
<b>Total</b>	<b>1,188,478</b>	<b>5,504,995</b>

Principal actuarial assumptions used to calculate the defined benefit obligations as at 31 December 2015 and 2014, are as follows:

	<b>2015</b>	<b>2014</b>
Discount rate	2.26%	2.65%
Salary increase rate	6.0%	6.0%
Pre-retirement mortality rate	100% of Thai Mortality Ordinary Table 2008	100% of Thai Mortality Ordinary Table 2008
Disability rate	5% of Thai Mortality Ordinary Table 2008	5% of Thai Mortality Ordinary Table 2008
Pre-retirement withdrawal rate	From 3 years historical data	From 3 years historical data
Retirement age		
- Male	60 years old	60 years old
- Female	55 years old	55 years old

**Sensitivity analysis**

	<b>Increase (decrease) in provision on employee benefit</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
Discount rate		
Increase 1%	(276,114)	(127,282)
Decrease 1%	305,577	134,289
Salary income rate		
Increase 1%	285,807	125,539
Decrease 1%	(262,840)	(120,017)
Average life expectancy		
Increase 1 year	26,594	20,536
Decrease 1 year	(26,403)	(20,399)

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**16 Provision for employee benefits obligation (Cont'd)**

Expected maturity analysis of undiscounted retirement benefits:

	<b>Less than a year Baht</b>	<b>Between 1 - 2 years Baht</b>	<b>Between 3 - 5 years Baht</b>	<b>Over 5 years Baht</b>	<b>Total Baht</b>
At 31 December 2015					
Retirement benefits	-	-	3,956,400	180,222,774	184,179,174
<b>Total</b>	-	-	3,956,400	180,222,774	184,179,174

**17 Other liabilities**

	<b>As at 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Account payable - court order	37,508,887	40,950,498
Account payable - other	23,206,715	22,079,846
Income tax payable	556,401	-
Unearned income	2,598,790	4,861,074
Accrued interest payables	35,688,046	29,397,084
Accrued bonus	10,504,380	15,094,104
Others	27,206,614	24,886,590
<b>Total</b>	<b>137,269,833</b>	<b>137,269,196</b>

**18 Capital fund and assets maintained in Thailand**

Capital Fund and assets maintained in Thailand under section 32 of the Financial Institution Act B.E. 2551 as at 31 December 2015 and 2014 comprise of the following:

	<b>As at 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Total assets maintained in Thailand	2,125,600,000	2,048,724,050
Total funds and capital loans remitted into Thailand for maintaining assets	2,000,000,000	2,000,000,000
Net balance of inter-office accounts with Head Office and balances with other branches under the same entity	3,266,676,523	1,554,131,972
Total funds and capital loans remitted into Thailand for maintaining assets	5,266,676,523	3,554,131,972
Total capital funds	2,000,000,000	2,000,000,000

**18 Capital fund and assets maintained in Thailand (Cont'd)**

	<u>2015</u>	<u>2014</u>
Total capital funds to risk assets ratio (%)	21.03	19.29

The Bank will disclose capital maintenance information as at 31 December 2015 in accordance with the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at [www.rhbgroup.com](http://www.rhbgroup.com) within April 2016.

**19 Commitments and contingent liabilities**

	<u>As at 31 December 2015</u>		
	<u>Thai Baht</u> <u>Baht</u>	<u>Other</u> <u>currencies</u> <u>Baht</u>	<u>Total</u> <u>Baht</u>
Guarantees	335,149,743	341,499,071	676,648,814
Letters of credit	-	16,620,543	16,620,543
Other commitments			
Forward exchange contracts - bought	210,387,011	190,241,066	400,628,077
Forward exchange contracts - sold	211,709,454	190,203,622	401,913,076
Currency SWAP contracts - bought	150,517,963	3,086,522,251	3,237,040,214
Currency SWAP contracts - sold	150,489,254	3,086,140,295	3,236,629,549
Others	-	866,399	866,399
	<u>As at 31 December 2014</u>		
	<u>Thai Baht</u> <u>Baht</u>	<u>Other</u> <u>currencies</u> <u>Baht</u>	<u>Total</u> <u>Baht</u>
Guarantees	477,746,973	418,835,295	896,582,268
Letters of credit	-	210,332,470	210,332,470
Other commitments			
Forward exchange contracts - bought	287,709,122	28,524,594	316,233,716
Forward exchange contracts - sold	8,698,142	28,468,995	37,167,137
Currency SWAP contracts - bought	200,000,000	1,635,132,752	1,835,132,752
Currency SWAP contracts - sold	6,059,504	1,632,307,500	1,638,367,004
Others	-	184,146,053	184,146,053

**20 Commitments**

**Capital commitments**

As at 31 December 2015 and 2014, the Bank does not have the commitments arising from capital expenditure contracted for at the statement of financial position.

**Operating lease commitments**

The Bank has a three-year office rental and service agreement with a third party commencing from 1 September 2015 to 31 August 2018 for 15th floor and 1 November 2015 to 31 October 2018 for 18th floor. The Bank has a commitment to pay monthly service fee amounting to Baht 628,713.

The Bank has a three-year Siracha office rental agreement from 1 November 2015 to 31 October 2018. The Bank has a commitment to pay monthly service fee amounting to Baht 54,500.

The Bank has a three-year Ayutthaya office rental agreement from 16 May 2014 to 15 May 2017. The Bank has a commitment to pay monthly service fee amounting to Baht 40,000.

**20 Commitments (Cont'd)**

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	<b>As at 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Not later than 1 year	8,678,556	11,240,538
Later than 1 year but not later than 5 years	14,806,012	660,000
	<u>23,484,568</u>	<u>11,900,538</u>

**21 Related party transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Bank, including Head Office, subsidiaries and fellow subsidiaries are related parties of the Bank. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Significant transactions with related parties for the years ended 31 December 2015 and 2014, other than Head Office's equity and balances with other branches under the same entity, consist of the following:

	<b>As at 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>Baht'000</b>	<b>Baht'000</b>
<b>Statements of financial position</b>		
Deposits - Related to employee's Provident Fund	25,690	25,397
Deposits - Related Companies	937,874	730,626
	<u>963,564</u>	<u>756,023</u>
	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2014</b>
	<b>Baht'000</b>	<b>Baht'000</b>
<b>Statements of comprehensive income</b>		
Interest expenses - Related to employee's Provident Fund	292	377
Interest expenses - Related Companies	11,191	15,068
	<u>11,483</u>	<u>15,445</u>

**21 Related party transactions (Cont'd)**

Transactions between the Bank and related parties represent outstanding balances of customer deposits and interest expenses relating to as follows:

- a) The registered provident fund established by the Bank for its own employees. Such registered provident fund is managed by appointed fund manager, a financial institution. Fund manager has deposit such provident fund with the Bank at interest rate 1.0%-1.5% per annum (2014: 1.5% per annum).
- b) The deposits from the related companies, RHB OSK Securities (Thailand) Public Company Limited. The interest rates on fixed deposit accounts of 1.25% - 2.25% per annum and the interest rates on saving accounts of 0.85% - 1.50% per annum.

The inter-office account with the same entities bears both interest and non-interest rate. The interest rate charges at negotiable price.

**22 Fair values of financial assets and liabilities**

The following is a summary of carrying amount and estimated fair value of financial assets and financial liabilities as at 31 December 2015 and 2014:

	<b>As at 31 December 2015</b>	
	<b>Carrying amount Baht'000</b>	<b>Fair value Baht'000</b>
<b>Financial assets:</b>		
Cash	5,181	5,181
Interbank and money market items	1,986,452	1,986,452
Investments, net	4,781,130	4,788,338
Loans to customers and interest receivables, net	7,237,482	7,191,000
Other financial assets	83,920	83,920
<b>Total financial assets</b>	<b>14,094,165</b>	<b>14,054,891</b>
<b>Financial liabilities:</b>		
Deposits	2,217,069	2,217,069
Interbank and money market items	5,947,972	5,947,972
Demand liabilities	1,012	1,012
Other financial liabilities	137,270	137,270
<b>Total financial liabilities</b>	<b>8,303,323</b>	<b>8,303,323</b>

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**22 Fair values of financial assets and liabilities (Cont'd)**

	As at 31 December 2014	
	Carrying amount Baht'000	Fair value Baht'000
<b>Financial assets:</b>		
Cash	7,378	7,378
Interbank and money market items	567,662	567,662
Investments, net	4,324,207	4,324,207
Loans to customers and interest receivables, net	8,257,185	8,257,185
Other financial assets	98,863	98,863
<b>Total financial assets</b>	<b>13,255,295</b>	<b>13,255,295</b>
<b>Financial liabilities:</b>		
Deposits	2,451,114	2,451,114
Interbank and money market items	6,659,219	6,659,219
Demand liabilities	366	366
Other financial liabilities	137,269	137,269
<b>Total financial liabilities</b>	<b>9,247,968</b>	<b>9,247,968</b>

**23 Significant position and performance grouped by type of domestic or foreign transactions**

**23.1 Position grouped by type of transactions**

	As at 31 December 2015			As at 31 December 2014		
	Domestic Baht	Foreign Baht	Total Baht	Domestic Baht	Foreign Baht	Total Baht
<b>Assets</b>						
Interbank and money market item, net (assets)	1,620,627,567	365,824,658	1,986,452,225	346,883,489	220,778,505	567,661,994
Investment, net	4,781,129,876	-	4,781,129,876	4,324,206,927	-	4,324,206,927
Loans to customers and accrued interest receivables, net	7,237,482,488	-	7,237,482,488	8,257,185,947	-	8,257,185,947
<b>Liabilities</b>						
Deposits	2,216,987,925	81,470	2,217,069,395	2,450,929,241	184,635	2,451,113,876
Interbank and money market item, net (liabilities)	5,947,972,179	-	5,947,972,179	6,659,219,196	-	6,659,219,196
Demand liabilities	1,012,140	-	1,012,140	366,125	-	366,125

**23.2 Performance grouped by type of transactions**

	As at 31 December 2015			As at 31 December 2014		
	Domestic Baht	Foreign Baht	Total Baht	Domestic Baht	Foreign Baht	Total Baht
Interest incomes	387,948,975	127,798	388,076,773	376,053,635	63,134	376,116,769
Interest expenses	(216,675,955)	(2,183,199)	(218,859,154)	(209,249,427)	(405,046)	(209,654,473)
Net interest incomes	171,273,020	(2,055,401)	169,217,619	166,804,208	(341,912)	166,462,296
Net fee and services income	4,027,737	-	4,027,737	6,728,650	-	6,728,650
Other operating incomes	21,562,757	-	21,562,757	14,529,871	-	14,529,871
Other operating expenses	(161,733,904)	-	(161,733,904)	(238,336,575)	-	(238,336,575)
Profit before income tax	35,129,610	(2,055,401)	33,074,209	(50,273,846)	(341,912)	(50,615,758)

**24 Interest incomes**

Interest incomes for the years ended 31 December 2015 and 2014 comprised of the followings:

	<b>For the years ended 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Interbank and money market items	6,339,325	1,716,259
Investments in debt securities	136,595,543	131,523,231
Loans	245,141,905	242,877,279
Interest income	<u>388,076,773</u>	<u>376,116,769</u>

**25 Interest expenses**

Interest expenses for the years ended 31 December 2015 and 2014 comprised of the followings:

	<b>For the years ended 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Deposits	61,274,208	65,494,207
Interbank and money market items	124,185,946	118,030,266
Contribution fee to the Deposit Protection Agency	33,399,000	26,130,000
Interest expense	<u>218,859,154</u>	<u>209,654,473</u>

**26 Net fees and service incomes**

Net fees and service income for the years ended 31 December 2015 and 2014 comprised of the followings:

	<b>For the years ended 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Fees and service incomes		
- Acceptances, aval and guarantees	5,721,111	5,940,313
- Others	3,329,244	5,462,364
Fees and service income	9,050,355	11,402,677
Fees and service expenses	(5,022,618)	(4,674,027)
Net fees and service incomes	<u>4,027,737</u>	<u>6,728,650</u>



**27 Net gain on trading activities and foreign exchange**

Net gains on trading and foreign exchange transactions for the years ended 31 December 2015 and 2014 comprised of the followings:

	<b>For the years ended 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Gains on trading and foreign exchange transactions		
- Foreign currencies and exchange derivatives	1,055,526	7,476,060
- Debt securities	9,518,269	3,772,447
<b>Total</b>	<b>10,573,795</b>	<b>11,248,507</b>

**28 Bad debts and doubtful debts**

Bad debts, doubtful debts and impairment losses for the years ended 31 December 2015 and 2014 comprised of the followings:

	<b>For the years ended 31 December</b>	
	<b>2015 Baht</b>	<b>2014 Baht</b>
Loans	(19,484,964)	54,813,751
<b>Total</b>	<b>(19,484,964)</b>	<b>54,813,751</b>

**29 Income tax expense (income)**

	<b>2015 Baht</b>	<b>2014 Baht</b>
Current tax:		
Current tax on profits for the year	2,324,575	603,416
<b>Total current tax</b>	<b>2,324,575</b>	<b>603,416</b>
Deferred tax:		
Origination and reversal of temporary differences	4,416,492	(10,140,254)
<b>Total deferred tax</b>	<b>4,416,492</b>	<b>(10,140,254)</b>
<b>Total tax expense (income)</b>	<b>6,741,067</b>	<b>(9,536,838)</b>

**29 Income tax expense (income) (Cont'd)**

	<b>2015</b>	<b>2014</b>
	<b>Baht</b>	<b>Baht</b>
Profit before tax	33,074,209	(50,615,758)
Tax calculated at a tax rate of 20%	6,614,842	(10,123,151)
Tax effect of:		
Adjustment in respect of		
prior year - Leasehold improvement	102,545	-
Expenses not deductible for tax purpose	23,680	586,313
Tax charge	6,741,067	(9,536,838)

**30 Financial risk management**

**a) Credit risk management**

The Bank has placed emphasis on credit risk management both in qualitative and quantitative aspects in order to be well-equipped for prudent credit extension comply with Basel III regulations. This includes credit risk calculation on an acceptable and well-diversified portfolio of assets.

Among the key risk policies, the Bank has set out the policies on lending to related parties, single lending limit, prohibited activities, specialist financing, and industry concentration risk limit. These policies are to comply with prudent lending practices and relevant regulatory requirement to control the associated risks from lending activities include management for provisioning under requirements on the Bank of Thailand.

**Credit risk monitoring and control**

As part of risk monitoring, credit quality as well as credit grade of borrowers is required to be reviewed continuously in order to assess changes in counterparty risk and hence determine an appropriate level of provision if needed. Besides, loan portfolio quality is constantly monitored so that key risks are informed to Management for prompt action. Risk control has been implemented on the basis of setting up maximum lending limits for both a borrower/group of borrowers.

30 Financial risk management (Cont'd)

b) Market risk management

**Investment risks**

The investment risk in the banking book is low because the securities on hand comprise 28.46% in Government and State Enterprise bonds that RHB Bank has intention to hold until maturity. Available for sale 63.66% is Government and State Enterprise bonds and 7.89% is Corporate Bond.

**Foreign exchange risk management**

RHB Bank has strict foreign exchange risk management. The bank established pre-settlement limits for each counterparty based on its risks. The limits will be approved by the relevant Committee according to RHB Bank's credit policy. Customers must have clear objectives in the utilisation of limit and with its underlying transactions. RHB Bank examines the utilisation of limit of each counter party, which includes risk evaluation of each contract.

**Interest rate risk**

The interest rate risk in RHB Bank's statements of financial position arises from the mismatch of maturity between the structure of RHB Bank assets and its liabilities. RHB Bank evaluates the impact from the changes of interest rates to the bank's net interest income. As at 31 December 2015, RHB Bank has fixed rate assets for the period of up to 12 months lower than the fixed rate liabilities of the same period. The mismatch of maturity between fixed rate assets and fixed rate liabilities in each time bucket creates risk if interest rates change. However, the mismatch of maturity at each time bucket is not significant. The Bank has appropriately manages the impact from the interest rate risk with the aim of obtaining the highest returns at an acceptable risk. Moreover, to limit the risk, The Asset and Liabilities Committee (ALCO) has set control limit for the impact from the change of interest rates in each time bucket and accumulated impact up to 1 year. RHB Bank has a Risk Management Team to closely monitor and control the risk.

The Bank has summarised the financial assets and financial liabilities classified by maturity of interest repricing years as at 31 December 2015 and 2014, as follows:

	2015						Total Baht'000
	0-3 Months Baht'000	3-12 Months Baht'000	1-5 Years Baht'000	Over 5 Years Baht'000	Non- performing Loans Baht'000	Non- interest Bearing Baht'000	
<b>Financial assets</b>							
Interbank and money market items, net	1,986,452	-	-	-	-	-	1,986,452
Investments, net	700,096	652,164	1,698,749	1,730,121	-	-	4,781,130
Loans to customers	5,900,039	437,388	900,055	-	-	-	7,237,482
<b>Financial liabilities</b>							
Deposits	1,330,925	886,145	-	-	-	-	2,217,070
Interbank and money market items	4,317,972	1,630,000	-	-	-	-	5,947,972
Liabilities payable on demand	1,012	-	-	-	-	-	1,012

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**For the year ended 31 December 2015**

**30 Financial risk management (Cont'd)**

**b) Market risk management (Cont'd)**

**Interest rate risks (Cont'd)**

	2014						Total Baht'000
	0-3 Months Baht'000	3-12 Months Baht'000	1-5 Years Baht'000	Over 5 Years Baht'000	Non- performing Loans Baht'000	Non- interest bearing Baht'000	
	<b>Financial assets</b>						
Interbank and money market items, net	567,662	-	-	-	-	-	567,662
Investments, net	854,051	852,723	2,113,621	503,812	-	-	4,324,207
Loans to customers	5,795,629	1,708,971	752,585	-	-	-	8,257,185
<b>Financial liabilities</b>							
Deposits	1,609,084	842,030	-	-	-	-	2,451,114
Interbank and money market items	5,556,717	1,102,502	-	-	-	-	6,659,219
Liabilities payable on demand	366	-	-	-	-	-	366

Basic information of loans to customers net of deferred revenue classified by fixed versus floating interest rates as at 31 December 2015 and 2014 are as follows:

	2015 Baht'000	2014 Baht'000
Fixed interest rate	4,859,255	6,442,399
Floating interest rate	2,521,715	1,972,135
<b>Total</b>	<b>7,380,970</b>	<b>8,414,534</b>

The Bank has earning financial assets and interest-bearing financial liabilities. The average balances of such financial assets or liabilities are calculated based on outstanding balances and averaged interest rates for the years ended 31 December 2015 and 2014 are as follows:

	2015		
	Average balance 12 months Baht'000	Interest amount Baht'000	Average interest rate %
<b>Earning financial assets</b>			
Interbank and money market items	1,145,908	6,339	0.55%
Investments	4,785,422	136,596	2.85%
Loans to customers	7,380,735	245,142	3.32%
<b>Interest-bearing Financial Liabilities</b>			
Deposits	3,404,123	61,274	1.80%
Interbank and money market items	10,166,771	157,585	1.55%

**30 Financial risk management (Cont'd)**

**b) Market risk management (Cont'd)**

**Interest rate risks (Cont'd)**

	<b>2014</b>		
	<b>Average balance 12 months Baht'000</b>	<b>Interest amount Baht'000</b>	<b>Average interest rate %</b>
<b>Earning financial assets</b>			
Interbank and money market items	301,746	1,716	0.57%
Investments	4,340,121	131,523	3.03%
Loans to customers	7,469,393	242,877	3.25%
<b>Interest-bearing Financial Liabilities</b>			
Deposits	2,823,026	65,494	2.32%
Interbank and money market items	7,792,447	144,160	1.85%

**c) Liquidity risk**

RHB Bank has low liquidity risk as we have a large amount of liquid assets in the portfolio. RHB Bank also maintains liquidity for deposit withdrawals and for daily operations. Most of the daily excess liquidity is usually invested in highly liquid assets such as Government, State Enterprise bonds, and Central Bank Bond. Most of the deposits are renewed on maturity and RHB Bank can use this amount to support the lending business. Besides, RHB Bank has an Assets and Liabilities Committee (ALCO) to monitor and follow-up the risk and to determine the Liquidity Management Policy.

**RHB Bank Berhad - Bangkok Branch**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2015**

**30 Financial risk management (Cont'd)**

**c) Liquidity risk (Cont'd)**

The following table presents a maturity analysis for monetary assets and liabilities on statements of financial positions as at 31 December 2015 and 2014.

	As at 31 December 2015					Baht'000
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial assets</b>						
Interbank and money market items, net	1,986,452	-	-	-	-	1,986,452
Investments, net	-	700,096	652,164	1,698,749	1,730,121	4,781,130
Loans to customers and accrued interest receivables, net	43,849	5,856,190	437,388	900,055	-	7,237,482
<b>Financial liabilities</b>						
Deposits	85,018	1,245,907	886,145	-	-	2,217,070
Interbank and money market items	5,594	4,312,378	1,630,000	-	-	5,947,972
Demand liabilities	1,012	-	-	-	-	1,012
<b>As at 31 December 2014</b>						
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial assets</b>						
Interbank and money market items	567,662	-	-	-	-	567,662
Investments, net	4,000	850,051	852,723	2,113,621	503,812	4,324,207
Loans to customers and accrued interest receivables, net	9,761	5,785,868	1,708,971	752,585	-	8,257,185
<b>Financial liabilities</b>						
Deposits	59,390	1,549,694	842,030	-	-	2,451,114
Interbank and money market items	4,706	5,552,011	1,102,502	-	-	6,659,219
Demand liabilities	366	-	-	-	-	366

The liability items as shown above do not include borrowings from Head Office and other branches under the same entity which are presented under Head Office's equity and balances with other branches under the same entity.

The above table analyses monetary assets and liabilities of the Bank into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date.

The matching and controlled mismatching of the maturities of monetary assets and liabilities is fundamental to the management of the Bank. It is unusual for the Bank to be completely matched the maturities since business transaction is often of uncertain term and of different types.