

RHB BANK BERHAD - BANGKOK BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2017



Independent auditor's report

To the Board of Directors of RHB Bank Berhad

My opinion

In my opinion, the financial statements of RHB Bank Berhad - Bangkok Branch (the Bank) present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in head office's equity and other branches under the same entity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Bank in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

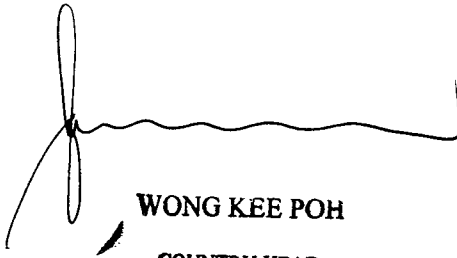
PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in black ink, appearing to read 'Sakuna Y', with a stylized flourish below it.

Sakuna Yamsakul
Certified Public Accountant (Thailand) No. 4906
Bangkok
26 April 2018

RHB Bank Berhad - Bangkok Branch
Statement of Financial Position
As at 31 December 2017

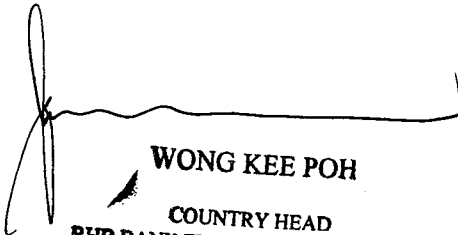
| | <u>Notes</u> | <u>2017</u> <u>Baht</u> | <u>2016</u> <u>Baht</u> |
|---|--------------|----------------------------|----------------------------|
| Assets | | | |
| Cash | | 6,990,062 | 5,836,612 |
| Interbank and money market items, net | 6 | 1,644,481,887 | 3,513,383,290 |
| Derivative assets | 7 | 127,863,884 | 44,095,730 |
| Investments, net | 8 | 6,664,495,877 | 7,134,873,656 |
| Net loans and accrued interest receivables | | | |
| Loans to customers | | 9,020,914,399 | 8,497,977,953 |
| Accrued interest receivables | | 26,515,523 | 34,272,218 |
| | | <u>9,047,429,922</u> | <u>8,532,250,171</u> |
| <u>Less</u> Allowance for doubtful accounts | 10 | <u>(191,457,457)</u> | <u>(184,080,207)</u> |
| | | <u>8,855,972,465</u> | <u>8,348,169,964</u> |
| Total loans and accrued interest receivables, net | | | |
| Leasehold improvements and equipment, net | 11 | 26,536,898 | 36,879,042 |
| Intangible assets, net | 12 | 21,851,480 | 24,027,336 |
| Deferred tax assets, net | 13 | 13,888,894 | 19,437,927 |
| Other assets | 14 | 71,888,496 | 67,565,318 |
| | | <u>17,433,969,943</u> | <u>19,194,268,875</u> |
| Total assets | | | |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

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

RHB Bank Berhad - Bangkok Branch
Statement of Financial Position (Cont'd)
As at 31 December 2017

| | Notes | 2017 Baht | 2016 Baht |
|--|-------|------------------------------|------------------------------|
| Liabilities and Head Office's equity and balances with other branches under the same entity | | | |
| Liabilities | | | |
| Deposits | 15 | 3,767,106,498 | 2,701,831,847 |
| Interbank and money market items | 16 | 8,508,043,241 | 8,895,274,022 |
| Demand liabilities | | 79,329 | 1,125,846 |
| Derivative liabilities | 7 | 123,336,976 | 44,714,390 |
| Provision for employee benefits obligation | 17 | 9,535,039 | 7,357,311 |
| Other liabilities | 18 | 175,244,364 | 139,569,365 |
| Total liabilities | | <u>12,583,345,447</u> | <u>11,789,872,781</u> |
| Head Office's equity and balances with other branches under the same entity | | | |
| Fund remitted into Thailand for maintaining assets under law | 19 | 2,000,000,000 | 2,000,000,000 |
| Net balance of inter-office accounts with Head Office and other branches under the same entity | | 2,227,942,604 | 4,874,947,859 |
| Others component of accounts with head office and other branches under the same entity | | 52,557,654 | 1,900,705 |
| Retained earnings | | 570,124,238 | 527,547,530 |
| Total Head Office's equity and balances with other branches under the same entity | | <u>4,850,624,496</u> | <u>7,404,396,094</u> |
| Total liabilities and Head Office's equity and balances with other branches under the same entity | | <u><u>17,433,969,943</u></u> | <u><u>19,194,268,875</u></u> |


WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

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

RHB Bank Berhad - Bangkok Branch
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

| | Notes | 2017 Baht | 2016 Baht |
|--|-------|--------------------|---------------------|
| Interest income | 24 | 466,653,124 | 426,131,812 |
| Interest expense | 25 | (254,093,774) | (221,895,702) |
| Net interest income | | 212,559,350 | 204,236,110 |
| Fees and service incomes | | 9,806,785 | 11,500,263 |
| Fees and services expenses | | (1,267,426) | (774,568) |
| Net fee and service income | 26 | 8,539,359 | 10,725,695 |
| Net gains (losses) on trading and foreign exchange | 27 | 19,353,689 | (7,215,036) |
| Net gain on investment | 28 | 12,324,597 | 21,418,996 |
| Other operating income | | 149,989 | 38,065,928 |
| Total operating income | | 252,926,984 | 267,231,693 |
| Other operating expenses | | | |
| Employee expenses | | 114,139,653 | 118,562,145 |
| Premises and equipment expenses | | 51,500,040 | 53,394,914 |
| Taxes and duties | | 17,593,683 | 13,011,908 |
| Others | | 16,236,504 | 38,659,661 |
| Total other operating expenses | | 199,469,880 | 223,628,628 |
| Bad debt and doubtful accounts | 29 | 12,128,079 | 24,404,899 |
| Profit before income tax | | 41,329,025 | 19,198,166 |
| Income tax | 30 | 1,362,789 | (19,402,046) |
| Net profit (loss) for the year | | 42,691,814 | (203,880) |
| Other comprehensive income (expense) | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of post-employment benefit plans | 17 | (143,883) | (1,144,745) |
| Income tax on items that will not be subsequently reclassified to profit or loss | 13 | 28,777 | 228,949 |
| Total items that will not be reclassified subsequently to profit or loss | | (115,106) | (915,796) |
| Items that will be reclassified subsequently to profit or loss | | | |
| Gain (loss) on remeasuring available-for-sale investments | | 66,216,149 | (66,825,556) |
| Income tax relating to item that will be reclassified subsequently to profit or loss | 13 | (15,559,200) | 13,365,111 |
| Total items that will be reclassified subsequently to profit or loss | | 50,656,949 | (53,460,445) |
| Total other comprehensive income (expense) | | 50,541,843 | (54,376,241) |
| Total comprehensive income (expense) for the year | | 93,233,657 | (54,580,121) |

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

WONG KEE POH

COUNTRY HEAD

RHB Bank Berhad - Bangkok Branch
Statement of Changes in Head Office's Equity and Other Branches Under the Same Entity
For the year ended 31 December 2017

WONG KEE POH

COUNTRY HEAD

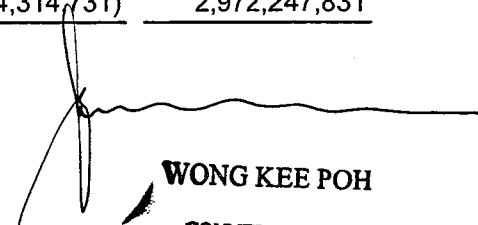
RHB BANK THAILAND OPERATING

| | Fund remitted into Thailand for maintaining 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 |
| Opening balances as at 1 January 2016 | 2,000,000,000 | 3,296,245,858 | 55,361,150 | 528,667,206 | 5,880,274,214 |
| Increase during the year | - | 1,578,702,001 | - | - | 1,578,702,001 |
| Net loss for the year | - | - | - | (203,880) | (203,880) |
| Unrealised gain (loss) on changes in fair value of available-for-sale securities | - | - | (66,825,556) | - | (66,825,556) |
| Remeasurements of provision for employment benefit plan | - | - | - | (1,144,745) | (1,144,745) |
| Income tax relating to other component of other comprehensive income for the year | - | - | 13,365,111 | 228,949 | 13,594,060 |
| Closing balances as at 31 December 2016 | 2,000,000,000 | 4,874,947,859 | 1,900,705 | 527,547,530 | 7,404,396,094 |
| Opening balances as at 1 January 2017 | 2,000,000,000 | 4,874,947,859 | 1,900,705 | 527,547,530 | 7,404,396,094 |
| Increase during the year | - | (2,647,005,255) | - | - | (2,647,005,255) |
| Net profit for the year | - | - | - | 42,691,814 | 42,691,814 |
| Unrealised gain (loss) on changes in fair value of available-for-sale securities | - | - | 66,216,149 | - | 66,216,149 |
| Remeasurements of provision for employment benefit plan | - | - | - | (143,883) | (143,883) |
| Income tax relating to other component of other comprehensive income for the year | - | - | (15,559,200) | 28,777 | (15,530,423) |
| Closing balances as at 31 December 2017 | 2,000,000,000 | 2,227,942,604 | 52,557,654 | 570,124,238 | 4,850,624,496 |

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

RHB Bank Berhad - Bangkok Branch
Statement of Cash Flows
For the year ended 31 December 2017


| | <u>Notes</u> | <u>2017</u> <u>Baht</u> | <u>2016</u> <u>Baht</u> |
|---|--------------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Net profit before income tax | | 41,329,025 | 19,198,166 |
| Adjustments to reconcile net operating income to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortisation | 11, 12 | 14,837,930 | 15,315,771 |
| Amortisation of discount and premium in investment in securities | | 97,593,928 | (65,569,336) |
| Bad debt and doubtful accounts | 29 | 12,128,079 | 24,404,899 |
| Provisions for employee benefits | 17 | 2,648,012 | 2,434,176 |
| Unrealised (gain) loss on exchange rate | | - | (1,104,596) |
| Unrealised loss on change in fair value of derivative financial instruments | | (5,145,568) | 618,660 |
| Written-off taxes | | 355,216 | - |
| Interest income | 24 | (466,653,124) | (426,131,812) |
| Interest expense | 25 | 254,093,774 | 221,895,702 |
| Interest paid | | (254,708,249) | (225,546,582) |
| Interest received | | 468,358,668 | 411,417,132 |
| Income tax paid | | (13,521,967) | (11,993,353) |
| Net profit (loss) from operating activities before changes in operating assets and liabilities | | 151,315,724 | (35,061,173) |
| (Increase) decrease in operating assets | | | |
| Interbank and money market items | | (470,000,000) | (920,000,000) |
| Loans | | (522,936,446) | (1,117,177,849) |
| Other assets | | 2,193,723 | 27,378,272 |
| Increase (decrease) in operating liabilities | | | |
| Deposits | | 1,065,274,651 | 484,762,452 |
| Interbank and money market items | | (387,230,781) | 2,947,301,843 |
| Demand liabilities | | (1,046,517) | 113,706 |
| Other liabilities | | 36,289,474 | 9,744,388 |
| Provision for employee benefits obligation | 17 | (614,167) | (1,056,245) |
| Head Office's equity and balances with other branches under the same entity | | (2,647,560,392) | 1,576,242,437 |
| Net cash generated from (used in) operating activities | | <u>(2,774,314,731)</u> | <u>2,972,247,831</u> |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND

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

RHB Bank Berhad - Bangkok Branch
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2017

| | 2017 | 2016 |
|---|------------------------|------------------------|
| | Baht | Baht |
| Cash flows from investing activities | | |
| Purchases of investments in securities | (4,873,000,000) | (8,504,000,000) |
| Proceeds on sale of investments in securities | 3,935,000,000 | 4,249,000,000 |
| Maturity of investments in securities | 1,377,000,000 | 1,900,000,000 |
| Purchases of leasehold improvements and equipment | (673,398) | (3,924,296) |
| Purchases of intangible assets | (1,646,532) | - |
| Net cash generated from (used in) investing activities | 436,680,070 | (2,358,924,296) |
| Net increase (decrease) in cash and cash equivalent | (2,337,634,661) | 613,323,535 |
| Cash and cash equivalents at the beginning of the year | 2,609,575,239 | 1,996,251,704 |
| Cash and cash equivalents at the end of the year | 271,940,578 | 2,609,575,239 |
| Cash and cash equivalents | | |
| Cash | 6,990,062 | 5,836,612 |
| Interbank and money market items, assets | 263,346,405 | 2,601,579,379 |
| Head Office's equity and balances with other branches under the same entity | 1,604,111 | 2,159,248 |
| | 271,940,578 | 2,609,575,239 |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

The accompanying notes are an integral part of the 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 26 April 2018.

2 Accounting policies

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

2.1 Basis of preparation

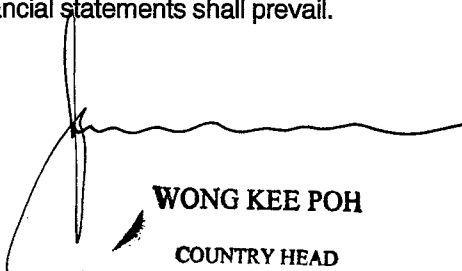
The financial statements of the Thailand operations of RHB Bank Berhad have been prepared from the records of the Thailand operations and only reflect transactions recorded locally.

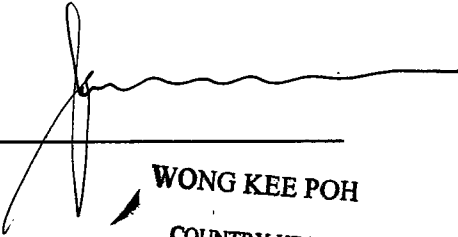
The financial statements have been prepared in accordance with procedures, policies and notifications of the Bank of Thailand regarding the preparation of the financial statements of commercial banks and the Thai Financial Reporting Standards under the Accounting Act B.E. 2543, being those Thai financial reporting standards under the Accounting Profession Act B.E. 2547. The primary financial statements (i.e. statement of financial position, statement of profit or loss and other 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 financial reporting standards 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.


WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS



WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

2.2 Revised financial reporting standards, and related interpretations

2.2.1 Revised financial reporting standards and interpretations are effective on 1 January 2017 which are relevant and have impacts to the Bank:

| | |
|-----------------------|--------------------------------------|
| TAS 1 (revised 2016) | Presentation of financial statements |
| TAS 19 (revised 2016) | Employee benefits |

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

The Bank has already applied those accounting standards.

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and relevant to the Bank. The Bank has not yet adopted these revised standards.

| | |
|-----------------------|-------------------------|
| TAS 7 (revised 2017) | Statement of cash flows |
| TAS 12 (revised 2017) | Income taxes |

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

The Bank's management assessed and considered that the above revised standards will not have a material impact on the Bank.

2 Accounting policies (Cont'd)

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

2.2.3 The FAP has announced new standard, TFRS15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Bank has not yet adopted this revised standard.

TFRS 15 will replace the following standards and interpretations:

| | |
|-------------------------|--|
| TAS 11 (revised 2017) | Construction contracts |
| TAS 18 (revised 2017) | Revenue |
| TSIC 31 (revised 2017) | Revenue - Barter Transactions Involving Advertising Services |
| TFRIC 13 (revised 2017) | Customer Loyalty Programmes |
| TFRIC 15 (revised 2017) | Agreements for the Construction of Real Estate |
| TFRIC 18 (revised 2017) | Transfers of Assets from Customers |

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- 1) identify contracts with customers
- 2) identify the performance obligations in the contract
- 3) determine the transaction price of the contract
- 4) allocate the transaction price to each of the separate performance obligations, and
- 5) recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) - minimum amounts must be recognised if they are not at significant risk of reversal
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements
- As with any new standard, there are also increased disclosures.

Entities will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

The Bank's management is currently assessing the impact of initial adoption of this standard.

WONG KEE POH

COUNTRY HEAD

RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

2.3 Recognition of income

Interest income

Interest income on loans and receivable is recognised on an accrual basis, 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.

Interest on investment in debt securities is recognised as income by using the effective interest rate method.

Other income

Other income is recognised on an accrual basis.

2.4 Recognition of expenses

Interest expenses

Interest on interbank and money market items, borrowings and deposits are recognised as expense on an accrual basis.

Other expenses

Other expenses are recognised on an accrual basis.

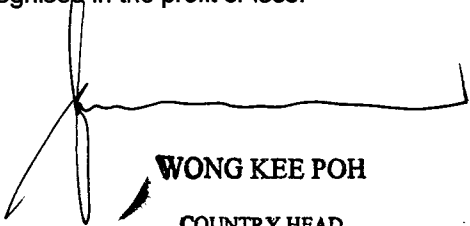
2.5 Foreign currency translations

(a) Functional and presentation currency

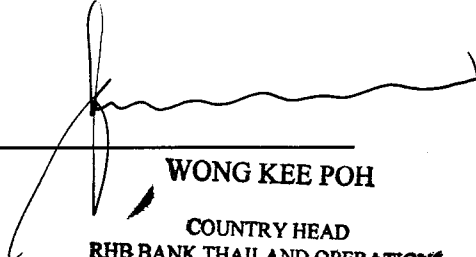
Items included in the financial statements of the Bank is measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Baht, which is the Bank's functional and the Bank's presentation currency.

(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.



WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS



WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

2.6 Forward exchange contracts

Financial derivative instruments are recognised on the trade date.

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

Derivative financial instruments are initially recorded at fair value and subsequently stated at fair value. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate.

The resulting gains and losses from the changes in fair value are recognised directly in the statements of profit or loss and other comprehensive income.

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 profit or loss and other comprehensive income.

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.

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 profit or loss and other comprehensive income in the period in which the transactions take place.

2 Accounting policies (Cont'd)

2.9 Loans, accrued interest income and allowance for doubtful accounts

Loans are recognised on the trade date.

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.

2.11 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 |
|------------------------|---------------------|
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |
| Motor vehicles | 5 years |

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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 profit or loss and other comprehensive income.

Repairs and maintenance are charged to the statement of profit or loss and other 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.

2 Accounting policies (Cont'd)

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.

2.13 Impairment of assets

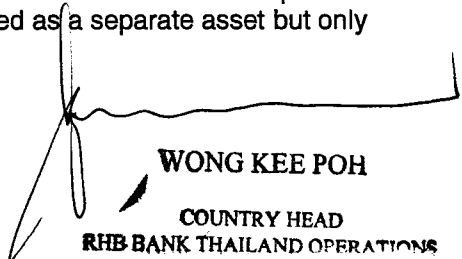
Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Demand liabilities

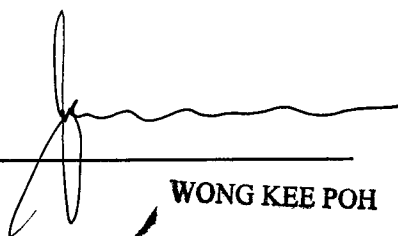
The Bank records the demand liabilities as of the date of transaction equivalents to amount of cash received. When demand liabilities are recalled and repaid, the Bank reverses the outstanding.

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.



WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS



WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

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 profit or loss and other 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. Remeasurment gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to head office's equity and balances with other branches under the same entity in other comprehensive income in the period in which they arise and are included in retained earnings in the statement of changes in head office's equity and balances with other branches under the same entity.

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.

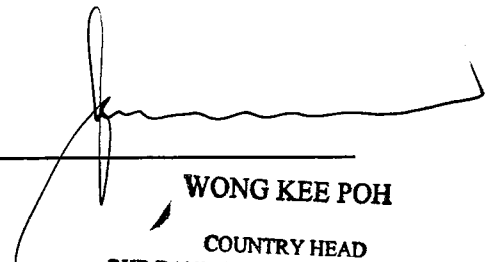
2.17 Financial instruments

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 profit or loss and other 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.



WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

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 head office's equity and balances with other branches under the same entity. In this case the tax is also recognised in other comprehensive income or directly in head office's equity and balances with other branches under the same entity, 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.

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 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.

2.20 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

3 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

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 Critical accounting estimates and assumptions (Cont'd)

3.2 Allowance for doubtful accounts

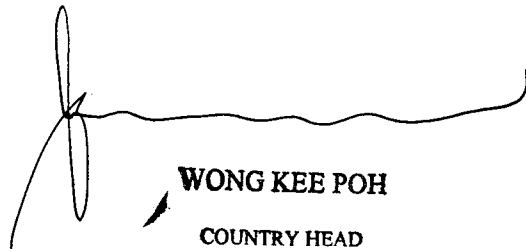
The Bank maintains an allowance for doubtful accounts to reflect impairment of loans and accrued interest receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Bank's assessment 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.

3.3 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 19.


WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

5 Fair value

5.1 Fair value estimate

The fair value of the financial instruments are defined into the following three different levels by valuation method as follows:

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date.

(b) Financial instruments in level 2

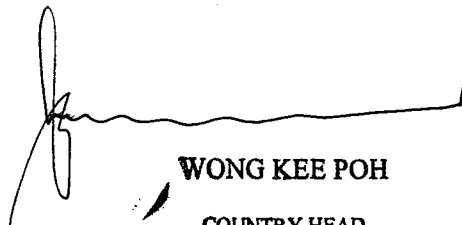
The fair value of financial instruments that are not traded in an active market (over-the-counter) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at 31 December 2017 and 2016, the Bank's financial assets and financial liabilities measured at fair value are as follows:

| | 2017 | | | | |
|---|------------------|---------------------|---------------------|---------------------|------------------|
| | Book value | Fair value | | | Total |
| | Baht'000 | Level 1 Baht'000 | Level 2 Baht'000 | Level 3 Baht'000 | Baht'000 |
| Assets | | | | | |
| Available-for-sale investments | | | | | |
| Government and state enterprises securities | 5,878,146 | - | 5,878,146 | - | 5,878,146 |
| Private enterprises debt securities | 683,002 | - | 683,002 | - | 683,002 |
| Derivative assets | 127,864 | - | 127,864 | - | 127,864 |
| Total assets | 6,689,012 | - | 6,689,012 | - | 6,689,012 |
| Liabilities | | | | | |
| Derivative liabilities | 123,337 | - | 123,337 | - | 123,337 |
| Total Liabilities | 123,337 | - | 123,337 | - | 123,337 |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

5 Fair value (Cont'd)

5.1 Fair value estimate (Cont'd)

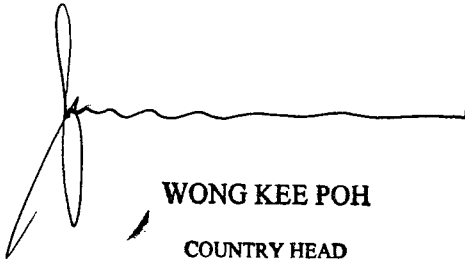
As at 31 December 2017 and 2016, the Bank's financial assets and financial liabilities measured at fair value are as follows: (Cont'd)

| | 2016 | | | | Total Baht'000 |
|---|------------------------|---------------------|---------------------|----------|-------------------|
| | Book value Baht'000 | Fair value | | | |
| | Level 1 Baht'000 | Level 2 Baht'000 | Level 3 Baht'000 | | |
| Assets | | | | | |
| Available-for-sale investments | | | | | |
| Government and state enterprises securities | 6,392,441 | - | 6,392,441 | - | 6,392,441 |
| Private enterprises debt securities | 635,910 | - | 635,910 | - | 635,910 |
| Derivative assets | 44,096 | - | 44,096 | - | 44,096 |
| Total assets | 7,072,447 | - | 7,072,447 | - | 7,072,447 |
| Liabilities | | | | | |
| Derivative liabilities | 44,714 | - | 44,714 | - | 44,714 |
| Total Liabilities | 44,714 | - | 44,714 | - | 44,714 |

There were no transfers between levels during the year.

As at 31 December 2017, the Bank's financial assets and liabilities that are not specified to measure at fair value are as follows:

| | 2017 | | | | Total Baht'000 |
|---|------------------------|---------------------|---------------------|----------|-------------------|
| | Book value Baht'000 | Fair value | | | |
| | Level 1 Baht'000 | Level 2 Baht'000 | Level 3 Baht'000 | | |
| Assets | | | | | |
| Interbank and money market items, net | 1,644,482 | - | 1,644,482 | - | 1,644,482 |
| Held-to-maturity debt securities | 103,347 | - | 104,262 | - | 104,262 |
| Loans to customers and accrued interest receivables | 9,047,430 | - | 9,048,579 | - | 9,048,579 |
| Total assets | 10,795,259 | - | 10,797,323 | - | 10,797,323 |
| Liabilities | | | | | |
| Deposits | 3,767,106 | - | 3,767,106 | - | 3,767,106 |
| Interbank and money market items | 8,508,043 | - | 8,508,043 | - | 8,508,043 |
| Liabilities payable on demand | 79 | - | 79 | - | 79 |
| Total liabilities | 12,275,228 | - | 12,275,228 | - | 12,275,228 |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

5 Fair value (Cont'd)

5.1 Fair value estimate (Cont'd)

As at 31 December 2017, the Bank's financial assets and liabilities that are not specified to measure at fair value are as follows: (Cont'd)

| | Book value Baht'000 | 2016 Fair value | | | Total Baht'000 |
|---|------------------------|---------------------|---------------------|---------------------|-------------------|
| | | Level 1 Baht'000 | Level 2 Baht'000 | Level 3 Baht'000 | |
| Assets | | | | | |
| Interbank and money market items, net | 3,513,383 | - | 3,513,383 | - | 3,513,383 |
| Held-to-maturity debt securities | 106,522 | - | 107,835 | - | 107,835 |
| Loans to customers and accrued interest receivables | 8,532,250 | - | 8,531,192 | - | 8,531,192 |
| Total assets | 12,152,155 | - | 12,152,410 | - | 12,152,410 |
| Liabilities | | | | | |
| Deposits | 2,701,832 | - | 2,701,832 | - | 2,701,832 |
| Interbank and money market items | 8,895,274 | - | 8,895,274 | - | 8,895,274 |
| Liabilities payable on demand | 1,126 | - | 1,126 | - | 1,126 |
| Total liabilities | 11,598,232 | - | 11,598,232 | - | 11,598,232 |

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 and other financial institutions and loans to financial institutions which are short-term or at call. 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.

Loans to customers and accrued interest receivable, net

The fair value is the outstanding balance of loans and accrued interest 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 at call liabilities. Accordingly, their carrying amount is a reasonable approximation of fair value.

5 Fair value (Cont'd)

5.2 Valuation techniques used to derive Level 2 fair values

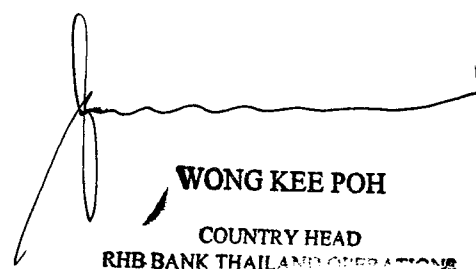
The fair values of available-for-sale investments are based on the yield curve of ThaiBMA or other financial institutions at the last business day of the year.

The fair value of derivative assets and liabilities have been valued at their current market values, which are obtained from quoted market prices or applying discounted cash flow model or other widely used calculation methods.

6 Interbank and money market item, net - assets

Interbank and money market items as at 31 December 2017 and 2016 consist of the followings:

| | 2017 | | | 2016 | | |
|---|----------------------|--------------------|----------------------|----------------------|--------------------|----------------------|
| | Demand Baht | Term Baht | Total Baht | Demand Baht | Term Baht | Total Baht |
| Domestic items | | | | | | |
| The Bank of Thailand | 171,549,776 | - | 171,549,776 | 2,513,069,610 | - | 2,513,069,610 |
| Commercial banks | 6,004,531 | - | 6,004,531 | 5,444,811 | - | 5,444,811 |
| Other financial institutions | 940,000,000 | 450,000,000 | 1,390,000,000 | - | 920,000,000 | 920,000,000 |
| Total | 1,117,554,307 | 450,000,000 | 1,567,554,307 | 2,518,514,421 | 920,000,000 | 3,438,514,421 |
| <u>Add</u> Interest receivable | 184,438 | 4,901,873 | 5,086,311 | - | 1,003,911 | 1,003,911 |
| <u>Less</u> Allowance for doubtful accounts | (9,401,844) | (4,548,985) | (13,950,829) | - | (9,200,000) | (9,200,000) |
| Total domestic items | 1,108,336,901 | 450,352,888 | 1,558,689,789 | 2,518,514,421 | 911,803,911 | 3,430,318,332 |
| Foreign items | | | | | | |
| US Dollars | 64,136,747 | - | 64,136,747 | 64,708,452 | - | 64,708,452 |
| Euro | 4,047,718 | - | 4,047,718 | 3,969,678 | - | 3,969,678 |
| Pounds sterling | 716,065 | - | 716,065 | 711,744 | - | 711,744 |
| Japanese Yen | 9,009,962 | - | 9,009,962 | 12,130,249 | - | 12,130,249 |
| Australia Dollars | 5,507,165 | - | 5,507,165 | 545,634 | - | 545,634 |
| Hong Kong Dollars | 2,202,453 | - | 2,202,453 | 779,741 | - | 779,741 |
| New Zealand Dollars | 171,988 | - | 171,988 | 219,460 | - | 219,460 |
| Total foreign items | 85,792,098 | - | 85,792,098 | 83,064,958 | - | 83,064,958 |
| Total interbank and money market items | 1,194,128,999 | 450,352,888 | 1,644,481,887 | 2,601,579,379 | 911,803,911 | 3,513,383,290 |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

WONG KEE POH

COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

7 Derivative financial instruments

Fair value and notional amount classified by type of risks as at 31 December 2017 and 2016 comprise of the followings:

| Types of risks | 2017 | | |
|-----------------------|----------------|---------------------|-------------------------|
| | Fair value | | National amount Baht |
| | Assets Baht | Liabilities Baht | |
| Foreign exchange rate | 127,863,884 | 123,336,976 | 5,938,593,537 |

| Types of risks | 2016 | | |
|-----------------------|----------------|---------------------|-------------------------|
| | Fair value | | National amount Baht |
| | Assets Baht | Liabilities Baht | |
| Foreign exchange rate | 44,095,730 | 44,714,390 | 7,612,534,957 |

Proportion of derivative contract balance as at 31 December 2017 and 2016 classified by counterparties comprise of the followings:

| Counterparties | 2017 % | 2016 % |
|-----------------------|-----------|-----------|
| Financial institution | 88 | 91 |
| Affiliated companies | 4 | 5 |
| Third parties | 8 | 4 |
| Total | 100 | 100 |

8 Investments, net

Investments in securities as at 31 December 2017 and 2016 comprised of the following:

| | 2017 Fair value Baht | 2016 Fair value Baht |
|--|----------------------------|----------------------------|
| Available-for-sale securities | | |
| Government and state enterprise securities | 5,878,146,367 | 6,392,441,436 |
| Private enterprises debt securities | 683,002,349 | 635,910,422 |
| Total | 6,561,148,716 | 7,028,351,858 |

| | 2017 Amortised Cost Baht | 2016 Amortised Cost Baht |
|--|-----------------------------------|-----------------------------------|
| Held to maturity debt securities | | |
| Government and state enterprise securities | 103,347,161 | 106,521,798 |
| <u>Less</u> Allowance for impairment | - | - |
| Total | 103,347,161 | 106,521,798 |
| Total investments, net | <u>6,664,495,877</u> | <u>7,134,873,656</u> |

9 Loans to customers and accrued interest receivables, net

9.1 Classified by loan type

| | 2017 Baht | 2016 Baht |
|---|----------------------|----------------------|
| Overdrafts | 127,765,070 | 92,923,468 |
| Loans | 3,228,971,396 | 3,654,183,604 |
| Trade finance loans | 715,930,341 | 372,820,743 |
| Promissory notes | 4,946,142,020 | 4,376,032,020 |
| Others | 2,187,471 | 2,187,471 |
| <u>Less</u> Deferred income | (81,899) | (169,353) |
| Total loans net of deferred income | 9,020,914,399 | 8,497,977,953 |
| <u>Add</u> Accrued interest receivables | 26,515,523 | 34,272,218 |
| <u>Less</u> Allowance for doubtful accounts (Note 10) | (170,953,051) | (163,812,267) |
| Minimum allowance per BOT guideline | (20,504,406) | (20,267,940) |
| Surplus reserve | (20,504,406) | (20,267,940) |
| Total | <u>8,855,972,465</u> | <u>8,348,169,964</u> |

9.2 Classified by currencies and customer's residence:

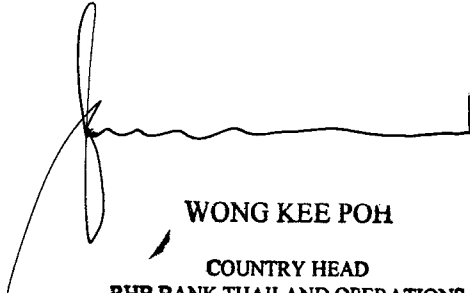
| | 2017 | |
|--|--------------------------|-----------------------|
| | Domestic Baht | Total Baht |
| Thai Baht | 8,913,982,470 | 8,913,982,470 |
| US Dollar | 106,931,929 | 106,931,929 |
| Total loans | 9,020,914,399 | 9,020,914,399 |
| <u>Add</u> Accrued interest receivables | 26,515,523 | 26,515,523 |
| Total loans and accrued interest receivables | <u>9,047,429,922</u> | <u>9,047,429,922</u> |
| | 2016 | |
| | Domestic Baht | Total Baht |
| Thai Baht | 8,399,369,281 | 8,399,369,281 |
| US Dollar | 98,608,672 | 98,608,672 |
| Total loans | 8,497,977,953 | 8,497,977,953 |
| <u>Add</u> Accrued interest receivables | 34,272,218 | 34,272,218 |
| Total loans and accrued interest receivables | <u>8,532,250,171</u> | <u>8,532,250,171</u> |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

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

9.3 Classified by type of business and loan classifications

| Business type | 2017 | | | | | Total Baht |
|--|---------------|------------------------|------------------|---------------|--------------------|---------------|
| | Normal Baht | Special mentioned Baht | Substandard Baht | Doubtful Baht | Doubtful loss Baht | |
| Manufacturing and commercial | 3,609,027,167 | - | - | - | 78,179,557 | 3,687,206,724 |
| Real estate and construction | 376,520,762 | - | - | - | 183,747,755 | 560,268,517 |
| Infrastructure and service | - | - | - | - | - | - |
| Others | 4,762,298,907 | - | 2,758,368 | - | 8,381,883 | 4,773,439,158 |
| Total loans | 8,747,846,836 | - | 2,758,368 | - | 270,309,195 | 9,020,914,399 |
| Add Accrued interest receivables | 26,515,523 | - | - | - | - | 26,515,523 |
| Total loans and accrued interest receivables | 8,774,362,359 | - | 2,758,368 | - | 270,309,195 | 9,047,429,922 |
| Business type | 2016 | | | | | Total Baht |
| | Normal Baht | Special mentioned Baht | Substandard Baht | Doubtful Baht | Doubtful loss Baht | |
| Manufacturing and commercial | 4,583,131,891 | - | - | - | 70,236,625 | 4,653,368,516 |
| Real estate and construction | 93,714,494 | - | - | - | 148,590,349 | 242,304,843 |
| Infrastructure and service | 625,044,444 | - | - | - | 8,000,000 | 633,044,444 |
| Others | 2,964,372,931 | - | 2,934,397 | - | 1,952,822 | 2,969,260,150 |
| Total loans | 8,266,263,760 | - | 2,934,397 | - | 228,779,796 | 8,497,977,953 |
| Add Accrued interest receivables | 34,272,218 | - | - | - | - | 34,272,218 |
| Total loans and accrued interest receivables | 8,300,535,978 | - | 2,934,397 | - | 228,779,796 | 8,532,250,171 |

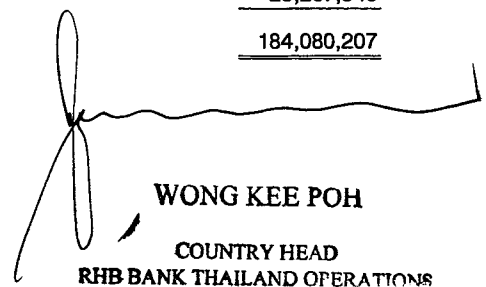

WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

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

9.4 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 | 2017 | | | |
|---|---|--|-----------------------------------|----------------------|
| | Loans and accrued interest receivables Baht | Net amount used as a basis for setting allowance for doubtful account Baht | Minimum % required BOT guidelines | Total allowance Baht |
| 1. Minimum amount to required by BOT | | | | |
| Normal | 8,747,846,836 | 8,747,846,836 | 1 | 87,478,468 |
| Special mentioned | - | - | 2 | - |
| Substandard | 2,758,368 | - | 100 | - |
| Doubtful | - | - | 100 | - |
| Doubtful loss | 270,309,195 | 83,209,428 | 100 | 83,209,428 |
| Total | 9,020,914,399 | 8,831,056,264 | | 170,687,896 |
| Add Accrued interest receivables | 26,515,523 | 26,515,523 | | 265,155 |
| Total loans and accrued interest receivables | 9,047,429,922 | 8,857,571,787 | | |
| 2. Additional allowance set up according to the Branch's internal policy | | | | 20,504,406 |
| Total | | | | 191,457,457 |
| 2016 | | | | |
| Classification | Loans and accrued interest receivables Baht | Net amount used as a basis for setting allowance for doubtful account Baht | Minimum % required BOT guidelines | Total allowance Baht |
| 1. Minimum amount to required by BOT | | | | |
| Normal | 8,266,263,760 | 8,266,263,760 | 1 | 82,662,638 |
| Special mentioned | - | - | 2 | - |
| Substandard | 2,934,397 | - | 100 | - |
| Doubtful | - | - | 100 | - |
| Doubtful loss | 228,779,796 | 80,806,907 | 100 | 80,806,907 |
| Total | 8,497,977,953 | 8,347,070,667 | | 163,469,545 |
| Add Accrued interest receivables | 34,272,218 | 34,272,218 | | 342,722 |
| Total loans and accrued interest receivables | 8,532,250,171 | 8,381,342,885 | | |
| 2. Additional allowance set up according to the Branch's internal policy | | | | 20,267,940 |
| Total | | | | 184,080,207 |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

10 Allowance for doubtful accounts

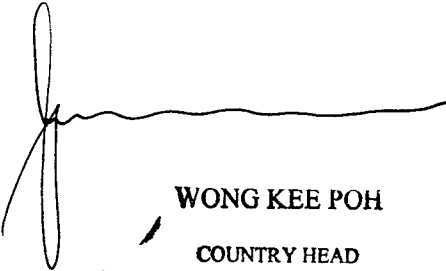
| | 2017 | | | | | |
|---|--------------------|------------------------|------------------|---------------|--------------------|--------------------|
| | Normal Baht | Special mentioned Baht | Substandard Baht | Doubtful Baht | Doubtful loss Baht | Total Baht |
| At beginning of year | 103,273,298 | - | - | - | 80,806,909 | 184,080,207 |
| <u>Add</u> Additional allowance for doubtful accounts | 29,607,113 | - | - | - | 2,402,519 | 32,009,632 |
| <u>Less</u> Reversal of allowance | (24,632,382) | - | - | - | - | (24,632,382) |
| Allowance for doubtful accounts at end of year | <u>108,248,029</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>83,209,428</u> | <u>191,457,457</u> |
| | 2016 | | | | | |
| | Normal Baht | Special mentioned Baht | Substandard Baht | Doubtful Baht | Doubtful loss Baht | Total Baht |
| At beginning of year | 87,518,973 | 465,112 | - | 47,242,276 | 33,648,947 | 168,875,308 |
| <u>Add</u> Additional allowance for doubtful accounts | 49,193,064 | - | - | - | 53,547,392 | 102,740,456 |
| <u>Less</u> Reversal of allowance | (33,438,737) | (465,112) | - | (47,242,276) | (6,389,432) | (87,535,557) |
| Allowance for doubtful accounts at end of year | <u>103,273,300</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>80,806,907</u> | <u>184,080,207</u> |

11 Leasehold improvements and equipment, net

| | Leasehold improvements Baht | Furniture and fixtures Baht | Office equipment Baht | Motor vehicles Baht | Total Baht |
|--|-----------------------------|-----------------------------|-----------------------|---------------------|-------------------|
| As at 1 January 2016 | | | | | |
| 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) |
| Net book amount | <u>20,448,394</u> | <u>4,405,857</u> | <u>16,694,809</u> | <u>2,740,965</u> | <u>44,290,025</u> |
| For the year ended 31 December 2016 | | | | | |
| Opening net book amount | 20,448,394 | 4,405,857 | 16,694,809 | 2,740,965 | 44,290,025 |
| Additions | - | 55,303 | 2,199,993 | 1,669,000 | 3,924,296 |
| Depreciation charge | (3,402,625) | (1,322,152) | (5,838,787) | (771,715) | (11,335,279) |
| Closing net book amount | <u>17,045,769</u> | <u>3,139,008</u> | <u>13,056,015</u> | <u>3,638,250</u> | <u>36,879,042</u> |
| As at 31 December 2016 | | | | | |
| Cost | 30,367,099 | 10,819,060 | 36,617,201 | 6,396,000 | 84,199,360 |
| <u>Less</u> Accumulated depreciation | (13,321,330) | (7,680,052) | (23,561,186) | (2,757,750) | (47,320,318) |
| Net book amount | <u>17,045,769</u> | <u>3,139,008</u> | <u>13,056,015</u> | <u>3,638,250</u> | <u>36,879,042</u> |
| For the year ended 31 December 2017 | | | | | |
| Opening net book amount | 17,045,769 | 3,139,008 | 13,056,015 | 3,638,250 | 36,879,042 |
| Additions | - | - | 673,398 | - | 673,398 |
| Depreciation charge | (3,402,263) | (1,216,683) | (5,428,796) | (967,800) | (11,015,542) |
| Closing net book amount | <u>13,643,506</u> | <u>1,922,325</u> | <u>8,300,617</u> | <u>2,670,450</u> | <u>26,536,898</u> |
| As at 31 December 2017 | | | | | |
| Cost | 30,367,099 | 10,819,060 | 37,290,599 | 6,396,000 | 84,872,758 |
| <u>Less</u> Accumulated depreciation | (16,723,593) | (8,896,735) | (28,989,982) | (3,725,550) | (58,335,860) |
| Net book amount | <u>13,643,506</u> | <u>1,922,325</u> | <u>8,300,617</u> | <u>2,670,450</u> | <u>26,536,898</u> |

12 Intangible assets, net

| | 2016 Baht |
|--|--------------------------|
| As at 1 January 2016 | |
| Cost | 48,848,168 |
| <u>Less</u> Accumulated amortisation | <u>(20,840,340)</u> |
| Net book amount | <u>28,007,336</u> |
| For the year ended 31 December 2016 | |
| Opening net book amount | 28,007,828 |
| Additions | - |
| Amortisation charge | <u>(3,980,492)</u> |
| Closing net book amount | <u>24,027,336</u> |
| As at 1 January 2017 | |
| Cost | 48,848,168 |
| <u>Less</u> Accumulated amortisation | <u>(24,820,832)</u> |
| Net book amount | <u>24,027,336</u> |
| For the year ended 31 December 2017 | |
| Opening net book amount | 24,027,336 |
| Additions | 1,646,532 |
| Amortisation charge | <u>(3,822,388)</u> |
| Closing net book amount | <u>21,851,480</u> |
| As at 31 December 2017 | |
| Cost | 50,494,700 |
| <u>Less</u> Accumulated amortisation | <u>(28,643,220)</u> |
| Net book amount | <u>21,851,480</u> |


WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

13 Deferred tax assets, net

The analysis of deferred tax assets and liabilities is as follows:

| | 2017 Baht | 2016 Baht |
|--|---------------------|-------------------|
| Deferred tax assets: | | |
| Deferred tax asset to be recovered within 12 months | 6,608,052 | 3,343,656 |
| Deferred tax asset to be recovered after more than 12 months | 21,325,637 | 16,094,271 |
| | <u>27,933,689</u> | <u>19,437,927</u> |
| Deferred tax liabilities: | | |
| Deferred tax liabilities to be settled within 12 months | (2,320,978) | - |
| Deferred tax liabilities to be settled after more than 12 months | (11,723,817) | - |
| | <u>(14,044,795)</u> | <u>-</u> |
| Deferred tax assets, net | <u>13,888,894</u> | <u>19,437,927</u> |

The movement of deferred income tax is as follows:

| | 2017 Baht | 2016 Baht |
|---------------------------------------|-------------------|-------------------|
| As at 1 January | 19,437,927 | 14,164,177 |
| Charges to profit and loss (Note 30) | 9,981,390 | (8,320,310) |
| Charges to other comprehensive income | (15,530,423) | 13,594,060 |
| As at 31 December | <u>13,888,894</u> | <u>19,437,927</u> |

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

| | 2017 | | | |
|---------------------------------|------------------------------------|---|---|--------------------------------------|
| | As at 1 January 2017 Baht | Recognised in profit and loss Baht | Recognised in other comprehensive income Baht | As at 31 December 2017 Baht |
| Deferred tax assets | | | | |
| Fair value loss | 227,548 | (227,548) | - | - |
| Provisions | 19,210,379 | 8,694,533 | 28,777 | 27,933,689 |
| Total | <u>19,437,927</u> | <u>8,466,985</u> | <u>28,777</u> | <u>27,933,689</u> |
| Deferred tax liabilities | | | | |
| Fair value gain | - | (1,514,405) | 15,559,200 | 14,044,795 |
| Total | <u>-</u> | <u>(1,514,405)</u> | <u>15,559,200</u> | <u>14,044,795</u> |
| Deferred tax assets, net | <u>19,437,927</u> | | | <u>13,888,894</u> |

WONG KEE POH

COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

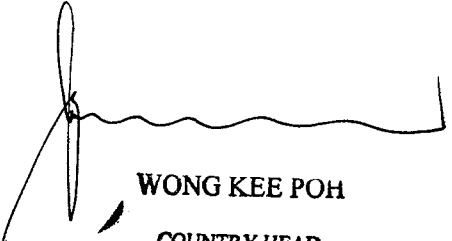
13 Deferred tax assets, net (Cont'd)

The movements in deferred tax assets and liabilities during the years are as follows: (Cont'd)

| | 2016 | | | |
|---------------------------------|------------------------------------|---|---|--------------------------------------|
| | As at 1 January 2016 Baht | Recognised in profit and loss Baht | Recognised in other comprehensive income Baht | As at 31 December 2016 Baht |
| Deferred tax assets | | | | |
| Fair value loss | 7,547,366 | (20,684,929) | 13,365,111 | 227,548 |
| Provisions | 23,244,150 | (4,262,720) | 228,949 | 19,210,379 |
| Total | 30,791,516 | (24,947,649) | 13,594,060 | 19,437,927 |
| Deferred tax liabilities | | | | |
| Fair value gain | 16,627,339 | (16,627,339) | - | - |
| Total | 16,627,339 | (16,627,339) | - | - |
| Deferred tax assets, net | 14,164,177 | | | 19,437,927 |

14 Other assets

| | 2017 Baht | 2016 Baht |
|----------------------------------|-------------------|-------------------|
| Account receivable - court order | 21,011,779 | 21,011,779 |
| Accrued interest receivables | 39,295,312 | 37,326,561 |
| Deposits | 2,781,107 | 2,838,307 |
| Prepaid income taxes | 4,895,365 | 355,216 |
| Others | 3,904,933 | 6,033,455 |
| Total | 71,888,496 | 67,565,318 |


WONG KEE POH
COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

15 Deposits

15.1 Grouped by products

| | 2017 Baht | 2016 Baht |
|-----------------------|----------------------|----------------------|
| On demand | 119,207,873 | 85,718,060 |
| Savings | 150,286,053 | 168,820,467 |
| Term | 2,917,612,572 | 1,636,293,320 |
| NCD | 580,000,000 | 811,000,000 |
| Total deposits | 3,767,106,498 | 2,701,831,847 |

15.2 Grouped by currencies and residencies of customers:

| | 2017 | | |
|-----------------------|----------------------|-----------------|----------------------|
| | Domestic Baht | Foreign Baht | Total Baht |
| Thai Baht | 3,766,763,421 | 237,661 | 3,767,001,082 |
| US Dollar | 98,175 | - | 98,175 |
| EURO | 7,241 | - | 7,241 |
| Total deposits | 3,766,868,837 | 237,661 | 3,767,106,498 |

| | 2016 | | |
|-----------------------|----------------------|-----------------|----------------------|
| | Domestic Baht | Foreign Baht | Total Baht |
| Thai Baht | 2,701,609,034 | 107,469 | 2,701,716,503 |
| US Dollar | 107,844 | - | 107,844 |
| EURO | 7,500 | - | 7,500 |
| Total deposits | 2,701,724,378 | 107,469 | 2,701,831,847 |

16 Interbank and money market items - liabilities

| | 2017 | | |
|--|----------------------|----------------------|----------------------|
| | On demand Baht | Term Baht | Total Baht |
| Domestic items | | | |
| Commercial banks | - | 2,295,000,000 | 2,295,000,000 |
| Special purpose financial institutions | - | 1,645,000,000 | 1,645,000,000 |
| Other financial institutions | 2,064,617,023 | 2,500,000,000 | 4,564,617,023 |
| Total domestic items | 2,064,617,023 | 6,440,000,000 | 8,504,617,023 |
| Foreign items | | | |
| Thai | 3,426,218 | - | 3,426,218 |
| Total foreign items | 3,426,218 | - | 3,426,218 |
| Total | 2,068,043,241 | 6,440,000,000 | 8,508,043,241 |

16 Interbank and money market items - liabilities (Cont'd)

| | 2016 | | Total Baht |
|--|---------------------------|----------------------|-----------------------|
| | On demand Baht | Term Baht | |
| Domestic items | | | |
| Commercial banks | - | 2,010,000,000 | 2,010,000,000 |
| Special purpose financial institutions | - | 1,600,000,000 | 1,600,000,000 |
| Other financial institutions | 2,527,825,866 | 2,745,000,000 | 5,272,825,866 |
| Total domestic items | 2,527,825,866 | 6,355,000,000 | 8,882,825,866 |
| Foreign items | | | |
| Thai | 12,448,156 | - | 12,448,156 |
| Total foreign items | 12,448,156 | - | 12,448,156 |
| Total | 2,540,274,022 | 6,355,000,000 | 8,895,274,022 |

17 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:

| | 2017 Baht | 2016 Baht |
|--|----------------------|----------------------|
| Beginning balance | 7,357,311 | 4,834,635 |
| Current service costs | 2,492,044 | 2,324,916 |
| Interest costs | 155,968 | 109,260 |
| <u>Less</u> Benefits paid for the year | (614,167) | (1,056,245) |
| Remeasurements: | | |
| Gain from change in demographic assumptions | 248,531 | - |
| (Gain) loss from change in financial assumptions | 182,818 | (257,395) |
| Experience (gain)loss | (287,466) | 1,402,140 |
| Ending balance | 9,535,039 | 7,357,311 |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

17 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:

| | 2017 | 2016 |
|-----------------------|------------------|------------------|
| | Baht | Baht |
| Current service costs | 2,492,044 | 2,324,916 |
| Interest costs | 155,968 | 109,260 |
| Total | 2,648,012 | 2,434,176 |

Principal actuarial assumptions used to calculate the defined benefit obligations as at 31 December 2017 and 2016, are as follows:

| | 2017 | 2016 |
|--------------------------------|--|--|
| Discount rate | 1.68% | 2.12% |
| Salary increase rate | 5.0-6.0% | 5.0% |
| Pre-retirement mortality rate | 100% of Thai Mortality Ordinary Table 2017 | 100% of Thai Mortality Ordinary Table 2008 |
| Disability rate | 5% of Thai Mortality Ordinary Table 2017 | 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

| | Increase (decrease) in | |
|-------------------------|--------------------------------------|-------------|
| | provision on employee benefit | |
| | 2017 | 2016 |
| | Baht | Baht |
| Discount rate | | |
| Increase 1% | (312,491) | (290,909) |
| Decrease 1% | 342,965 | 316,018 |
| Salary income rate | | |
| Increase 1% | 341,109 | 318,880 |
| Decrease 1% | (316,722) | (298,933) |
| Average life expectancy | | |
| Increase 1 year | 18,046 | 25,422 |
| Decrease 1 year | (17,990) | (25,310) |

Expected maturity analysis of undiscounted retirement benefits:

| | Less than | Between | Between | Over | Total |
|------------------------|------------------|--------------------|--------------------|----------------|--------------|
| | a year | 1 - 2 years | 3 - 5 years | 5 years | Baht |
| | Baht | Baht | Baht | Baht | Baht |
| As at 31 December 2017 | 8,130,819 | 713,589 | 524,128 | 142,800,019 | 152,168,555 |
| As at 31 December 2016 | - | 5,145,274 | 2,236,394 | 135,196,003 | 142,577,671 |

WONG KEE POH

COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

18 Other liabilities

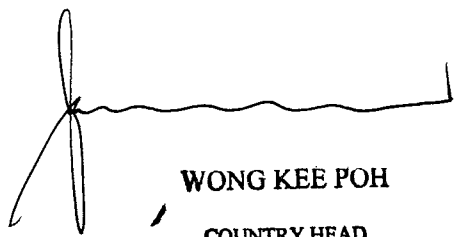
| | 2017 | 2016 |
|-------------------------------|--------------------|--------------------|
| | Baht | Baht |
| Account payable - court order | 37,508,887 | 37,508,887 |
| Account payable - other | 26,183,951 | 29,767,040 |
| Unearned income | 1,701,611 | 1,342,127 |
| Accrued interest payables | 31,422,691 | 32,037,166 |
| Accrued bonus | 18,422,338 | 16,145,214 |
| Others | 60,004,886 | 22,768,931 |
| Total | 175,244,364 | 139,569,365 |

19 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 2017 and 2016 comprise of the following:

| | 2017 | 2016 |
|--|---------------|---------------|
| | Baht | Baht |
| Total assets maintained in Thailand | 2,231,628,813 | 2,243,035,606 |
| 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 | 2,190,528,789 | 4,837,534,044 |
| Total funds and capital loans remitted into Thailand for maintaining assets | 4,190,528,789 | 6,837,534,044 |
| Total capital funds | 2,000,000,000 | 2,000,000,000 |
| | 2017 | 2016 |
| Total capital funds to risk assets ratio (%) | 15.86 | 17.18 |

The Bank will disclose capital maintenance information as at 31 December 2017 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 within April 2018.


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

20 Commitments and contingent liabilities

| | 2017 | | |
|-------------------------------------|-------------------|-----------------------------|---------------|
| | Thai Baht Baht | Other currencies Baht | Total Baht |
| Guarantees | 707,532,862 | 50,757,889 | 758,290,751 |
| Letters of credit | - | 35,066,339 | 35,066,339 |
| Other commitments | | | |
| Forward exchange contracts - bought | 202,061,671 | 32,401,609 | 234,463,280 |
| Forward exchange contracts - sold | 201,735,514 | 32,475,181 | 234,210,695 |
| Currency SWAP contracts - bought | 1,846,991,285 | 3,861,489,081 | 5,708,480,366 |
| Currency SWAP contracts - sold | 1,724,632,714 | 3,979,750,128 | 5,704,382,842 |
| Others | - | 85,802,633 | 85,802,633 |
| | | | |
| | 2016 | | |
| | Thai Baht Baht | Other currencies Baht | Total Baht |
| Guarantees | 478,428,776 | 467,386,603 | 945,815,379 |
| Letters of credit | - | 162,348,727 | 162,348,727 |
| Other commitments | | | |
| Forward exchange contracts - bought | 289,626,486 | 7,284,791 | 296,911,277 |
| Forward exchange contracts - sold | 293,439,631 | 7,306,879 | 300,746,510 |
| Currency SWAP contracts - bought | 1,207,345,810 | 6,107,181,038 | 7,314,526,848 |
| Currency SWAP contracts - sold | 1,230,867,614 | 6,080,920,833 | 7,311,788,447 |
| Others | - | 15,073,607 | 15,073,607 |

21 Commitments

Capital commitments

As at 31 December 2017 and 2016, 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 2017 to 15 May 2019. The Bank has a commitment to pay monthly service fee amounting to Baht 35,000.

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

| | 2017 Baht | 2016 Baht |
|--|------------------|-------------------|
| Not later than 1 year | 6,584,391 | 8,378,556 |
| Later than 1 year but not later than 5 years | - | 6,427,456 |
| | <u>6,584,391</u> | <u>14,806,012</u> |

22 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 its Head Office and other branches under the same entity, holding companies, 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 Bank, 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.

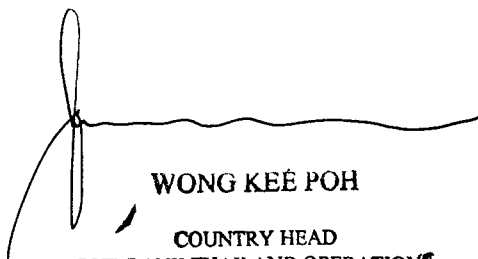
A number of banking transactions are entered into with related parties in the normal course of banking business. These transactions have been priced at and contained similar conditions with the Bank's general customers, and are conformed to normal banking practice.

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 1.00% per annum (2016: 1.10% per annum).

Significant transactions with related parties for the years ended 31 December 2017 and 2016, other than Head Office's equity and balances with other branches under the same entity, consist of the following:

| | 2017 | 2016 |
|--|---------------|---------------|
| | Baht | Baht |
| Outstanding balances on the statement of financial position | | |
| Interbank and money market items, net (assets) | 455,493,575 | 435,651,353 |
| Derivative assets | 41,740,520 | - |
| Deposits | 26,208,209 | 25,948,080 |
| Interbank and money market items (liabilities) | 1,090,295,717 | 1,047,701,077 |
| Derivative liabilities | - | 4,807,435 |
| Other liabilities | 2,470,548 | 2,256,027 |
| Off - statement of financial position items - contingencies | | |
| - Currency swaps - Bought | 531,900,000 | 353,625,000 |
| - Currency swaps - Sold | 490,213,500 | 358,306,500 |
| Items in statements of profit or loss and others comprehensive income | | |
| Interest income | 10,470,667 | 6,873,589 |
| Interest expenses | 12,779,790 | 12,730,741 |
| Insurance expenses | 515,466 | - |
| Legal fees | 329,028 | - |
| Human resources service fees | 1,284,000 | 1,177,000 |

Key management receives benefits which are consist of salary, bonus, allowances and retirement benefits according to the Bank's policy.


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATION

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

23.1 Position grouped by type of transactions

| | 2017 | | | 2016 | | |
|--|---------------|--------------|---------------|---------------|--------------|---------------|
| | Domestic Baht | Foreign Baht | Total Baht | Domestic Baht | Foreign Baht | Total Baht |
| Assets | | | | | | |
| Interbank and money market item, net (assets) | 1,558,689,789 | 85,792,098 | 1,644,481,887 | 3,430,318,332 | 83,064,958 | 3,513,383,290 |
| Investment, net | 6,664,495,877 | - | 6,664,495,877 | 7,134,873,656 | - | 7,134,873,656 |
| Loans to customers and accrued interest receivables, net | 8,855,972,465 | - | 8,855,972,465 | 8,348,169,964 | - | 8,348,169,964 |
| Liabilities | | | | | | |
| Deposits | 3,766,868,837 | 237,661 | 3,767,106,498 | 2,701,724,378 | 107,469 | 2,701,831,847 |
| Interbank and money market item, net (liabilities) | 8,504,617,023 | 3,426,218 | 8,508,043,241 | 8,882,825,866 | 12,448,156 | 8,895,274,022 |
| Demand liabilities | 79,329 | - | 79,329 | 1,125,846 | - | 1,125,846 |

23.2 Performance grouped by type of transactions

| | 2017 | | | 2016 | | |
|---------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Domestic Baht | Foreign Baht | Total Baht | Domestic Baht | Foreign Baht | Total Baht |
| Interest income | 466,471,334 | 181,790 | 466,653,124 | 425,984,202 | 147,610 | 426,131,812 |
| Interest expenses | (200,472,755) | (53,621,019) | (254,093,774) | (200,845,604) | (21,050,098) | (221,895,702) |
| Net interest income | 265,998,579 | (53,439,229) | 212,559,350 | 225,138,598 | (20,902,488) | 204,236,110 |
| Net fee and services income | 8,539,359 | - | 8,539,359 | 10,725,695 | - | 10,725,695 |
| Other operating income | 31,828,275 | - | 31,828,275 | 52,269,888 | - | 52,269,888 |
| Other operating expenses | (211,597,959) | - | (211,597,959) | (248,033,527) | - | (248,033,527) |
| Profit (loss) before income tax | 94,768,254 | (53,439,229) | 41,329,025 | 40,100,654 | (20,902,488) | 19,198,166 |

24 Interest income

| | 2017 Baht | 2016 Baht |
|----------------------------------|-------------|-------------|
| Interbank and money market items | 39,144,363 | 30,338,048 |
| Investments in debt securities | 150,785,211 | 135,914,742 |
| Loans | 276,723,550 | 259,879,022 |
| Interest income | 466,653,124 | 426,131,812 |

25 Interest expenses

| | 2017 Baht | 2016 Baht |
|---|-------------|-------------|
| Deposits | 75,746,196 | 81,278,931 |
| Interbank and money market items | 143,307,847 | 102,800,267 |
| Contribution fee to the Deposit Protection Agency | 35,039,731 | 37,816,504 |
| Interest expense | 254,093,774 | 221,895,702 |

WONG KEE POH 37

COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

26 Net fees and service income

| | 2017 Baht | 2016 Baht |
|------------------------------------|----------------------|----------------------|
| Fees and service income | | |
| - Acceptances, aval and guarantees | 5,630,742 | 6,179,643 |
| - Others | 4,176,043 | 5,320,620 |
| Fees and service income | 9,806,785 | 11,500,263 |
| Fees and service expenses | (1,267,426) | (774,568) |
| Net fees and service income | <u>8,539,359</u> | <u>10,725,695</u> |

27 Net gain (loss) on trading and foreign exchange

| | 2017 Baht | 2016 Baht |
|---|----------------------|----------------------|
| Gains (losses) on trading and foreign exchange transactions | | |
| - Foreign currencies and exchange derivatives | 18,060,590 | (7,619,715)* |
| - Debt securities | 1,293,099 | 404,679 |
| Total | <u>19,353,689</u> | <u>(7,215,036)</u> |

*Net loss on foreign exchange consists of gain on foreign exchange in amount of THB 3.9 million and THB 11.5 million from swap cost for funding purpose.

28 Net gain on investment

| | 2017 Baht | 2016 Baht |
|----------------------------------|----------------------|----------------------|
| Gain on sale of | | |
| - Available-for-sale investments | 12,324,597 | 21,418,996 |
| - Held to maturity investments | - | - |
| Total | <u>12,324,597</u> | <u>21,418,996</u> |

29 Bad debts and doubtful debts

| | 2017 Baht | 2016 Baht |
|----------------------------------|----------------------|----------------------|
| Interbank and money market items | 4,750,829 | 9,200,000 |
| Loans | 7,377,250 | 15,204,899 |
| Total | <u>12,128,079</u> | <u>24,404,899</u> |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

30 Income tax

| | 2017 | 2016 |
|---|--------------------|-------------------|
| | Baht | Baht |
| Current tax: | | |
| Current tax on profits for the year | 8,618,601 | 11,081,736 |
| Total current tax | 8,618,601 | 11,081,736 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (9,981,390) | 8,320,310 |
| Total deferred tax | (9,981,390) | 8,320,310 |
| Total tax | (1,362,789) | 19,402,046 |

The income tax on profits before tax of the Bank differs from the theoretical amount that would arise using the basic income tax rate of the home country of the Bank as follows:

| | 2017 | 2016 |
|---|--------------------|-------------------|
| | Baht | Baht |
| Profit before tax | 41,329,025 | 19,198,166 |
| Tax calculated at a tax rate of 20% | 8,265,805 | 3,839,633 |
| Tax effect of: | | |
| Adjustment of deferred income tax | (9,682,549) | 15,097,205 |
| Income not subject to tax | (134,749) | (136,858) |
| Expenses not deductible for tax purpose | 188,704 | 602,066 |
| Tax charge | (1,362,789) | 19,402,046 |

31 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 and group of borrowers.

31 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 1.55% in Government and State Enterprise bonds that the Bank has intention to hold until maturity. Available for sale 88.20% is Government and State Enterprise bonds and 10.25% is Corporate Bond.

Foreign exchange risk management

The 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 the Bank's credit policy. Customers must have clear objectives in the utilisation of limit and with its underlying transactions. The 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 the Bank's statements of financial position arises from the mismatch of maturity between the structure of the Bank assets and its liabilities. The Bank evaluates the impact from the changes of interest rates to the bank's net interest income. As at 31 December 2017, the 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. The 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 2017 and 2016, as follows:

| | 2017 | | | | | Total Baht'000 |
|---|---------------------|--------------------------------|------------------------------|----------------------------|-----------------------------|-------------------|
| | At call Baht'000 | Within 3 Months Baht'000 | 3 - 12 Months Baht'000 | 1 - 5 Years Baht'000 | Over 5 Years Baht'000 | |
| Financial assets | | | | | | |
| Interbank and money market items, net | 1,194,129 | 450,353 | - | - | - | 1,644,482 |
| Investments, net | - | 104,739 | 611,402 | 5,948,355 | - | 6,664,496 |
| Loans to customers | 1,243,605 | 3,396,054 | 1,383,018 | 1,733,893 | 1,099,402 | 8,855,972 |
| Financial liabilities | | | | | | |
| Deposits | 269,494 | 1,329,237 | 2,168,375 | - | - | 3,767,106 |
| Interbank and money market items | 2,068,043 | 4,510,000 | 1,930,000 | - | - | 8,508,043 |
| Liabilities payable on demand | 79 | - | - | - | - | 79 |

WONG KEE POH

40

COUNTRY HEAD
RHB BANK THAILAND OPERATIONS

31 Financial risk management (Cont'd)

b) Market risk management (Cont'd)

Interest rate risks (Cont'd)

| | 2016 | | | | | Total Baht'000 |
|---|---------------------|--------------------------------|------------------------------|----------------------------|-----------------------------|-------------------|
| | At call Baht'000 | Within 3 Months Baht'000 | 3 - 12 Months Baht'000 | 1 - 5 Years Baht'000 | Over 5 Years Baht'000 | |
| Financial assets | | | | | | |
| Interbank and money market items, net | 2,601,579 | 138,620 | 773,184 | - | - | 3,513,383 |
| Investments, net | - | 299,872 | 447,388 | 5,955,811 | 431,802 | 7,134,873 |
| Loans to customers | 69,606 | 5,195,876 | 1,383,828 | 1,698,860 | - | 8,348,170 |
| Financial liabilities | | | | | | |
| Deposits | 254,538 | 1,040,292 | 1,407,002 | - | - | 2,701,832 |
| Interbank and money market items | 2,540,274 | 4,605,000 | 1,750,000 | - | - | 8,895,274 |
| Liabilities payable on demand | 1,126 | - | - | - | - | 1,126 |

Basic information of loans to customers net of deferred revenue classified by fixed versus floating interest rates as at 31 December 2017 and 2016 are as follows:

| | 2017 Baht'000 | 2016 Baht'000 |
|------------------------|------------------|------------------|
| Fixed interest rate | 6,893,202 | 7,487,234 |
| Floating interest rate | 2,127,712 | 1,010,744 |
| Total | 9,020,914 | 8,497,978 |

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 2017 and 2016 are as follows:

| | 2017 | | |
|---|---|--------------------------------|-------------------------------|
| | Average balance 12 months Baht'000 | Interest amount Baht'000 | Average interest rate % |
| Earning financial assets | | | |
| Interbank and money market items | 2,578,933 | 39,144 | 1.52% |
| Investments | 6,899,685 | 150,785 | 2.19% |
| Loans to customers | 8,602,070 | 276,724 | 3.22% |
| Interest-bearing financial liabilities | | | |
| Deposits | 3,316,843 | 75,746 | 2.28% |
| Interbank and money market items | 8,701,659 | 143,308 | 1.65% |

31 Financial risk management (Cont'd)

b) Market risk management (Cont'd)

Interest rate risks (Cont'd)

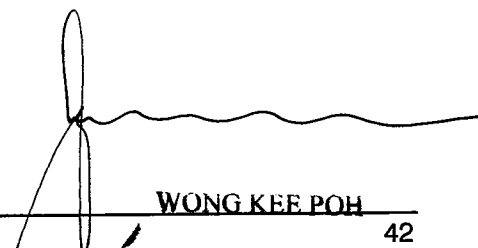
| | 2016 | | |
|--|---|--------------------------------|-------------------------------|
| | Average balance 12 months Baht'000 | Interest amount Baht'000 | Average interest rate % |
| Earning financial assets | | | |
| Interbank and money market items | 2,066,366 | 30,338 | 1.47% |
| Investments | 6,029,076 | 135,915 | 2.25% |
| Loans to customers | 9,047,498 | 259,879 | 2.87% |
| Interest-bearing financial liabilities | | | |
| Deposits | 2,716,063 | 81,279 | 2.99% |
| Interbank and money market items | 10,099,219 | 102,800 | 1.02% |

c) Liquidity risks

The Bank has low liquidity risk as we have a large amount of liquid assets in the portfolio. The 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 the 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.

The following table presents a maturity analysis for monetary assets and liabilities on statements of financial positions as at 31 December 2017 and 2016.

| | 2017 | | | | | |
|--|---------------------|--------------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------|
| | At call Baht'000 | Within 3 months Baht'000 | 3 to 12 months Baht'000 | 1 to 5 years Baht'000 | Over 5 years Baht'000 | Total Baht'000 |
| Financial assets | | | | | | |
| Interbank and money market items, net | 1,194,129 | 450,353 | - | - | - | 1,644,482 |
| Derivative assets | - | 126,912 | 952 | - | - | 127,864 |
| Investments, net | - | 104,739 | 611,402 | 5,948,355 | - | 6,664,496 |
| Loans to customers and accrued interest receivables, net | 1,243,605 | 3,396,054 | 1,383,018 | 1,733,893 | 1,099,402 | 8,855,972 |
| Financial liabilities | | | | | | |
| Deposits | 269,494 | 1,329,237 | 2,168,375 | - | - | 3,767,106 |
| Interbank and money market items | 2,068,043 | 4,510,000 | 1,930,000 | - | - | 8,508,043 |
| Demand liabilities | 79 | - | - | - | - | 79 |
| Derivative liabilities | - | 122,743 | 594 | - | - | 123,337 |


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS

31 Financial risk management (Cont'd)

c) Liquidity risks (Cont'd)

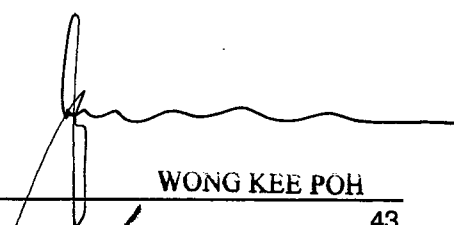
The following table presents a maturity analysis for monetary assets and liabilities on statements of financial positions as at 31 December 2017 and 2016. (Cont'd)

| | 2016 | | | | | Total Baht'000 |
|--|---------------------|--------------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------|
| | At call Baht'000 | Within 3 months Baht'000 | 3 to 12 months Baht'000 | 1 to 5 years Baht'000 | Over 5 years Baht'000 | |
| Financial assets | | | | | | |
| Interbank and money market items, net | 2,601,579 | 138,620 | 773,184 | - | - | 3,513,383 |
| Derivative assets | - | 2,264 | 41,832 | - | - | 44,096 |
| Investments, net | - | 299,872 | 447,388 | 5,955,811 | 431,802 | 7,134,873 |
| Loans to customers and accrued interest receivables, net | 69,606 | 5,195,876 | 1,383,828 | 1,698,860 | - | 8,348,170 |
| Financial liabilities | | | | | | |
| Deposits | 254,538 | 1,040,292 | 1,407,002 | - | - | 2,701,832 |
| Interbank and money market items | 2,540,274 | 4,605,000 | 1,750,000 | - | - | 8,895,274 |
| Demand liabilities | 1,126 | - | - | - | - | 1,126 |
| Derivative liabilities | - | 1,906 | 42,808 | - | - | 44,714 |

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.


WONG KEE POH
 COUNTRY HEAD
 RHB BANK THAILAND OPERATIONS