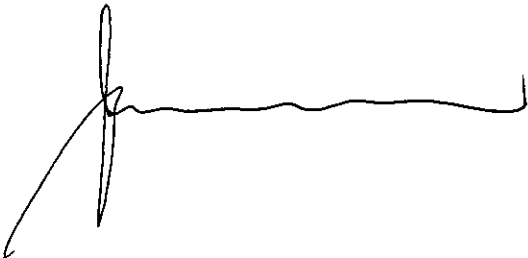


**RHB BANK BERHAD - BANGKOK BRANCH**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

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## Independent auditor's report

To the Management 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 2018, 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 2018;
- 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 Thailand 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.

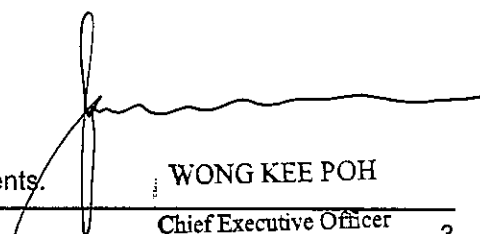
PricewaterhouseCoopers ABAS Ltd.

**Sinsiri Thangsombat**  
Certified Public Accountant (Thailand) No. 7352  
Bangkok  
25 April 2019

RHB Bank Berhad - Bangkok Branch  
Statement of Financial Position  
As at 31 December 2018

	Notes	2018 Baht	2017 Baht
<b>Assets</b>			
Cash		5,894,043	6,990,062
Interbank and money market items, net	6	1,265,245,924	1,644,481,887
Derivative assets	7	48,096,989	127,863,884
Investments, net	8	7,383,596,199	6,664,495,877
Net loans and accrued interest receivables			
Loans to customers		10,391,179,583	9,020,914,399
Accrued interest receivables		31,635,042	26,515,523
		<u>10,422,814,625</u>	<u>9,047,429,922</u>
Total loans and accrued interest receivables	9	10,422,814,625	9,047,429,922
Less Allowance for doubtful accounts	10	<u>(220,890,257)</u>	<u>(191,457,457)</u>
		<u>10,201,924,368</u>	<u>8,855,972,465</u>
Total loans and accrued interest receivables, net			
Leasehold improvements and equipment, net	11	22,392,134	26,536,898
Intangible assets, net	12	25,855,318	21,851,480
Deferred tax assets, net	13	28,965,996	13,888,894
Other assets	14	69,447,313	71,888,496
		<u>19,051,418,284</u>	<u>17,433,969,943</u>
<b>Total assets</b>			

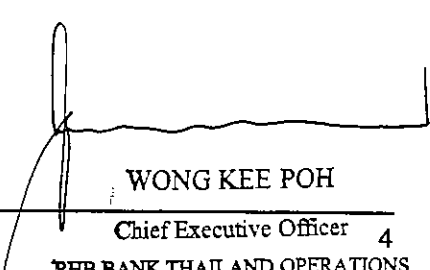
The accompanying notes are an integral part of the financial statements.

  
WONG KEE POH  
Chief Executive Officer  
RHB BANK THAILAND OPERATIONS

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Financial Position (Cont'd)**  
**As at 31 December 2018**

	<b>Notes</b>	<b>2018</b> <b>Baht</b>	<b>2017</b> <b>Baht</b>
<b>Liabilities and Head Office's equity and balances with other branches under the same entity</b>			
<b>Liabilities</b>			
Deposits	15	5,444,034,459	3,767,106,498
Interbank and money market items	16	8,020,278,666	8,508,043,241
Demand liabilities		155,585	79,329
Derivative liabilities	7	43,503,682	123,336,976
Provision for employee benefits obligation	17	11,739,171	9,535,039
Other liabilities	18	155,103,705	175,244,364
<b>Total liabilities</b>		<b>13,674,815,268</b>	<b>12,583,345,447</b>
<b>Head Office's equity and balances with other branches under the same entity</b>			
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		2,725,984,822	2,227,942,604
Others component of accounts with head office and other branches under the same entity		1,541,368	52,557,654
Retained earnings		649,076,826	570,124,238
<b>Total Head Office's equity and balances with other branches under the same entity</b>		<b>5,376,603,016</b>	<b>4,850,624,496</b>
<b>Total liabilities and Head Office's equity and balances with other branches under the same entity</b>		<b>19,051,418,284</b>	<b>17,433,969,943</b>

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

  
**WONG KEE POH**  
 Chief Executive Officer 4  
**RHB BANK THAILAND OPERATIONS**

**RHB Bank Berhad - Bangkok Branch**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2018**

	<b>Notes</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
Interest income	24	552,432,458	466,653,124
Interest expense	25	(293,014,678)	(254,093,774)
<b>Net interest income</b>		<b>259,417,780</b>	<b>212,559,350</b>
Fees and service incomes		9,764,190	9,806,785
Fees and services expenses		(1,253,329)	(1,267,426)
<b>Net fee and service income</b>	26	<b>8,510,861</b>	<b>8,539,359</b>
Net gains on trading and foreign exchange	27	50,002,260	19,353,689
Net gain on investment	28	12,858,881	12,324,597
Other operating income		1,005,868	149,989
<b>Total operating income</b>		<b>331,795,650</b>	<b>252,926,984</b>
<b>Other operating expenses</b>			
Employee expenses		120,121,120	114,139,653
Premises and equipment expenses		50,160,438	51,500,040
Taxes and duties		19,650,741	17,593,683
Others		16,863,492	16,236,504
<b>Total other operating expenses</b>		<b>206,795,791</b>	<b>199,469,880</b>
Bad debt and doubtful accounts	29	27,138,010	12,128,079
<b>Profit before income tax</b>		<b>97,861,849</b>	<b>41,329,025</b>
Income tax	30	(19,564,704)	1,362,789
<b>Net profit for the year</b>		<b>78,297,145</b>	<b>42,691,814</b>
<b>Other comprehensive income (expense)</b>			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit plans	17	819,967	(143,883)
Income tax on items that will not be subsequently reclassified to profit or loss	13	(163,993)	28,777
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>655,974</b>	<b>(115,106)</b>
Items that will be reclassified subsequently to profit or loss			
Gain (loss) on remeasuring available-for-sale investments	8	(63,770,358)	66,216,149
Income tax relating to item that will be reclassified subsequently to profit or loss	13	12,754,072	(15,559,200)
<b>Total items that will be reclassified subsequently to profit or loss</b>		<b>(51,016,286)</b>	<b>50,656,949</b>
<b>Total other comprehensive income (expense), net of tax</b>		<b>(50,360,312)</b>	<b>50,541,843</b>
<b>Total comprehensive income for the year</b>		<b>27,936,833</b>	<b>93,233,657</b>

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

WONG KEE POH  
Chief Executive Officer <sup>5</sup>

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 2018

	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
<b>Opening balances as at 1 January 2017</b>	2,000,000,000	4,874,947,859	1,900,705	527,547,530	7,404,396,094
Decrease during the year	-	(2,647,005,255)	-	-	(2,647,005,255)
Net profit for the year	-	-	-	42,691,814	42,691,814
Unrealised gain on changes in fair value of available-for-sale securities	-	-	66,216,149	-	66,216,149
Remeasurements of provision for employment benefit plan Income tax relating to other component of other comprehensive income for the year	-	-	-	(143,883)	(143,883)
<b>Closing balances as at 31 December 2017</b>	<b>2,000,000,000</b>	<b>2,227,942,604</b>	<b>52,557,654</b>	<b>570,124,238</b>	<b>4,850,624,496</b>
<b>Opening balances as at 1 January 2018</b>	2,000,000,000	2,227,942,604	52,557,654	570,124,238	4,850,624,496
Increase during the year	-	498,042,218	-	-	498,042,218
Net profit for the year	-	-	-	78,297,145	78,297,145
Unrealised loss on changes in fair value of available-for-sale securities	-	-	(63,770,358)	-	(63,770,358)
Remeasurements of provision for employment benefit plan Income tax relating to other component of other comprehensive income for the year	-	-	-	819,967	819,967
<b>Closing balances as at 31 December 2018</b>	<b>2,000,000,000</b>	<b>2,725,984,822</b>	<b>1,541,368</b>	<b>(164,524)</b>	<b>5,376,603,016</b>

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

WONG KEE POH

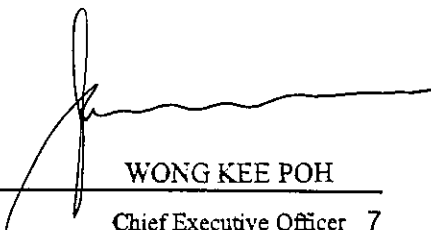
Chief Executive Officer

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**RHB Bank Berhad - Bangkok Branch**  
**Statement of Cash Flows**  
**For the year ended 31 December 2018**

	<b>Notes</b>	<b>2018 Baht</b>	<b>2017 Baht</b>
<b>Cash flows from operating activities</b>			
Net profit before income tax		97,861,849	41,329,025
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:			
Depreciation and amortisation	11, 12	13,648,166	14,837,930
Amortisation of discount and premium in investment in securities		(22,870,680)	97,593,928
Bad debt and doubtful accounts	29	27,138,010	12,128,079
Provisions for employee benefits	17	4,488,013	2,648,012
Unrealised gain on change in fair value of derivative financial instruments		(66,399)	(5,145,568)
Written-off taxes		-	355,216
Interest income	24	(552,432,458)	(466,653,124)
Interest expense	25	293,014,678	254,093,774
Interest paid		(288,408,143)	(254,708,249)
Interest received		561,513,274	468,358,668
Income tax paid		(13,770,561)	(13,521,967)
Net profit from operating activities before changes in operating assets and liabilities		120,115,749	151,315,724
(Increase) decrease in operating assets			
Interbank and money market items		421,000,000	(470,000,000)
Loans		(1,375,755,029)	(522,936,446)
Other assets		(3,519,599)	2,193,723
Increase (decrease) in operating liabilities			
Deposits		1,676,927,961	1,065,274,651
Interbank and money market items		(487,764,575)	(387,230,781)
Demand liabilities		76,256	(1,046,517)
Other liabilities		(33,028,360)	36,289,474
Provision for employee benefits obligation	17	(1,463,914)	(614,167)
Head Office's equity and balances with other branches under the same entity		497,918,632	(2,647,560,392)
<b>Net cash generated from (used in) operating activities</b>		<b>814,507,121</b>	<b>(2,774,314,731)</b>

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

  
**WONG KEE POH**  
 Chief Executive Officer 7  
**RHB BANK THAILAND OPERATIONS**



RHB Bank Berhad - Bangkok Branch  
Statement of Cash Flows (Cont'd)  
For the year ended 31 December 2018

	2018 Baht	2017 Baht
<b>Cash flows from investing activities</b>		
Purchases of investments in securities	(10,116,000,000)	(4,873,000,000)
Proceeds on sale of investments in securities	9,251,000,000	3,935,000,000
Maturity of investments in securities	105,000,000	1,377,000,000
Purchases of leasehold improvements and equipment	(5,004,769)	(673,398)
Purchases of intangible assets	(8,502,471)	(1,646,532)
<b>Net cash (used in) generated from investing activities</b>	<u>(773,507,240)</u>	<u>436,680,070</u>
<b>Net increase (decrease) in cash and cash equivalent</b>	40,999,881	(2,337,634,661)
Cash and cash equivalents at the beginning of the year	<u>271,940,578</u>	<u>2,609,575,239</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>312,940,459</u></u>	<u><u>271,940,578</u></u>
<b>Cash and cash equivalents</b>		
Cash	5,894,043	6,990,062
Interbank and money market items, assets	305,565,360	263,346,405
Head Office's equity and balances with other branches under the same entity	<u>1,481,056</u>	<u>1,604,111</u>
	<u><u>312,940,459</u></u>	<u><u>271,940,578</u></u>

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

  
WONG KEE POH

Chief Executive Officer

RHB BANK THAILAND OPERATIONS

## **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 Chief Executive Officer on 25 April 2019.

## **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.

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WONG KEE POH

Chief Executive Officer

RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

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

2.2.1 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant change and are relevant to the Bank.

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 management has assessed and considered that the above revised standards do not have significant impact on the Bank.

2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective

2.2.2.1 The Thailand Federation of Accounting Professions has issued new standard, TFRS 15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Bank has not early adopted this standard.

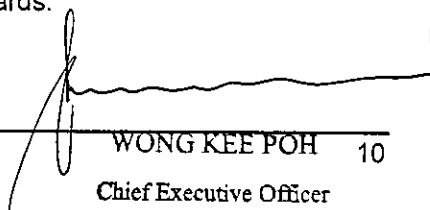
TFRS 15	Revenue from contracts with customers
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TFRS 15 provide the requirements for the recognition of revenue. This standard will supersede the following standards:

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
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
TSIC 31 (revised 2017)	Revenue - barter transactions involving advertising services

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.

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WONG KEE POH 10  
Chief Executive Officer  
RHB-BANK THAILAND OPERATIONS

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

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

**2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective (Cont'd)**

2.2.2.1 The Thailand Federation of Accounting Professions has issued new standard, TFRS 15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Bank has not early adopted this standard. (Cont'd)

An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

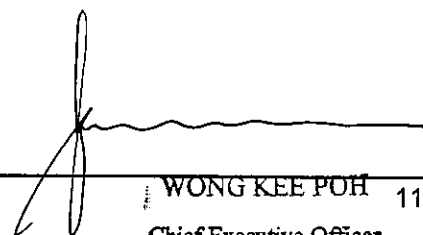
Key changes to current practice are:

- 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 management is currently assessing the impact of initial adoption of this standard.

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WONG KEE POH 11  
Chief Executive Officer

2 Accounting policies (Cont'd)

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

2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective (Cont'd)

2.2.2.2 New financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Bank. The Bank has not yet adopt these standards.

2.2.2.2.1 The group of financial reporting standards related to financial instruments comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

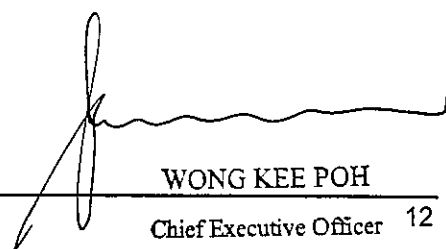
The above new standards and interpretations will supersede the following standards:

TAS 101	Bad and Doubtful Debts
TAS 103	Disclosures in the Financial Statements of Bank and Similar Financial Institutions
TAS 104	Accounting for Troubled Debt Restructuring
TAS 105	Accounting for Investment in Debts and Equity securities
TAS 106	Accounting for Investment Companies
TAS 107	Financial Instruments: Disclosure and Presentation

TAS 32 Financial Instruments: Presentation, provides the requirements for the presentation financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

TFRS 7 Financial Instruments: Disclosures, provides the requirements for the disclosure that are intended to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

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WONG KEE POH  
Chief Executive Officer

2 Accounting policies (Cont'd)

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

2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective (Cont'd)

2.2.2.2 New financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Bank. The Bank has not yet adopt these standards. (Cont'd)

2.2.2.2.1 The group of financial reporting standards related to financial instruments comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019 (Cont'd)

TFRS 9 Financial Instruments, establishes principles for the classification, measurement and derecognition of financial assets and financial liabilities, impairment requirement and hedge accounting as follow:

- Classification and measurement:

- The classification and measurement of debt instrument financial assets has three classification categories, which are amortised cost, fair value through profit or loss and fair value through other comprehensive income. Classification of debt assets will be driven by the entity's business model for managing the financial assets and contractual cash flows characteristics of the financial assets.
- Equity instrument financial assets shall be measured at fair value through profit or loss. An entity can make an irrevocable election to recognise the fair value change in other comprehensive income without subsequent recycling to profit or loss.
- Financial liabilities are classified and measured at amortised cost. An entity can choose to measure a liability at fair value through profit or loss when the conditions are met.
- Derivatives are classified and measured at fair value through profit or loss.

- The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three stage approach. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. Except for trade receivables and contractual assets which apply in TFRS 15 and are no significant financial components and lease receivables, they are permitted to measure by simplified approach for credit impaired consideration.

2 Accounting policies (Cont'd)

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

2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective (Cont'd)

2.2.2.2 New financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Bank. The Bank has not yet adopt these standards. (Cont'd)

2.2.2.2.1 The group of financial reporting standards related to financial instruments comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019 (Cont'd)

TFRS 9 Financial Instruments, establishes principles for the classification, measurement and derecognition of financial assets and financial liabilities, impairment requirement and hedge accounting as follow: (Cont'd)

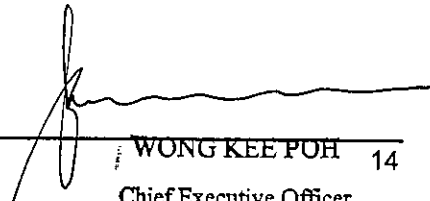
- The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

TFRIC 16 Hedges of a Net Investment in a Foreign Operation, clarifies the accounting treatment in respect of net investment hedging, provides guidance on identifying the foreign currency risks that qualify as a hedged risk. Clarifying that hedging instruments that are hedges of a net investment in a foreign operation may be held anywhere in the group not only by the parent. This includes the guidance on how an entity should determine the amount to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

TFRIC 19 Extinguishing financial liabilities with equity instruments, provides the requirements for accounting treatment when the entity issues equity instruments to a creditor to extinguish all or part of a financial liability. The equity instruments issued shall be measured at fair value. The entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished in accordance with TFRS 9. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the fair value of equity instruments issued shall be recognised in profit or loss.

The management is currently assessing the impact of initial adoption of these standards.

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2 Accounting policies (Cont'd)

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

2.2.2 New and revised financial reporting standards and interpretation which have been issued but not yet effective (Cont'd)

2.2.2.2 New financial reporting standards will become effect for annual periods beginning on or after 1 January 2020 and are relevant to the Bank. The Bank has not yet adopt these standards. (Cont'd)

2.2.2.2.2 TFRS 16 Leases, the earlier application is permitted for entities that apply TFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard.

The new standard will supersede the following standards:

TAS 17	Leases
TFRIC 4	Determining whether an arrangement contains a lease
TSIC 15	Operating leases - Incentives
TSIC 27	Evaluating the substance of transactions in the legal form of a lease

TFRS 16 Leases, a lessee shall recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

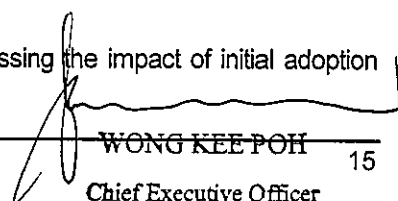
Key changes to current practice are:

- The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.
- The total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation.
- Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.
- The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 management is currently assessing the impact of initial adoption of this standard.

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## 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

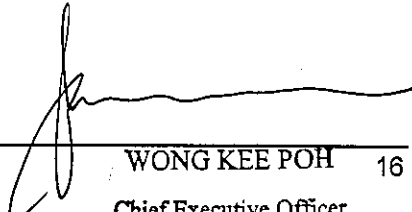
#### (a) Functional and presentation currency

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.

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## 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.

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## 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.

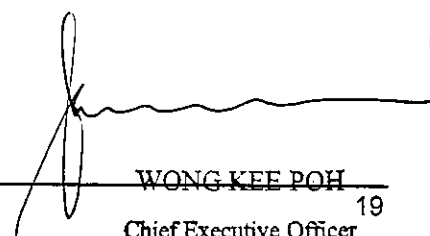
### 2.14 Demand liabilities

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.

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Chief Executive Officer

## 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 in every year.

### 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), derivative 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.

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Chief Executive Officer

## 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.

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### 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.

### 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.

5 Fair value (Cont'd)

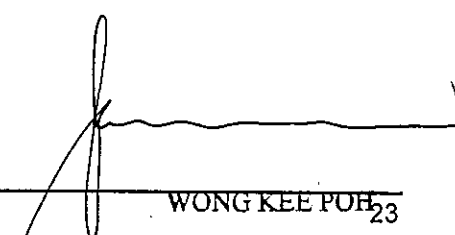
5.1 Fair value estimate (Cont'd)

As at 31 December 2018 and 2017, the Bank's financial assets and financial liabilities measured at fair value are as follows:

	Carrying amount Baht'000	2018 Fair value			Total Baht'000
		Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
<b>Assets</b>					
Available-for-sale investments					
Government and state enterprises securities	6,327,925	-	6,327,925	-	6,327,925
Private enterprises debt securities	1,055,671	-	1,055,671	-	1,055,671
Derivative assets	48,097	-	48,097	-	48,097
<b>Total assets</b>	<b>7,431,693</b>	<b>-</b>	<b>7,431,693</b>	<b>-</b>	<b>7,431,693</b>
<b>Liabilities</b>					
Derivative liabilities	43,504	-	43,504	-	43,504
<b>Total Liabilities</b>	<b>43,504</b>	<b>-</b>	<b>43,504</b>	<b>-</b>	<b>43,504</b>

	Carrying amount Baht'000	2017 Fair value			Total Baht'000
		Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
<b>Assets</b>					
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
<b>Total assets</b>	<b>6,689,012</b>	<b>-</b>	<b>6,689,012</b>	<b>-</b>	<b>6,689,012</b>
<b>Liabilities</b>					
Derivative liabilities	123,337	-	123,337	-	123,337
<b>Total Liabilities</b>	<b>123,337</b>	<b>-</b>	<b>123,337</b>	<b>-</b>	<b>123,337</b>

There were no transfers between levels during the year.

  
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5 Fair value (Cont'd)

5.1 Fair value estimate (Cont'd)

As at 31 December 2018, the Bank's financial assets and liabilities that are not specified to measure at fair value are as follows:

	Carrying amount Baht'000	2018			Total Baht'000
		Fair value			
		Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
<b>Assets</b>					
Interbank and money market items, net	1,265,246	-	1,265,246	-	1,265,246
Loans to customers and accrued interest receivables, net	10,422,815	-	10,397,566	-	10,397,566
<b>Total assets</b>	<b>11,688,061</b>	<b>-</b>	<b>11,662,812</b>	<b>-</b>	<b>11,662,812</b>
<b>Liabilities</b>					
Deposits	5,444,034	-	5,444,034	-	5,444,034
Interbank and money market items	8,020,279	-	8,020,279	-	8,020,279
Liabilities payable on demand	156	-	156	-	156
<b>Total liabilities</b>	<b>13,464,469</b>	<b>-</b>	<b>13,464,469</b>	<b>-</b>	<b>13,464,469</b>
	Carrying amount Baht'000	2017			Total Baht'000
		Fair value			
		Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
<b>Assets</b>					
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, net	8,855,972	-	9,048,579	-	9,048,579
<b>Total assets</b>	<b>10,603,801</b>	<b>-</b>	<b>10,797,323</b>	<b>-</b>	<b>10,797,323</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>12,275,228</b>	<b>-</b>	<b>12,275,228</b>	<b>-</b>	<b>12,275,228</b>

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

**Interbank and money market items, net**

The interbank and money market items (assets) are deposits at the BOT 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.

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

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

**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**

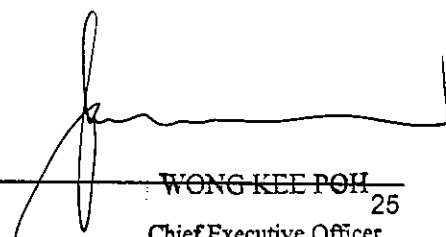
Liabilities payable on demand are at call liabilities. Accordingly, their carrying amount is a reasonable approximation of fair value.

**5.2 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.

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Chief Executive Officer

6 Interbank and money market item, net - assets

Interbank and money market items as at 31 December 2018 and 2017 consist of the followings:

	2018			2017		
	Demand Baht	Term Baht	Total Baht	Demand Baht	Term Baht	Total Baht
<b>Domestic Items</b>						
The Bank of Thailand	149,340,277	70,000,000	219,340,277	171,549,776	-	171,549,776
Commercial banks	6,715,110	-	6,715,110	6,004,531	-	6,004,531
Other financial institutions	480,000,000	489,000,000	969,000,000	940,000,000	450,000,000	1,390,000,000
<b>Total</b>	<b>636,055,387</b>	<b>559,000,000</b>	<b>1,195,055,387</b>	<b>1,117,554,307</b>	<b>450,000,000</b>	<b>1,567,554,307</b>
<u>Add</u> Interest receivable	116,822	2,219,781	2,336,603	184,438	4,901,873	5,086,311
<u>Less</u> Allowance for doubtful accounts	(5,761,402)	(5,894,637)	(11,656,039)	(9,401,844)	(4,548,985)	(13,950,829)
<b>Total domestic items</b>	<b>630,410,807</b>	<b>555,325,144</b>	<b>1,185,735,951</b>	<b>1,108,336,901</b>	<b>450,352,888</b>	<b>1,558,689,789</b>
<b>Foreign Items</b>						
US Dollars	54,358,980	-	54,358,980	64,136,747	-	64,136,747
Euro	6,065,051	-	6,065,051	4,047,718	-	4,047,718
Pounds sterling	651,081	-	651,081	716,065	-	716,065
Japanese Yen	11,497,936	-	11,497,936	9,009,962	-	9,009,962
Australia Dollars	4,817,410	-	4,817,410	5,507,165	-	5,507,165
Hong Kong Dollars	1,986,772	-	1,986,772	2,202,453	-	2,202,453
New Zealand Dollars	132,743	-	132,743	171,988	-	171,988
<b>Total foreign items</b>	<b>79,509,973</b>	<b>-</b>	<b>79,509,973</b>	<b>85,792,098</b>	<b>-</b>	<b>85,792,098</b>
<b>Total interbank and money market items</b>	<b>709,920,780</b>	<b>555,325,144</b>	<b>1,265,245,924</b>	<b>1,194,128,999</b>	<b>450,352,888</b>	<b>1,644,481,887</b>

7 Derivative financial instruments

Fair value and notional amount classified by type of risks as at 31 December 2018 and 2017 comprise of the followings:

Types of risks	2018		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	48,096,989	43,503,682	15,893,731,218
Types of risks	2017		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	127,863,884	123,336,976	5,938,593,537

Proportion of derivative contract balance as at 31 December 2018 and 2017 classified by counterparties comprise of the followings:

Counterparties	2018 %	2017 %
Financial institution	87	88
Affiliated companies	8	4
Third parties	5	8
<b>Total</b>	<b>100</b>	<b>100</b>

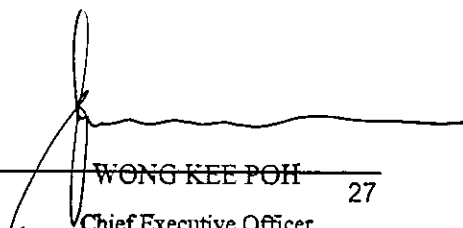
8 Investments, net

Investments in securities as at 31 December 2018 and 2017 comprised of the following:

	<u>2018</u>	<u>2017</u>
	Fair value	Fair value
	Baht	Baht
<b>Available-for-sale securities</b>		
Government and state enterprise securities	6,327,924,922	5,878,146,367
Private enterprises debt securities	1,055,671,277	683,002,349
<b>Total</b>	<u>7,383,596,199</u>	<u>6,561,148,716</u>
	<u>2018</u>	<u>2017</u>
	Amortised	Amortised
	cost	cost
	Baht	Baht
<b>Held to maturity debt securities</b>		
Government and state enterprise securities	-	103,347,161
<u>Less</u> Allowance for impairment	-	-
<b>Total</b>	<u>-</u>	<u>103,347,161</u>
<b>Total investments, net</b>	<u>7,383,596,199</u>	<u>6,664,495,877</u>

Recognition of transaction in statement of profit or loss and other comprehensive income for available-for-sale securities is as follows:

	<u>2018</u>	<u>2017</u>
	Baht	Baht
Changes in value of available-for-sale investments	(76,629,239)	53,891,552
Realised gain from sale of available-for-sale investments transferred to profit or loss	12,858,881	12,324,597
<b>Total</b>	<u>(63,770,358)</u>	<u>66,216,149</u>

  
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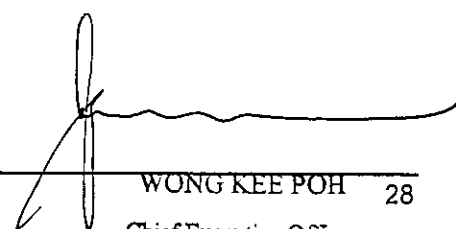
9 Loans to customers and accrued interest receivables, net

9.1 Classified by loan type

	2018 Baht	2017 Baht
Overdrafts	73,115,498	127,765,070
Loans	2,731,360,627	3,228,971,396
Trade finance loans	1,074,181,150	715,930,341
Promissory notes	6,515,906,581	4,946,142,020
Others	2,187,471	2,187,471
Total loans	10,396,751,327	9,020,996,298
<u>Less</u> Deferred income	(5,571,744)	(81,899)
Total loans net of deferred income	10,391,179,583	9,020,914,399
<u>Add</u> Accrued interest receivables	31,635,042	26,515,523
Total loans and accrued interest receivables net of deferred revenue	10,422,814,625	9,047,429,922
<u>Less</u> Allowance for doubtful accounts (Note 10)		
Minimum allowance per BOT guideline	(199,203,501)	(170,953,051)
Surplus reserve	(21,686,756)	(20,504,406)
Total	10,201,924,368	8,855,972,465

9.2 Classified by currencies and customer's residence:

	2018	
	Domestic Baht	Total Baht
Thai Baht	10,289,971,908	10,289,971,908
US Dollar	101,207,675	101,207,675
Total loans	10,391,179,583	10,391,179,583
<u>Add</u> Accrued interest receivables	31,635,042	31,635,042
Total loans and accrued interest receivables	10,422,814,625	10,422,814,625
	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	9,047,429,922	9,047,429,922



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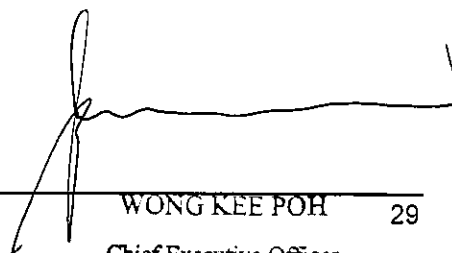
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9 Loans to customers and accrued interest receivables, net (Cont'd)

9.3 Classified by type of business and loan classifications

Business type	2018					Total Baht
	Normal Baht	Special men Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
Manufacturing and commercial	3,439,808,248	-	25,000,000	-	70,236,625	3,535,044,873
Real estate and construction	820,438,806	-	-	-	86,209,426	906,648,232
Infrastructure and Service	989,274	-	-	-	-	989,274
Others	5,937,356,953	-	-	-	11,140,251	5,948,497,204
Total loans	10,198,593,281	-	25,000,000	-	167,586,302	10,391,179,583
Add Accrued interest receivables	31,635,042	-	-	-	-	31,635,042
Total loans and accrued interest receivables	10,230,228,323	-	25,000,000	-	167,586,302	10,422,814,625
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

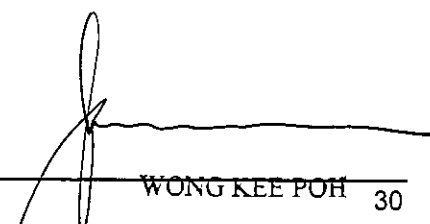
  
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9 Loans to customers and accrued interest receivables, net (Cont'd)

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	2018			
	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
<b>1. Minimum amount to required by BOT</b>				
Normal	10,198,593,281	10,198,593,281	1	101,985,933
Special mentioned	-	-	2	-
Substandard	25,000,000	25,000,000	100	25,000,000
Doubtful	-	-	100	-
Doubtful loss	167,586,302	71,901,218	100	71,901,218
Total	10,391,179,583	10,295,494,499		198,887,151
Add Accrued interest receivables	31,635,042	31,635,042		316,350
Total loans and accrued interest receivables	10,422,814,625	10,327,129,541		
2. Additional allowance set up according to the Branch's internal policy				21,686,756
Total				220,890,257
<b>2017</b>				
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
<b>1. Minimum amount to required by BOT</b>				
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

  
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**Notes to the Financial Statements**  
**For the year ended 31 December 2018**

**10 Allowance for doubtful accounts**

	2018					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
At beginning of year	108,248,029	-	-	-	83,209,428	191,457,457
<u>Add/less</u> Additional/(Reversal) of allowance for doubtful accounts	15,741,010	-	25,000,000	-	(2,012,570)	38,728,440
<u>Less</u> Bad debt recovery	-	-	-	-	(9,295,640)	(9,295,640)
Allowance for doubtful accounts at end of year	<u>123,989,039</u>	<u>-</u>	<u>25,000,000</u>	<u>-</u>	<u>71,901,218</u>	<u>220,890,257</u>

	2017					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
At beginning of year	103,273,298	-	-	-	80,806,909	184,080,207
<u>Add</u> Additional allowance for doubtful accounts	4,974,731	-	-	-	2,402,519	7,377,250
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>

**11 Leasehold improvements and equipment, net**

	Leasehold Improvements Baht	Furniture and fixtures Baht	Office equipment Baht	Motor vehicles Baht	Renovation in progress Baht	Total Baht
<b>As at 1 January 2017</b>						
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>-</u>	<u>36,879,042</u>
<b>For the year ended 31 December 2017</b>						
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>-</u>	<u>26,536,898</u>
<b>As at 31 December 2017</b>						
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>-</u>	<u>26,536,898</u>
<b>For the year ended 31 December 2018</b>						
Opening net book amount	13,643,506	1,922,325	8,300,617	2,670,450	-	26,536,898
Additions	-	-	1,096,095	-	3,908,674	5,004,769
Transfer in/out	-	-	3,727,980	-	(3,727,980)	-
Depreciation charge	(2,634,561)	(1,035,845)	(4,512,207)	(966,920)	-	(9,149,533)
Closing net book amount	<u>11,008,945</u>	<u>886,480</u>	<u>8,612,485</u>	<u>1,703,530</u>	<u>180,694</u>	<u>22,392,134</u>
<b>As at 31 December 2018</b>						
Cost	30,367,099	10,819,060	42,114,674	6,396,000	180,694	89,877,527
<u>Less</u> Accumulated depreciation	(19,358,154)	(9,932,580)	(33,502,189)	(4,692,470)	-	(67,485,393)
Net book amount	<u>11,008,945</u>	<u>886,480</u>	<u>8,612,485</u>	<u>1,703,530</u>	<u>180,694</u>	<u>22,392,134</u>

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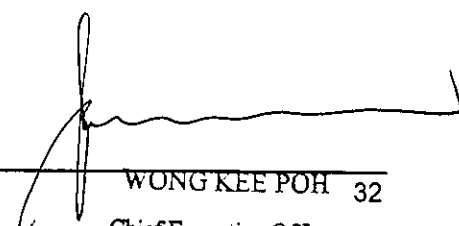
12 Intangible assets, net

	2018 Baht	2017 Baht
<b>As at 1 January</b>		
Cost	50,494,700	48,848,168
<u>Less</u> Accumulated amortisation	(28,643,220)	(24,820,832)
<b>Net book amount</b>	<u>21,851,480</u>	<u>24,027,336</u>
<b>For the year ended 31 December</b>		
Opening net book amount	21,851,480	24,027,336
Additions	8,502,471	1,646,532
Amortisation charge	(4,498,633)	(3,822,388)
<b>Closing net book amount</b>	<u>25,855,318</u>	<u>21,851,480</u>
<b>As at 31 December</b>		
Cost	58,997,171	50,494,700
<u>Less</u> Accumulated amortisation	(33,141,853)	(28,643,220)
<b>Net book amount</b>	<u>25,855,318</u>	<u>21,851,480</u>

13 Deferred tax assets, net

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

	2018 Baht	2017 Baht
<b>Deferred tax assets:</b>		
Deferred tax asset to be recovered within 12 months	8,022,186	6,608,052
Deferred tax asset to be recovered after more than 12 months	22,285,136	21,325,637
	<u>30,307,322</u>	<u>27,933,689</u>
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be settled within 12 months	(1,105,197)	(2,320,978)
Deferred tax liabilities to be settled after more than 12 months	(236,129)	(11,723,817)
	<u>(1,341,326)</u>	<u>(14,044,795)</u>
<b>Deferred tax assets, net</b>	<u>28,965,996</u>	<u>13,888,894</u>

  
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13 Deferred tax assets, net (Cont'd)

The movement of deferred income tax is as follows:

	2018 Baht	2017 Baht
As at 1 January	13,888,894	19,437,927
Charges to profit and loss (Note 30)	2,487,023	9,981,390
Charges to other comprehensive income	12,590,079	(15,530,423)
As at 31 December	<u>28,965,996</u>	<u>13,888,894</u>

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

	2018			
	As at 1 January 2018 Baht	Recognised in profit and loss Baht	Recognised in other comprehensive income Baht	As at 31 December 2018 Baht
<b>Deferred tax assets</b>				
Provisions	27,933,689	1,297,109	(163,993)	29,066,805
Fair value loss	-	-	37,323	37,323
Others	-	1,203,194	-	1,203,194
<b>Total</b>	<u>27,933,689</u>	<u>2,500,303</u>	<u>(126,670)</u>	<u>30,307,322</u>
<b>Deferred tax liabilities</b>				
Fair value gain	14,044,795	13,280	(12,716,749)	1,341,326
<b>Total</b>	<u>14,044,795</u>	<u>13,280</u>	<u>(12,716,749)</u>	<u>1,341,326</u>
<b>Deferred tax assets, net</b>	<u>13,888,894</u>			<u>28,965,996</u>
	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
<b>Deferred tax assets</b>				
Fair value loss	227,548	(227,548)	-	-
Provisions	19,210,379	8,694,533	28,777	27,933,689
<b>Total</b>	<u>19,437,927</u>	<u>8,466,985</u>	<u>28,777</u>	<u>27,933,689</u>
<b>Deferred tax liabilities</b>				
Fair value gain	-	(1,514,405)	15,559,200	14,044,795
<b>Total</b>	<u>-</u>	<u>(1,514,405)</u>	<u>15,559,200</u>	<u>14,044,795</u>
<b>Deferred tax assets, net</b>	<u>19,437,927</u>			<u>13,888,894</u>

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14 Other assets

	2018 Baht	2017 Baht
Account receivable - court order	21,011,779	21,011,779
Accrued interest receivables	33,334,530	39,295,312
Deposits	2,943,239	2,781,107
Prepaid income taxes	214,254	4,895,365
Others	11,943,511	3,904,933
<b>Total</b>	<b>69,447,313</b>	<b>71,888,496</b>

15 Deposits

15.1 Grouped by products

	2018 Baht	2017 Baht
On demand	86,390,106	119,207,873
Savings	110,684,550	150,286,053
Term	4,526,959,803	2,917,612,572
NCD	720,000,000	580,000,000
<b>Total deposits</b>	<b>5,444,034,459</b>	<b>3,767,106,498</b>

15.2 Grouped by currencies and residencies of customers:

	2018		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	5,443,703,862	194,688	5,443,898,550
US Dollar	129,521	-	129,521
EURO	6,388	-	6,388
<b>Total deposits</b>	<b>5,443,839,771</b>	<b>194,688</b>	<b>5,444,034,459</b>
	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
<b>Total deposits</b>	<b>3,766,868,837</b>	<b>237,661</b>	<b>3,767,106,498</b>

16 Interbank and money market items - liabilities

	2018		
	On demand Baht	Term Baht	Total Baht
<b>Domestic items</b>			
Commercial banks	-	2,561,024,100	2,561,024,100
Special purpose financial institutions	-	1,285,000,000	1,285,000,000
Other financial institutions	2,922,425,473	1,250,000,000	4,172,425,473
<b>Total domestic items</b>	<b>2,922,425,473</b>	<b>5,096,024,100</b>	<b>8,018,449,573</b>
<b>Foreign items</b>			
Thai	1,829,093	-	1,829,093
<b>Total foreign items</b>	<b>1,829,093</b>	<b>-</b>	<b>1,829,093</b>
<b>Total</b>	<b>2,924,254,566</b>	<b>5,096,024,100</b>	<b>8,020,278,666</b>

	2017		
	On demand Baht	Term Baht	Total Baht
<b>Domestic items</b>			
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
<b>Total domestic items</b>	<b>2,064,617,023</b>	<b>6,440,000,000</b>	<b>8,504,617,023</b>
<b>Foreign items</b>			
Thai	3,426,218	-	3,426,218
<b>Total foreign items</b>	<b>3,426,218</b>	<b>-</b>	<b>3,426,218</b>
<b>Total</b>	<b>2,068,043,241</b>	<b>6,440,000,000</b>	<b>8,508,043,241</b>

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:

	2018 Baht	2017 Baht
Beginning balance	9,535,039	7,357,311
Current service costs	4,356,249	2,492,044
Interest costs	131,764	155,968
<u>Less</u> Benefits paid for the year	(1,463,914)	(614,167)
Remeasurements:		
Loss from change in demographic assumptions	221,053	248,531
(Gain) loss from change in financial assumptions	(115,794)	182,818
Experience gain	(925,226)	(287,466)
<b>Ending balance</b>	<b>11,739,171</b>	<b>9,535,039</b>

17 Provision for employee benefits obligation (Cont'd)

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

	2018 Baht	2017 Baht
Current service costs	4,356,249	2,492,044
Interest costs	131,764	155,968
Total	<u>4,488,013</u>	<u>2,648,012</u>

Principal actuarial assumptions used to calculate the defined benefit obligations as at 31 December 2018 and 2017, are as follows:

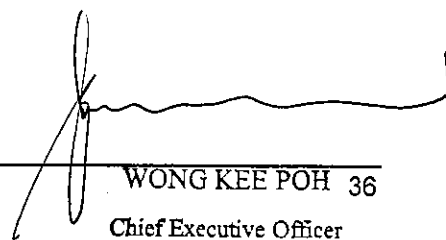
	2018	2017
Discount rate	1.63%	1.68%
Salary increase rate	5.0-6.0%	5.0-6.0%
Pre-retirement mortality rate	100% of Thai Mortality Ordinary Table 2017	100% of Thai Mortality Ordinary Table 2017
Disability rate	5% of Thai Mortality Ordinary Table 2017	5% of Thai Mortality Ordinary Table 2017
Pre-retirement 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	
	2018 Baht	2017 Baht
Discount rate		
Increase 1%	(370,610)	(312,491)
Decrease 1%	408,459	342,965
Salary income rate		
Increase 1%	440,144	341,109
Decrease 1%	(395,387)	(316,722)
Average life expectancy		
Increase 1 year	19,537	18,046
Decrease 1 year	(19,457)	(17,990)

Expected maturity analysis of undiscounted retirement benefits:

	Less than a year Baht	Between 1 - 2 years Baht	Between 3 - 5 years Baht	Over 5 years Baht	Total Baht
As at 31 December 2018	3,663,619	5,047,681	3,909,091	125,439,520	138,059,911
As at 31 December 2017	8,130,819	713,589	524,128	142,800,019	152,168,555



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**18 Other liabilities**

	<b>2018 Baht</b>	<b>2017 Baht</b>
Account payable - court order	37,508,887	37,508,887
Account payable - other	31,169,699	26,183,951
Unearned income	1,876,778	1,701,611
Accrued interest payables	36,029,226	31,422,691
Accrued bonus	19,996,270	18,422,338
Others	28,522,845	60,004,886
<b>Total</b>	<b>155,103,705</b>	<b>175,244,364</b>

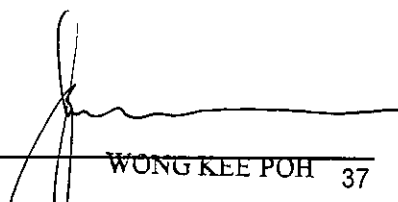
**19 Capital fund and assets maintained in Thailand**

Capital Fund and assets maintained in Thailand under section 32 of the Financial Institution Act B.E. 2551 as at 31 December 2018 and 2017 comprise of the following:

	<b>2018 Baht</b>	<b>2017 Baht</b>
Total assets maintained in Thailand	2,111,692,251	2,231,628,813
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	2,688,571,007	2,190,528,789
Total funds and capital loans remitted into Thailand for maintaining assets	4,688,571,007	4,190,528,789
Total capital funds	2,000,000,000	2,000,000,000
	<b>2018</b>	<b>2017</b>
Total capital funds to risk assets ratio (%)	14.66	15.86

The Bank will disclose capital maintenance information as at 31 December 2018 in accordance with the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at [www.rhbgroup.com](http://www.rhbgroup.com) within April 2019.

Moverover, the Bank has disclosed information related to Liquidity Coverage Ratio as at 31 December 2018 under the Notification of Bank of Thailand, no. Sor Nor Sor 2/2561, as the above location and date disclosure.

  
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20 Commitments and contingent liabilities

	2018		
	Thai Baht Baht	Other currencies Baht	Total Baht
Guarantees	646,257,061	47,316,850	693,573,911
Letters of credit	-	9,189,699	9,189,699
Other commitments			
Forward exchange contracts - bought	1,015,439,830	58,948,118	1,074,387,948
Forward exchange contracts - sold	59,644,114	1,000,714,413	1,060,358,527
Currency SWAP contracts - bought	5,661,630,416	9,180,779,971	14,842,410,387
Currency SWAP contracts - sold	9,188,340,746	5,645,031,945	14,833,372,691
	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	32,475,181	201,735,514	234,210,695
Currency SWAP contracts - bought	1,846,991,285	3,861,489,081	5,708,480,366
Currency SWAP contracts - sold	3,979,750,128	1,724,632,714	5,704,382,842

As at 31 December 2018, the Bank has the following commitments which were incurred in the normal course of business as follows:

	2018		
	Thai Baht Baht	Other currencies Baht	Total Baht
Unused overdraft credit line	271,918,904	-	271,918,904
Unused credit facilities	5,127,984,360	-	5,127,984,360
Total commitments	5,399,903,264	-	5,399,903,264

21 Commitments

Capital commitments

As at 31 December 2018 and 2017, the Bank does not have the commitments arising from capital expenditure contracted for at the statement of financial position.

Operating lease commitments

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

	2018 Baht	2017 Baht
Not later than 1 year	9,231,084	6,584,391
Later than 1 year but not later than 5 years	15,555,184	-
	24,786,268	6,584,391

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## 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 (2017: 1.00% per annum).

### Relationships of related parties

#### Head office

- RHB Bank Berhad (Kuala Lumpur office)

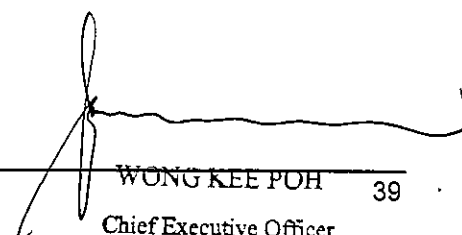
#### Other branches

- RHB Bank Berhad (Singapore office)
- RHB Bank Berhad (Bandar Seri Begawan office)

#### Fellow subsidiaries

- RHB Indochina Bank Limited
- RHB Bank Lao Limited
- RHB Islamic Bank Berhad
- RHB Securities (Thailand) Public Company Limited
- RHB Securities (Singapore) Public Company Limited

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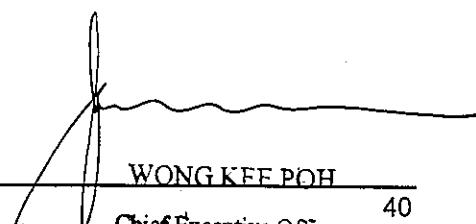
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22 Related party transactions (Cont'd)

Significant transactions with related parties for the years ended 31 December 2018 and 2017, other than Head Office's equity and balances with other branches under the same entity, consist of the following:

	2018 Baht	2017 Baht
<b>Statement of financial position</b>		
<b>Head office</b>		
Interbank and money market items, net (assets)	2	2
Derivative assets	-	41,740,520
Interbank and money market items (liabilities)	107,661,536	130,112,136
Other liabilities	54,770	37,045
Off - statement of financial position items - contingencies		
- Currency swaps - Bought	-	531,900,000
- Currency swaps - Sold	-	490,213,500
<b>Other branches</b>		
Interbank and money market items, net (assets)	1,481,056	1,604,111
Derivative assets	10,521,246	-
Interbank and money market items (liabilities)	2,598,659,728	2,095,716,214
Other liabilities	23,079,019	3,681,321
Off - statement of financial position items – contingencies		
- Currency swaps - Bought	497,055,000	-
- Currency swaps - Sold	486,747,000	-
<b>Fellow subsidiaries</b>		
Interbank and money market items, net (assets)	485,620,696	455,493,575
Derivative assets	13,684,701	-
Interbank and money market items (liabilities)	1,688,441,878	1,090,295,717
Other liabilities	4,530,822	2,470,548
Off - statement of financial position items - contingencies		
- Forward contract – Bought	832,296,582	-
- Forward contract - Sold	819,612,091	-

  
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## 22 Related party transactions (Cont'd)

Significant transactions with related parties for the years ended 31 December 2018 and 2017, other than Head Office's equity and balances with other branches under the same entity, consist of the following: (Cont'd)

	2018 Baht	2017 Baht
<b>Statements of profit or loss and others comprehensive income</b>		
<b><u>Head office</u></b>		
Interest expenses	159,616	21,274,723
Insurance expenses	159,222	515,466
Legal fees	-	329,028
<b><u>Other branches</u></b>		
Interest expenses	45,389,851	33,671,137
<b><u>Fellow subsidiaries</u></b>		
Interest income	10,852,888	10,470,667
Interest expenses	16,542,622	12,519,660
Human resources service fees	1,284,000	1,284,000

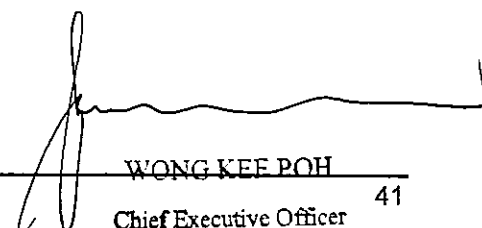
Key management receives benefits which are consist of salary, bonus, allowances and retirement benefits according to the Bank's policy.

	2018 Baht	2017 Baht
Short-term employee benefits	19,310,810	18,450,468
Post-employee benefits	52,054	51,045
<b>Total</b>	<b>19,362,864</b>	<b>18,501,513</b>

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

### 23.1 Position grouped by type of transactions

	2018			2017		
	Domestic Baht	Foreign Baht	Total Baht	Domestic Baht	Foreign Baht	Total Baht
<b><u>Assets</u></b>						
Interbank and money market item, net (assets)	1,185,735,951	79,509,973	1,265,245,924	1,558,689,789	85,792,098	1,644,481,887
Investment, net	7,383,596,199	-	7,383,596,199	6,664,495,877	-	6,664,495,877
Loans to customers and accrued interest receivables, net	10,201,924,368	-	10,201,924,368	8,855,972,465	-	8,855,972,465
<b><u>Liabilities</u></b>						
Deposits	5,443,839,771	194,688	5,444,034,459	3,766,868,837	237,661	3,767,106,498
Interbank and money market item, net (liabilities)	8,018,449,573	1,829,093	8,020,278,666	8,504,617,023	3,426,218	8,508,043,241
Demand liabilities	155,585	-	155,585	79,329	-	79,329

  
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23 Significant position and performance grouped by type of domestic or foreign transactions  
(Cont'd)

23.2 Performance grouped by type of transactions

	2018			2017		
	Domestic Baht	Foreign Baht	Total Baht	Domestic Baht	Foreign Baht	Total Baht
Interest income	552,322,299	110,159	552,432,458	466,471,334	181,790	466,653,124
Interest expenses	(245,027,961)	(47,986,717)	(293,014,678)	(200,472,755)	(53,621,019)	(254,093,774)
Net interest income	307,294,338	(47,876,558)	259,417,780	265,998,579	(53,439,229)	212,559,350
Net fee and services income	8,510,861	-	8,510,861	8,539,359	-	8,539,359
Other operating income	63,867,009	-	63,867,009	31,828,275	-	31,828,275
Other operating expenses	(233,931,801)	-	(233,931,801)	(211,597,959)	-	(211,597,959)
Profit (loss) before income tax	145,738,407	(47,876,558)	97,861,849	94,768,254	(53,439,229)	41,329,025

24 Interest income

	2018 Baht	2017 Baht
Interbank and money market items	24,281,663	39,144,363
Investments in debt securities	151,696,705	150,785,211
Loans	376,454,090	276,723,550
Interest income	552,432,458	466,653,124

25 Interest expenses

	2018 Baht	2017 Baht
Deposits	86,136,491	75,746,196
Interbank and money market items	165,767,438	143,307,847
Contribution fee to the Deposit Protection Agency	41,110,749	35,039,731
Interest expense	293,014,678	254,093,774

26 Net fees and service income

	2018 Baht	2017 Baht
Fees and service income		
- Acceptances, aval and guarantees	5,218,285	5,630,742
- Others	4,545,905	4,176,043
Fees and service income	9,764,190	9,806,785
Fees and service expenses	(1,253,329)	(1,267,426)
Net fees and service income	8,510,861	8,539,359

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

	<b>2018 Baht</b>	<b>2017 Baht</b>
Gains on trading and foreign exchange transactions		
- Foreign currencies and exchange derivatives	49,669,435	18,060,590
- Debt securities	332,825	1,293,099
<b>Total</b>	<b>50,002,260</b>	<b>19,353,689</b>

**28 Net gain on investment**

	<b>2018 Baht</b>	<b>2017 Baht</b>
Gain on sale of		
- Available-for-sale investments	12,858,881	12,324,597
- Held to maturity investments	-	-
<b>Total</b>	<b>12,858,881</b>	<b>12,324,597</b>

**29 Bad debts and doubtful debts**

	<b>2018 Baht</b>	<b>2017 Baht</b>
Interbank and money market items	(2,294,790)	4,750,829
Loans	29,432,800	7,377,250
<b>Total</b>	<b>27,138,010</b>	<b>12,128,079</b>

**30 Income tax**

	<b>2018 Baht</b>	<b>2017 Baht</b>
Current tax:		
Current tax on profits for the year	22,051,727	8,618,601
<b>Total current tax</b>	<b>22,051,727</b>	<b>8,618,601</b>
Deferred tax:		
Origination and reversal of temporary differences	(2,487,023)	(9,981,390)
<b>Total deferred tax</b>	<b>(2,487,023)</b>	<b>(9,981,390)</b>
<b>Total tax</b>	<b>19,564,704</b>	<b>(1,362,789)</b>

30 Income tax (Cont'd)

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:

	2018 Baht	2017 Baht
Profit before tax	97,861,849	41,329,025
Tax calculated at a tax rate of 20%	19,572,370	8,265,805
Tax effect of:		
Adjustment of deferred income tax	-	(9,682,549)
Income not subject to tax	(124,721)	(134,749)
Expenses not deductible for tax purpose	117,055	188,704
Tax charge	19,564,704	(1,362,789)

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.

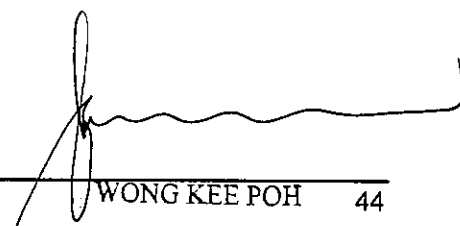
Among the key risk policies, the Bank has set out the policies on lending to related parties, single lending limit, prohibited activities, specialist financing, and industry concentration risk limit. These policies are to comply with prudent lending practices and relevant regulatory requirement to control 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.

**Investment risks**

The investment risk in the banking book is low because the securities on hand comprise 85.70% in Government and State Enterprise bonds and 14.30% in Corporate Bond which are classify as Available for sale.



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31 Financial risk management (Cont'd)

b) Market risk management

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 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 2018 and 2017, as follows:

	2018					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	
<b>Financial assets</b>						
Interbank and money market items, net	709,921	447,610	107,715	-	-	1,265,246
Investments, net	-	400,795	882,184	6,100,617	-	7,383,596
Loans to customers	2,534,958	4,439,044	1,452,949	1,170,415	825,449	10,422,815
<b>Financial liabilities</b>						
Deposits	197,075	2,679,575	2,567,384	-	-	5,444,034
Interbank and money market Items	2,924,255	4,126,024	970,000	-	-	8,020,279
Liabilities payable on demand	156	-	-	-	-	156
<b>2017</b>						
	At call Baht'000	Within 3 Months Baht'000	3 - 12 Months Baht'000	1 - 5 Years Baht'000	Over 5 Years Baht'000	Total Baht'000
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
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

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31 Financial risk management (Cont'd)

b) Market risk management (Cont'd)

Interest rate risk (Cont'd)

Basic information of loans to customers net of deferred revenue classified by fixed versus floating interest rates as at 31 December 2018 and 2017 are as follows:

	2018 Baht'000	2017 Baht'000
Fixed interest rate	8,350,227	6,893,202
Floating interest rate	2,040,952	2,127,712
Total	<u>10,391,179</u>	<u>9,020,914</u>

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 2018 and 2017 are as follows:

	2018		
	Average balance 12 months Baht'000	Interest amount Baht'000	Average interest rate %
Earning financial assets			
Interbank and money market items	1,454,864	24,282	1.67
Investments	7,024,046	151,697	2.16
Loans to customers	9,706,047	376,454	3.88
Interest-bearing financial liabilities			
Deposits	4,797,346	86,136	1.80
Interbank and money market items	8,264,161	165,767	2.01
	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

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.

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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 2018 and 2017.

	2018					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	
<b>Financial assets</b>						
Interbank and money market items, net	709,921	447,610	107,715	-	-	1,265,246
Derivative assets	-	33,739	14,358	-	-	48,097
Investments, net	-	400,795	882,184	6,100,617	-	7,383,596
Loans to customers and accrued interest receivables, net	2,534,958	4,439,044	1,452,949	1,170,415	825,449	10,422,815
<b>Financial liabilities</b>						
Deposits	197,075	2,679,575	2,567,384	-	-	5,444,034
Interbank and money market items	2,924,255	4,126,024	970,000	-	-	8,020,279
Demand liabilities	156	-	-	-	-	156
Derivative liabilities	-	29,810	13,694	-	-	43,504
	2017					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	
<b>Financial assets</b>						
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
<b>Financial liabilities</b>						
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

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.