

RHB BANK BERHAD - BANGKOK BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2019



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 2019, 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 2019;
- 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.

A handwritten signature in black ink, appearing to read 'Sinsiri Thangsombat', is written over a light gray grid background.

Sinsiri Thangsombat

Certified Public Accountant (Thailand) No. 7352

Bangkok

27 April 2020

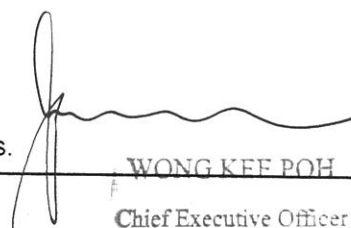
RHB Bank Berhad - Bangkok Branch

Statement of Financial Position

As at 31 December 2019

	Notes	2019 Baht	2018 Baht
Assets			
Cash		9,253,932	5,894,043
Interbank and money market items, net	6	1,236,731,230	1,265,245,924
Derivative assets	7	2,534,778	48,096,989
Investments, net	8	7,546,711,481	7,383,596,199
Net loans and accrued interest receivables	9		
Loans to customers		11,031,874,931	10,391,179,583
Accrued interest receivables		31,063,076	31,635,042
		<u>11,062,938,007</u>	<u>10,422,814,625</u>
Total loans and accrued interest receivables			
<u>Less</u> Allowance for doubtful accounts	10	(215,255,138)	(220,890,257)
		<u>10,847,682,869</u>	<u>10,201,924,368</u>
Total loans and accrued interest receivables, net			
Leasehold improvements and equipment, net	11	24,074,356	22,392,134
Intangible assets, net	12	23,426,462	25,855,318
Deferred tax assets, net	13	4,247,378	28,965,996
Other assets	14	67,371,765	69,447,313
		<u>19,762,034,251</u>	<u>19,051,418,284</u>
Total assets			

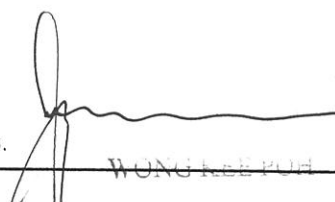
The accompanying notes are an integral part of the financial statements.


WONG KEE POH
 Chief Executive Officer

RHB Bank Berhad - Bangkok Branch
Statement of Financial Position (Cont'd)
As at 31 December 2019

	Notes	2019 Baht	2018 Baht
Liabilities and Head Office's equity and balances with other branches under the same entity			
Liabilities			
Deposits	15	7,072,798,101	5,444,034,459
Interbank and money market items	16	9,604,649,172	8,020,278,666
Demand liabilities		1,184,714	155,585
Derivative liabilities	7	1,588,687	43,503,682
Provision for employee benefits obligation	17	11,340,118	11,739,171
Other liabilities	18	173,597,041	155,103,705
Total liabilities		16,865,157,833	13,674,815,268
Head Office's equity and balances with other branches under the same entity			
Fund remitted into Thailand for maintaining assets under law	19	2,000,000,000	2,000,000,000
Net balance of inter-office accounts with Head Office and other branches under the same entity		115,491,180	2,725,984,822
Others component of accounts with head office and other branches under the same entity		104,407,841	1,541,368
Retained earnings		676,977,397	649,076,826
Total Head Office's equity and balances with other branches under the same entity		2,896,876,418	5,376,603,016
Total liabilities and Head Office's equity and balances with other branches under the same entity		19,762,034,251	19,051,418,284

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


WONG KEE PUI
 Chief Executive Officer

RHB Bank Berhad - Bangkok Branch
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Interest income	25	489,610,300	552,432,458
Interest expense	26	(324,860,751)	(293,014,678)
Net interest income		164,749,549	259,417,780
Fees and service incomes		11,411,184	9,764,190
Fees and services expenses		(1,732,597)	(1,253,329)
Net fee and service income	27	9,678,587	8,510,861
Net gains on trading and foreign exchange	28	41,409,649	50,002,260
Net gain on investment		18,953,810	12,858,881
Other operating income		14,251,474	1,005,868
Total operating income		249,043,069	331,795,650
Other operating expenses			
Employee expenses		112,073,345	120,121,120
Premises and equipment expenses		51,746,769	50,160,438
Taxes and duties		22,830,549	19,650,741
Others		18,028,238	16,863,492
Total other operating expenses		204,678,901	206,795,791
Bad debt and doubtful accounts	29	10,151,222	27,138,010
Profit before income tax		34,212,946	97,861,849
Income tax	30	(6,857,851)	(19,564,704)
Net profit for the year		27,355,095	78,297,145
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit plans	17	681,845	819,967
Income tax on items that will not be subsequently reclassified to profit or loss	13	(136,369)	(163,993)
Total items that will not be reclassified subsequently to profit or loss		545,476	655,974
Items that will be reclassified subsequently to profit or loss			
Gain (loss) on remeasuring available-for-sale investments	8	128,583,091	(63,770,358)
Income tax relating to item that will be reclassified subsequently to profit or loss	13	(25,716,618)	12,754,072
Total items that will be reclassified subsequently to profit or loss		102,866,473	(51,016,286)
Total other comprehensive income (expense), net of tax		103,411,949	(50,360,312)
Total comprehensive income for the year		130,767,044	27,936,833

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

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 2019

	Fund remitted into Thailand for maintaining assets under law	Net balance of inter-office accounts with Head Office and other branches under the same entity	Other component of balance of inter-office accounts with the same entity	Retained earnings	Total
	Baht	Baht	Baht	Baht	Baht
Opening balances as at 1 January 2018	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	-	-	-	819,967	819,967
Income tax relating to other component of other comprehensive income for the year	-	-	12,754,072	(164,524)	12,589,548
Closing balances as at 31 December 2018	2,000,000,000	2,725,984,822	1,541,368	649,076,826	5,376,603,016
Opening balances as at 1 January 2019	2,000,000,000	2,725,984,822	1,541,368	649,076,826	5,376,603,016
Decrease during the year	-	(2,610,493,642)	-	-	(2,610,493,642)
Net profit for the year	-	-	-	27,355,095	27,355,095
Unrealised gain on changes in fair value of available-for-sale securities	-	-	128,583,091	-	128,583,091
Remeasurements of provision for employment benefit plan	-	-	-	681,845	681,845
Income tax relating to other component of other comprehensive income for the year	-	-	(25,716,618)	(136,369)	(25,852,987)
Closing balances as at 31 December 2019	2,000,000,000	115,491,180	104,407,841	676,977,397	2,896,876,418

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

WONG KEE POH

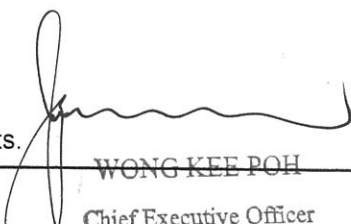
Chief Executive Officer

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RHB Bank Berhad - Bangkok Branch
Statement of Cash Flows
For the year ended 31 December 2019

	Notes	2019 Baht	2018 Baht
Cash flows from operating activities			
Net profit before income tax		34,212,946	97,861,849
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:			
Depreciation and amortisation	11, 12	12,929,634	13,648,166
Fixed assets written-of	11	4,564	-
Amortisation of discount and premium in investment in securities		(64,532,191)	(22,870,680)
Bad debt and doubtful accounts	29	10,151,222	27,138,010
Provisions for employee benefits	17	3,995,378	4,488,013
Unrealised loss (gain) on change in fair value of derivative financial instruments		3,647,216	(66,399)
Interest income	25	(489,610,300)	(552,432,458)
Interest expense	26	324,860,751	293,014,678
Interest paid		(307,673,770)	(288,408,143)
Interest received		496,030,114	561,513,274
Income tax paid		(25,554,650)	(13,770,561)
Net profit from operating activities before changes in operating assets and liabilities		(1,539,086)	120,115,749
(Increase) decrease in operating assets			
Interbank and money market items		(50,000,000)	421,000,000
Loans		(655,875,141)	(1,375,755,029)
Other assets		7,680,594	(3,519,599)
Increase (decrease) in operating liabilities			
Deposits		1,628,763,642	1,676,927,961
Interbank and money market items		1,584,370,506	(487,764,575)
Demand liabilities		1,029,129	76,256
Other liabilities		9,587,521	(33,028,360)
Provision for employee benefits obligation	17	(3,712,586)	(1,463,914)
Head Office's equity and balances with other branches under the same entity		(2,610,537,014)	497,918,632
Net cash generated from (used in) operating activities		(90,232,435)	814,507,121

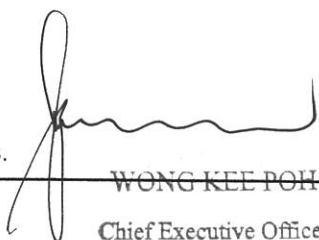
The accompanying notes are an integral part of the financial statements.


WONG KEE POH
 Chief Executive Officer
 RHB BANK THAILAND OPERATIONS

RHB Bank Berhad - Bangkok Branch
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2019

	2019	2018
	Baht	Baht
Cash flows from investing activities		
Purchases of investments in securities	(20,973,000,000)	(10,116,000,000)
Proceeds on sale of investments in securities	19,613,000,000	9,251,000,000
Maturity of investments in securities	1,390,000,000	105,000,000
Purchases of leasehold improvements and equipment	(9,517,601)	(5,004,769)
Purchases of intangible assets	(2,669,963)	(8,502,471)
Net cash (used in) generated from investing activities	17,812,436	(773,507,240)
Net increase (decrease) in cash and cash equivalent	(72,419,999)	40,999,881
Cash and cash equivalents at the beginning of the year	312,940,459	271,940,578
Cash and cash equivalents at the end of the year	240,520,460	312,940,459
 Cash and cash equivalents		
Cash	9,253,932	5,894,043
Interbank and money market items, assets	229,828,844	305,565,360
Head Office's equity and balances with other branches under the same entity	1,437,684	1,481,056
	240,520,460	312,940,459

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


WONG KEE POH
 Chief Executive Officer

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 27 April 2020.

2 Accounting policies

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

2.1 Basis of preparation

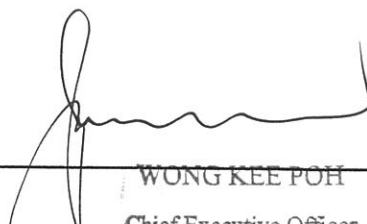
The financial statements of the Thailand operations of RHB Bank Berhad have been prepared from the records of the Thailand operations and only reflect transactions recorded locally.

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

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

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

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



WONG KEE POH
Chief Executive Officer

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards that are relevant and have significant impacts to the Bank

2.2.1 The Bank has applied the new and revised financial reporting standards which are effective for accounting period beginning or after 1 January 2019

a) Thai Financial Reporting Standard no.15, Revenue from contracts with customers

The standard provides principle under five-step process for revenue recognition from contracts with customers, which is based on the principle that revenue is recognised when control of a good or service transfers to a customer at an amount that the Bank expects to be entitled to in exchange for those goods or services. It replaces the principles of transferring the significant risks and rewards of ownership of the goods or services to the buyer in accordance with Thai Accounting Standard no.18 (TAS 18), Revenue and its related interpretations.

The Bank has adopted the new TFRS 15, Revenue from contracts with customers from 1 January 2019. The effect from this change in accounting policy does not have significant impact to the comparative financial statements. The Bank did not apply practical expedient relates to completed contracts and contract modifications as allowed by TFRS 15.

b) Thai Financial Reporting Interpretation no. 22, Foreign currency transactions and advance consideration

TFRIC 22 clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

This interpretation does not have significant impact to the Bank.

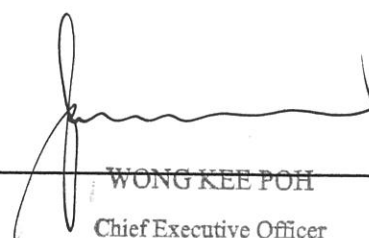
2.2.2 New and revised financial reporting standards which are effective for accounting period beginning or after 1 January 2020 which the Bank has not early adopted the standard

a) Financial instruments

The new financial standards related to financial instruments are:

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

These new standards address the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, presentation and disclosure of financial instruments as follow:



WONG KEE POH

Chief Executive Officer

RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards that are relevant and have significant impacts to the Bank (Cont'd)

2.2.2 New and revised financial reporting standards which are effective for accounting period beginning or after 1 January 2020 which the Bank has not early adopted the standard (Cont'd)

a) Financial instruments (Cont'd)

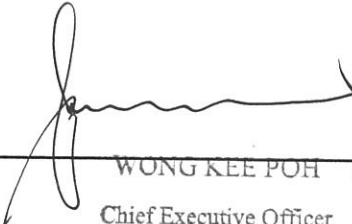
Classification and measurement:

- 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 combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 31 December 2019.

The concept of interest recognition will be changed to recognise at effective interest rate. In which, there will be no longer reversal concept for accrued interest income on loan when its principal or interest payment has become over three months past due.

The Bank does not expect a significant impact arising from the changes in classification and measurement of the financial instruments.



WONG KEE POH 11
Chief Executive Officer

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards that are relevant and have significant impacts to the Bank (Cont'd)

2.2.2 New and revised financial reporting standards which are effective for accounting period beginning or after 1 January 2020 which the Bank has not early adopted the standard (Cont'd)

a) Financial instruments (Cont'd)

Impairment of financial assets

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. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

- Stage 1 - from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 - following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset.
- Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised.

Under the three-stage expected credit loss impairment model except for significant exposures in loans to customer, the impairment will be assessed by using collective approach model with forward looking information adjustment. The impairment of some significant exposures in loans to customer will be assessed by using individual assessment approach.

For other receivables, they are permitted to measure by simplified approach for credit impaired consideration.

As a consequence, the method of impairment loss calculation will be changed from calculation in accordance to the existing BOT's guideline to calculation by the Bank's impairment model with taking effect of forward looking adjustment.

Hedge accounting

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.

The impact from hedge accounting is immaterial to the Bank.

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards that are relevant and have significant impacts to the Bank (Cont'd)

2.2.2 New and revised financial reporting standards which are effective for accounting period beginning or after 1 January 2020 which the Bank has not early adopted the standard (Cont'd)

a) Financial instruments (Cont'd)

Transitional impact

On 1 January 2020, the Bank will apply the new financial reporting standards related to financial instruments in its financial statements by applying modified retrospective approach. From the preliminary assessment, management expect that the material adjustment of opening balance of retained earnings will be affected on the change in allowance for impairment of financial assets under the new standard requirement.

From the preliminary assessment on initial application of new financial reporting standards related to financial instruments, the management assessed that it will not have material impact to the opening balance of retained earnings.

b) Thai Financial Reporting Standard no.16, Leases

TFRS 16 will result in almost all leases where the Bank is a lessee being recognised on the statement of financial position as the distinction between operating and finance lease is removed. An asset (the right to use the leased item) and financial liability to pay rentals are recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Bank will apply TFRS 16, leases and adjust cumulative impact to opening retained earnings (modified retrospective approach). From the preliminary impact assessment, the management expect that the Bank will be affected by significant lease liabilities on building, previously classified as operating leases under TAS 17, Leases.

The Bank will recognise following items upon adoption of TFRS 16 including liabilities under lease agreements are recognised in accordance with the obligations and discounting to present values with incremental borrowing rates of the lessees and right-of-use assets are recognised equal to the present value of liabilities under the lease agreements and adjust opening retained earnings of the Bank from the reversal of accrued lease expenses arising from the recognition of the rental expense under a straight-line method over the term of lease agreements.

c) Other new and revised standards

The new and revised standards that will have significant impact on the Bank are:

TAS 12	Income tax
TAS 19	Employee benefits
TFRIC 23	Uncertainty over income tax treatments

Amendment to TAS 12, Income tax - clarified that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

WONG KEE POH

Chief Executive Officer

RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

2.2 New and revised financial reporting standards that are relevant and have significant impacts to the Bank (Cont'd)

2.2.2 New and revised financial reporting standards which are effective for accounting period beginning or after 1 January 2020 which the Bank has not early adopted the standard (Cont'd)

c) Other new and revised standards (Cont'd)

Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement) - clarified accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

TFRIC 23, Uncertainty over income tax treatments - explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored.
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

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

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

The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised over the period during which the related service is provided.

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RHB BANK THAILAND OPERATIONS

2 Accounting policies (Cont'd)

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.

2.6 Forward exchange contracts

Financial derivative instruments are recognised on the trade date.

Derivative financial instruments are mainly comprised of forward contracts and foreign exchange 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 profit or loss.

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.



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2 Accounting policies (Cont'd)

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 profit or loss.

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. The unrealised gains and losses of trading investments are recognised in profit or loss and presented as net gains on trading and foreign exchange.

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 profit or loss in the period in which the transactions take place.

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

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Chief Executive Officer

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2 Accounting policies (Cont'd)

2.11 Leasehold improvements and equipment

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

Leasehold improvements	Period of the lease
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 profit or loss.

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

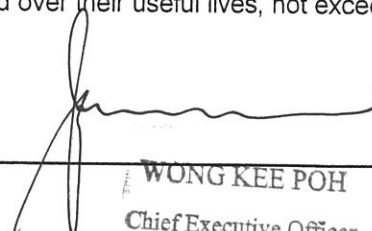
2.12 Intangible assets

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.


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2 Accounting policies (Cont'd)

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.

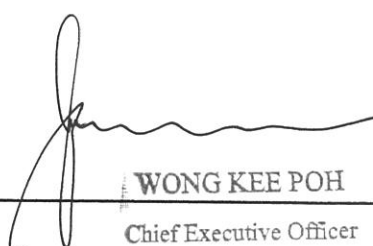
2.15 Provisions

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.

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 or 15 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.



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2 Accounting policies (Cont'd)

2.16 Employee benefits (Cont'd)

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.

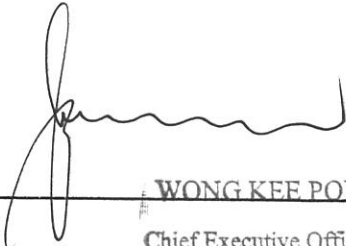
2.17 Financial instruments

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 profit or loss 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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2 Accounting policies (Cont'd)

2.19 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in head office's equity and balances with other branches under the same entity. In this case the tax is also recognised in other comprehensive income or directly in head office's equity and balances with other branches under the same entity, respectively.

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

Deferred income tax is recognised on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2.20 Offsetting

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

3 Critical accounting estimates and assumptions

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

3.1 Impairment of investments in securities

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

3 Critical accounting estimates and assumptions (Cont'd)

3.2 Allowance for doubtful accounts

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

3.3 Deferred tax income

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

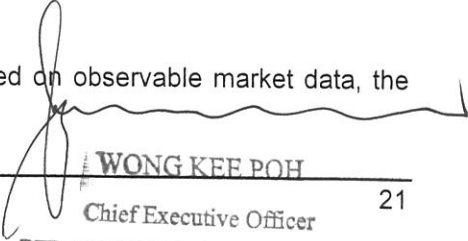
The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date.

(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 maximise 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.


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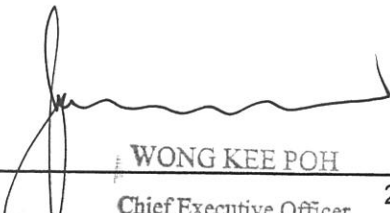
5 Fair value (Cont'd)

5.1 Fair value estimate (Cont'd)

As at 31 December 2019 and 2018, the Bank's financial assets and financial liabilities measured at fair value are as follows:

	Carrying amount Baht'000	2019 Fair value			Total Baht'000
		Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
Assets					
Available-for-sale investments					
Government and state enterprises securities	6,545,941	-	6,545,941	-	6,545,941
Private enterprises debt securities	1,000,770	-	1,000,770	-	1,000,770
Derivative assets	2,535	-	2,535	-	2,535
Total assets	7,549,246	-	7,549,246	-	7,549,246
Liabilities					
Derivative liabilities	1,589	-	1,589	-	1,589
Total Liabilities	1,589	-	1,589	-	1,589
2018					
	Carrying amount Baht'000	Fair value			Total Baht'000
		Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
Assets					
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
Total assets	7,431,693	-	7,431,693	-	7,431,693
Liabilities					
Derivative liabilities	43,504	-	43,504	-	43,504
Total Liabilities	43,504	-	43,504	-	43,504

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 2019 and 2018, the Bank's financial assets and liabilities that are not specified to measure at fair value are as follows:

	Carrying amount Baht'000	2019			Total Baht'000
		Fair value			
		Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
Assets					
Interbank and money market items, net	1,236,731	-	1,236,731	-	1,236,731
Loans to customers and accrued interest receivables, net	11,062,938	-	10,995,329	-	10,995,329
Total assets	12,299,669	-	12,232,060	-	12,232,060
Liabilities					
Deposits	7,072,798	-	7,072,798	-	7,072,798
Interbank and money market items	9,604,649	-	9,604,649	-	9,604,649
Demand liabilities	1,185	-	1,185	-	1,185
Total liabilities	16,678,632	-	16,678,632	-	16,678,632
2018					
	Carrying amount Baht'000	Fair value			Total Baht'000
		Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
Assets					
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
Total assets	11,688,061	-	11,662,812	-	11,662,812
Liabilities					
Deposits	5,444,034	-	5,444,034	-	5,444,034
Interbank and money market items	8,020,279	-	8,020,279	-	8,020,279
Demand liabilities	156	-	156	-	156
Total liabilities	13,464,469	-	13,464,469	-	13,464,469

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)

Fair value of the following assets and liabilities estimated for the purpose of disclosure are as follows: (Cont'd)

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.

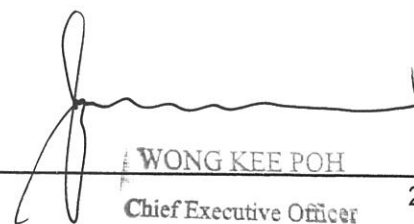
Liabilities payable on demand

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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6 Interbank and money market item, net - assets

Interbank and money market items as at 31 December 2019 and 2018 consist of the followings:

	2019			2018		
	Demand Baht	Term Baht	Total Baht	Demand Baht	Term Baht	Total Baht
Domestic items						
The Bank of Thailand	141,170,816	-	141,170,816	149,340,277	70,000,000	219,340,277
Commercial banks	6,993,917	-	6,993,917	6,715,110	-	6,715,110
Other financial institutions	1,019,000,000	-	1,019,000,000	480,000,000	489,000,000	969,000,000
Total	1,167,164,733	-	1,167,164,733	636,055,387	559,000,000	1,195,055,387
Add Interest receivable	131,970	-	131,970	116,822	2,219,781	2,336,603
Less Allowance for doubtful accounts	(12,229,584)	-	(12,229,584)	(5,761,402)	(5,894,637)	(11,656,039)
Total domestic items	1,155,067,119	-	1,155,067,119	630,410,807	555,325,144	1,185,735,951
Foreign items						
US Dollars	60,304,649	-	60,304,649	54,358,980	-	54,358,980
Euro	3,386,457	-	3,386,457	6,065,051	-	6,065,051
Pounds sterling	622,524	-	622,524	651,081	-	651,081
Japanese Yen	10,783,269	-	10,783,269	11,497,936	-	11,497,936
Australia Dollars	4,295,008	-	4,295,008	4,817,410	-	4,817,410
Hong Kong Dollars	2,170,593	-	2,170,593	1,986,772	-	1,986,772
New Zealand Dollars	101,611	-	101,611	132,743	-	132,743
Total foreign items	81,664,111	-	81,664,111	79,509,973	-	79,509,973
Total interbank and money market items	1,236,731,230	-	1,236,731,230	709,920,780	555,325,144	1,265,245,924

7 Derivative financial instruments

Fair value and notional amount classified by type of risks as at 31 December 2019 and 2018 comprise of the followings:

Types of risks	2019		
	Fair value		Notional amount Baht
	Assets Baht	Liabilities Baht	
Foreign exchange rate	2,534,778	1,588,687	4,992,005,732
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

Proportion of derivative contract balance as at 31 December 2019 and 2018 classified by counterparties comprise of the followings:

Counterparties	2019 %	2018 %
Financial institution	88	87
Affiliated companies	11	8
Third parties	1	5
Total	100	100

8 Investments, net

Investments in securities as at 31 December 2019 and 2018 comprised of the following:

	<u>2019</u>	<u>2018</u>
	Fair value	Fair value
	Baht	Baht
Available-for-sale securities		
Government and state enterprise securities	6,545,941,594	6,327,924,922
Private enterprises debt securities	1,000,769,887	1,055,671,277
Total investments, net	<u>7,546,711,481</u>	<u>7,383,596,199</u>

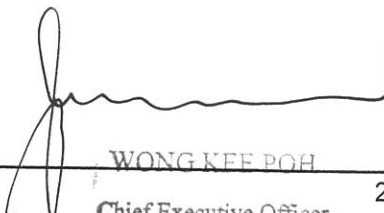
Recognition of transaction in statement of other comprehensive income for available-for-sale securities for the years ended 31 December 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
	Baht	Baht
Changes in value of available-for-sale investments	147,536,901	(50,911,477)
Realised gain from sale of available-for-sale investments transferred to profit or loss	(18,953,810)	(12,858,881)
Total	<u>128,583,091</u>	<u>(63,770,358)</u>

9 Loans to customers and accrued interest receivables, net

9.1 Classified by loan type

	<u>2019</u>	<u>2018</u>
	Baht	Baht
Overdrafts	123,182,873	73,115,498
Loans	2,386,778,313	2,731,360,627
Trade finance loans	695,750,840	1,074,181,150
Promissory notes	7,837,091,191	6,515,906,581
Others	-	2,187,471
Total loans	11,042,803,217	10,396,751,327
<u>Less</u> Unearned interest	(250,668)	(283,671)
<u>Less</u> Deferred income	(10,677,618)	(5,288,073)
Total loans net of deferred income	11,031,874,931	10,391,179,583
<u>Add</u> Accrued interest receivables	31,063,076	31,635,042
Total loans and accrued interest receivables net of deferred revenue	11,062,938,007	10,422,814,625
<u>Less</u> Allowance for doubtful accounts (Note 10)		
Minimum allowance per BOT guideline	(192,521,945)	(199,203,501)
Surplus reserve	(22,733,193)	(21,686,756)
Total	<u>10,847,682,869</u>	<u>10,201,924,368</u>


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

9.2 Classified by currencies and customer's residence:

	2019	
	Domestic Baht	Total Baht
Thai Baht	11,014,151,983	11,014,151,983
US Dollar	17,722,948	17,722,948
Total loans	11,031,874,931	11,031,874,931
<u>Add</u> Accrued interest receivables	31,063,076	31,063,076
Total loans and accrued interest receivables	11,062,938,007	11,062,938,007

	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

9.3 Classified by type of business and loan classifications

Business type	2019					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
Manufacturing and commercial	2,937,226,598	170,060,771	-	-	89,231,500	3,196,518,869
Real estate and construction	1,336,560,159	10,160,000	-	-	77,524,561	1,424,244,720
Infrastructure and Service	2,924,988,271	-	-	-	8,000,000	2,932,988,271
Others	3,486,042,321	-	-	-	2,758,368	3,488,800,689
<u>Less</u> Deferred income	(10,677,618)	-	-	-	-	(10,677,618)
Total loans	10,674,139,731	180,220,771	-	-	177,514,429	11,031,874,931
<u>Add</u> Accrued interest receivables	26,855,143	4,207,933	-	-	-	31,063,076
Total loans and accrued interest receivables	10,700,994,874	184,428,704	-	-	177,514,429	11,062,938,007

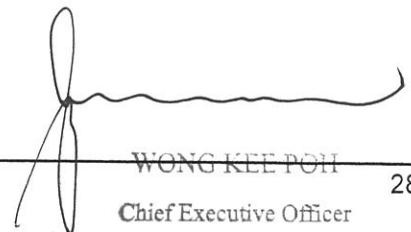
Business type	2018					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
Manufacturing and commercial	3,444,671,745	-	25,000,000	-	70,236,625	3,539,908,370
Real estate and construction	820,863,381	-	-	-	86,209,426	907,072,807
Infrastructure and Service	2,480,765,735	-	-	-	8,000,000	2,488,765,735
Others	3,457,580,493	-	-	-	3,140,251	3,460,720,744
<u>Less</u> Deferred income	(5,288,073)	-	-	-	-	(5,288,073)
Total loans	10,198,593,281	-	25,000,000	-	167,586,302	10,391,179,583
<u>Add</u> 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

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	2019			
	Loans and accrued interest receivables Baht	Net amount used as a basis for setting allowance for doubtful account Baht	Minimum % required BOT guidelines	Total allowance Baht
1. Minimum amount to required by BOT				
Normal	10,674,139,731	10,674,139,731	1	106,741,397
Special mentioned	180,220,771	180,220,771	2	3,604,415
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful loss	177,514,429	81,823,423	100	81,823,423
Total	11,031,874,931	10,936,183,925		192,169,235
Add Accrued interest receivables	31,063,076	31,063,076		352,710
Total loans and accrued interest receivables	11,062,938,007	10,967,247,001		192,521,945
2. Additional allowance set up according to the Branch's internal policy				
Total				22,733,193
Total				215,255,138
2018				
Classification	Loans and accrued interest receivables Baht	Net amount used as a basis for setting allowance for doubtful account Baht	Minimum % required BOT guidelines	Total allowance Baht
1. Minimum amount to required by BOT				
Normal	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		199,203,501
2. Additional allowance set up according to the Branch's internal policy				
Total				21,686,756
Total				220,890,257


WONG KEE POH
Chief Executive Officer

RHB Bank Berhad - Bangkok Branch
Notes to the Financial Statements
For the year ended 31 December 2019

10 Allowance for doubtful accounts

	2019					Total Baht
	Normal Baht	Special mentioned Baht	Substandard Baht	Doubtful Baht	Doubtful loss Baht	
At beginning of year	123,989,039	-	25,000,000	-	71,901,218	220,890,257
Add/less Additional/(Reversal) of allowance for doubtful accounts	5,754,102	3,688,574	(25,000,000)	-	25,135,001	9,577,677
Less Bad debt recovery	-	-	-	-	-	-
Less Bad debt written-of	-	-	-	-	(15,212,796)	(15,212,796)
Allowance for doubtful accounts at end of year	<u>129,743,141</u>	<u>3,688,574</u>	<u>-</u>	<u>-</u>	<u>81,823,423</u>	<u>215,255,138</u>

	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
Add/less Additional/(Reversal) of allowance for doubtful accounts	15,741,010	-	25,000,000	-	(2,012,570)	38,728,440
Less Bad debt recovery	-	-	-	-	(9,295,640)	(9,295,640)
Less Bad debt written-of	-	-	-	-	-	-
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>

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
As at 1 January 2018						
Cost	30,367,099	10,819,060	37,290,599	6,396,000	-	84,872,758
Less 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>
For the year ended 31 December 2018						
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>
As at 31 December 2018						
Cost	30,367,099	10,819,060	42,114,674	6,396,000	180,694	89,877,527
Less 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>
For the year ended 31 December 2019						
Opening net book amount	11,008,945	886,480	8,612,485	1,703,530	180,694	22,392,134
Additions	-	19,260	7,901,366	-	1,596,975	9,517,601
Transfer in(out)	-	-	180,694	-	(180,694)	-
Write-off and disposal	-	(4,563)	-	(1)	-	(4,564)
Depreciation charge	(2,443,310)	(655,658)	(3,763,902)	(967,945)	-	(7,830,815)
Closing net book amount	<u>8,565,635</u>	<u>245,519</u>	<u>12,930,643</u>	<u>735,584</u>	<u>1,596,975</u>	<u>24,074,356</u>
As at 31 December 2019						
Cost	30,367,099	10,823,569	50,196,734	4,839,000	1,596,975	97,823,377
Less Accumulated depreciation	(21,801,464)	(10,578,050)	(37,266,091)	(4,103,416)	-	(73,749,021)
Net book amount	<u>8,565,635</u>	<u>245,519</u>	<u>12,930,643</u>	<u>735,584</u>	<u>1,596,975</u>	<u>24,074,356</u>

12 Intangible assets, net

	Computer softwares Baht	Work in progress Baht	Total Baht
As at 1 January 2018			
Cost	49,081,610	1,413,090	50,494,700
<u>Less</u> Accumulated amortization	(28,643,220)	-	(28,643,220)
Net book amount	20,438,390	1,413,090	21,851,480
For the year ended 31 December 2018			
Opening net book amount	20,438,390	1,413,090	21,851,480
Additions	7,229,599	1,272,872	8,502,471
Transfer in(out)	2,437,722	(2,437,722)	-
Amortization charge	(4,498,633)	-	(4,498,633)
Closing net book amount	25,607,078	248,240	25,855,318
As at 31 December 2018			
Cost	58,748,931	248,240	58,997,171
<u>Less</u> Accumulated amortization	(33,141,853)	-	(33,141,853)
Net book amount	25,607,078	248,240	25,855,318
For the year ended 31 December 2019			
Opening net book amount	25,607,078	248,240	25,855,318
Additions	1,345,500	1,324,463	2,669,963
Transfer in(out)	620,600	(620,600)	-
Write-off and disposal	-	-	-
Amortization charge	(5,098,819)	-	(5,098,819)
Closing net book amount	22,474,359	952,103	23,426,462
As at 31 December 2019			
Cost	60,715,031	952,103	61,667,134
<u>Less</u> Accumulated amortization	(38,240,672)	-	(38,240,672)
Net book amount	22,474,359	952,103	23,426,462

13 Deferred tax assets, net

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

	2019 Baht	2018 Baht
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	6,794,591	8,022,186
Deferred tax asset to be recovered after more than 12 months	23,743,965	22,285,136
	<u>30,538,556</u>	<u>30,307,322</u>
Deferred tax liabilities:		
Deferred tax liabilities to be settled within 12 months	(3,289,022)	(1,105,197)
Deferred tax liabilities to be settled after more than 12 months	(23,002,156)	(236,129)
	<u>(26,291,178)</u>	<u>(1,341,326)</u>
Deferred tax assets, net	4,247,378	28,965,996

13 Deferred tax assets, net (Cont'd)

The movement of deferred income tax is as follows:

	2019 Baht	2018 Baht
As at 1 January	28,965,996	13,888,894
Charges to profit and loss (Note 30)	1,134,369	2,487,023
Charges to other comprehensive income	(25,852,987)	12,590,079
As at 31 December	<u>4,247,378</u>	<u>28,965,996</u>

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

	2019			
	As at 1 January 2019 Baht	Recognised in profit and loss Baht	Recognised in other comprehensive income Baht	As at 31 December 2019 Baht
Deferred tax assets				
Provisions	29,066,805	(672,983)	(136,369)	28,257,453
Fair value loss	37,323	-	(37,323)	-
Others	1,203,194	1,077,909	-	2,281,103
Total	<u>30,307,322</u>	<u>404,926</u>	<u>(173,692)</u>	<u>30,538,556</u>
Deferred tax liabilities				
Fair value gain	1,341,326	(729,443)	25,679,295	26,291,178
Total	<u>1,341,326</u>	<u>(729,443)</u>	<u>25,679,295</u>	<u>26,291,178</u>
Deferred tax assets, net	<u>28,965,996</u>			<u>4,247,378</u>
	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
Deferred tax assets				
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
Total	<u>27,933,689</u>	<u>2,500,303</u>	<u>(126,670)</u>	<u>30,307,322</u>
Deferred tax liabilities				
Fair value gain	14,044,795	13,280	(12,716,749)	1,341,326
Total	<u>14,044,795</u>	<u>13,280</u>	<u>(12,716,749)</u>	<u>1,341,326</u>
Deferred tax assets, net	<u>13,888,894</u>			<u>28,965,996</u>

14 Other assets

	2019 Baht	2018 Baht
Account receivable - court order	21,011,779	21,011,779
Accrued interest receivables	29,658,312	33,334,530
Deposits	2,424,271	2,401,271
Prepaid income taxes	9,649,242	214,254
Others	4,628,161	12,485,479
Total	67,371,765	69,447,313

15 Deposits

15.1 Grouped by products

	2019 Baht	2018 Baht
On demand	84,963,237	86,390,106
Savings	2,112,266,414	110,684,550
Term	4,665,568,450	4,526,959,803
NCD	210,000,000	720,000,000
Total deposits	7,072,798,101	5,444,034,459

15.2 Grouped by currencies and residencies of customers:

	2019		
	Domestic Baht	Foreign Baht	Total Baht
Thai Baht	7,071,022,559	92,583	7,071,115,142
US Dollar	1,677,661	-	1,677,661
EURO	5,298	-	5,298
Total deposits	7,072,705,518	92,583	7,072,798,101
	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
Total deposits	5,443,839,771	194,688	5,444,034,459

WONG KEE POH

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RHB BANK THAILAND OPERATIONS

16 Interbank and money market items - liabilities

	2019		
	On demand Baht	Term Baht	Total Baht
Domestic items			
Commercial banks	700,000,000	3,200,000,000	3,900,000,000
Special purpose financial institutions	-	1,300,000,000	1,300,000,000
Other financial institutions	1,641,006,473	2,760,000,000	4,401,006,473
Total domestic items	2,341,006,473	7,260,000,000	9,601,006,473
Foreign items			
Thai Baht	3,642,699	-	3,642,699
Total foreign items	3,642,699	-	3,642,699
Total	2,344,649,172	7,260,000,000	9,604,649,172
	2018		
	On demand Baht	Term Baht	Total Baht
Domestic items			
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
Total domestic items	2,922,425,473	5,096,024,100	8,018,449,573
Foreign items			
Thai Baht	1,829,093	-	1,829,093
Total foreign items	1,829,093	-	1,829,093
Total	2,924,254,566	5,096,024,100	8,020,278,666

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:

	2019 Baht	2018 Baht
Beginning balance	11,739,171	9,535,039
Current service costs	3,661,113	4,356,249
Past service costs	227,489	-
Interest costs	106,776	131,764
(Gain) on settlements	-	(109,264)
<u>Less</u> Benefits paid for the year	(3,712,586)	(1,354,650)
Remeasurements from actuarial (gain) loss		
- change in demographic assumptions	3,112	221,053
- change in financial assumptions	90,943	(115,794)
- change in experience assumptions	(775,900)	(925,226)
Ending balance	11,340,118	11,739,171

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:

	2019 Baht	2018 Baht
Current service costs	3,661,113	4,356,249
Past service costs	227,489	-
Interest costs	106,776	131,764
(Gain) on settlements	-	(109,264)
Remeasurements of provision for employee benefits obligation	(681,845)	(819,967)
Total	3,313,533	3,558,782

Significant assumptions used in the actuarial calculation are summarised as follows:

	2019	2018
Discount rate	1.41%	1.63%
Salary increase rate	5.0%	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	55 years old	60 years old
- Female	55 years old	55 years old

Sensitivity analysis

	Increase (decrease) in provision on employee benefit	
	2019 Baht	2018 Baht
Discount rate		
Increase 1%	(498,075)	(370,610)
Decrease 1%	546,584	408,459
Salary income rate		
Increase 1%	564,168	440,144
Decrease 1%	(524,740)	(395,387)
Average life expectancy		
Increase 1 year	25,411	19,537
Decrease 1 year	(25,323)	(19,457)

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 2019	605,746	4,516,164	8,559,229	140,547,508	154,228,647
As at 31 December 2018	3,663,619	5,047,681	3,909,091	125,439,520	138,059,911

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Chief Executive Officer

RHB BANK THAILAND OPERATIONS

18 Other liabilities

	2019 Baht	2018 Baht
Account payable - court order	37,508,887	37,508,887
Account payable - other	28,352,287	31,169,699
Unearned income	1,219,818	1,876,778
Accrued interest payables	53,216,207	36,029,226
Accrued bonus	15,004,330	19,996,270
Income tax payables	-	8,281,166
Withholding tax payables	5,404,815	713,427
Others	32,890,697	19,528,252
Total	173,597,041	155,103,705

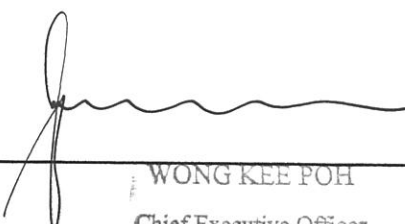
19 Capital fund and assets maintained in Thailand

Capital Fund and assets maintained in Thailand under section 32 of the Financial Institution Act B.E. 2551 as at 31 December 2019 and 2018 comprise of the following:

	2019 Baht	2018 Baht
Total assets maintained in Thailand	2,073,846,329	2,111,692,251
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	78,077,365	2,688,571,007
Total funds and capital loans remitted into Thailand for maintaining assets	2,078,077,365	4,688,571,007
Total capital funds	2,000,000,000	2,000,000,000
	2019	2018
Total capital funds to risk assets ratio (%)	14.26	14.66

The Bank will disclose capital maintenance information as at 31 December 2019 in accordance with the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its website at www.rhbgroup.com within April 2020.

Moreover, the Bank has disclosed information related to Liquidity Coverage Ratio as at 31 December 2019 under the Notification of Bank of Thailand, no. Sor Nor Sor 2/2561, as the above location and date disclosure.

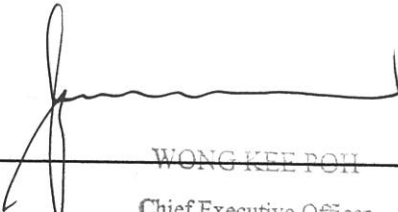

WONG KEE POH
Chief Executive Officer

20 Commitments and contingent liabilities

	2019		
	Thai Baht Baht	Other currencies Baht	Total Baht
Guarantees	247,310,845	11,947,774	259,258,619
Letters of credit	-	17,746,097	17,746,097
Liabilities under unmatured import bills	-	678,827	678,827
Other commitments			
- Spot and forward contracts - bought	564,941,122	52,903,620	617,844,742
- Spot and forward contracts - sold	52,879,602	563,458,044	616,337,646
- Foreign exchange swap contracts - bought	1,916,516,996	2,458,591,496	4,375,108,492
- Foreign exchange swap contracts sold	2,459,740,388	1,915,927,698	4,375,668,086
	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
Liabilities under unmatured import bills	-	972,933	972,933
Other commitments			
- Spot and forward contracts - bought	1,015,439,830	58,948,118	1,074,387,948
- Spot and forward contracts - sold	59,644,114	1,000,714,413	1,060,358,527
- Foreign exchange swap contracts - bought	5,661,630,416	9,180,779,971	14,842,410,387
- Foreign exchange swap contracts sold	9,188,340,746	5,645,031,945	14,833,372,691

As at 31 December 2019 and 2018, the Bank has the following commitments which were incurred in the normal course of business as follows:

	2019		
	Thai Baht Baht	Other currencies Baht	Total Baht
Unused overdraft credit line	300,079,127	-	300,079,127
Unused credit facilities	6,454,087,419	-	6,454,087,419
Total commitments	6,754,166,546	-	6,754,166,546
	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


WONG KEE POH
Chief Executive Officer

21 Commitments

Capital commitments

As at 31 December 2019 and 2018, 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:

	<u>2019</u> <u>Baht</u>	<u>2018</u> <u>Baht</u>
Not later than 1 year	9,122,084	9,231,084
Later than 1 year but not later than 5 years	6,577,100	15,555,184
	<u>15,699,184</u>	<u>24,786,268</u>

22 Related party transactions

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

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

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

The registered provident fund established by the Bank for its own employees. Such registered provident fund is managed by appointed fund manager, a financial institution. Fund manager has deposit such provident fund with the Bank at interest rate 1.00% per annum (2018: 1.00% per annum).

Relationships of related parties

Head office

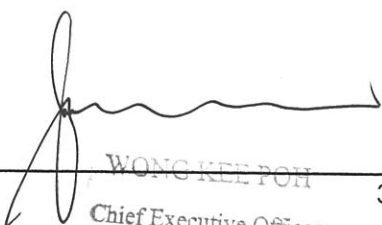
- RHB Bank Berhad (Kuala Lumpur office)

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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22 Related party transactions (Cont'd)

Significant transactions with related parties as of 31 December 2019 and 2018, other than Head Office's equity and balances with other branches under the same entity, consist of the following:

	2019	2018
	Baht	Baht
Statement of financial position		
<u>Head office</u>		
Interbank and money market items, net (assets)	2	2
Derivative assets	40,984	-
Other assets	92,155,336	-
Interbank and money market items (liabilities)	198,596,044	107,661,536
Other liabilities	32,130	54,770
Off - statement of financial position items - contingencies		
- Foreign exchange swap contracts - bought	30,000,000	-
- Foreign exchange swap contracts - sold	29,956,784	-
<u>Other branches</u>		
Interbank and money market items, net (assets)	1,437,684	1,481,056
Derivative assets	-	10,521,246
Other assets	-	-
Interbank and money market items (liabilities)	10,457,915	2,598,659,728
Other liabilities	-	23,079,019
Off - statement of financial position items - contingencies		
- Foreign exchange swap contracts - bought	-	497,055,000
- Foreign exchange swap contracts - sold	-	486,747,000
<u>Fellow subsidiaries</u>		
Interbank and money market items, net (assets)	485,295,675	485,620,696
Derivative assets	1,567,604	13,684,701
Other assets	-	-
Interbank and money market items (liabilities)	954,018,331	1,688,441,878
Other liabilities	7,460,274	4,530,822
Off - statement of financial position items - contingencies		
- Forward contracts - bought	515,437,455	832,296,582
- Forward contracts - sold	524,141,615	819,612,091


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22 Related party transactions (Cont'd)

Significant transactions with related parties for the years ended 31 December 2019 and 2018, other than Head Office's equity and balances with other branches under the same entity, consist of the following:

	2019 Baht	2018 Baht
Statements of profit or loss and others comprehensive income		
<u>Head office</u>		
Interest expenses	425,095	159,616
Insurance expenses	344,535	159,222
Legal fees	-	-
<u>Other branches</u>		
Interest expenses	64,997,337	45,389,851
<u>Fellow subsidiaries</u>		
Interest income	10,779,137	10,852,888
Interest expenses	13,172,643	16,542,622
Human resources service fees	1,284,000	1,284,000

23 Benefits paid to directors and executives

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

	2019 Baht	2018 Baht
Short-term employee benefits	31,363,563	19,310,810
Post-employee benefits	82,000	52,054
Total	31,445,563	19,362,864

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

24.1 Position grouped by type of transactions

	2019			2018		
	Domestic Baht	Foreign Baht	Total Baht	Domestic Baht	Foreign Baht	Total Baht
<u>Assets</u>						
Interbank and money market item, net (assets)	1,155,067,119	81,664,111	1,236,731,230	1,185,735,951	79,509,973	1,265,245,924
Investment, net	7,546,711,481	-	7,546,711,481	7,383,596,199	-	7,383,596,199
Loans to customers and accrued interest receivables, net	10,847,682,869	-	10,847,682,869	10,201,924,368	-	10,201,924,368
<u>Liabilities</u>						
Deposits	7,072,705,518	92,583	7,072,798,101	5,443,839,771	194,688	5,444,034,459
Interbank and money market item, net (liabilities)	9,601,006,473	3,642,699	9,604,649,172	8,018,449,573	1,829,093	8,020,278,666
Demand liabilities	1,184,714	-	1,184,714	155,585	-	155,585

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

24.2 Performance grouped by type of transactions

	2019			2018		
	Domestic Baht	Foreign Baht	Total Baht	Domestic Baht	Foreign Baht	Total Baht
Interest income	489,461,380	148,920	489,610,300	552,322,299	110,159	552,432,458
Interest expenses	(258,101,208)	(66,759,543)	(324,860,751)	(245,027,961)	(47,986,717)	(293,014,678)
Net interest income	231,360,172	(66,610,623)	164,749,549	307,294,338	(47,876,558)	259,417,780
Net fee and services income	9,678,587	-	9,678,587	8,510,861	-	8,510,861
Other operating income	74,614,933	-	74,614,933	63,867,009	-	63,867,009
Other operating expenses	(214,830,123)	-	(214,830,123)	(233,933,801)	-	(233,933,801)
Profit (loss) before income tax	100,823,569	(66,610,623)	34,212,946	145,738,407	(47,876,558)	97,861,849

25 Interest income

	2019 Baht	2018 Baht
Interbank and money market items	27,373,427	24,281,663
Investments in debt securities	159,127,205	151,696,705
Loans	303,109,668	376,454,090
Interest income	489,610,300	552,432,458

26 Interest expenses

	2019 Baht	2018 Baht
Deposits	101,882,195	86,136,491
Interbank and money market items	181,078,138	165,767,438
Contribution fee to the Deposit Protection Agency	41,900,418	41,110,749
Interest expense	324,860,751	293,014,678

27 Net fees and service income

	2019 Baht	2018 Baht
Fees and service income		
- Acceptances, aval and guarantees	4,615,951	5,218,285
- Others	6,795,233	4,545,905
Total fees and service income	11,411,184	9,764,190
Fees and service expenses	(1,732,597)	(1,253,329)
Net fees and service income	9,678,587	8,510,861

Fees and service income recognised following timing of revenue recognition as follows:

- At a point in time	6,590,173	4,393,709
- Over time	4,821,011	5,370,481

28 Net gain on trading and foreign exchange

	2019 Baht	2018 Baht
Gains on trading and foreign exchange transactions		
- Foreign currencies and exchange derivatives	41,409,649	50,002,260
- Debt securities	-	-
Total	41,409,649	50,002,260

29 Bad debts and doubtful debts

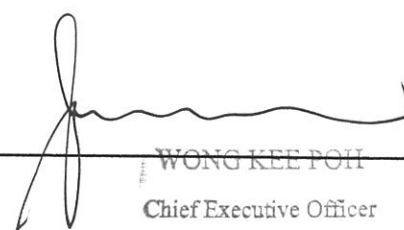
	2019 Baht	2018 Baht
Interbank and money market items	573,545	(2,294,790)
Loans	9,577,677	29,432,800
Total	10,151,222	27,138,010

30 Income tax

	2019 Baht	2018 Baht
Current tax:		
Current tax on profits for the year	7,992,220	22,051,727
Total current tax	7,992,220	22,051,727
Deferred tax:		
Origination and reversal of temporary differences (Note 13)	(1,134,369)	(2,487,023)
Total deferred tax	(1,134,369)	(2,487,023)
Total tax	6,857,851	19,564,704

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:

	2019 Baht	2018 Baht
Profit before tax	34,212,946	97,861,849
Tax calculated at a tax rate of 20%	6,842,589	19,572,370
Tax effect of:		
Income not subject to tax	(98,732)	(124,721)
Expenses not deductible for tax purpose	113,994	117,055
Tax charge	6,857,851	19,564,704


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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 86.74% in Government and State Enterprise bonds and 13.26% in Corporate Bond which are classify as Available for sale.

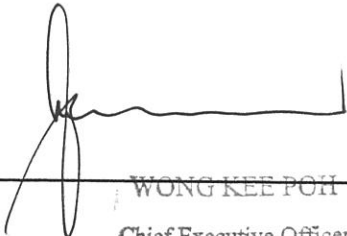
b) Market risk management

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.



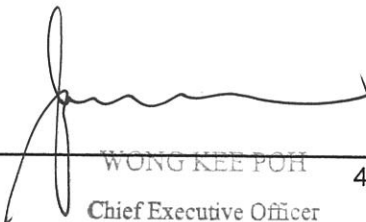
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31 Financial risk management (Cont'd)

b) Market risk management (Cont'd)

The Bank has summarised the financial assets and financial liabilities classified by maturity of interest repricing years as at 31 December 2019 and 2018, as follows:

	2019					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	
<u>Financial assets</u>						
Interbank and money market items, net	1,236,731	-	-	-	-	1,236,731
Investments, net	-	-	633,643	6,575,550	337,518	7,546,711
Loans to customers	2,830,985	4,984,995	1,028,735	900,179	1,318,044	11,062,938
<u>Financial liabilities</u>						
Deposits	2,197,230	900,282	3,975,286	-	-	7,072,798
Interbank and money market Items	2,344,649	5,480,000	1,780,000	-	-	9,604,649
Liabilities payable on demand	1,185	-	-	-	-	1,185
	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	
<u>Financial assets</u>						
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
<u>Financial liabilities</u>						
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


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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 2019 and 2018 are as follows:

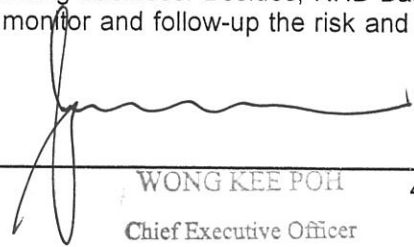
	2019 Baht'000	2018 Baht'000
Fixed interest rate	8,594,091	8,350,227
Floating interest rate	2,437,784	2,040,952
Total	<u>11,031,875</u>	<u>10,391,179</u>

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 2019 and 2018 are as follows:

	2019		
	Average balance 12 months Baht'000	Interest amount Baht'000	Average interest rate %
Earning financial assets			
Interbank and money market items	1,023,604	27,373	2.67
Investments	8,199,487	159,127	1.94
Loans to customers	9,444,496	303,110	3.21
Interest-bearing financial liabilities			
Deposits	4,565,613	101,882	2.23
Interbank and money market items	8,869,295	181,078	2.04
	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

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 2019 and 2018.

	2019					Total Baht'000
	At call Baht'000	Within 3 months Baht'000	3 to 12 months Baht'000	1 to 5 years Baht'000	Over 5 years Baht'000	
Financial assets						
Interbank and money market items, net	1,236,731	-	-	-	-	1,236,731
Derivative assets	-	2,482	53	-	-	2,535
Investments, net	-	-	633,643	6,575,550	337,518	7,546,711
Loans to customers and accrued interest receivables, net	2,830,985	4,984,995	1,028,735	900,179	1,318,044	11,062,938
Financial liabilities						
Deposits	2,197,230	900,282	3,975,286	-	-	7,072,798
Interbank and money market items	2,344,649	5,480,000	1,780,000	-	-	9,604,649
Demand liabilities	1,185	-	-	-	-	1,185
Derivative liabilities	-	1,584	5	-	-	1,589
	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	
Financial assets						
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
Financial liabilities						
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

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.