

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS

BANK OF AYUDHYA PUBLIC COMPANY LIMITED

Opinion

We have audited the consolidated financial statements of Bank of Ayudhya Public Company Limited and its subsidiaries (the “Bank and subsidiaries”) and the Bank’s financial statements of Bank of Ayudhya Public Company Limited (the “Bank”), which comprise the consolidated and Bank’s statements of financial position as at December 31, 2016, and the related consolidated and Bank’s statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and Bank’s financial statements present fairly, in all material respects, the financial position of Bank of Ayudhya Public Company Limited and its subsidiaries and of Bank of Ayudhya Public Company Limited as at December 31, 2016, and financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRSs”).

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated and Bank’s Financial Statements section of our report. We are independent of the Bank and subsidiaries in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King’s Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to the audit of the consolidated and Bank’s financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and Bank's financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Audit Responses
Allowance for doubtful accounts	
The allowance for doubtful accounts is considered to be a matter of most significance as it requires the application of judgment and use of subjective assumptions by management of the Bank and subsidiaries. The Bank and subsidiaries recognized both general and specific allowances of loans to customers, in accordance with the Bank of Thailand (the "BOT")'s notifications. The specific allowances used the specific percentage on loan classification based on collateralized approach on fair value of collateral whether its valuation is evaluated appropriately. The general allowances used the qualitative factors in assessment the ability to pay of debtors, including deteriorating economic and industry. Accounting policy for allowance for doubtful accounts and detail of allowance for doubtful accounts were disclosed in Notes 4.5 and 7.7 to the financial statements, respectively.	• Understood whether there were any changes in accounting policies and procedures regarding allowance for credit losses. If any, assessed the reasonableness of the changes and identified the impact of the changes. • Tested the design and operating effectiveness of the controls over loan classification, collateral value and loan credit review. • Tested the accuracy of loan classification and calculation of the specific allowance based on the specific percentage according to the BOT's notifications. For the valuation of collateral, the appraisal method and amount evaluated by independent authorized appraiser was approved by the Bank's appraisal committee and complied with the BOT's regulation. The appraisal date was in a period of time determined in the BOT's notification. • Tested the adequacy of allowance and the appropriateness of management assumption on general provision and analysis the economic and industry. Tested the loan impairment methodology calculated the expected loss of the loan portfolio by segmentation based on historical data to assess the adequacy of allowance.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and Bank's financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and Bank's financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and the management of the Bank.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Bank's Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and Bank's financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and Bank's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and Bank's financial statements, management is responsible for assessing the Bank and subsidiaries' and 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 and subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and subsidiaries' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Bank's Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and Bank's 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 our 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 consolidated and Bank's financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and Bank's 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 our 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 and subsidiaries' 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 and subsidiaries' and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and the Bank's financial statements, including the disclosures, and whether the consolidated and Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and Bank's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BANGKOK
February 22, 2017

Permsak Wongpatcharapakorn
Certified Public Accountant (Thailand)
Registration No. 3427
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

BAHT: '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	As at December 31, 2016	As at December 31, 2015	As at December 31, 2016	As at December 31, 2015
ASSETS				
CASH	36,142,429	33,689,886	35,670,918	33,595,831
INTERBANK AND MONEY MARKET ITEMS, NET (Note 7.2)	200,283,418	194,094,463	194,452,735	192,212,476
CLAIM ON SECURITY	13,838,550	-	13,838,550	-
DERIVATIVES ASSETS (Note 7.3)	29,117,399	35,657,181	29,117,399	35,657,181
INVESTMENTS, NET (Note 7.4)	131,781,831	110,026,901	131,762,520	110,010,315
INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, NET (Note 7.5)	1,919,378	1,575,581	55,710,546	48,895,618
LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET (Note 7.6)				
Loans to customers	1,506,222,326	1,353,558,616	1,371,970,480	1,238,706,187
Accrued interest receivables	3,864,375	3,572,495	2,316,251	2,359,771
Total loans to customers and accrued interest receivables	1,510,086,701	1,357,131,111	1,374,286,731	1,241,065,958
<u>Less</u> Deferred revenue	(57,340,352)	(50,104,606)	(36,656,980)	(27,093,462)
<u>Less</u> Allowance for doubtful accounts (Note 7.7)	(48,273,619)	(43,218,108)	(32,647,817)	(26,286,904)
<u>Less</u> Revaluation allowance for debt restructuring (Note 7.8)	(1,187,903)	(1,725,739)	(28,026)	(412,397)
Net loans and accrued interest receivables	1,403,284,827	1,262,082,658	1,304,953,908	1,187,273,195
CUSTOMERS' LIABILITY UNDER ACCEPTANCE	476,024	558,322	476,024	558,322
PROPERTIES FOR SALE, NET (Note 7.9)	4,256,248	5,049,764	2,388,268	2,857,041
PREMISES AND EQUIPMENT, NET (Note 7.10)	25,221,074	20,993,113	23,326,968	19,320,134
GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Note 7.11)	16,698,596	14,477,378	3,585,090	3,831,864
DEFERRED TAX ASSETS (Note 7.12)	4,713,693	5,369,190	-	703,283
ACCOUNTS RECEIVABLE FOR INVESTMENTS	52,668	1,036,546	52,668	1,036,546
OTHER ASSETS, NET (Note 7.13)	15,402,070	20,905,527	10,631,652	16,599,421
TOTAL ASSETS	1,883,188,205	1,705,516,510	1,805,967,246	1,652,551,227

Note to the consolidated and the Bank's financial statements form an integral part of these statements

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2016

BAHT: '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL	STATEMENTS	FINANCIAL	STATEMENTS
	As at	As at	As at	As at
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
LIABILITIES AND EQUITY				
DEPOSITS (Note 7.14)	1,108,287,927	1,046,289,670	1,102,914,201	1,052,071,691
INTERBANK AND MONEY MARKET ITEMS, NET (Note 7.15)	314,399,699	275,059,500	317,482,684	277,245,782
LIABILITY PAYABLE ON DEMAND	4,176,569	3,210,983	4,176,258	3,210,983
LIABILITY TO DELIVER SECURITY	13,838,550	-	13,838,550	-
DERIVATIVES LIABILITIES (Note 7.3)	20,581,038	26,692,658	20,581,236	26,692,658
DEBT ISSUED AND BORROWINGS (Note 7.16)	160,325,732	108,120,551	133,918,957	88,277,551
BANK'S LIABILITY UNDER ACCEPTANCE	476,024	558,322	476,024	558,322
PROVISIONS (Note 7.17)	7,333,340	6,758,757	6,456,427	6,138,420
DEFERRED TAX LIABILITIES (Note 7.12)	456,479	32,179	293,890	-
ACCOUNTS PAYABLE FOR INVESTMENTS	65,526	1,118,197	65,526	1,118,197
OTHER LIABILITIES (Note 7.19)	44,479,313	46,927,975	27,037,238	30,658,643
TOTAL LIABILITIES	1,674,420,197	1,514,768,792	1,627,240,991	1,485,972,247
EQUITY				
SHARE CAPITAL (Note 7.20)				
Authorized share capital				
7,574,143,747 ordinary shares of				
Baht 10 each	75,741,437	75,741,437	75,741,437	75,741,437
Issued and paid-up share capital				
7,355,761,773 ordinary shares of				
Baht 10 each	73,557,618	73,557,618	73,557,618	73,557,618
PREMIUM ON ORDINARY SHARES	52,878,749	52,878,749	52,878,749	52,878,749
OTHER RESERVES	4,062,842	1,981,132	3,963,430	1,958,374
RETAINED EARNINGS				
Appropriated				
Legal reserve	4,371,800	3,584,800	4,371,800	3,584,800
Unappropriated	73,308,328	58,352,894	43,954,658	34,599,439
TOTAL BANK'S EQUITY	208,179,337	190,355,193	178,726,255	166,578,980
NON-CONTROLLING INTEREST	588,671	392,525	-	-
TOTAL EQUITY	208,768,008	190,747,718	178,726,255	166,578,980
TOTAL LIABILITIES AND EQUITY	1,883,188,205	1,705,516,510	1,805,967,246	1,652,551,227

Note to the consolidated and the Bank's financial statements form an integral part of these statements

(Mr. Noriaki Goto)
President and Chief Executive Officer

(Miss Duangdao Wongpanitkrit)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
INTEREST INCOME (Note 7.28)	85,924,554	81,946,689	59,792,189	57,426,564
INTEREST EXPENSES (Note 7.29)	23,947,857	25,596,345	23,007,155	24,637,285
INTEREST INCOME, NET	61,976,697	56,350,344	36,785,034	32,789,279
FEES AND SERVICE INCOME	24,141,661	22,670,208	12,468,812	11,260,771
FEES AND SERVICE EXPENSES	5,967,022	5,440,602	3,609,910	2,814,706
FEES AND SERVICE INCOME, NET (Note 7.30)	18,174,639	17,229,606	8,858,902	8,446,065
GAINS ON TRADING AND FOREIGN EXCHANGE TRANSACTIONS, NET (Note 7.31)	3,904,876	3,215,541	3,820,764	3,230,853
GAINS ON INVESTMENTS, NET (Note 7.32)	598,512	409,042	598,512	409,042
SHARE OF PROFIT FROM INVESTMENT FOR USING EQUITY METHOD	347,617	358,241	-	-
DIVIDEND INCOME	161,010	170,908	6,536,572	5,476,532
BAD DEBTS RECOVERIES	4,710,949	3,042,248	1,174,901	118,930
GAINS ON SALE PROPERTIES FOR SALE	629,237	995,968	338,238	456,864
OTHER OPERATING INCOME	983,262	1,001,184	992,495	970,127
TOTAL OPERATING INCOME	91,486,799	82,773,082	59,105,418	51,897,692
OTHER OPERATING EXPENSES				
Employee's expenses	21,333,840	18,914,085	15,269,448	13,619,533
Directors' remuneration	49,003	48,242	45,859	45,332
Premises and equipment expenses	7,355,727	6,830,942	5,723,570	5,308,066
Taxes and duties	2,544,174	2,548,037	1,758,098	1,830,085
Others	11,797,235	10,605,817	6,626,447	5,555,001
Total other operating expenses	43,079,979	38,947,123	29,423,422	26,358,017
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES (Note 7.33)	21,314,536	20,185,840	11,674,922	9,192,820
PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES	27,092,284	23,640,119	18,007,074	16,346,855
INCOME TAX EXPENSES (Note 7.34)	5,408,596	4,787,816	2,275,627	2,206,800
NET PROFIT	21,683,688	18,852,303	15,731,447	14,140,055

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified subsequently to profit or loss:				
Gain (loss) on remeasuring available-for-sales investments	(241,898)	6,251	(241,898)	6,251
Gain arising from translating the financial statements of a foreign operation	120,297	3,896	-	-
Income tax relating to components of other comprehensive income (Note 7.35)	24,307	(1,250)	48,380	(1,250)
Items that will not be reclassified subsequently to profit or loss:				
Changes in assets revaluation surplus	3,047,249	-	3,047,249	-
Actuarial gain (loss) on defined benefit plans	(41,964)	(289,131)	70,196	(262,342)
Share of other comprehensive income of joint venture	(3,815)	(108)	-	-
Income tax relating to components of other comprehensive income (Note 7.35)	(601,028)	57,840	(623,489)	52,468
Total other comprehensive income, net	2,303,148	(222,502)	2,300,438	(204,873)
TOTAL COMPREHENSIVE INCOME	23,986,836	18,629,801	18,031,885	13,935,182
NET PROFIT ATTRIBUTABLE				
Owners of the Bank	21,404,034	18,634,185	15,731,447	14,140,055
Non-controlling interest	279,654	218,118	-	-
	21,683,688	18,852,303	15,731,447	14,140,055
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE				
Owners of the Bank	23,708,754	18,410,036	18,031,885	13,935,182
Non-controlling interest	278,082	219,765	-	-
	23,986,836	18,629,801	18,031,885	13,935,182
EARNINGS PER SHARE OF OWNERS OF THE BANK				
BASIC EARNINGS PER SHARE	BAHT	2.91	2.54	2.14
WEIGHTED AVERAGE NUMBER OF				
ORDINARY SHARES	SHARES	7,355,761,773	7,341,716,644	7,355,761,773
				7,341,716,644

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

(Mr. Noriaki Goto)
President and Chief Executive Officer

(Miss Duangdao Wongpanitkrit)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	CONSOLIDATED FINANCIAL STATEMENTS										
	Owners of the Bank								Non-	Total	
	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves				Retained Earnings		Total		
			Asset	Revaluation	Foreign	Deficit from Business	Appropriated	Unappropriated	Bank's		
			Appraisal	Surplus	Currency	Combination under	Legal		Equity		
Surplus			on Investments	Translation	Common Control	Reserve					
Balance as of January 1, 2015	60,741,437	13,802,216	6,390,131	947,098	441	-	2,877,700	46,395,843	131,154,866	459,514	131,614,380
Issue of ordinary shares related to business combination	12,816,181	39,076,533	-	-	-	(5,217,755)	-	-	46,674,959	-	46,674,959
Change in revaluation surplus	-	-	(146,511)	-	-	-	-	146,511	-	-	-
Dividend payment (Note 7.20.3)	-	-	-	-	-	-	-	(5,884,610)	(5,884,610)	(286,775)	(6,171,385)
Increase in legal reserve	-	-	-	-	-	-	707,100	(707,100)	-	-	-
Total comprehensive income	-	-	-	5,001	2,727	-	-	18,402,308	18,410,036	219,765	18,629,801
Change in shareholding in subsidiary company	-	-	-	-	-	-	-	(58)	(58)	21	(37)
Balance as of December 31, 2015	73,557,618	52,878,749	6,243,620	952,099	3,168	(5,217,755)	3,584,800	58,352,894	190,355,193	392,525	190,747,718
Balance as of January 1, 2016	73,557,618	52,878,749	6,243,620	952,099	3,168	(5,217,755)	3,584,800	58,352,894	190,355,193	392,525	190,747,718
Change in revaluation surplus	-	-	(258,815)	-	-	-	-	258,815	-	-	-
Dividend payment (Note 7.20.3)	-	-	-	-	-	-	-	(5,884,610)	(5,884,610)	(81,936)	(5,966,546)
Increase in legal reserve	-	-	-	-	-	-	787,000	(787,000)	-	-	-
Total comprehensive income	-	-	2,437,799	(193,518)	96,244	-	-	21,368,229	23,708,754	278,082	23,986,836
Balance as of December 31, 2016	73,557,618	52,878,749	8,422,604	758,581	99,412	(5,217,755)	4,371,800	73,308,328	208,179,337	588,671	208,768,008

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

</

Notes to consolidated and the Bank's financial statements form an integral part of these statements

(Mr. Noriaki Goto)
President and Chief Executive Officer

(Miss Duangdao Wongpanitkrit)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income from operating before income tax expenses	27,092,284	23,640,119	18,007,074	16,346,855
Adjustments to reconcile income to cash received (paid)				
from operating activities:				
Depreciation and amortization	3,657,044	3,351,530	2,716,220	2,136,804
Deferred interest expenses	1,818	2,461	1,636	2,461
Impairment loss of loans and debt securities	21,314,536	20,185,840	11,674,922	9,192,820
Gains on translation in foreign currencies	566,751	8,269,182	566,751	8,269,182
Share of profit from investment for using equity method	(347,617)	(358,241)	-	-
Gains on investments	(598,512)	(409,042)	(598,512)	(409,042)
Increase (decrease) in discount on investments	(251,178)	267,555	(251,178)	267,555
Gains on sales of properties for sale	(629,237)	(995,968)	(338,238)	(456,864)
(Gains) losses on sales of premises and equipment	2,047	(42,491)	8,065	7,948
Loss on impairment of properties for sale (reversal)	433,237	(301,248)	191,313	(375,071)
Loss on impairment of premises and equipment (reversal)	(90,223)	2,477	(89,025)	-
Loss on impairment of other assets (reversal)	(133,577)	(107,848)	124,512	147,897
Increase in other reserves	574,583	945,319	345,371	582,273
Interest income, net	(61,976,697)	(56,350,344)	(36,785,034)	(32,789,279)
Income tax refunded	-	69,906	-	-
Interest received	92,038,652	86,588,989	49,109,412	69,190,303
Interest paid	(23,118,153)	(25,494,321)	(22,586,368)	(24,432,604)
Dividend income	(161,010)	(170,908)	(6,536,572)	(5,476,532)
Dividend received	156,718	172,288	155,962	171,060
Increase in other accrued expenses	498,712	1,144,441	302,048	557,887
Income tax paid	(5,258,575)	(5,047,861)	(2,407,322)	(2,468,516)
Income from operations before changes in				
operating assets and liabilities	53,771,603	55,361,835	13,611,037	40,465,137
(Increase) decrease in operating assets				
Interbank and money market items	(1,755,863)	5,706,011	(3,887,328)	5,522,228
Derivatives assets	6,547,471	(10,199,157)	6,547,471	(10,199,157)
Current investments - securities for trading	565,225	5,417,357	565,225	5,713,379
Loans to customers	(161,448,578)	(82,689,635)	(123,326,675)	(103,115,323)
Properties for sale	5,720,513	9,165,437	4,872,623	3,372,843
Other assets	8,183,653	(7,635,071)	5,626,455	(8,069,357)

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Increase (decrease) in operating liabilities				
Deposits	51,803,007	59,292,461	51,635,711	58,882,806
Interbank and money market items	39,471,597	(7,856,059)	41,318,022	(7,314,467)
Liability payable on demand	1,037,924	694,150	1,037,660	694,150
Derivatives liabilities	(6,097,209)	8,718,898	(6,097,216)	8,718,898
Other liabilities	(3,957,188)	10,773,928	(3,452,533)	13,223,107
Net cash from operating activities	(6,157,845)	46,750,155	(11,549,548)	7,894,244
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments in securities	134,758,647	76,302,565	134,758,647	76,298,954
Cash paid for purchases of investments in securities	(156,540,725)	(48,465,058)	(156,538,000)	(48,465,058)
Cash paid for investment in subsidiaries	(4,961,638)	-	(6,814,928)	(2,100,000)
Cash received for repatriation capital from investment in subsidiaries	-	-	-	1,435,550
Dividend received from subsidiaries	-	-	6,376,318	5,306,041
Proceeds from sales of premises and equipment	82,909	229,028	3,735	14,383
Cash paid for purchases of premises and equipment	(3,748,891)	(2,973,558)	(2,975,154)	(2,428,504)
Cash paid for purchases of other assets	(946,119)	(1,228,882)	(912,541)	(1,072,221)
Net cash from investing activities	(31,355,817)	23,864,095	(26,101,923)	28,989,145
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from debts issued and borrowings	337,942,874	251,940,430	329,458,198	240,325,830
Cash paid for repayment of debts issued and borrowings	(290,443,999)	(315,315,979)	(283,816,792)	(269,006,568)
Proceeds from business combination	-	71,767	-	71,767
Cash paid for repayment of liabilities under finance lease agreements	(20,097)	(26,141)	(20,097)	(26,141)
Dividend payment	(5,966,546)	(6,171,385)	(5,884,610)	(5,884,610)
Net cash from financing activities	41,512,232	(69,501,308)	39,736,699	(34,519,722)
Total	3,998,570	1,112,942	2,085,228	2,363,667
Gains arising from translating the financial statements of a foreign operation	120,297	2,727	-	-
Effect of exchange rate change on cash	(10,141)	154,402	(10,141)	154,402
Net increase in cash and cash equivalents	4,108,726	1,270,071	2,075,087	2,518,069
Cash and cash equivalents as at January 1,	35,468,254	34,198,183	33,595,831	31,077,762
Cash and cash equivalents as at December 31,	39,576,980	35,468,254	35,670,918	33,595,831

Notes to the consolidated and the Bank's financial statements form an integral part of these statements

(Mr. Noriaki Goto)
President and Chief Executive Officer

(Miss Duangdao Wongpanitkrit)
Director

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE	CONTENT	PAGE
1.	General information	1
2.	Basis for preparation of the consolidated and the Bank's financial statements	3
3.	Adoption of new and revised Thai Financial Reporting Standards	6
4.	Significant accounting policies	7
5.	Risk management	18
6.	Estimates and assumptions	33
7.	Additional information	
7.1	Additional information of cash flows	35
7.2	Interbank and money market items, net (Asset)	38
7.3	Derivatives	39
7.4	Investments, net	40
7.5	Investments in subsidiaries, associates and joint ventures, net	42
7.6	Loans to customers and accrued interest receivables, net	47
7.7	Allowance for doubtful accounts	55
7.8	Revaluation allowance for debt restructuring	57
7.9	Properties for sale, net	58
7.10	Premises and equipment, net	59
7.11	Goodwill and other intangible assets, net	62
7.12	Deferred tax	64
7.13	Other assets, net	65
7.14	Deposits	66
7.15	Interbank and money market items, net (Liability)	67
7.16	Debt issued and borrowings	68
7.17	Provisions	69
7.18	Finance lease liabilities	71
7.19	Other liabilities	71
7.20	Share capital	71
7.21	Assets with obligations and restrictions	72
7.22	Contingencies	72
7.23	Related party transactions	73
7.24	Management compensation	84
7.25	Long-term leases	84
7.26	Operating segments	85
7.27	Position and results of operations classified by domestic and foreign business	86
7.28	Interest income	89
7.29	Interest expenses	89
7.30	Fees and service income, net	90
7.31	Gains on trading and foreign exchange transactions, net	90
7.32	Gains on investments, net	90
7.33	Impairment loss of loans and debt securities	91
7.34	Income tax expenses	91
7.35	Income tax relating to components of other comprehensive income	92
7.36	Approval of financial statements	92

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

Bank of Ayudhya Public Company Limited (“the Bank”) is a public company registered in the Kingdom of Thailand with its head office located at 1222 Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The Bank’s main business is commercial banking and the Bank conducts its business through a network of branches throughout Thailand and other countries. The immediate and ultimate parent company of the Bank are the Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ Financial Group, Inc., respectively, both companies are registered in Japan. The Ministry of Commerce granted approval for the Bank and its subsidiaries to operate businesses under Foreign Business Act B.E. 2542 on September 26, 2014. As at December 31, 2016 and 2015, the Bank has 17 subsidiaries and 16 subsidiaries, respectively as follows:

- 1.1 Ayudhya Development Leasing Company Limited, was incorporated in Thailand on July 25, 1991 and is located at 1222, 16th Floor, Bank of Ayudhya, Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary’s main business includes leasing and hire-purchase.
- 1.2 Ayudhya Capital Auto Lease Public Company Limited, was incorporated in Thailand on November 27, 1995 and is located at 87/2, 26th, 30th and 48th Floor, CRC Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary’s main business is auto hire-purchase, leasing service and refinancing to individual and corporate customers.
- 1.3 Ngern Tid Lor Company Limited (formerly CFG Services Company Limited), was incorporated in Thailand on October 24, 2006, and is located at 89/170, 4th, 5th, 9th and 10th Floor, Juthamard Building, Viphavadi Rangsit Road, Talad Bangkhen Subdistrict, Laksi District, Bangkok. The subsidiary’s main business is hire-purchase loan and secured personal loan for vehicles and motorcycles.
- 1.4 Ayudhya Card Services Company Limited, was incorporated in Thailand on December 4, 1997 and is located at 1222, 5th A Floor, Building C, Bank of Ayudhya, Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary’s main business is credit cards and personal loans. Currently, the subsidiary is in process of liquidation.
- 1.5 Ayudhya Capital Services Company Limited, was incorporated in Thailand on November 9, 1994 and is located at 87/1, 1st-6th and 8th-11th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary’s main business is credit cards and personal loans.

- 1.6 General Card Services Limited, was incorporated in Thailand on January 24, 1995 and is located at 87/1, 1st-6th and 8th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.
- 1.7 Krungsriayudhya Card Company Limited, was incorporated in Thailand on August 29, 1996 and is located at 87/1, 1st-6th and 8th-11th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is credit cards and personal loans.
- 1.8 Siam Realty and Services Security Company Limited (formerly Siam Realty and Services Company Limited), was incorporated in Thailand on June 20, 1988, and is located at 1222 Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is car rental services and personnel services.
- 1.9 Total Services Solutions Public Company Limited, was incorporated as a public company limited in Thailand on May 19, 1997 and is located at 2/3 Moo 14, Bangna Towers B, Bang Na-Trat Km 6.5 Road, Bang Kaeo Subdistrict, Bang Phli District, Samutprakan. The subsidiary's main business is collection services.
- 1.10 Krungsri Asset Management Company Limited, was incorporated in Thailand on December 19, 1996 and is located at 898, 1st-2nd zone A, 12th and 18th Floor zone B, Ploenchit Tower Building, Ploenchit Road, Lumpini Subdistrict, Patumwan District, Bangkok. The subsidiary's main business is mutual funds and private fund management.
- 1.11 Krungsri Ayudhya AMC Limited, was incorporated in Thailand on August 18, 2000 and is located at 1222 Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is to develop, manage and sell assets transferred from financial institutions.
- 1.12 Krungsri Securities Public Company Limited, was incorporated in Thailand on April 16, 2004 and is located at 898, 3rd Floor, Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is a securities businesses.
- 1.13 Krungsri Factoring Company Limited, was incorporated in Thailand on February 1, 2007 and is located at 1222, 19th Floor, Bank of Ayudhya, Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is factoring.
- 1.14 Krungsri Life Assurance Broker Company Limited, which is 99.99% owned by Ayudhya Capital Services Company Limited, the Bank's subsidiary, was incorporated in Thailand on March 2, 2007 and located at 87/1, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is as a life insurance broker.

- 1.15 Krungsri General Insurance Broker Company Limited, which is 99.99% owned by Ayudhya Capital Services Company Limited, the Bank's subsidiary, was incorporated in Thailand on March 2, 2007 and is located at 87/1, Capital Tower, All Seasons Place, Wireless Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is as a general insurance broker.
- 1.16 Krungsri Leasing Services Company Limited, which is owned by Ayudhya Capital Services Company Limited of 35% and Ayudhya Capital Auto Lease Public Company Limited of 35%, the Bank's subsidiaries, was incorporated in Laos People's Democratic Republic (Lao PDR) on February 18, 2014 and is located at 355, Unit 12, Kamphengmeung Road, Phonethan Village, Sayseththa District, Vientiane Capital, Lao PDR. The subsidiary's main business is hire-purchase, leasing and sales finance.
- 1.17 Hattha Kaksekar Limited, was incorporated in Cambodia in November 1996 and is located at 606, Street 271, Village 06, Sangkat Phsar Daeum Thkov, Khan Chamka Morn, Phnom Penh, the Kingdom of Cambodia. The subsidiary's main business is providing loans, deposit and other financial services.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS

- 2.1 The consolidated and the Bank's financial statements have been prepared in accordance with Thai Financial Reporting Standards issued by Federation of Accounting Professions (FAP), the regulation of the Thai Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), where the form of financial statements is based on Thai Accounting Standard No. 1 (Revised 2015) "Presentation of Financial Statements", including the Procedures, Policies and Presentation in accordance with the Bank of Thailand ("BOT") Notification Sor.Nor.Sor. 21/2558 regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 4, 2015.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

The financial statements are presented in Thai Baht, which is the Bank's functional currency. All financial information presented in Thai Baht has been rounded in the financial statements to the nearest thousand and in the notes to financial statements to the nearest million unless otherwise stated.

The Bank prepares its financial statements in the Thai language in conformity with Thai Financial Reporting Standards and the Notifications noted above. However, for the convenience of readers, the Bank also prepares its financial statements in English language, by translating from the Thai version.

Thai Financial Reporting Standards announced but not effective in 2016

The Federation of Accounting Professions has issued the Notification regarding Thai Financial Reporting Standards, which are effective for the accounting period beginning on or after January 1, 2017 onwards. Thai Financial Reporting Standards which are related to the Bank and its subsidiaries are as follows:

Thai Accounting Standards (TAS)

TAS 1 (Revised 2016)	Presentation of Financial Statements
TAS 7 (Revised 2016)	Statement of Cash Flows
TAS 8 (Revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2016)	Events After the Reporting Period
TAS 12 (Revised 2016)	Income Taxes
TAS 16 (Revised 2016)	Property, Plant and Equipment
TAS 17 (Revised 2016)	Leases
TAS 18 (Revised 2016)	Revenue
TAS 19 (Revised 2016)	Employee Benefits
TAS 20 (Revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2016)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (Revised 2016)	Borrowing Cost
TAS 24 (Revised 2016)	Related Party Disclosures
TAS 26 (Revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2016)	Separate Financial Statements
TAS 28 (Revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (Revised 2016)	Financial Reporting in Hyperinflationary Economics
TAS 33 (Revised 2016)	Earnings per Share
TAS 34 (Revised 2016)	Interim Financial Reporting
TAS 36 (Revised 2016)	Impairment of Assets
TAS 37 (Revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2016)	Intangible Assets
TAS 40 (Revised 2016)	Investment Property
TAS 104 (Revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (Revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (Revised 2016)	Financial Instruments Disclosure and Presentation

Thai Financial Reporting Standards (TFRS)

TFRS 2 (Revised 2016)	Share-based Payment
TFRS 3 (Revised 2016)	Business Combinations
TFRS 5 (Revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (Revised 2016)	Operating Segments
TFRS 10 (Revised 2016)	Consolidated Financial Statements
TFRS 11 (Revised 2016)	Joint Arrangements
TFRS 12 (Revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2016)	Fair Value Measurement

Thai Standards Interpretations (TSI)

TSI 15 (Revised 2016)	Operating Leases - Incentives
TSI 27 (Revised 2016)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSI 31 (Revised 2016)	Revenue - Barter Transactions Involving Advertising Services
TSI 32 (Revised 2016)	Intangible Assets - Web Site Costs

Thai Financial Reporting Standard Interpretations (TFRI)

TFRI 1 (Revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRI 4 (Revised 2015)	Determining whether an Arrangement contains a Lease
TFRI 5 (Revised 2015)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRI 10 (Revised 2016)	Interim Financial Reporting and Impairment
TFRI 13 (Revised 2016)	Customer Loyalty Programmes
TFRI 14 (Revised 2016)	TAS 19 (Revised 2016) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRI 17 (Revised 2016)	Distributions of Non-cash Assets to Owners
TFRI 18 (Revised 2016)	Transfers of Assets from Customers
TFRI 21 (Revised 2016)	Levies

Guideline on Accounting

Guideline on Accounting regarding Derecognition of Financial Assets and Liabilities

The management of the Bank and subsidiaries anticipate that the above Thai Financial Reporting Standards will be adopted in the Bank and subsidiaries' financial statements when they become effective. The adoption of those standards will have no material impact on the financial statements of the Bank and its subsidiaries in the period of initial application.

- 2.2 The consolidated financial statements included the accounts of the head office and all branches of the Bank and its subsidiaries. These subsidiaries are as follows:

Subsidiaries	Business Type	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Bank (%)	
			As at December 31, 2016	2015
Ayudhya Development Leasing Company Limited	Hire-purchase and Leasing	Thailand	99.99	99.99
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Thailand	100.00	100.00
Ngern Tid Lor Company Limited (formerly CFG Services Company Limited)	Hire-purchase and motorcycle loans	Thailand	100.00	100.00
Ayudhya Card Services Company Limited ⁽¹⁾	Credit cards and personal loans	Thailand	100.00	100.00
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Thailand	100.00	100.00
General Card Services Limited	Credit cards and personal loans	Thailand	100.00	100.00
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Thailand	100.00	100.00

Subsidiaries (continued)	Business Type	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Bank (%)	
			As at December 31, 2016	2015
Siam Realty and Services Security Company Limited (formerly Siam Realty and Services Company Limited)	Car rental services and personnel services	Thailand	100.00	100.00
Total Service Solutions Public Company Limited	Collection services	Thailand	100.00	100.00
Krungsri Asset Management Company Limited	Fund management	Thailand	76.59	76.59
Krungsri Ayudhya AMC Limited	Asset management	Thailand	100.00	100.00
Krungsri Securities Public Company Limited	Securities	Thailand	98.71	98.71
Krungsri Factoring Company Limited	Factoring	Thailand	100.00	100.00
Krungsri Life Assurance Broker Limited ⁽²⁾	Life assurance broker	Thailand	100.00	100.00
Krungsri General Insurance Broker Limited ⁽²⁾	General insurance broker	Thailand	100.00	100.00
Krungsri Leasing Services Company Limited ⁽³⁾	Hire-purchase, leasing and sales finance	Lao PDR	70.00	70.00
Hattha Kaksekar Limited	Micro finance	Cambodia	100.00	-

⁽¹⁾ Subsidiary is in the process of liquidation.

⁽²⁾ Indirectly holding via Ayudhya Capital Services Company Limited of 100%.

⁽³⁾ Indirectly holding via Ayudhya Capital Services Company Limited of 35% and Ayudhya Capital Auto Lease Public Company Limited of 35%.

All material intercompany transactions and balances have been eliminated.

3. ADOPTION OF NEW AND REVISED THAI FINANCIAL REPORTING STANDARDS

Since January 1, 2016, the Bank and its subsidiaries have adopted the new and revised Thai Financial Reporting Standards (TFRSs) issued by the Federation of Accounting Professions, which are effective for the financial statements for the accounting periods beginning on or after January 1, 2016. Thai Financial Reporting Standards which are related to the Bank and its subsidiaries are as follows:

Thai Accounting Standards (TAS)

TAS 1 (Revised 2015)	Presentation of Financial Statements
TAS 7 (Revised 2015)	Statement of Cash Flows
TAS 8 (Revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2015)	Events After the Reporting Period
TAS 12 (Revised 2015)	Income Taxes
TAS 16 (Revised 2015)	Property, Plant and Equipment
TAS 17 (Revised 2015)	Leases
TAS 18 (Revised 2015)	Revenue
TAS 19 (Revised 2015)	Employee Benefits
TAS 21 (Revised 2015)	The Effects of Changes in Foreign Exchange Rate
TAS 24 (Revised 2015)	Related Party Disclosures
TAS 27 (Revised 2015)	Separate Financial Statements
TAS 28 (Revised 2015)	Investments in Associates and Joint Ventures
TAS 33 (Revised 2015)	Earnings per Share
TAS 34 (Revised 2015)	Interim Financial Reporting
TAS 36 (Revised 2015)	Impairment of Assets

Thai Accounting Standards (TAS) (Continued)

TAS 37 (Revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2015)	Intangible Assets

Thai Financial Reporting Standards (TFRS)

TFRS 3 (Revised 2015)	Business Combinations
TFRS 5 (Revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (Revised 2015)	Operating Segments
TFRS 10 (Revised 2015)	Consolidated Financial Statements
TFRS 11 (Revised 2015)	Joint Arrangements
TFRS 12 (Revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2015)	Fair Value Measurement

Thai Standards Interpretations (TSI)

TSI 15 (Revised 2015)	Operating Leases - Incentives
TSI 27 (Revised 2015)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSI 31 (Revised 2015)	Revenue - Barter Transactions Involving Advertising Services
TSI 32 (Revised 2015)	Intangible Assets - Web Site Costs

Thai Financial Reporting Standard Interpretations (TFRI)

TFRI 1 (Revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRI 4 (Revised 2015)	Determining whether an Arrangement contains a Lease
TFRI 5 (Revised 2015)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRI 10 (Revised 2015)	Interim Financial Reporting and Impairment
TFRI 13 (Revised 2015)	Customer Loyalty Programmes
TFRI 14 (Revised 2015)	TAS 19 (Revised 2014) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRI 17 (Revised 2015)	Distributions of Non-cash Assets to Owners
TFRI 18 (Revised 2015)	Transfers of Assets from Customers
TFRI 21 (Revised 2015)	Levies

The above TFRSs have no material impact to the Bank and its subsidiaries' financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

In the Bank's statement of cash flows, cash and cash equivalents consist of cash on hand and cash on collection of the Bank, in accordance with the BOT's Notification Sor.Nor.Sor. 21/2558 regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 4, 2015.

In the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents of the Bank and cash on hand, deposits at banks, except for fixed deposits whose terms are greater than 3 months and deposits at banks used as collaterals, and investments of subsidiaries with maturities of 3 months or less.

4.2 Derivatives

The Bank and its subsidiaries have recognized derivatives transactions as follows:

- 4.2.1 Derivatives for trading are recorded at fair value and profit or loss from the price appraisal are recognized as income or expense in the statements of profit or loss and other comprehensive income.
- 4.2.2 Derivatives for hedging are recorded and profit or loss from the price appraisal are recognized as income or expense based on the accrual basis in line with the underlying transactions.

4.3 Investments

The Bank and its subsidiaries' investments which consist of debt securities and equity securities are classified as trading securities, available-for-sale securities, held-to-maturity securities or general investments.

In addition, the Bank complies with the BOT's Notification Sor.Nor.Sor. 21/2558 regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 4, 2015, requiring commercial banks to present the investments as investments, net and investments in subsidiaries, associates companies and joint ventures, net.

Investments are initially recognized on the trade date.

Trading securities represent securities acquired with the intention to hold short-term to benefit from the anticipated changes in market value. Trading securities are carried at fair value. Realized gains or losses from the sales of trading securities and unrealized gains or losses on the changes in fair value are recognized as gains (losses) on trading and foreign exchange transactions in the statements of profit or loss and other comprehensive income. Interest earned and dividends received from trading securities are recognized using the accrual basis of accounting as interest income and dividend income, respectively.

Debt securities which the Bank and subsidiaries have the intention and ability to hold until maturity are classified as held-to-maturity and carried at the amortized cost, net of valuation allowances for impairment, if any. Valuation allowances are established to recognize an unrealized loss in the statements of profit or loss and other comprehensive income when impairment is determined by management.

Debt and equity securities with readily determinable market values that are not classified as either trading securities or held-to-maturity securities are classified as available-for-sale securities and carried at fair value. The unrealized gains or losses related to available-for-sale securities are reported as other comprehensive income in equity until realized upon the sale, disposition or a permanent decline in value occurs on such securities. Gain or loss on disposal or loss on impairment is recognized in the statements of profit or loss and other comprehensive income.

Non-marketable equity securities and marketable equity securities acquired from troubled debt restructuring are classified as general investments and carried at cost, net of valuation allowances for impairment, if any. Valuation allowances are established to recognize an unrealized loss in the statements of profit or loss and other comprehensive income when impairment is determined by management.

Premiums and discounts are amortized and accreted into income as adjustments to interest income using the effective interest rate method.

In the consolidated financial statements, investments in associated companies and joint ventures are accounted for by the equity method. In the Bank's financial statements, investments in subsidiaries and associated companies are accounted for by the cost method.

When an investment is assessed as being impaired, the amount of impairment is recognized as expense in the statements of profit or loss and other comprehensive income.

Equity securities which are non-listed securities are stated at cost, except in the case where a permanent decline in value is deemed to have occurred with the loss charged to the statements of profit or loss and other comprehensive income.

Cost of securities sold during the year is computed by using the weighted average method. Realized gains or losses from sales of debt and equity securities are included in the statements of profit or loss and other comprehensive income.

4.4 Loans to customers

Overdrafts are stated at the drawn amounts including interest.

Hire-purchase receivable and finance lease receivable are carried at contract amount plus initial direct cost.

Other loans are stated at the principal amounts.

Unearned discount from notes are presented in deferred revenue.

Unearned interest income and deferred subsidy income on hire-purchase contract and finance lease are presented in deferred revenue and recognized by the effective interest rate method.

Initial direct cost is recognized by the effective interest rate method.

4.5 Allowance for doubtful accounts

Allowance for doubtful accounts is determined through methods in accordance with the BOT's regulations. The Bank and its subsidiaries categorize their loan portfolio into six categories and determine allowance for doubtful accounts subject to different levels of provisioning. Allowance for doubtful accounts for loans classified as normal and special mention are calculated based on the minimum percentage in accordance with the BOT's guidelines by using the value of collateral for calculation of reserve. For loans classified as substandard, doubtful and doubtful of loss, the allowance rate is 100 percent of the difference between the outstanding loan value and present value of expected cash flow from proceeds from disposal of the collateralized assets which excludes collateral in the form of machinery. With the exception of a subsidiary that carries out a leasing business, the reserve calculation is determined by including the value of machinery as collateral. In addition, the Bank and its subsidiaries estimate an additional allowance for doubtful debts over the minimum percentage as specified in the BOT's guidelines.

Allowance for doubtful accounts for hire-purchase receivables of the Bank and its subsidiaries are calculated by using the collective approach which classifies a group of loans having similar credit risk characteristics based on the historical loss experience of each loan category.

Loans to customers are written-off in the year that they are determined to be irrecoverable. Bad debts written-off during the year are recorded as a deduction from the allowance for doubtful accounts. Bad debt and doubtful accounts are shown as expenses in the statements of profit or loss and other comprehensive income.

Bad debt recovery is recorded as income in the statements of profit or loss and other comprehensive income when received.

4.6 Troubled debt restructuring

Losses on troubled debt restructurings resulting from the reduction of principal and accrued interest and other form such as modifications of terms, asset transfers, equity securities transfers, and etc. are recognized as expenses in the statements of profit or loss and other comprehensive income.

For troubled debt restructurings with a modification of terms, the Bank has applied the BOT's criteria requiring the Bank to choose between the collateral method to estimate a loss amount and the net present value method which represents expected future cash flows by applying the discounted market interest rate on the restructuring date. Losses from such debt restructurings are recognized in the statements of profit or loss and other comprehensive income.

The Bank has recalculated the fair value of restructured debts in every month based on the discounted market interest rate as of the processing date and based on the discounted market interest rate as of the financial statements date that shown every quarter, except for commercial loan, the recalculation based on the discounted interest rate at contractual rate. The Bank adjusts the valuation on debt restructured for any change on monthly basis, in accordance with the BOT's criteria. The valuation adjustment on restructured debt shall not cause the book value of restructured debt to exceed the investment value on restructured debt.

Restructured debt with assets or equity securities transferred for debt repayment either in whole or in part are recorded at the fair value, net of estimated selling expenses, not to exceed the investment value on such debt and the right-to-claim interest income.

For investments in receivables incurred prior to January 1, 2013, that are subsequently restructured, the Bank has calculated the fair value of restructured debt as of the restructuring date and recognized the difference between book value and fair value in the statements of profit or loss and other comprehensive income for the year and classified investments in receivables as loans in accordance with the BOT's criteria.

4.7 Properties for sale

Properties for sale consist of immovable and movable properties which are recorded at the lower of net investment in the loan plus accrued interest (including previously unrecognized contractual interest) or the fair value of the property as of the date of foreclosure.

The Bank and its subsidiaries provided the allowance for impairment of properties for sale as disclosed in Note 6.3. Losses on impairment of properties for sale are shown as an expense in the statements of profit or loss and other comprehensive income.

Gains or losses on the disposal of such properties are realized upon disposition of the underlying asset and are included in other operating income in the statements of profit or loss and other comprehensive income.

4.8 Property, premises and equipment

Land is stated at the appraised value. Premises are stated at the appraised value less accumulated depreciation. Equipment is stated at cost less accumulated depreciation.

Revaluation of assets

Land and premises have been revalued by independent appraisers based on the market value for land and depreciated replacement cost for premises. For the portion of land and premises which have been revalued, the increments above the previous appraisal are recorded in land revaluation surplus and premises revaluation surplus accounts. In case of a revaluation decrease, the decline in value is deducted from such revaluation surplus to the extent that the new value is above original cost and recognized in the statements of profit or loss and other comprehensive income for the decrease in value below original cost.

The Bank's suite units in condominiums used as offices have been revalued by independent appraisers in accordance with the BOT's guidelines using depreciated replacement cost. The Bank has recorded the increment per appraisal of premises as revaluation surplus. Any revaluation decrease in excess of the original cost is recorded by deducting from the revaluation surplus.

During the Bank's usage of the revalued assets, the revaluation surplus will be gradually transferred directly to retained earnings equal to the difference between the depreciation calculated from book value of the revalued assets and the depreciation calculated from the original cost of such assets. All balances of the outstanding revaluation surplus will be transferred to retained earnings when the Bank writes off such assets from the financial statements.

Leased assets

Leases under which the Bank and its subsidiaries assume substantially all the risk and rewards of ownership are classified as finance leases. Equipment acquired by way of finance leases is capitalized at the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statements of profit or loss and other comprehensive income.

Depreciation

Depreciation of premises (included revaluation) and equipment is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Premises and building improvement	10 - 50 years
Equipment, furniture, fixtures, office equipment and vehicle	2 - 10 years

Gains or losses on the disposal of property, premises and equipment are recognized in other operating income or other expenses in the statements of profit or loss and other comprehensive income.

4.9 Intangible assets

Intangible assets with indefinite useful lives are stated at cost less allowance for impairment, if any. Intangible assets with finite useful lives are stated at cost less accumulated amortization and allowance for impairment.

Amortization

Software amortization is calculated by the straight-line method over the expected future economic benefit period between 3 - 10 years.

Amortization of other intangible assets received from business combinations such as information of customer relationships, dealer relationships and the distribution network, are calculated by the projected cash flow over the expected future economic benefit period between 8 - 20 years.

Amortization incurred is recognized as other operating expense in the statements of profit or loss and other comprehensive income.

4.10 Recognition of income

Interest income from loans to customers and other income are recognized on an accrual basis, except interest income on hire-purchase contract is recognized by the effective interest rate method.

Interest income from investment in debt securities and investment in loans are recognized by the effective interest rate method.

The Bank and its subsidiaries are required by the BOT to stop accruing interest income for debtors when more than three months past due and reverse this accrued interest income from interest income. Thereafter, interest income from these debtors shall be recognized on a cash basis.

The asset management subsidiary recognizes interest income from investment in receivable and loans by using the market interest rate plus a risk premium that represents the discounted rate in calculating present value of future cash flows expected to be collected from receivables, except for certain receivables being doubtful of collection where the subsidiary recognizes interest income from such investments in receivable and loans on a cash basis.

The hire-purchase business recognize income for finance leases and hire-purchase contracts by the effective interest rate method.

4.11 Recognition of expenses

The Bank and its subsidiaries recognize expenses, including interest expenses on an accrual basis.

4.12 Employee benefits

The Bank and subsidiaries have 4 types of employee benefits as follows:

4.12.1 Provident funds

The Bank and its subsidiaries established a provident fund under the Provident Fund Act B.E. 2530. The fund is managed by a financial institution which is an authorized fund manager.

Member is required to make contribution at the rate of not less than 3% of salary.

The Bank and its subsidiaries will contribute as follows:

Service periods	Contribution rate (%)
Less than 5 years	5 - 10
5 years but less than 10 years	6 - 12
10 years but less than 20 years	8 - 12
Over 20 years	10 - 12.5

The contributions to the provident fund made by the Bank and its subsidiaries are recorded as employees' expenses in the statements of profit or loss and other comprehensive income.

4.12.2 Post-employment benefit obligations

- Pension plan

The employees who were permanently employed prior to January 1, 1998 and have completed at least 10 continuous service years are eligible to receive a pension payment when they leave the Bank. On January 1, 1998, the Bank established the provident fund for its employees to replace the pension plan. After the establishment of the provident fund, the amount due to a departing employee shall first be disbursed from the provident fund. If the estimated contributions made by the Bank and interest thereon are less than the pension receivable under the pension plan, the Bank will pay such difference by disbursing from the pension fund.

- Legal severance payment plan

All employees will receive severance payment upon retirement in accordance with the Labor Protection Act.

- Special retirement allowance

The employee will receive "Special Retirement Allowance" additional to legal severance payment plan upon resignation in accordance with the Bank's policy.

The obligations of these plans are considered as unfunded defined benefit obligations and are separately measured by an actuary using the projected unit credit method to determine the present value of cash flows of employee benefit to be paid in the future. Under this method, the obligation is based on an actuarial calculation including the employee's expected salary, business turnover rate, salary increase rate, mortality rate, discount rate, years of services and other factors.

The expenses for the defined benefit plan are recognized as employee's expenses in the statement of profit or loss and other comprehensive income.

Actuarial gains (losses) are recognized in other comprehensive income.

4.12.3 Benefit from carry forward leave

The benefit from cumulative carry forward leave is recognized as a liability in the statement of financial position and employee's expenses in the statement of profit or loss and other comprehensive income when the employees render the service.

4.12.4 Other benefit

The employee of a subsidiary will receive “other benefit” upon resignation or retirement in accordance with the subsidiary's policy.

The cumulative of other benefit is recognized as a provision in the statement of financial position.

The expense is categorized as defined contribution plan and recorded as employee's expenses in the statements of profit or loss and other comprehensive income.

4.13 Contributions to the Financial Institution and Development Fund and the Deposit Protection Agency

Contributions to the Financial Institutions Development Fund and the Deposit Protection Agency are recognized on an accrual basis as expenses in the statements of profit or loss and comprehensive income.

4.14 Customer Loyalty Programmes

Customer Loyalty Programmes are to grant the points to customer who joins the program. The points are based on the certain transactions determined under customer loyalty programmes and able to be redeemed for free or discount of merchandise or services.

Obligation from granting the points is recognized and measured at the fair value of the consideration received or receivable which is derived from outstanding points expected future redemption multiplied by estimated fair value per points.

Such obligation is allocated from consideration received or receivable and recorded through deferred revenue customer loyalty programmes under other liabilities and recognized as fee income when the points are redeemed by customers.

4.15 Taxation

Income tax expenses (income) represent the sum of the tax currently payable and deferred tax.

4.15.1 Current tax

The current tax is the amount of income tax payable in respect of taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax is calculated using tax rates that have been enacted or substantively enacted on the reporting date.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and the Bank and its subsidiaries intend to settle on a net basis or to realize the asset and settle the liability simultaneously and when they relate to income taxes levied by the same taxation authority.

4.15.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit (tax base). The Bank and its subsidiaries deferred tax liabilities for all taxable temporary differences and recognize deferred tax assets for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the reporting date. Deferred tax asset shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that the Bank and its subsidiaries have sufficient taxable profit to allow total or part of the asset to be recovered. The Bank and its subsidiaries do not recognize deferred tax assets and liabilities for goodwill.

The Bank and its subsidiaries measure deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted on the end of the reporting period.

Deferred tax assets and liabilities must offset when the Bank and its subsidiaries have legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

The Bank and its subsidiaries present income tax expenses or income related to profit or loss in the statements of profit or loss and other comprehensive income. For current income taxes and deferred taxes related to items recognized directly in other comprehensive income in equity in the same or different period, they will be recognized directly in other comprehensive income.

4.16 Earnings per share

Basic earnings per share are calculated by dividing net income by the number of weighted-average ordinary shares outstanding during the year.

4.17 Foreign currency transactions

4.17.1 Translation of foreign currency transactions

Transactions denominated in foreign currency are translated into the functional currency as follows:

On transaction date, the foreign currency transactions are translated using the exchange rate at the date of transaction.

At the end of each reporting period, the balance of monetary assets and liabilities are translated using the exchange rate on the reporting date and the balance of non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the transaction date.

Foreign exchange gains or losses from translation are recognized as income or expenses in gains (losses) on trading and foreign exchange transactions, net in the statements of profit or loss and other comprehensive income.

4.17.2 Translation of financial statements of foreign operations

In preparation of the consolidated and the Bank's financial statements, the Bank translates the financial statements of foreign operations which its functional currency is other than Thai Baht currency as follows:

The assets and liabilities of foreign operation are translated to Thai Baht at the foreign exchange rate at the reporting date.

The revenue and expenses of foreign operations are translated to Thai Baht at the foreign exchange rate at the dates of the transactions.

Foreign exchange differences arising from translation of the financial statements of foreign operation are recognized in other comprehensive income and its cumulative amount is presented as foreign currency translation reserve in other reserves under shareholders equity.

4.18 Business combination

Business combination which is not under common control

The Bank recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree separately from goodwill at fair value.

Goodwill in a business combination represents the excess of the cost of acquisition over the Bank's interest in the fair value of the identifiable net assets acquired as at the date of acquisition.

Negative goodwill arising on business acquisition represents the excess of the acquirer's interest in the fair value of the identifiable net asset acquired over the cost of acquisition.

Other costs directly attributable to the business combination are recorded as acquisition costs. Since January 1, 2011, other costs have been recognized as expenses in the statements of profit or loss and other comprehensive income.

Goodwill in a business combination is recognized as an asset recorded as of the acquisition date. Negative goodwill is recognized as income in the statements of profit or loss and other comprehensive income.

Goodwill is stated at cost less allowance for impairment (if any).

Business combination under common control

The Bank recognizes the business combination under common control similar to pooling of interests in accordance with the accounting guidance "Business Combination Under Common Control". The assets and liabilities of the acquiree are recognized using the net book value at the date of business combination. The difference between the cost of business combination and the interest of the Bank in the acquiree's net book value is recognized as premium (deficit) from business combination under common control presented under the Bank's equity in the statement of financial position.

5. RISK MANAGEMENT

5.1 Information of risk of the Bank

Through financial instruments both on-statement of financial position and off-statement of financial position, the Bank conducts its normal course of business to meet the financing needs of its customers, as well as for its investment purposes and to reduce exposure due to the fluctuations in foreign exchange rates and interest rates. The off-statement of financial position's financial instruments include commitments to extend credit, standby letters of credit, financial guarantees, interest rate swap and forward foreign exchange contracts. These instruments involve, to varying degrees, elements of credit, interest rate and foreign exchange risk in excess of the amount recognized in the financial statements. The contract or notional amounts of these instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

The introduction of new derivative products require an approval from the Board of Directors. Operating processes, including the breach of prescribed limits, and risk control are governed under the Derivatives Product Program and BOT's notification regarding guidelines on risk management for derivatives transactions.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank reviews the policy on a regular basis and the Bank has adopted the policy in dealing with counterparties and obtaining sufficient collateral or other security where appropriate, as a mean of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statement of financial position, net of allowance for doubtful accounts (see Note 7.7), represents the Bank's maximum exposure to credit risk.

The Bank considers that there is no significant concentration of credit risk due to a large number of customers and counterparties in different industries.

Credit risk also arises from the possibility that the counterparty to off-statement of financial position's financial instruments will not adhere to the terms of the contract with the Bank when settlement becomes due.

The Bank's exposure to credit loss in the event of non-performance by the other party to the off-statement of financial position's financial instrument for commitments to extend credit, standby letters of credit, and financial guarantees written is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for the on-statement of financial position's financial instruments. For interest rate swap and forward foreign exchange contracts, the contract or notional amounts do not represent exposure to credit loss. The Bank controls the credit risk of its financial instruments through prudent credit approvals, limits, and strict monitoring procedures.

Interest rate risk

Interest rate risk refers to the risk arising from changes in interest rates that have an adverse effect on the net interest earnings, change in fair value of financial instruments and the shareholders' equity. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and contingencies, and from mismatch in repricing rates of its assets, liabilities and contingencies.

Interest rate risk management is carried out by the Risk Management Committee (RMC) and the Asset and Liability Management Committee (ALCO), which have been empowered by the Board of Directors with the authority to manage interest rate risk. ALCO is responsible for determining interest rate risk management, together with monitoring and controlling interest rate risk to ensure that it is at an acceptable risk appetite and in line with the interest rate risk management policy as approved by the Board of Directors. Bank will review such policy on a regular basis to commensurate with operating environments and changes in business.

The Bank employs various tools and method for its interest rate risk management. Net interest income simulation is conducted to assess the impact on banking book position and Value-at-Risk tool is employed for the trading book position to predict the Bank's potential maximum loss.

Foreign exchange rate risk

Foreign exchange risk refers to the loss affecting income and/or shareholders' equity from exchange rate fluctuations that affected foreign currency transactions and foreign currency assets and liabilities.

The Bank has a policy to cap its net foreign currency position. Most foreign currency transactions are mainly from services provided to the Bank's customers. In addition, the Bank enters into forward foreign exchange contracts as part of its risk management strategy of the foreign exchange risk arising from the Bank underlying assets and liabilities and hedges that risk from customers' transactions. The utilization of forward foreign exchange contracts for these purposes is governed by policies and guidelines approved by the Bank's Board of Directors and controlling procedures set by the relevant departments and Committees.

The Bank's Board of Directors is in charge of setting the limits for each specific currency and aggregate net FX position under an acceptable risk level and regularly reviews to be in line with business strategy and change in market circumstance, meanwhile the RMC ensures that the limits remain within the specified amount. The Bank monitors the risk level under the specified limits using the Value-at-Risk Method as the tool to manage the exchange rate risk and prepares a report on regular basis for the Bank's top management in the relevant departments.

Equity price risk

Price risk refers to the loss affecting income and/or shareholders' equity from a movement in equity price.

The Bank assesses the potential of securities issuer companies and has a policy to buy/sell equity securities mainly for medium-term and long-term purposed. In managing equity position risk which is held, according to initial intention, as long-term, the Bank monitors and reports the equity price risk and ensure that the level of capital fund is appropriate and sufficient to absorb losses arising from the positions.

The Bank's Board of Directors sets the total limit at an acceptable risk level and reviews it annually. The Bank monitors the level of risk under the specified risk limits using the Value-at-Risk Method to manage the equity price risk and prepares a report on regular basis for the Bank's management in relevant departments.

Liquidity risk

Liquidity risk means risk resulting from the Bank's failure to pay its debts and obligations when due because of its inability to convert assets into cash, or its failure to procure enough fund, or, if it can, that the fund comes with an exceptionally high cost that may affect incomes and capital fund now and in the future.

The Bank has established the liquidity risk management policy and the liquidity management guideline. In addition, liquidity contingency plan and guideline are formulated and conducted a plan testing to ensure readiness to deal with crisis situations. All of these are aimed at ensuring the efficiency of the Bank's liquidity risk management.

The Bank maintains an liquidity buffer at a level commensurate with the economic situation. The Bank seeks to ensure that there is adequate cash for its business and its subsidiaries' business operations. In addition, the maintenance of liquid assets is to comply with the BOT's requirements. Liquidity management utilizes qualitative and quantitative methods to ensure of appropriate risk diversification. Liquidity risk management of Bank is under the supervision of the ALCO. ALCO also monitors and manages liquidity risk to ensure that it is at an acceptable risk appetite and in line with the liquidity risk management policy as approved by the Board of Directors. The Bank reviews such policy on a regular basis to commensurate with business strategy and market circumstance that may be changed.

BOT has required commercial banks to prepare and submit the liquidity risk reports in accordance with the Basel III guidelines, namely, Report on Liquidity Coverage Ratio (LCR) and Report on Net Stable Funding Ratio (NSFR) so that the BOT can use the information for analyzing the impact and developing an appropriate guideline for Thailand going forward. In May 2015, BOT has announced guidelines on liquid assets to the expected net cash outflows over 30 days under acute stressed scenarios of at least 60% by January 2016. Therefore, the requirement will rise by 10% each year to reach 100% on January 2020 onwards. Bank has assessed impacts of compliance and calculated and reported the daily LCR ratios to relevant committee in order to ensure that compliance will not have any impact on the liquidity risk management of the Bank and Consolidation.

5.2 Assets and liabilities classified by maturity of interest repricing

The Bank and its subsidiaries' financial assets and liabilities classified by maturity of interest repricing as at December 31, 2016 and 2015 are summarized as follows :

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS							
	2016						
	Not over 3 Months	Greater than 3-12 Months	Greater than 1-5 Years	Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	Total
Financial assets							
Interbank and money market items, net	153,200	4,003	-	-	-	43,080	200,283
Investments, net	15,580	46,439	60,865	3,079	-	5,819	131,782
Loans to customers	805,348	193,361	333,106	16,821	34,834	65,412	1,448,882
Financial liabilities							
Deposits	809,104	250,324	15,663	24	-	33,173	1,108,288
Interbank and money market Items, net	302,959	3,096	2,098	2,389	-	3,858	314,400
Debt issued and borrowings	46,432	23,029	65,425	25,376	-	64	160,326

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS							
	2015						
	Not over 3 Months	Greater than 3-12 Months	Greater than 1-5 Years	Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	Total
Financial assets							
Interbank and money market items, net	155,882	7,067	200	-	-	30,945	194,094
Investments, net	30,497	11,741	59,817	3,551	-	4,421	110,027
Loans to customers	698,200	193,963	296,548	21,273	32,239	61,231	1,303,454
Financial liabilities							
Deposits	782,118	229,983	4,552	22	-	29,615	1,046,290
Interbank and money market Items, net	135,516	129,655	4,788	868	-	4,233	275,060
Debt issued and borrowings	37,421	13,368	42,488	14,844	-	-	108,121

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS							
2016							
	Not Over 3 Months	Greater than 3-12 Months	Greater than 1-5 Years	Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	Total
Financial assets							
Interbank and money market items, net	149,815	3,904	-	-	-	40,734	194,453
Investments, net	15,580	46,439	60,865	3,079	-	5,800	131,763
Loans to customers	814,080	160,589	313,458	16,879	26,992	3,316	1,335,314
Financial liabilities							
Deposits	808,279	244,939	15,381	22	-	34,293	1,102,914
Interbank and money market Items, net	306,594	3,070	1,559	2,389	-	3,871	317,483
Debt issued and borrowings	45,490	13,585	50,000	24,844	-	-	133,919

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS							
2015							
	Not Over 3 Months	Greater than 3-12 Months	Greater than 1-5 Years	Greater than 5 Years	Non- Performing Loans	Non- Interest Bearing	Total
Financial assets							
Interbank and money market items, net	154,813	7,067	200	-	-	30,132	192,212
Investments, net	30,497	11,741	59,817	3,551	-	4,404	110,010
Loans to customers	714,296	184,656	268,048	20,737	21,627	2,249	1,211,613
Financial liabilities							
Deposits	786,894	229,988	4,552	22	-	30,616	1,052,072
Interbank and money market Items, net	137,690	129,654	4,789	868	-	4,245	277,246
Debt issued and borrowings	37,421	7,500	28,513	14,844	-	-	88,278

5.3 Interest bearing financial instruments

The following table presents the Bank's average outstanding balances and interest amounts of interest bearing financial instruments for the years ended December 31, 2016 and 2015.

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2016			2015		
	Average Balance	Interest Amount	Average Rate (%)	Average Balance	Interest Amount	Average Rate (%)
Interest bearing financial assets						
Interbank and money market items	168,883	2,833	1.7	142,623	2,806	2.0
Investments	106,835	2,287	2.1	102,893	2,549	2.5
Loans to customers	1,356,201	80,804	6.0	1,224,140	76,592	6.3
Total	<u>1,631,919</u>	<u>85,924</u>		<u>1,469,656</u>	<u>81,947</u>	
Interest bearing financial liabilities						
Deposits	1,037,262	17,319	1.7	967,567	20,113	2.1
Interbank and money market items	297,708	3,202	1.1	234,057	1,665	0.7
Debt issued and borrowings	121,551	3,427	2.8	115,946	3,818	3.3
Total	<u>1,456,521</u>	<u>23,948</u>		<u>1,317,570</u>	<u>25,596</u>	

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2016			2015		
	Average Balance	Interest Amount	Average Rate (%)	Average Balance	Interest Amount	Average Rate (%)
Interest bearing financial assets						
Interbank and money market items	167,303	2,822	1.7	140,913	2,784	2.0
Investments	106,517	2,287	2.1	102,533	2,546	2.5
Loans to customers	1,257,582	54,683	4.3	1,125,477	52,097	4.6
Total	<u>1,531,402</u>	<u>59,792</u>		<u>1,368,923</u>	<u>57,427</u>	
Interest bearing financial liabilities						
Deposits	1,038,803	17,070	1.6	972,578	20,126	2.1
Interbank and money market items	300,362	3,216	1.1	236,130	1,690	0.7
Debt issued and borrowings	99,594	2,721	2.7	87,465	2,821	3.2
Total	<u>1,438,759</u>	<u>23,007</u>		<u>1,296,173</u>	<u>24,637</u>	

5.4 Maturities of financial assets and liabilities

The following table presents the Bank and its subsidiaries' maturities of financial assets and liabilities as at December 31, 2016 and 2015.

Unit: Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
2016								
	Call	Not	Greater than	Greater than	Greater than	Non-Performing	No	Total
		Over	3 - 12	1 - 5	5 Years	Loans	Maturity	
		3 Months	Months	Years				
Financial assets								
Interbank and money								
market items, net	60,296	123,079	14,034	1,252	1,429	-	193	200,283
Investments, net	-	8,139	29,907	84,897	3,201	-	5,638	131,782
Loans to customers	63,613	242,882	290,699	533,367	283,487	34,834	-	1,448,882
Financial liabilities								
Deposits	583,930	256,256	252,389	15,689	24	-	-	1,108,288
Interbank and money								
market items, net	13,281	293,572	3,177	1,981	2,389	-	-	314,400
Debt issued and borrowings	-	46,500	23,338	65,450	24,998	-	40	160,326
Unit: Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
2015								
	Call	Not	Greater than	Greater than	Greater than	Non-Performing	No	Total
		Over	3 - 12	1 - 5	5 Years	Loans	Maturity	
		3 Months	Months	Years				
Financial assets								
Interbank and money								
market items, net	52,475	92,208	32,417	16,729	-	-	265	194,094
Investments, net	-	24,815	11,849	65,993	3,760	-	3,610	110,027
Loans to customers	40,896	246,764	271,708	473,129	238,718	32,239	-	1,303,454
Financial liabilities								
Deposits	539,043	274,392	228,255	4,578	22	-	-	1,046,290
Interbank and money								
market items, net	8,618	260,443	347	4,784	868	-	-	275,060
Debt issued and borrowings	-	37,421	13,368	42,488	14,844	-	-	108,121
Unit: Million Baht								
THE BANK'S FINANCIAL STATEMENTS								
2016								
	Call	Not	Greater than	Greater than	Greater than	Non-Performing	No	Total
		Over	3 - 12	1 - 5	5 Years	Loans	Maturity	
		3 Months	Months	Years				
Financial assets								
Interbank and money								
market items, net	56,176	122,553	13,934	1,252	345	-	193	194,453
Investments, net	-	8,139	29,907	84,898	3,199	-	5,620	131,763
Loans to customers	62,813	230,932	228,909	503,225	282,443	26,992	-	1,335,314
Financial liabilities								
Deposits	587,687	254,884	244,913	15,408	22	-	-	1,102,914
Interbank and money								
market items, net	17,074	293,399	3,070	1,551	2,389	-	-	317,483
Debt issued and borrowings	-	45,490	13,585	50,000	24,844	-	-	133,919

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
2015								
	Call	Not	Greater than	Greater than	Greater than	Non-Performing	No	Total
		Over	3 - 12	1 - 5	5 Years	Loans	Maturity	
		3 Months	Months	Years				
Financial assets								
Interbank and money								
market items, net	51,204	91,597	32,417	16,729	-	-	265	192,212
Investments, net	-	24,815	11,849	65,993	3,759	-	3,594	110,010
Loans to customers	69,885	205,951	240,454	437,040	236,656	21,627	-	1,211,613
Financial liabilities								
Deposits	543,118	274,392	229,962	4,578	22	-	-	1,052,072
Interbank and money								
market items, net	10,803	260,444	348	4,783	868	-	-	277,246
Debt issued and borrowings	-	37,421	7,500	28,513	14,844	-	-	88,278

5.5 Estimated fair value of financial instruments

Fair value is the price that would be received from sell an asset or paid for transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in the absence of a principal market, the most a liquid market where the Bank and its subsidiaries are able to access.

Fair value measurement of financial instruments are determined according to the following hierarchy:

- Level 1 - Quoted price (unadjusted) in active market for identical assets or liabilities that the Bank and its subsidiaries can access at the measurement date
- Level 2 - Quoted price in active market for similar assets or liabilities, the quoted price for identical or similar assets in inactive market and other valuation technique where significant inputs used to measure the fair value are observable
- Level 3 - Using techniques where significant inputs used to measure the fair value are unobservable

A summary of carrying amount of financial instruments as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	Measured at fair value	2016 Not measured at fair value	Total carrying amount	Measured at fair value	2015 Not measured at fair value	Total carrying amount
Financial assets:						
Cash	-	36,142	36,142	-	33,690	33,690
Interbank and money market items, net	-	200,283	200,283	-	194,094	194,094
Derivatives assets	23,380	5,737	29,117	28,910	6,747	35,657
Investments, net	114,922	16,860	131,782	108,831	1,196	110,027
Loans to customers and accrued interest receivables, net	-	1,403,285	1,403,285	-	1,262,083	1,262,083
Total	<u>138,302</u>	<u>1,662,307</u>	<u>1,800,609</u>	<u>137,741</u>	<u>1,497,810</u>	<u>1,635,551</u>
Financial liabilities:						
Deposits	-	1,108,288	1,108,288	-	1,046,290	1,046,290
Interbank and money market items, net	-	314,400	314,400	-	275,060	275,060
Liability payable on demand	-	4,177	4,177	-	3,211	3,211
Derivatives liabilities	19,758	823	20,581	25,794	899	26,693
Debt issued and borrowings	-	160,326	160,326	-	108,121	108,121
Total	<u>19,758</u>	<u>1,588,014</u>	<u>1,607,772</u>	<u>25,794</u>	<u>1,433,581</u>	<u>1,459,375</u>

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	Measured at fair value	2016 Not measured at fair value	Total carrying amount	Measured at fair value	2015 Not measured at fair value	Total carrying amount
Financial assets:						
Cash	-	35,671	35,671	-	33,596	33,596
Interbank and money market items, net	-	194,453	194,453	-	192,212	192,212
Derivatives assets	23,380	5,737	29,117	28,910	6,747	35,657
Investments, net	114,922	16,841	131,763	108,831	1,179	110,010
Loans to customers and accrued interest receivables, net	-	1,304,954	1,304,954	-	1,187,273	1,187,273
Total	<u>138,302</u>	<u>1,557,656</u>	<u>1,695,958</u>	<u>137,741</u>	<u>1,421,007</u>	<u>1,558,748</u>
Financial liabilities:						
Deposits	-	1,102,914	1,102,914	-	1,052,072	1,052,072
Interbank and money market items, net	-	317,483	317,483	-	277,246	277,246
Liability payable on demand	-	4,176	4,176	-	3,211	3,211
Derivatives liabilities	19,758	823	20,581	25,794	899	26,693
Debt issued and borrowings	-	133,919	133,919	-	88,277	88,277
Total	<u>19,758</u>	<u>1,559,315</u>	<u>1,579,073</u>	<u>25,794</u>	<u>1,421,705</u>	<u>1,447,499</u>

Financial instruments measured at fair value

Classification of financial instruments measured at fair value by the level of fair value hierarchy as at December 31, 2016 and 2015 are summarized as follows:

CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS								Unit: Million Baht
	2016			Carrying amount	2015			Carrying amount
	Fair value				Fair value			
	Level 1	Level 2	Total fair value		Level 1	Level 2	Total fair value	
Derivatives assets								
- trading book	-	23,380	23,380	23,380	-	28,910	28,910	28,910
Trading investments	-	425	425	425	-	1,075	1,075	1,075
Available-for-sale investment	3,420	111,077	114,497	114,497	1,519	106,237	107,756	107,756
Derivative liabilities								
- trading book	-	19,758	19,758	19,758	-	25,794	25,794	25,794

There are no transfers of financial assets and liabilities measured at fair value between level 1 and level 2 for the the year ended December 31, 2016 and 2015.

Valuation technique for financial instrument measured at fair value are as follows:

Derivative - trading book

The valuation techniques using to determine the fair value of derivatives is dependent on the type of instrument and available market data used to measure the fair value. These valuation techniques include discounted cash flow model, option pricing model and other standards model commonly used by market participants. The data used in the valuation is the observable input e.g. interest rate, forward exchange rate. Credit valuation adjustments are also made against the valuation of derivative products to reflect the possibility that the counterparty may default and the Bank may not receive the full market value of the transactions.

Investments

Investment in domestic debt securities listed in Thai Bond Market Association ("ThaiBMA"), discounted cash flow using ThaiBMA yield curve as the discounted rate to determine the fair value.

Equity securities traded in the Stock Exchange of Thailand ("SET"), the fair value is determined by using the last bid price of SET.

Investment in unit trust not listed in SET, the fair value is determined by using the net asset value at the reporting date announced by the asset management company.

Financial instruments not measured at fair value

Fair value of financial instruments which are not measured at fair value and their fair value hierarchy level classification is summarized as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS									
	2016					2015			
	Fair value			Carrying amount		Fair value			Carrying amount
	Level 2	Level 3	Their carrying amounts are considered as a reasonable approximate of fair value			Level 2	Their carrying amounts are considered as a reasonable approximate of fair value	Total fair value	
Financial assets:									
Cash	-	-	36,142	36,142	36,142	-	33,690	33,690	33,690
Interbank and money market items, net	-	-	200,283	200,283	200,283	-	194,094	194,094	194,094
Derivatives assets - banking book	5,444	-	-	5,444	5,737	6,288	-	6,288	6,747
Held to maturity and general investments	-	16,050	860	16,910	16,860	-	1,196	1,196	1,196
Loans to customers and accrued interest receivables, net	-	-	1,403,285	1,403,285	1,403,285	-	1,262,083	1,262,083	1,262,083
Total	<u>5,444</u>	<u>16,050</u>	<u>1,640,570</u>	<u>1,662,064</u>	<u>1,662,307</u>	<u>6,288</u>	<u>1,491,063</u>	<u>1,497,351</u>	<u>1,497,810</u>
Financial liabilities:									
Deposits	1,108,734	-	-	1,108,734	1,108,288	1,046,795	-	1,046,795	1,046,290
Interbank and money market items, net	-	-	314,400	314,400	314,400	-	275,060	275,060	275,060
Liability payable on demand	-	-	4,177	4,177	4,177	-	3,211	3,211	3,211
Derivatives liabilities - banking book	871	-	-	871	823	1,024	-	1,024	899
Debt issued and borrowings	113,880	4,355	41,327	159,562	160,326	72,001	37,434	109,435	108,121
Total	<u>1,223,485</u>	<u>4,355</u>	<u>359,904</u>	<u>1,587,744</u>	<u>1,588,014</u>	<u>1,119,820</u>	<u>315,705</u>	<u>1,435,525</u>	<u>1,433,581</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2016					2015			
	Fair value				Carrying amount	Fair value			Carrying amount
	Level 2	Level 3	Their carrying amounts are considered as a reasonable approximate of fair value	Total fair value		Level 2	Their carrying amounts are considered as a reasonable approximate of fair value	Total fair value	
Financial assets:									
Cash	-	-	35,671	35,671	35,671	-	33,596	33,596	33,596
Interbank and money market items, net	-	-	194,453	194,453	194,453	-	192,212	192,212	192,212
Derivatives assets - banking book	5,444	-	-	5,444	5,737	6,288	-	6,288	6,747
Held to maturity and general investments	-	16,050	841	16,891	16,841	-	1,179	1,179	1,179
Loans to customers and accrued interest receivables, net	-	-	1,304,954	1,304,954	1,304,954	-	1,187,273	1,187,273	1,187,273
Total	<u>5,444</u>	<u>16,050</u>	<u>1,535,919</u>	<u>1,557,413</u>	<u>1,557,656</u>	<u>6,288</u>	<u>1,414,260</u>	<u>1,420,548</u>	<u>1,421,007</u>
Financial liabilities:									
Deposits	1,103,331	-	-	1,103,331	1,102,914	1,052,577	-	1,052,577	1,052,072
Interbank and money market items, net	-	-	317,483	317,483	317,483	-	277,246	277,246	277,246
Liability payable on demand	-	-	4,176	4,176	4,176	-	3,211	3,211	3,211
Derivatives liabilities - banking book	871	-	-	871	823	1,024	-	1,024	899
Debt issued and borrowings	91,967	-	41,575	133,542	133,919	51,893	37,434	89,327	88,277
Total	<u>1,196,169</u>	<u>-</u>	<u>363,234</u>	<u>1,559,403</u>	<u>1,559,315</u>	<u>1,105,494</u>	<u>317,891</u>	<u>1,423,385</u>	<u>1,421,705</u>

Valuation technique for financial instruments not measured at fair value are as follows:

Cash and interbank and money market items (assets)

The carrying amounts of cash and interbank and money market items (assets) presented in the statement of financial position are the approximated fair value.

Held to maturity and general investments

The carrying amount of held to maturity and general investments presented in the statement of financial position is the approximated fair value, except for investment in asset-backed security which fair value calculated based on discounted cash flows.

Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables include variable interest rate loans, fixed rate loans with relatively short maturities and non-performing loans. Most loans carry a floating interest rate. The fair value is approximated by the outstanding balance of loans to customers and accrued interest receivables less allowance for doubtful accounts.

Deposits

The fair value of deposits is calculated based on discounted cash flows.

Interbank and money market items (liabilities)

The carrying amount of interbank and money market items (liabilities) presented in the statement of financial position is the approximated fair value.

Liabilities payable on demand

The carrying amount of liabilities payable on demand presented in the statement of financial position is the approximated fair value.

Debt issued and borrowings

The carrying amount of debt issued and borrowings presented in the statement of financial position is the approximated fair value, except for subordinated and long-term senior securities which fair values are based on the actual market prices and subordinated and other borrowing of foreign subsidiary which fair value calculated based on discounted cash flows.

Derivative - banking book

The valuation techniques using to determine the fair value of derivatives is dependent on the type of instrument and available market data used to measure the fair value. These valuation techniques include discounted cash flow model, option pricing model and other standards model commonly used by market participants. The data used in the valuation is the observable input e.g. interest rate, forward exchange rate. Credit valuation adjustments are also made against the valuation of derivative products to reflect the possibility that the counterparty may default and the Bank and its subsidiaries may not receive the full market value of the transactions.

5.6 Capital funds

The Bank maintains the internal capital adequacy assessment process in accordance with the supervisory review process of the Bank of Thailand and monitors on a regular basis to ensure that the current and future capital requirements are aligned with the risk appetite in the Financial Business Group and the Bank.

The Financial Business Group and the Bank maintain their capital funds in accordance with the criteria, methodologies and conditions prescribed by the Bank of Thailand which is in line with the Basel III. As at December 31, 2016 and 2015, the capital funds and capital adequacy ratios of the Consolidated Supervision and the Bank are as follows:

Unit : Million Baht			
Basel III			
Consolidated Supervision			
	2016	2015	
Common Equity Tier 1 capital			
Issued and paid-up share capital	73,558	73,558	
Premium on share capital	52,879	52,879	
Statutory reserve	4,372	3,585	
Unappropriated retained earning	62,305	48,663	
Other comprehensive income	8,959	6,514	
Owner changes - other	(5,218)	(5,218)	
Less Deduction items from Common Equity Tier 1	(20,220)	(17,672)	
Total Common Equity Tier 1 capital	176,635	162,309	
Additional Tier 1	1,387	1,346	
Total Tier 1 capital	178,022	163,655	
Tier 2 capital	41,080	28,911	
Total capital fund	219,102	192,566	

Capital adequacy ratio (%)

	BOT regulatory		Basel III	
	Minimum requirement*		Consolidated Supervision	
	2016	2015	2016	2015
Total Common Equity Tier 1 capital / Total risk weighted assets	5.125	4.5	12.14	12.22
Total Tier 1 capital / Total risk weighted assets	6.625	6.0	12.24	12.33
Total capital / Total risk weighted assets	9.125	8.5	15.06	14.50
Capital after deducting capital add-on arising from Single Lending Limit (Million Baht)			219,102	192,566
Capital ratio after deducting capital add-on arising from Single Lending Limit			15.06	14.50

* Since January 1, 2016, the BOT required the Commercial Banks to gradually increase and maintain the Conservation Buffer at a fixed rate of 0.625 percent per annum until it reaches 2.5 percent by January 1, 2019.

Unit : Million Baht		
Basel III		
The Bank		
	2016	2015
Common Equity Tier 1 capital		
Issued and paid-up share capital	73,558	73,558
Premium on share capital	52,879	52,879
Statutory reserve	4,372	3,585
Unappropriated retained earning	36,052	24,376
Other comprehensive income	8,988	6,581
Owner changes - other	(5,218)	(5,218)
Less Deduction items from Common Equity Tier 1	(11,803)	(9,578)
Total Common Equity Tier 1 capital	158,828	146,183
Additional Tier 1	-	-
Total Tier 1 capital	158,828	146,183
Tier 2 capital	32,266	20,081
Total capital fund	191,094	166,264

Capital adequacy ratio (%)

	BOT regulatory		Basel III	
	Minimum requirement*		The Bank	
	2016	2015	2016	2015
Total Common Equity Tier 1 capital / Total risk weighted assets	5.125	4.5	11.77	11.98
Total Tier 1 capital / Total risk weighted assets	6.625	6.0	11.77	11.98
Total capital / Total risk weighted assets	9.125	8.5	14.16	13.63
Capital after deducting capital add-on arising from Single Lending Limit (Million Baht)			191,094	166,264
Capital ratio after deducting capital add-on arising from Single Lending Limit			14.16	13.63

* Since January 1, 2016, the BOT required the Commercial Banks to gradually increase and maintain the Conservation Buffer at a fixed rate of 0.625 percent per annum until it reaches 2.5 percent by January 1, 2019.

Disclosure of capital maintenance information of the Financial Business Group and the Bank under the Bank of Thailand's Notification regarding the Disclosure of the Capital Requirement of the Financial Business Group and regarding the Disclosure of the Capital Requirement of Commercial Banks with details as follows:

Location of disclosure	www.krungsri.com
Date of disclosure	October 20, 2016
Information as at	June 30, 2016

The disclosure for the year ended December 31, 2016 will be provided on or before April 30, 2017 on the above Bank's website as indicated in the BOT's notification.

6. ESTIMATES AND ASSUMPTIONS

Preparation of financial statements in conformity with Thai Financial Reporting Standards principles requires management to make estimates and assumptions under certain circumstances. Such estimates and assumption affect reported amounts of revenues, expenses, assets and liabilities and require the disclosure of contingent assets and liabilities at the date of the financial statements that are differed estimates. The significant areas requiring management to make judgments and estimates that affect reported amounts and disclosures are as follows:

6.1 Fair value

For a business acquisition, the Bank's management estimates the fair value of assets, liabilities and other contingent liabilities of the acquiree's identifiable assets and liabilities at the acquisition date. In addition, any adjustments of the initial provision are finalized within 12 months after the acquisition date.

6.2 Allowance for doubtful accounts

The Bank and its subsidiaries estimate the minimum allowance for doubtful accounts in accordance with the BOT's guidelines. In addition, the Bank and its subsidiaries estimate an additional allowance which the management has considered based on the uncollectible loss from past experience, current economic conditions, and the ability to repay loans and accrued interest receivable. The Bank and its subsidiaries consider the value of collateral when deemed the primary source of repayment comes from the sales of the collateral.

A significant factor in the determination of the allowance for doubtful accounts is the value of collateral. Collateral pledged typically consists of land, buildings, and buildings under construction. Value of such collateral is based on independently and/or internally performed appraisals.

6.3 Allowance for properties for sale

The Bank and its subsidiaries estimate the allowance for impairment of properties for sale when there is a decline in net realizable value. In consideration of net realizable value, the Bank and its subsidiaries consider the appraised value together with other factors which can affect the realizable value such as related selling expenses, holding costs and discounted future expenses.

6.4 Goodwill

Goodwill is tested for impairment using a fair value method of discounted cash flows on a semi-annual basis.

6.5 Impairment of assets

The carrying amounts of the Bank and its subsidiaries' assets are reviewed at each financial statement date to determine whether there are any indications of impairment. If any such indication exists, the assets' recoverable amounts are estimated by discounting expected cash flows.

6.6 Provisions

Provisions are recognized as liabilities in the statement of financial position when it is probable that an obligation has been incurred as a result of a past event, and result in the certain likelihood of an outflow of economic benefits to settle the obligation and the amount of such obligation can be reasonably estimated.

6.7 Provision for contingent liabilities

The Bank provides a provision for contingent liabilities with high credit risk such as loan guarantees, avals or non cancellable contingent liabilities at the same provision rate as that provided for the same debtor on the statement of financial position.

6.8 Significant judgement on classification of joint arrangement

Tesco Card Services Limited is a separate limited liability company that Ayudhya Capital Services Company Limited (a subsidiary of the Bank) holds 50% of interests under the joint arrangement agreement which requires unanimous consent from the parties to the agreement for the relevant activities. Furthermore, there is no contractual arrangement or any other facts and circumstances indicate that Ayudhya Capital Services Company Limited and the party to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. For Tesco Life Assurance Broker Limited and Tesco General Insurance Broker Limited, they are also separate limited liability companies that Tesco Card Services Limited wholly holds 100% of interest. Accordingly, Tesco Card Services Limited, Tesco Life Assurance Broker Limited and Tesco General Insurance Broker Limited are classified as a joint venture of the Bank and its subsidiaries.

7. ADDITIONAL INFORMATION

7.1 Additional information of cash flows

7.1.1 Non-cash transactions of premises and equipment for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Premises and equipment payable at the beginning of the years	737	555	579	455
Balance of Subsidiary as at Purchase Date	1	-	-	-
Purchases of premises and equipment	3,294	3,156	2,633	2,552
<u>Less</u> Cash payment	<u>(3,749)</u>	<u>(2,974)</u>	<u>(2,975)</u>	<u>(2,428)</u>
Premises and equipment payable at the end of the years	<u>283</u>	<u>737</u>	<u>237</u>	<u>579</u>

7.1.2 Non-cash transactions of computer software for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Computer software payable at the beginning of the years	300	300	286	283
Purchases of computer software	886	1,229	675	1,075
<u>Less</u> Cash payment	<u>(1,107)</u>	<u>(1,229)</u>	<u>(913)</u>	<u>(1,072)</u>
Computer software payable at the end of the years	<u>79</u>	<u>300</u>	<u>48</u>	<u>286</u>

7.1.3 Other non-cash transactions for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Increase (decrease) in revaluation surplus on investments	(242)	6	(242)	6
Accumulated depreciation of premises appraisal deducted from premises revaluation surplus	(324)	(178)	(299)	(173)
Increase in changes assets revaluation surplus	3,047	-	3,047	-
Properties for sale debt repayment	7,742	7,466	4,251	2,537
Properties and premises transferred to be properties foreclosed	34	19	-	19

- 7.1.4 In accordance with a resolution passed by the Bank's Annual General Meeting of Shareholders No. 104 held on April 28, 2016, it approved the Bank to acquire all registered and issued shares (100%) of Hattha Kaksekar Limited ("HKL"), operated the microfinance business in Cambodia from the existing shareholders.

On September 12, 2016, the Ministry of Commerce of Cambodia approved the transaction and the legal transfer of HKL has been completely transferred to the Bank. The acquisition date is on September 12, 2016.

Fair value of assets and liabilities of subsidiary and book value of each item are as follows:

Consolidated financial statements

	Unit: Million Baht	
	Book Value	Fair Value
Assets		
Cash	361	361
Receivable and loans	14,246	15,117
Intangible assets	-	161
Others	4,806	4,752
	<u>19,413</u>	<u>20,391</u>
Liabilities		
Deposit and borrowings	15,591	15,604
Others	1,725	1,941
	<u>17,316</u>	<u>17,545</u>
Net assets	<u>2,097</u>	2,846
Goodwill		<u>2,477</u>
Cash payment to acquire shares		5,323
<u>Less</u> Cash of the subsidiary		<u>(361)</u>
Net cash payment		<u>4,962</u>

The initial accounting for the acquisition of HKL has only been provisionally determined as at September 12, 2016. At the date of finalization of these financial statements, the fair value and other calculations has not been finalized and goodwill noted above has therefore only been provisionally determined based on the best estimate of the likely values.

The Bank and its subsidiary are in the process of adjusting the fair value and other calculations which is still in 1 year period from the acquisition date.

For the period from September 12, 2016 (the acquisition date) to December 31, 2016, HKL contributed the revenue of Baht 930 million and profit before tax of Baht 165 million, respectively.

- 7.1.5 On January 5, 2015, the Bank has completed the business transfer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. - Bangkok Branch (“BTMU’s Bangkok Branch”), then allotted 1,281,618,026 newly issued ordinary shares as a private placement to The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”) with the par value of Baht 10 per share and the offering price of Baht 40.49 per share as consideration and/or exchange for the transfer of business of BTMU’s Bangkok Branch in accordance with the approval by the Board of Directors Meeting No.12/2014 held on December 17, 2014 under the resolution of the Extraordinary General Meeting of Shareholders No. 1/2013 held on October 31, 2013 to approve the private placement of not more than 1,500,000,000 newly issued ordinary shares with the par value of Baht 10 per share.

Book value of assets and liabilities of BTMU’s Bangkok Branch of each item are as follows:

	Unit: Million Baht
Assets	
Cash	72
Interbank and money market items - net	115,012
Derivative assets	20,903
Investments - net	80,341
Loans to customers and accrued interest receivables - net	231,419
Others	1,064
	<u>448,811</u>
Liabilities	
Deposits	146,865
Interbank and money market items - net	216,837
Derivative liabilities	16,373
Debt issued and borrowings	19,691
Others	2,370
	<u>402,136</u>
Net assets	46,675
Deficit from business combination under common control	5,218
Purchase price	<u>51,893</u>

- 7.1.6 Realized and unrealized gains (losses) on foreign exchange

In the preparation of cash flows statements, realized gains (losses) on foreign exchange are based on a cash basis. Unrealized gains (losses) on foreign exchange are based on the translation difference of assets and liabilities in foreign currencies as described in the accounting policies. It is presented as an adjustment to reconcile income before tax to cash received (paid) from operating activities.

7.2 Interbank and money market items, net (Asset)

Interbank and money market items, net (Asset) as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	At Call	2016 Time	Total	At Call	2015 Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	13,199	62,770	75,969	6,355	59,498	65,853
Commercial banks	1,262	18,765	20,027	1,355	1,485	2,840
Specialized financial institutions	-	13,733	13,733	-	48,288	48,288
Other financial institutions	203	33,458	33,661	202	27,633	27,835
Total	14,664	128,726	143,390	7,912	136,904	144,816
<u>Add</u> Accrued interest receivables	-	34	34	-	112	112
<u>Less</u> Allowance for doubtful accounts	-	(439)	(439)	-	(369)	(369)
Total domestic items	14,664	128,321	142,985	7,912	136,647	144,559
Foreign items						
US Dollar	23,559	11,045	34,604	27,262	4,602	31,864
Yen	16,224	-	16,224	13,697	56	13,753
Euro	489	-	489	514	-	514
Other currencies	5,359	615	5,974	3,090	313	3,403
Total	45,631	11,660	57,291	44,563	4,971	49,534
<u>Add</u> Accrued interest receivables	1	6	7	-	1	1
Total foreign items	45,632	11,666	57,298	44,563	4,972	49,535
Total domestic and foreign items	60,296	139,987	200,283	52,475	141,619	194,094

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	At Call	2016 Time	Total	At Call	2015 Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	13,199	62,770	75,969	6,355	59,498	65,853
Commercial banks	252	18,635	18,887	204	874	1,078
Specialized financial institutions	-	13,733	13,733	-	48,288	48,288
Other financial institutions	203	33,456	33,659	202	27,633	27,835
Total	13,654	128,594	142,248	6,761	136,293	143,054
<u>Add</u> Accrued interest receivables	-	34	34	-	112	112
<u>Less</u> Allowance for doubtful accounts	-	(439)	(439)	-	(369)	(369)
Total domestic items	13,654	128,189	141,843	6,761	136,036	142,797
Foreign items						
US Dollar	21,110	9,960	31,070	27,156	4,602	31,758
Yen	16,224	-	16,224	13,697	56	13,753
Euro	489	-	489	514	-	514
Other currencies	4,699	122	4,821	3,076	313	3,389
Total	42,522	10,082	52,604	44,443	4,971	49,414
<u>Add</u> Accrued interest receivables	-	6	6	-	1	1
Total foreign items	42,522	10,088	52,610	44,443	4,972	49,415
Total domestic and foreign items	56,176	138,277	194,453	51,204	141,008	192,212

7.3 Derivatives

7.3.1 Fair value and the notional amount classified by type of risk as at December 31, 2016 and 2015 are as follows:

CONSOLIDATED FINANCIAL STATEMENTS						Unit: Million Baht
Risk type	2016			2015		
	Fair value /		Notional Amount	Fair value /		Notional Amount
	Readjustment based on			Readjustment based on		
	an accrual basis			an accrual basis		
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	24,039	15,030	1,086,297	30,591	19,550	803,854
Interest rate	5,078	5,551	871,189	5,066	7,143	1,010,296
Total	29,117	20,581	1,957,486	35,657	26,693	1,814,150

						Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS						
Risk type	2016			2015		
	Fair value /		Notional Amount	Fair value /		Notional Amount
	Readjustment based on			Readjustment based on		
	an accrual basis			an accrual basis		
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	24,039	15,030	1,086,229	30,591	19,550	803,854
Interest rate	5,078	5,551	871,189	5,066	7,143	1,010,296
Total	29,117	20,581	1,957,418	35,657	26,693	1,814,150

7.3.2 Proportion of derivatives transactions classified by type of counterparty on the basis of notional amount as at December 31, 2016 and 2015 are as follows:

Counterparty	CONSOLIDATED		THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
	Proportion (%)	Proportion (%)	Proportion (%)	Proportion (%)
Financial institution	57.62	58.93	57.62	58.93
Related company	19.14	27.08	19.15	27.08
Third party	23.24	13.99	23.23	13.99
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

7.4 Investments, net

Investments, net as at December 31, 2016 and 2015 consisted of the following:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
2016				2015				
	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities for Trading								
Government and state enterprise securities	425	-	-	425	1,074	1	-	1,075
	425	-	-	425	1,074	1	-	1,075
<u>Add</u> Revaluation allowance	-			-	1			-
Total	425			425	1,075			1,075
Securities Available-for-Sale								
Government and state enterprise securities	95,728	296	(66)	95,958	90,425	705	(1)	91,129
Private sector's debt securities	13,358	399	(25)	13,732	13,468	535	-	14,003
Domestic marketable equity securities	4,747	532	(188)	5,091	3,021	467	(516)	2,972
	113,833	1,227	(279)	114,781	106,914	1,707	(517)	108,104
<u>Add</u> Revaluation allowance	948			-	1,190			-
<u>Less</u> Allowance for impairment	(284)			(284)	(348)			(348)
Total	114,497			114,497	107,756			107,756
Securities Held-to-Maturity								
Private sector's debt securities	16,050				50			
Investment in accounts receivable	714				1,020			
	16,764				1,070			
<u>Less</u> Allowance for impairment	(64)			(64)	(64)			
Total	16,700				1,006			
Securities for General Investments								
Domestic non-marketable equity securities	322				377			
Foreign non-marketable equity securities	30				31			
	352				408			
<u>Less</u> Allowance for impairment	(192)				(218)			
Total	160				190			
Total Investments, net	131,782				110,027			

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2016				2015			
	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities for Trading								
Government and state enterprise securities	425	-	-	425	1,074	1	-	1,075
	425	-	-	425	1,074	1	-	1,075
<u>Add</u> Revaluation allowance	-			-	1			-
Total	425			425	1,075			1,075
Securities Available-for-Sale								
Government and state enterprise securities	95,728	296	(66)	95,958	90,425	705	(1)	91,129
Private sector's debt securities	13,079	399	(25)	13,453	13,125	535	-	13,660
Domestic marketable equity securities	4,747	532	(188)	5,091	3,021	467	(516)	2,972
	113,554	1,227	(279)	114,502	106,571	1,707	(517)	107,761
<u>Add</u> Revaluation allowance	948			-	1,190			-
<u>Less</u> Allowance for impairment	(5)			(5)	(5)			(5)
Total	114,497			114,497	107,756			107,756
Securities Held-to-Maturity								
Private sector's debt securities	16,050				50			
Investment in accounts receivable	714				1,020			
	16,764				1,070			
<u>Less</u> Allowance for impairment	(64)				(64)			
Total	16,700				1,006			
Securities for General Investments								
Domestic non-marketable equity securities	287				344			
Foreign non-marketable equity securities	30				31			
	317				375			
<u>Less</u> Allowance for impairment	(176)				(202)			
Total	141				173			
Total Investments, net	<u>131,763</u>				<u>110,010</u>			

For the years ended December 31, 2016 and 2015, revaluation surplus (deficit) on investments presented in the equity consists of the following:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Beginning balance	1,190	1,184	1,190	1,184
Increase (decrease) during the years	(242)	6	(242)	6
Ending balance	<u>948</u>	<u>1,190</u>	<u>948</u>	<u>1,190</u>

As at December 31, 2016 and 2015, the Bank and its subsidiaries had investments in general investments in the consolidated and the Bank's financial statements of 3 companies and 1 company, respectively, subject to being delisted from the SET, with cost of Baht 12 million and market price of Baht 0.

7.5 Investments in subsidiaries, associates and joint ventures, net

Investments in subsidiaries, associates and joint ventures net as at December 31, 2016 and 2015 consisted of the following:

CONSOLIDATED FINANCIAL STATEMENTS							Unit: Million Baht
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	2016	Investment (Equity Method)	Dividend
					Investment (Cost)		
Joint ventures							
Tesco Card Services Limited ⁽¹⁾	Credit cards and personal loans	Common Stock	2,080	50.00	1,040	1,715	-
Tesco Life Assurance Broker Limited ⁽²⁾	Life assurance Broker	Common Stock	12	50.00	-	57	-
Tesco General Insurance Broker Limited ⁽²⁾	General insurance broker	Common Stock	107	50.00	-	147	-
Investments in joint ventures, net					1,040	1,919	-

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2015

Company Name	Business Type	Securities Investment Type	Registered Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Investment (Equity Method)	Dividend
Joint ventures							
Tesco Card Services Limited ⁽¹⁾	Credit cards and personal loans	Common Stock	2,080	50.00	1,040	1,404	-
Tesco Life Assurance Broker Limited ⁽²⁾	Life assurance Broker	Common Stock	12	50.00	-	55	-
Tesco General Insurance Broker Limited ⁽²⁾	General insurance broker	Common Stock	107	50.00	-	117	-
Associate							
Metro Designee Company Limited ⁽³⁾	Special Purpose vehicle	Common Stock	-	22.00	-	-	-
Investments in associate and joint ventures, net					<u>1,040</u>	<u>1,576</u>	<u>-</u>

⁽¹⁾ Indirect holding via Ayudhya Capital Services Company Limited

⁽²⁾ Indirect holding via Tesco Card Services Limited

⁽³⁾ The company completed liquidation and registered with the Ministry of Commerce on December 29, 2016.

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2016						
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Dividend
Subsidiaries						
Ayudhya Development Leasing Company Limited	Leasing and hire- purchase	Common stock	1,235	99.99	3,929	-
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Common stock	25,545	100.00	19,880	4,708
Ngern Tid Lor Company Limited (Formerly CFG Services Company Limited)	Hire-purchase and motorcycle loans	Common stock } Preferred stock }	3,290	100.00	3,126 1	1,000 -
Ayudhya Card Services Company Limited ⁽¹⁾	Credit cards and personal loans	Common stock	180	100.00	-	-
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Common stock	5,925	100.00	11,941	-
General Card Services Limited	Credit cards and personal loans	Common stock	2,458	100.00	2,581	400
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Common stock	5,906	100.00	6,275	-
Siam Realty and Services Security Company Limited (formerly Siam Realty and Services Company Limited)	Car rental services and personnel services	Common stock	100	100.00	100	-
Total Services Solutions Public Company Limited	Collection services	Common stock	401	100.00	1,614	-
Krungsri Asset Management Company Limited	Fund management	Common stock	350	76.59	205	268
Krungsri Ayudhya AMC Limited	Asset management	Common stock	2,700	100.00	4,565	-
Krungsri Securities Public Company Limited	Securities	Common stock	600	98.71	731	-
Krungsri Factoring Company Limited	Factoring	Common stock	300	100.00	300	-
Hattha Kaksekar Limited	Micro finance	Common stock	237	100.00	5,415	-
Investments in subsidiaries					60,663	6,376
<u>Less</u> Allowance for impairment					(4,952)	-
Investments in subsidiaries net					<u>55,711</u>	<u>6,376</u>

⁽¹⁾ Subsidiary is in the process of liquidation.

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2015						
Company Name	Business Type	Securities Investment Type	Registered Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Dividend
Subsidiaries						
Ayudhya Development Leasing Company Limited	Leasing and hire- purchase	Common stock	3,705	99.99	3,929	-
Ayudhya Capital Auto Lease Public Company Limited	Hire-purchase and auto leasing	Common stock	25,545	100.00	19,880	4,068
Ngern Tid Lor Company Limited (Formerly CFG Services Company Limited)	Hire-purchase and motorcycle loans	Common stock Preferred stock	2,290	100.00	2,126	300
					1	-
Ayudhya Card Services Company Limited ⁽¹⁾	Credit cards and personal loans	Common stock	180	100.00	-	-
Ayudhya Capital Services Company Limited	Credit cards and personal loans	Common stock	5,925	100.00	11,941	-
General Card Services Limited	Credit cards and personal loans	Common stock	2,058	100.00	2,181	-
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Common stock	5,906	100.00	6,275	-
Siam Realty and Services Security Company Limited (formerly Siam Realty and Services Company Limited)	Car rental services and personnel services	Common stock	100	100.00	100	-
Total Services Solutions Public Company Limited	Collection services	Common stock	401	100.00	1,614	-
Krungsri Asset Management Company Limited	Fund management	Common stock	350	76.59	205	938
Krungsri Ayudhya AMC Limited	Asset management	Common stock	2,700	100.00	4,565	-
Krungsri Securities Public Company Limited	Securities	Common stock	600	98.71	731	-
Krungsri Factoring Company Limited	Factoring	Common stock	300	100.00	300	-
Associated Company						
Metro Designee Company Limited ⁽²⁾	Special purpose vehicle	Common stock	-	22.00	-	-
Investments in subsidiaries and associated company					53,848	5,306
<u>Less</u> Allowance for impairment					(4,952)	-
Investments in subsidiaries and associated company, net					<u>48,896</u>	<u>5,306</u>

⁽¹⁾ Subsidiary is in the process of liquidation.

⁽²⁾ The company completed liquidation and registered with the Ministry of Commerce on December 29, 2016.

DISCLOSURE OF THE STATEMENTS OF CASH FLOWS OF ASSET MANAGEMENT COMPANY

KRUNGSRI AYUDHYA AMC LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Unit: Million Baht

	2016	2015
Cash flows from operating activities		
Income before income tax	175	208
Adjustments to reconcile income to cash provided (paid) from operating activities		
Bad debt and doubtful accounts	11	4
Loss on impairment of properties for sale	55	1
Depreciation and amortization	1	1
Gain on sales of properties for sale	(92)	(114)
Employment benefits expenses	5	4
Interest income, net	(103)	(98)
Interest received	103	98
Income tax paid	(28)	(82)
Income from operations before changes in operating assets and liabilities	127	22
(Increase) decrease in operating assets		
Investment in receivables	35	29
Loans to customers	11	8
Properties for sale	335	368
Other assets	(4)	38
Decrease in operating liabilities		
Other liabilities	(5)	(22)
Net cash from operating activities	499	443
Cash flows from investing activities		
Cash paid for purchases of equipment	-	(1)
Net cash from investing activities	-	(1)
Cash flows from financing activities		
Cash paid for repatriation capital	-	(1,435)
Net cash from financing activities	-	(1,435)
Net increase (decrease) in cash and cash equivalents	499	(993)
Cash and cash equivalents as at January 1,	458	1,451
Cash and cash equivalents as at December 31,	957	458

7.6 Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables, net as at December 31, 2016 and 2015 are as follows:

(1) Classified by products

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Overdrafts	55,297	54,637	55,243	54,532
Loan against contract	737,450	649,911	782,688	744,533
Trade bill	296,147	269,242	297,178	270,382
Hire-purchase receivable	344,044	309,212	232,016	164,227
Lease contract receivable	14,413	13,825	3,452	2,578
Credit card receivable	56,542	53,310	-	-
Others	2,329	3,422	1,394	2,454
Total	1,506,222	1,353,559	1,371,971	1,238,706
<u>Less</u> Deferred revenue	(57,340)	(50,105)	(36,657)	(27,093)
Loans to customers after deferred revenue, net	1,448,882	1,303,454	1,335,314	1,211,613
<u>Add</u> Accrued interest receivables	3,865	3,573	2,316	2,359
Loans to customers and accrued interest receivable after deferred revenue, net	1,452,747	1,307,027	1,337,630	1,213,972
<u>Less</u> Allowance for doubtful accounts				
1) BOT requirement :				
- Individual approach	(24,525)	(22,966)	(20,006)	(17,621)
- Collective approach	(7,693)	(6,912)	(5,220)	(3,428)
2) Surplus reserve	(16,056)	(13,340)	(7,422)	(5,238)
<u>Less</u> Revaluation allowance for debt restructuring	(1,188)	(1,726)	(28)	(412)
Total loans to customers, net	1,403,285	1,262,083	1,304,954	1,187,273

(2) Classified by currency and residence of debtors

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
2016						
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,350,834	11,571	1,362,405	1,228,060	10,948	1,239,008
US Dollar	60,759	21,891	82,650	53,126	6,236	59,362
Other currencies	1,575	2,252	3,827	1,915	3,169	5,084
Total	<u>1,413,168</u>	<u>35,714</u>	<u>1,448,882</u>	<u>1,283,101</u>	<u>20,353</u>	<u>1,303,454</u>

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
2016						
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,253,181	10,846	1,264,027	1,136,251	10,948	1,147,199
US Dollar	60,759	6,079	66,838	53,126	6,232	59,358
Other currencies	1,575	2,874	4,449	1,915	3,141	5,056
Total	<u>1,315,515</u>	<u>19,799</u>	<u>1,335,314</u>	<u>1,191,292</u>	<u>20,321</u>	<u>1,211,613</u>

(3) Classified by business type and classification

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
2016						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	17,101	658	93	103	777	18,732
Manufacturing and trading	377,983	15,831	4,187	1,411	6,250	405,662
Real estate and construction	83,854	2,834	1,321	172	1,587	89,768
Public utilities and services	146,896	13,020	275	530	1,700	162,421
Housing loans	191,176	2,045	1,197	1,419	2,266	198,103
Others	539,300	23,350	5,491	2,241	3,814	574,196
Total	<u>1,356,310</u>	<u>57,738</u>	<u>12,564</u>	<u>5,876</u>	<u>16,394</u>	<u>1,448,882</u>

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
2015						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	13,747	1,104	86	109	764	15,810
Manufacturing and trading	336,142	14,798	2,675	2,714	3,442	359,771
Real estate and construction	74,491	2,923	915	691	880	79,900
Public utilities and services	140,557	4,879	481	524	1,836	148,277
Housing loans	154,115	1,881	1,102	1,269	1,790	160,157
Others	503,753	22,825	5,565	3,105	4,291	539,539
Total	<u>1,222,805</u>	<u>48,410</u>	<u>10,824</u>	<u>8,412</u>	<u>13,003</u>	<u>1,303,454</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2016

	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	13,074	645	84	94	158	14,055
Manufacturing and trading	374,203	15,590	4,178	1,383	5,579	400,933
Real estate and construction	83,072	2,835	1,226	171	1,581	88,885
Public utilities and services	146,864	13,019	275	530	1,317	162,005
Housing loans	188,055	2,040	1,195	1,416	2,241	194,947
Others	457,110	11,815	2,095	1,539	1,930	474,489
Total	<u>1,262,378</u>	<u>45,944</u>	<u>9,053</u>	<u>5,133</u>	<u>12,806</u>	<u>1,335,314</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2015

	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	13,682	1,104	86	109	118	15,099
Manufacturing and trading	336,006	14,550	2,625	2,681	2,702	358,564
Real estate and construction	74,419	2,839	915	669	872	79,714
Public utilities and services	140,523	4,879	481	524	1,439	147,846
Housing loans	154,115	1,881	1,102	1,270	1,748	160,116
Others	436,808	9,180	1,969	1,649	668	450,274
Total	<u>1,155,553</u>	<u>34,433</u>	<u>7,178</u>	<u>6,902</u>	<u>7,547</u>	<u>1,211,613</u>

(4) Classified by type of classification

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2016

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance ⁽³⁾	Allowance for Doubtful Accounts ⁽⁴⁾
1. Minimum allowance per BOT guideline				
Normal	1,359,936	907,176	1	10,426
Special mention	57,976	45,028	2, 14	3,100
Substandard	12,564	8,493	50, 100	7,254
Doubtful	5,876	2,964	46, 100	2,388
Doubtful of loss	16,395	7,385	100	9,050
Total	<u>1,452,747</u>	<u>971,046</u>		<u>32,218⁽¹⁾</u>
2. Surplus Reserve				<u>16,056⁽²⁾</u>
Total				<u>48,274</u>

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2015

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance ⁽³⁾	Allowance for Doubtful Accounts ⁽⁴⁾
1. Minimum allowance per BOT guideline				
Normal	1,226,187	845,656	1	9,204
Special mention	48,598	36,427	2, 13	3,802
Substandard	10,824	7,229	52, 100	6,255
Doubtful	8,412	4,692	49, 100	4,271
Doubtful of loss	13,006	5,459	100	6,346
Total	<u>1,307,027</u>	<u>899,463</u>		<u>29,878⁽¹⁾</u>
2. Surplus Reserve				<u>13,340⁽²⁾</u>
Total				<u>43,218</u>

(1) Including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2016 and 2015, of Baht 7,693 million and Baht 6,912 million, respectively.

(2) Including allowance for doubtful accounts of loans granted to subsidiaries as at December 31, 2016 and 2015, at the rate of 1% of Baht 118,284 million and Baht 145,769 million equal to Baht 1,183 million and Baht 1,458 million, respectively, which are not eliminated but treated as surplus reserve in the consolidated financial statements.

(3) % set up are the minimum rates required by the Bank of Thailand for loans to customers and the rates used for the collective approach valuation.

(4) Excluding revaluation allowance for debt restructuring as at December 31, 2016 and 2015, of Baht 1,188 million and Baht 1,726 million, respectively, and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2016 and 2015, of Baht 439 million and Baht 369 million, respectively.

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

2016

	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance ⁽³⁾	Allowance for Doubtful Accounts ⁽⁴⁾
1. Minimum allowance per BOT guideline				
Normal	1,264,559	819,366	1	9,378
Special mention	46,079	34,415	2, 12	2,157
Substandard	9,053	5,164	41, 100	4,819
Doubtful	5,133	2,280	41, 100	2,035
Doubtful of loss	12,806	5,356	100	6,837
Total	<u>1,337,630</u>	<u>866,581</u>		<u>25,226⁽¹⁾</u>
2. Surplus Reserve				<u>7,422⁽²⁾</u>
Total				<u>32,648</u>

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2015				
	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Use for Calculation Allowance	% Use for Calculation Allowance ⁽³⁾	Allowance for Doubtful Accounts ⁽⁴⁾
1. Minimum allowance per BOT guideline				
Normal	1,157,819	781,259	1	8,462
Special mention	34,526	23,706	2, 13	2,537
Substandard	7,178	3,686	45, 100	3,750
Doubtful	6,902	3,445	45, 100	3,574
Doubtful of loss	7,547	1,860	100	2,726
Total	<u>1,213,972</u>	<u>813,956</u>		<u>21,049⁽¹⁾</u>
2. Surplus Reserve				<u>5,238⁽²⁾</u>
Total				<u>26,287</u>

(1) Including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2016 and 2015 of Baht 5,220 million and Baht 3,428 million, respectively.

(2) Including allowance for doubtful accounts of loan granted to subsidiaries as at December 31, 2016 and 2015, at the rate of 1% of Baht 118,284 million and Baht 145,769 million, equal to Baht 1,183 million and Baht 1,458 million, respectively.

(3) % set up are the minimum rates required by the Bank of Thailand for loans to customers and the rates used for the collective approach valuation.

(4) Excluding revaluation allowance for debt restructuring as at December 31, 2016 and 2015, of Baht 28 million and Baht 412 million, respectively and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2016 and 2015, of Baht 439 million and Baht 369 million, respectively.

For the years ended December 31, 2016 and 2015, the Bank entered into agreements to sell non-performing loans (NPLs) to the third parties as follows:

Unit: Million Baht		
CONSOLIDATED AND THE BANK'S		
FINANCIAL STATEMENTS		
	2016	2015
Book value	2,878	2,874
Net book value	2,095	1,932
Sale price	2,095	1,932

As at December 31, 2016 and 2015, the Bank and Krungsri Ayudhya AMC Limited ("AMC") had non-performing loans which included interbank and money market items as follows:

Unit: Million Baht			
2016			
	The Bank	AMC	The Bank and AMC
Non-performing loans	26,992	541	27,533
Percentage of total loans	1.84	100.00	1.88
Non-performing loans, net	13,300	359	13,659
Percentage of total loans, net	0.92	100.00	0.94

Unit: Million Baht			
2015			
	The Bank	AMC	The Bank and AMC
Non-performing loans	21,627	624	22,251
Percentage of total loans	1.60	100.00	1.64
Non-performing loans, net	11,578	433	12,011
Percentage of total loans, net	0.86	100.00	0.89

As at December 31, 2016 and 2015, the Bank and its subsidiaries' non-performing loans are Baht 34,834 million and Baht 32,239 million, respectively.

(5) Troubled debt restructuring

For the years ended December 31, 2016 and 2015, the Bank and its subsidiaries had restructured the following debts:

Unit: Million Baht								
CONSOLIDATED FINANCIAL STATEMENTS								
Form of Restructuring	Number of Debtors	2016			Number of Debtors	2015		
		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value
Modification of terms	22,478	7,500	-	-	23,271	3,809	-	-
Reduction of principal and interest	6,497	331	-	-	6,587	701	-	-
Various forms of restructuring	817	5,402	-	-	459	1,966	-	-
Total	29,792	13,233		-	30,317	6,476		-

Unit : Million Baht								
THE BANK'S FINANCIAL STATEMENTS								
Form of Restructuring	Number of Debtors	2016			Number of Debtors	2015		
		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value		Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value
Modification of terms	1,012	5,146	-	-	549	1,503	-	-
Reduction of principal and interest	-	-	-	-	98	388	-	-
Various forms of restructuring	817	5,402	-	-	459	1,966	-	-
Total	1,829	10,548		-	1,106	3,857		-

For the years ended December 31, 2016 and 2015, the Bank and its subsidiaries calculated the net realizable value for the trouble debt restructured by the modification of terms using the present value of future cash flows under the restructured loan agreement, discounted by the market rate, together with the fair value of collateral as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
Method	2016				2015			
	Average Aging (Year)	Number of Debtors	Amount of Debt		Average Aging (Year)	Number of Debtors	Amount of Debt	
			Before Restructuring	After Restructuring			Before Restructuring	After Restructuring
Present value of future cash flows	4.63	21,920	3,152	3,170	4.65	22,673	2,525	2,640
Fair value of collateral	9.19	558	4,348	4,348	8.39	598	1,284	1,284

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
Method	2016				2015			
	Average Aging (Year)	Number of Debtors	Amount of Debt		Average Aging (Year)	Number of Debtors	Amount of Debt	
			Before Restructuring	After Restructuring			Before Restructuring	After Restructuring
Present value of future cash flows	5.08	531	809	804	6.51	8	223	223
Fair value of collateral	10.66	481	4,337	4,337	9.27	541	1,280	1,280

For the years ended December 31, 2016 and 2015, the Bank and its subsidiaries recognized losses on debt restructured and interest received from debt restructured in the statements of profit or loss and other comprehensive income as follows:

Unit: Million Baht			
CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	
Losses on debt restructured (reversal)	786	1,328	(376)
Interest received from debt restructured	807	874	520
			(145)
			602

As at December 31, 2016 and 2015, the Bank and its subsidiaries recorded balances of total debt restructured and debt restructured during the years ended December 31, 2016 and 2015, in the statements of financial position as follows:

Unit: Million Baht			
CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	
Balances of total debt restructured	19,541	15,943	14,803
Balances of debt restructured during the years	11,976	5,440	9,880
			2,865

(6) Lease receivables (Included hire-purchase receivables and finance lease)

				Unit: Million Baht
CONSOLIDATED FINANCIAL STATEMENTS				
2016				
	Within 1 Year	Amount due per agreements Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	94,225	204,456	59,776	358,457
<u>Less</u> Unearned interest income				<u>(57,293)</u>
Present value of the minimum lease payments				301,164
<u>Less</u> Allowance for doubtful accounts				<u>(11,874)</u>
Total lease receivables, net				<u>289,290</u>

				Unit: Million Baht
CONSOLIDATED FINANCIAL STATEMENTS				
2015				
	Within 1 Year	Amount due per agreements Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	91,666	185,408	45,963	323,037
<u>Less</u> Unearned interest income				<u>(50,047)</u>
Present value of the minimum lease payments				272,990
<u>Less</u> Allowance for doubtful accounts				<u>(12,655)</u>
Total lease receivables, net				<u>260,335</u>

				Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS				
2016				
	Within 1 Year	Amount due per agreements Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	42,952	139,794	52,722	235,468
<u>Less</u> Unearned interest income				<u>(36,619)</u>
Present value of the minimum lease payments				198,849
<u>Less</u> Allowance for doubtful accounts				<u>(5,220)</u>
Total lease receivables, net				<u>193,629</u>

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2015				
	Within 1 Year	Amount due per agreements Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	27,526	99,571	39,708	166,805
<u>Less</u> Unearned interest income				(27,041)
Present value of the minimum lease payments				139,764
<u>Less</u> Allowance for doubtful accounts				(3,427)
Total lease receivables, net				<u>136,337</u>

7.7 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
2016							
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	9,204	3,802	6,255	4,271	6,346	13,340	43,218
Items arising from business combination	143	-	26	12	6	18	205
Doubtful accounts (reversal)	1,256	(281)	6,356	1,125	9,277	2,727	20,460
Bad debts written off	(177)	(421)	(5,383)	(2,996)	(5,809)	(28)	(14,814)
Bad debts written off from sales of NPLs	-	-	-	(24)	(770)	-	(794)
Other	-	-	-	-	-	(1)	(1)
Ending balance	<u>10,426</u>	<u>3,100</u>	<u>7,254</u>	<u>2,388</u>	<u>9,050</u>	<u>16,056</u>	<u>48,274</u>

Unit: Million Baht							
CONSOLIDATED FINANCIAL STATEMENTS							
2015							
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	6,665	3,239	4,969	3,341	6,441	13,504	38,159
Items arising from business combination	1,991	155	-	377	-	-	2,523
Doubtful accounts (reversal)	596	803	6,687	2,677	8,266	(174)	18,855
Bad debts written off	(48)	(395)	(5,401)	(2,023)	(7,508)	-	(15,375)
Bad debts written off from sales of NPLs	-	-	-	(101)	(853)	-	(954)
Other	-	-	-	-	-	10	10
Ending balance	<u>9,204</u>	<u>3,802</u>	<u>6,255</u>	<u>4,271</u>	<u>6,346</u>	<u>13,340</u>	<u>43,218</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2016						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	8,462	2,537	3,750	3,574	2,726	5,238	26,287
Doubtful accounts	1,092	41	1,499	1,482	5,683	2,185	11,982
Bad debts written off	(176)	(421)	(430)	(2,997)	(802)	-	(4,826)
Bad debts written off from sales of NPLs	-	-	-	(24)	(770)	-	(794)
Other	-	-	-	-	-	(1)	(1)
Ending balance	9,378	2,157	4,819	2,035	6,837	7,422	32,648

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2015						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	5,956	1,635	2,532	2,307	1,803	5,564	19,797
Items arising from business combination	1,991	155	-	377	-	-	2,523
Doubtful accounts (reversal)	563	1,142	1,870	3,014	3,073	(330)	9,332
Bad debts written off	(48)	(395)	(652)	(2,023)	(1,297)	-	(4,415)
Bad debts written off from sales of NPLs	-	-	-	(101)	(853)	-	(954)
Other	-	-	-	-	-	4	4
Ending balance	8,462	2,537	3,750	3,574	2,726	5,238	26,287

As at December 31, 2016 and 2015, the Bank and its subsidiaries estimated the minimum total allowance under the BOT Guidelines as follows:

Unit: Million Baht

CONSOLIDATED
FINANCIAL STATEMENTS

THE BANK'S
FINANCIAL STATEMENTS

	2016	2015	2016	2015
Allowance for doubtful accounts*	33,844	31,974	25,692	21,830

* Such allowance for doubtful accounts consists of allowance for doubtful accounts for loans to customers and accrued interest receivables, allowance for doubtful accounts for interbank and money market items and revaluation allowance for debt restructuring.

The Bank and its subsidiaries recorded allowance for doubtful accounts* in the financial statements as follows:

Unit: Million Baht

	2016	2015
Consolidated financial statements	49,900	45,313
The Bank and Krungsri Ayudhya AMC Limited	33,433	27,401
The Bank's financial statements	33,114	27,069

* Such allowance for doubtful accounts consists of allowance for doubtful accounts for loans to customers and accrued interest receivables, allowance for doubtful accounts for interbank and money market items and revaluation allowance for debt restructuring.

As at December 31, 2016 and 2015, the Bank and its subsidiaries had loans to customers and accrued interest receivables to companies which have certain problems in financial position and result of operations as defined in the Guideline of SET dated July 8, 1998 regarding the Quality of Assets and Transactions with Related Parties and the allowance for doubtful accounts for such loans as follows:

Unit: Million Baht			
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2016		
	Number	Outstanding Balance	Collateral Allowance for Doubtful Accounts
Companies subject to be delisted by SET	2	2,220	623 1,595
Total	2	2,220	623 1,595

Unit: Million Baht			
CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
	2015		
	Number	Outstanding Balance	Collateral Allowance for Doubtful Accounts
Companies subject to be delisted by SET	2	2,225	845 1,291
Total	2	2,225	845 1,291

7.8 Revaluation allowance for debt restructuring

Revaluation allowance for debt restructuring as at December 31, 2016 and 2015 are as follows:

	Unit: Million Baht			
	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Beginning balance	1,726	1,617	412	563
Increase (decrease) during the years	786	1,328	(376)	(145)
Amount written off	(1,324)	(1,219)	(8)	(6)
Ending balance	1,188	1,726	28	412

7.9 Properties for sale, net

Properties for sale, net as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2016	Acquisition	Disposition	Balance as at December 31, 2016
1. Assets acquired from debt repayment				
1.1 Immovable	5,468	32	(750)	4,750
1.2 Movable	744	7,710	(7,691)	763
Total	6,212	7,742	(8,441)	5,513
2. Others	131	34	(76)	89
Total properties for sale	6,343	7,776	(8,517)	5,602
<u>Less</u> Provision for impairment	(1,293)	(1,608)	1,555	(1,346)
Total properties for sale	5,050	6,168	(6,962)	4,256

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2015	Acquisition	Disposition	Balance as at December 31, 2015
1. Assets acquired from debt repayment				
1.1 Immovable	6,471	44	(1,047)	5,468
1.2 Movable	850	7,423	(7,529)	744
Total	7,321	7,467	(8,576)	6,212
2. Others	116	15	-	131
Total properties for sale	7,437	7,482	(8,576)	6,343
<u>Less</u> Provision for impairment	(1,981)	(2,122)	2,810	(1,293)
Total properties for sale	5,456	5,360	(5,766)	5,050

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2016	Acquisition	Disposition	Balance as at December 31, 2016
1. Assets acquired from debt repayment				
1.1 Immovable	3,192	30	(462)	2,760
1.2 Movable	275	4,221	(4,159)	337
Total	3,467	4,251	(4,621)	3,097
2. Others	131	-	(41)	90
Total properties for sale	3,598	4,251	(4,662)	3,187
<u>Less</u> Provision for impairment	(741)	(179)	121	(799)
Total properties for sale	2,857	4,072	(4,541)	2,388

				Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS				
Type of Properties For Sale	Balance as at January 1, 2015	Acquisition	Disposition	Balance as at December 31, 2015
1. Assets acquired from debt repayment				
1.1 Immovable	3,908	39	(755)	3,192
1.2 Movable	109	2,498	(2,332)	275
Total	4,017	2,537	(3,087)	3,467
2. Others	116	15	-	131
Total properties for sale	4,133	2,552	(3,087)	3,598
<u>Less</u> Provision for impairment	(1,290)	(116)	665	(741)
Total properties for sale	2,843	2,436	(2,422)	2,857

Immovable assets for sale classified by external and internal appraisers as at December 31, 2016 and 2015 consist of the following:

Unit: Million Baht			
THE BANK'S			
FINANCIAL STATEMENTS			
	2016	2015	
Immovable assets-Foreclosed assets			
Appraised by external appraisers	1,498	1,693	1,444
Appraised by internal appraisers	3,252	3,775	1,316
Total	4,750	5,468	2,760

7.10 Premises and equipment, net

Premises and equipment, net as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	Balance as at January 1, 2016	Balance of Subsidiary as at Purchase Date	Increase	Decrease	Other	Balance as at December 31, 2016
Land						
Cost	4,286	-	21	-	-	4,307
Appraisal increase (Year 2016)	5,174	-	1,928	-	-	7,102
Appraisal decrease (Year 2016)	(78)	-	-	41	-	(37)
Premises						
Cost	7,104	-	278	(38)	-	7,344
Appraisal increase (Year 2016)	7,708	-	4,039	(98)	-	11,649
Appraisal decrease (Year 2016)	(134)	-	-	48	-	(86)
Equipment	14,235	366	2,090	(1,077)	245	15,859
Leasehold improvement	3,096	49	506	(70)	1	3,582
Total	41,391	415	8,862	(1,194)	246	49,720
<u>Less</u> Accumulated depreciation						
Premises						
- Cost	(3,736)	-	(300)	23	-	(4,013)
- Appraisal increase (Year 2016)	(5,077)	-	(3,218)	74	-	(8,221)
Equipment	(10,108)	(220)	(1,354)	1,018	(241)	(10,905)
Leasehold improvement	(1,747)	(29)	(348)	51	(1)	(2,074)
Total	(20,668)	(249)	(5,220)	1,166	(242)	(25,213)
Construction in progress	270	1	592	(149)	-	714
Premises and equipment, net	20,993					25,221

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2015	Increase	Decrease	Balance as at December 31, 2015
Land				
Cost	3,633	673	(20)	4,286
Appraisal increase (Year 2013)	5,179	-	(5)	5,174
Appraisal decrease (Year 2013)	(79)	-	1	(78)
Premises				
Cost	6,808	327	(31)	7,104
Appraisal increase (Year 2013)	7,748	-	(40)	7,708
Appraisal decrease (Year 2013)	(134)	-	-	(134)
Equipment	13,302	1,632	(699)	14,235
Leasehold improvement	2,467	755	(126)	3,096
Total	38,924	3,387	(920)	41,391
Less Accumulated depreciation				
Premises				
- Cost	(3,482)	(265)	11	(3,736)
- Appraisal increase (Year 2013)	(4,938)	(172)	33	(5,077)
Equipment	(9,434)	(1,285)	611	(10,108)
Leasehold improvement	(1,525)	(278)	56	(1,747)
Total	(19,379)	(2,000)	711	(20,668)
Construction in progress	407	558	(695)	270
Premises and equipment, net	19,952			20,993

Unit: Million Baht

	2016	2015
Depreciation for the years	2,301	2,000

As at December 31, 2016 and 2015, the Bank and its subsidiaries had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 8,625 million and Baht 8,184 million, respectively.

As at December 31, 2016 and 2015, the Bank and its subsidiaries had equipments which are under finance leases, with the original costs amounting to Baht 463 million and Baht 458 million, respectively.

Land and premises of the Bank was revalued in 2016 by the independent professional qualified appraisers. The basis of valuation for land and premises are market value and depreciated replacement cost. The fair value of land and premises are determined as level 3 hierarchy.

Unit: Million Baht					
THE BANK'S FINANCIAL STATEMENTS					
	Balance as at January 1, 2016	Increase	Decrease	Other	Balance as at December 31, 2016
Land					
Cost	4,286	21	-	-	4,307
Appraisal increase (Year 2016)	5,174	1,928	-	-	7,102
Appraisal decrease (Year 2016)	(78)	-	41	-	(37)
Premises					
Cost	7,066	278	-	-	7,344
Appraisal increase (Year 2016)	7,610	4,039	-	-	11,649
Appraisal decrease (Year 2016)	(134)	-	48	-	(86)
Equipment	10,926	1,612	(857)	233	11,914
Leasehold improvement	1,920	337	(27)	-	2,230
Total	36,770	8,215	(795)	233	44,423
<u>Less</u> Accumulated depreciation					
Premises					
- Cost	(3,713)	(300)	-	-	(4,013)
- Appraisal increase (Year 2016)	(5,004)	(3,218)	-	-	(8,222)
Equipment	(8,225)	(992)	855	(233)	(8,595)
Leasehold improvement	(774)	(204)	17	-	(961)
Total	(17,716)	(4,714)	872	(233)	(21,791)
Construction in progress	266	575	(146)	-	695
Premises and equipment, net	19,320				23,327

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance as at January 1, 2015	Increase	Decrease	Balance as at December 31, 2015
Land				
Cost	3,632	673	(19)	4,286
Appraisal increase (Year 2013)	5,175	-	(1)	5,174
Appraisal decrease (Year 2013)	(79)	-	1	(78)
Premises				
Cost	6,750	327	(11)	7,066
Appraisal increase (Year 2013)	7,612	-	(2)	7,610
Appraisal decrease (Year 2013)	(134)	-	-	(134)
Equipment	10,178	1,165	(417)	10,926
Leasehold improvement	1,356	592	(28)	1,920
Total	34,490	2,757	(477)	36,770
<u>Less</u> Accumulated depreciation				
Premises				
- Cost	(3,452)	(264)	3	(3,713)
- Appraisal increase (Year 2013)	(4,833)	(172)	1	(5,004)
Equipment	(7,724)	(916)	415	(8,225)
Leasehold improvement	(654)	(137)	17	(774)
Total	(16,663)	(1,489)	436	(17,716)
Construction in progress	392	396	(522)	266
Premises and equipment, net	18,219			19,320

Unit: Million Baht		
	2016	2015
Depreciation for the years	1,795	1,489

As at December 31, 2016 and 2015, the Bank had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 6,340 million and Baht 6,293 million, respectively.

As at December 31, 2016 and 2015, the Bank had equipments which are under finance leases, with the original costs amounting to Baht 444 million and Baht 445 million, respectively.

7.11 Goodwill and other intangible assets, net

Goodwill and other intangible assets, net as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	Balance as at January 1, 2016	Balance of Subsidiary as at Purchase Date	Increase	Decrease	Other	Balance as at December 31, 2016
Cost						
Goodwill	9,947	2,477	-	-	46	12,470
Software	7,396	95	887	(34)	3	8,347
Other intangible assets	5,596	161	1	-	5	5,763
Total	22,939	2,733	888	(34)	54	26,580
Accumulated amortization						
Software	(4,171)	(70)	(1,042)	33	(2)	(5,252)
Other intangible assets	(4,271)	-	(338)	-	-	(4,609)
Total	(8,442)	(70)	(1,380)	33	(2)	(9,861)
Allowance for impairment	(20)	-	-	-	-	(20)
Goodwill and other intangible assets, net	14,477					16,699

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2015	Increase	Decrease	Balance as at December 31, 2015
Cost				
Goodwill	9,947	-	-	9,947
Software	6,146	1,252	(2)	7,396
Other intangible assets	5,616	5	(25)	5,596
Total	21,709	1,257	(27)	22,939
Accumulated amortization				
Software	(3,437)	(735)	1	(4,171)
Other intangible assets	(3,668)	(618)	15	(4,271)
Total	(7,105)	(1,353)	16	(8,442)
Allowance for impairment	(20)	-	-	(20)
Goodwill and other intangible assets, net	14,584			14,477

Unit: Million Baht		
	2016	2015
Amortization for the years	1,380	1,353

As at December 31, 2016 and 2015, the Bank and its subsidiaries had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 2,299 million and Baht 1,772 million, respectively.

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance as at January 1, 2016	Increase	Decrease	Balance as at December 31, 2016
Cost				
Goodwill	1,054	-	-	1,054
Software	6,254	675	-	6,929
Other intangible assets	57	-	-	57
Total	7,365	675	-	8,040
Accumulated amortization				
Software	(3,497)	(912)	-	(4,409)
Other intangible assets	(36)	(10)	-	(46)
Total	(3,533)	(922)	-	(4,455)
Goodwill and other intangible assets, net	<u>3,832</u>			<u>3,585</u>

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
	Balance as at January 1, 2015	Increase	Decrease	Balance as at December 31, 2015
Cost				
Goodwill	1,054	-	-	1,054
Software	5,165	1,089	-	6,254
Other intangible assets	77	5	(25)	57
Total	6,296	1,094	(25)	7,365
Accumulated amortization				
Software	(2,864)	(633)	-	(3,497)
Other intangible assets	(38)	(15)	17	(36)
Total	(2,902)	(648)	17	(3,533)
Goodwill and other intangible assets, net	<u>3,394</u>			<u>3,832</u>

Unit: Million Baht		
	2016	2015
Amortization for the years	<u>922</u>	<u>648</u>

As at December 31, 2016 and 2015, the Bank had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 1,855 million and Baht 1,349 million, respectively.

7.12 Deferred tax

Deferred tax assets and deferred tax liabilities as at December 31, 2016 and 2015 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Deferred tax assets	4,714	5,369	-	703
Deferred tax liabilities	(457)	(32)	294	-
Net	<u>4,257</u>	<u>5,337</u>	<u>294</u>	<u>703</u>

Movements of deferred tax assets and deferred tax liabilities during the years are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS					Unit: Million Baht
	Balance at January 1, 2016	Balance of Subsidiary as at Purchase Date	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Items as recognized into Other reserves of Owners of the Bank	Balance at December 31, 2016
Deferred tax assets						
Impairment of assets	350	-	(7)	-	-	343
Loans and accrued interest receivables, net	5,743	34	(185)	-	-	5,592
Provisions	1,390	-	116	9	-	1,515
Others	773	44	(305)	(49)	-	463
Total	<u>8,256</u>	<u>78</u>	<u>(381)</u>	<u>(40)</u>	<u>-</u>	<u>7,913</u>
Deferred tax liabilities						
Asset appraisal surplus	1,634	-	(65)	609	-	2,178
Investments	174	-	-	(98)	-	76
Others	1,111	223	42	26	-	1,402
Total	<u>2,919</u>	<u>223</u>	<u>(23)</u>	<u>537</u>	<u>-</u>	<u>3,656</u>
Deferred tax assets - net	<u>5,337</u>	<u>(145)</u>	<u>(358)</u>	<u>(577)</u>	<u>-</u>	<u>4,257</u>

	CONSOLIDATED FINANCIAL STATEMENTS					Unit: Million Baht
	Balance at January 1, 2015	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Items as recognized into Other reserves of owners of the Bank	Balance at December 31, 2015	
Deferred tax assets						
Impairment of assets	470	(120)	-	-	350	
Loans and accrued interest receivables, net	5,562	181	-	-	5,743	
Provisions	1,111	221	58	-	1,390	
Others	760	(71)	42	42	773	
Total	<u>7,903</u>	<u>211</u>	<u>100</u>	<u>42</u>	<u>8,256</u>	
Deferred tax liabilities						
Asset appraisal surplus	1,599	35	-	-	1,634	
Investments	193	(61)	42	-	174	
Others	1,138	(27)	-	-	1,111	
Total	<u>2,930</u>	<u>(53)</u>	<u>42</u>	<u>-</u>	<u>2,919</u>	
Deferred tax assets - net	<u>4,973</u>	<u>264</u>	<u>58</u>	<u>42</u>	<u>5,337</u>	

					Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS					
	Balance at January 1, 2016	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Items as recognized into Other reserves of owners of the Bank	Balance at December 31, 2016
Deferred tax assets					
Impairment of assets	206	27	-	-	233
Loans and accrued interest receivables, net	1,401	(424)	-	-	977
Provisions	1,194	97	(14)	-	1,277
Others	244	(1)	(50)	-	193
Total	3,045	(301)	(64)	-	2,680
Deferred tax liabilities					
Asset appraisal surplus	1,556	(60)	609	-	2,105
Investments	296	-	(98)	-	198
Others	490	181	-	-	671
Total	2,342	121	511	-	2,974
Deferred tax assets (liabilities) - net	703	(422)	(575)	-	(294)

Unit: Million Baht					
THE BANK'S FINANCIAL STATEMENTS					
	Balance at January 1, 2015	Items as recognized into Profit or Loss	Items as recognized into Other Comprehensive Income	Items as recognized into Other reserves of owners of the Bank	Balance at December 31, 2015
Deferred tax assets					
Impairment of assets	334	(128)	-	-	206
Loans and accrued interest receivables, net	1,169	232	-	-	1,401
Provisions	949	192	53	-	1,194
Others	204	(42)	40	42	244
Total	2,656	254	93	42	3,045
Deferred tax liabilities					
Asset appraisal surplus	1,591	(35)	-	-	1,556
Investments	193	61	42	-	296
Others	373	117	-	-	490
Total	2,157	143	42	-	2,342
Deferred tax assets - net	499	111	51	42	703

7.13 Other assets, net

Other assets, net as at December 31, 2016 and 2015 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Accrued income	1,733	1,926	314	338
Prepayment	1,809	1,615	1,306	1,404
Other receivables	9,391	11,207	6,737	8,395
Margin call to counterparty	1,019	5,167	1,019	5,167
Others	1,450	991	1,256	1,295
Total	15,402	20,906	10,632	16,599

7.14 Deposits

Deposits as at December 31, 2016 and 2015 are as follows:

(1) Classified by product

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Current deposit	33,173	29,615	34,293	30,616
Savings deposit	550,757	509,428	553,394	512,502
Time deposit				
- Less than 6 months	188,335	164,737	188,774	166,438
- 6 months and less than 1 year	260,313	315,806	251,016	315,810
- 1 year and over	75,710	26,704	75,437	26,706
Total	<u>1,108,288</u>	<u>1,046,290</u>	<u>1,102,914</u>	<u>1,052,072</u>

(2) Classified by currency and residence of depositors

	CONSOLIDATED FINANCIAL STATEMENTS			Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,038,089	1,945	1,040,034	1,006,061	1,625	1,007,686
US Dollar	41,889	11,978	53,867	31,020	1,311	32,331
Other currencies	8,524	5,863	14,387	5,408	865	6,273
Total	<u>1,088,502</u>	<u>19,786</u>	<u>1,108,288</u>	<u>1,042,489</u>	<u>3,801</u>	<u>1,046,290</u>

	THE BANK'S FINANCIAL STATEMENTS			Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,045,442	1,591	1,047,033	1,011,837	1,625	1,013,462
US Dollar	41,889	1,349	43,238	31,021	1,313	32,334
Other currencies	8,524	4,119	12,643	5,408	868	6,276
Total	<u>1,095,855</u>	<u>7,059</u>	<u>1,102,914</u>	<u>1,048,266</u>	<u>3,806</u>	<u>1,052,072</u>

7.15 Interbank and money market items, net (Liability)

Interbank and money market items, net (liability) as December 31, 2016 and 2015 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2016			2015		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	3,506	3,506	-	4,670	4,670
Commercial banks	614	56,140	56,754	797	28,100	28,897
Specialized financial institutions	8	8,986	8,994	12	4,687	4,699
Other financial institutions	6,807	660	7,467	6,352	429	6,781
Total domestic items	7,429	69,292	76,721	7,161	37,886	45,047
Foreign items						
US Dollar	4,817	231,825	236,642	50	225,560	225,610
Yen	-	-	-	-	2,996	2,996
Euro	21	-	21	57	-	57
Other currencies	1,014	2	1,016	1,350	-	1,350
Total foreign items	5,852	231,827	237,679	1,457	228,556	230,013
Total domestic and foreign items	13,281	301,119	314,400	8,618	266,442	275,060

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2016			2015		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	3,506	3,506	-	4,670	4,670
Commercial banks	614	56,140	56,754	797	28,100	28,897
Specialized financial institutions	8	8,986	8,994	12	4,687	4,699
Other financial institutions	10,600	661	11,261	8,537	430	8,967
Total domestic items	11,222	69,293	80,515	9,346	37,887	47,233
Foreign items						
US Dollar	4,817	231,116	235,933	50	225,560	225,610
Yen	-	-	-	-	2,996	2,996
Euro	21	-	21	57	-	57
Other currencies	1,014	-	1,014	1,350	-	1,350
Total foreign items	5,852	231,116	236,968	1,457	228,556	230,013
Total domestic and foreign items	17,074	300,409	317,483	10,803	266,443	277,246

Additional information on interbank and money market items, net (liability) is as follows:

As at December 31, 2016 and 2015, the outstanding balances of borrowing from the Bank of Thailand is Baht 3,506 million and Baht 4,670 million, respectively bearing an interest rate at 0.01% per annum. The borrowing is restricted to a soft loan program for flood relief in year 2011 provided to small and medium enterprises (SME) and individuals at a rate not over 3% per annum. The soft loan program duration is 5 years and will end on December 31, 2018.

7.16 Debt issued and borrowings

Debt issued and borrowings as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS									
	Currency	Interest rate (%)	Maturity	Domestic	2016 Foreign	Total	Domestic	2015 Foreign	Total
Subordinated									
debentures	THB, USD	0.00 - 10.85	2022-2027	24,844	907	25,751	14,844	-	14,844
Senior securities	THB	1.75 - 4.50	2017-2020	89,275	-	89,275	55,843	-	55,843
Bill of exchange	THB	0.50 - 1.75	2017	41,817	-	41,817	37,420	-	37,420
Other borrowings	THB, USD, KHR	0.00 - 11.80	2017-2023	7	3,476	3,483	13	-	13
				<u>155,943</u>	<u>4,383</u>	<u>160,326</u>	<u>108,120</u>	<u>-</u>	<u>108,120</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS									
	Currency	Interest rate (%)	Maturity	Domestic	2016 Foreign	Total	Domestic	2015 Foreign	Total
Subordinated									
debentures	THB	3.50 - 4.70	2022-2027	24,844	-	24,844	14,844	-	14,844
Senior securities	THB	1.86 - 3.34	2017-2019	67,500	-	67,500	36,000	-	36,000
Bill of exchange	THB	0.50 - 1.37	2017	41,568	-	41,568	37,421	-	37,421
Other borrowings	THB	0.50	2017	7	-	7	13	-	13
				<u>133,919</u>	<u>-</u>	<u>133,919</u>	<u>88,278</u>	<u>-</u>	<u>88,278</u>

Additional information on debts issued and borrowings is as follows:

1. On November 7, 2012, the Bank issued subordinated debentures No. 1/2012 in the amount of Baht 14,844 million for a 10-year tenor at the fixed interest rate of 4.7% per annum, payable quarterly in February, May, August and November of each year. The Bank has the right to redeem subordinated debentures on the fifth anniversary of the issued date or on any interest payment date after the fifth anniversary subject to the approval of the BOT.
2. On August 11, 2016, the Bank issued subordinated debentures (Subordinated Instrument to be qualified as Tier 2 Capital) No. 1/2016 in amount of Baht 10,000 million for a 10-year and 6 month tenor at the fixed interest rate of 3.5% per annum, payable quarterly in February, May, August and November of each year. The Bank has the right to redeem debentures on any interest payment date after the fifth anniversary subject to the approval of the BOT.

7.17 Provisions

Provisions for the years ended December 31, 2016 and 2015 are as follows:

Unit: Million Baht					
CONSOLIDATED FINANCIAL STATEMENTS					
	Balance at January 1, 2015	Increase (Decrease)	Balance at December 31, 2015	Increase (Decrease)	Balance at December 31, 2016
Provision for post-employment benefits obligation	3,710	1,041	4,751	490	5,241
Others	1,741	267	2,008	84	2,092
Total	5,451	1,308	6,759	574	7,333

Unit: Million Baht					
THE BANK'S FINANCIAL STATEMENTS					
	Balance at January 1, 2015	Increase (Decrease)	Balance at December 31, 2015	Increase (Decrease)	Balance at December 31, 2016
Provision for post-employment benefits obligation	3,210	947	4,157	323	4,480
Others	1,721	260	1,981	(5)	1,976
Total	4,931	1,207	6,138	318	6,456

Post-employment benefits obligation

The Bank and its subsidiaries operate post-employment benefits plans under the Thai Labor Protection Act, which are considered as unfunded defined benefit plans. These plans are recognized as provision in the statement of financial position.

Movements in the present value of the defined benefits obligation for the years ended December 31, 2016 and 2015 are as follows:

Unit: Million Baht				
	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Opening defined benefits obligation	4,751	3,710	4,157	3,210
Current service cost	398	354	327	290
Interest cost	156	149	137	131
Actuarial (gains) losses				
- Experience	59	(99)	23	(93)
- Demographic assumptions	(83)	2	(149)	2
- Financial assumptions	66	386	56	353
Benefit paid	(108)	(94)	(81)	(85)
Transfer employee from subsidiaries	2	(1)	10	5
Items arising from business combination	-	344	-	344
Closing defined benefit obligation	5,241	4,751	4,480	4,157

Actuarial (gains) losses are recognized in other comprehensive income for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Included in retained earnings:				
As at 1 January	653	364	531	269
Recognized during the years	42	289	(70)	262
As at 31 December	<u>695</u>	<u>653</u>	<u>461</u>	<u>531</u>

Amounts recognized in the statements of profit or loss and other comprehensive income in respect of the defined benefit plans for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Current service cost	398	354	327	290
Interest on obligation	156	149	137	131
	<u>554</u>	<u>503</u>	<u>464</u>	<u>421</u>

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at December 31, 2016 and 2015 are as follows:

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2016	2015
Financial assumptions		
Discount rate	3.2%	3.3%
Salary increase rate	6.0%	6.0%
Retirement age	55 and 60 years	55 and 60 years

Significant Actuarial Assumptions - Impact on increase (decrease) in Defined Benefit Obligation as at December 31, 2016 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS	Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS
Discount rate - 1% increase	(530)	(433)
Discount rate - 1% decrease	617	500
Salary increase rate - 1% increase	935	822
Salary increase rate - 1% decrease	(830)	(734)

7.18 Finance lease liabilities

Finance lease liabilities as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht						
CONSOLIDATED FINANCIAL STATEMENTS						
	2016			2015		
	Principal	Interest	Payment	Principal	Interest	Payment
Within one year	24	1	25	21	2	23
One year to five years	21	-	21	35	1	36
Total	45	1	46	56	3	59

Unit: Million Baht						
THE BANK'S FINANCIAL STATEMENTS						
	2016			2015		
	Principal	Interest	Payment	Principal	Interest	Payment
Within one year	19	1	20	18	2	20
One year to five years	11	-	11	32	1	33
Total	30	1	31	50	3	53

7.19 Other liabilities

Other liabilities as at December 31, 2016 and 2015 are as follows:

Unit : Million Baht				
CONSOLIDATED		THE BANK'S		
FINANCIAL STATEMENTS		FINANCIAL STATEMENTS		
	2016	2015	2016	2015
Accrued expenses	12,585	11,257	8,720	7,978
Tax payable	3,298	3,418	1,161	1,703
Deposit	4,514	4,849	1,059	828
Unearned income from customer				
loyalty program	2,814	2,633	106	88
Other payables	2,395	2,456	1,663	1,765
Margin call from counterparty	9,040	12,727	9,040	12,727
Others	9,833	9,588	5,288	5,570
Total	44,479	46,928	27,037	30,659

7.20 Share capital

7.20.1 Legal reserve

Pursuant to the Public Limited Companies Act, the Bank must allocate to a reserve fund from the annual net profit, not less than five percent of the annual net profit deducted by the total accumulated loss brought forward (if any), until the reserve fund reaches an amount not less than ten percent of the registered capital. The reserve fund is not available for dividend distribution.

7.20.2 Dividend payment

The Annual General Meeting of Shareholders No. 103 held on April 23, 2015, approved the dividend payment for the six-month period ended December 31, 2014 to the shareholders of 7,355,761,773 ordinary shares at Baht 0.40 per share totaling Baht 2,942 million with payment date on May 22, 2015.

The Board of Directors' Meeting No. 8/2015 held on August 26, 2015, approved the interim dividend payment for the six-month period ended June 30, 2015 to the shareholders of 7,355,761,773 ordinary shares at Baht 0.40 per share totaling Baht 2,942 million with payment date on September 24, 2015.

The Annual General Meeting of Shareholders No. 104 held on April 28, 2016, approved the dividend payment for the six-month period ended December 31, 2015 to the shareholders of 7,355,761,773 ordinary shares at Baht 0.40 per share totaling Baht 2,942 million with payment date on May 26, 2016.

The Board of Directors' Meeting No. 8/2016 held on August 24, 2016, approved the interim dividend payment for the six-month period ended June 30, 2016 to the shareholders of 7,355,761,773 ordinary shares at Baht 0.40 per share totaling Baht 2,942 million with payment date on September 22, 2016.

7.21 Assets with obligations and restrictions

As at December 31, 2016 and 2015, government and state enterprise securities with book value of Baht 38,737 million and Baht 24,296 million, respectively, are used as collateral for other commitments with government departments and state enterprises.

7.22 Contingencies

Contingencies as at December 31, 2016 and 2015 are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Avals to bills	1,475	2,158	1,475	2,158
Guarantees of loans	90	108	90	108
Liability under unmatured import bills	1,601	2,560	1,601	2,560
Letters of credit	8,425	4,727	8,425	4,727
Other contingencies				
- Unused overdraft limit	17,903	48,231	17,903	48,321
- Unused credit line	31,968	35,467	31,962	35,467
- Other guarantees	60,038	54,622	60,038	54,622
- Others	196	101	196	101
Total	<u>121,696</u>	<u>147,974</u>	<u>121,690</u>	<u>148,064</u>

The Bank and its subsidiaries have entered into a long-term information technology service agreement, which will be expired in 2019 with a local company. As at December 31, 2016 and 2015, the Bank and its subsidiaries have a commitment to pay in the amounts of Baht 1,885 million and Baht 2,677 million, respectively.

As at December 31, 2016 and 2015, the Bank has commitments to pay regarding the information technology services the amounts of Baht 1,496 million and Baht 1,420 million, respectively.

As at December 31, 2016 and 2015, the Bank has commitment payment amount of Baht 1,479 million and Baht 1,601 million as a result of entering to the construction agreement of the office building, respectively.

7.23 Related party transactions

The Bank has business transactions with subsidiaries, associates, joint ventures and related companies. These transactions are with companies that have shareholding and/or major shareholders and/or joint directors with the Bank and with related persons. Such loans to related party have the allowance for doubtful accounts policy which comply with the same BOT regulations as those granted to other debtors.

According to the Bank of Thailand's Notification Sor.Nor.Sor. 19/2555 regarding the "Guideline on Consolidated Supervision (No.2)" dated December 17, 2012, and Sor.Nor.Sor. 6/2553 regarding the "Guideline on Consolidated Supervision" dated June 18, 2010, the Bank is required to disclose the Inter-Group Transactions in the Financial Business Group Policy and the Risk Management for Inter-Group Transactions in the Financial Business Group Policy as follows:

1. The Inter-Group Transactions in the Financial Business Group Policy

The inter-group transactions shall be the same conditions or criteria, including interest rate or service fee charged, as applied when the Bank conducts the transactions with general customers with the same risk level and the Bank does not allow the companies in the financial business group borrow from or lend to each other.

2. The Risk Management for Inter-Group Transactions in the Financial Business Group Policy

The Bank manages risk for all inter-group transactions based on the Credit Risk Management for the Financial Business Policy which covers the key credit risk management process, namely credit risk control, credit risk measurement, and credit risk monitoring, in accordance with the Bank's policy and the Bank of Thailand's requirements.

Related party transactions are as follows:

- 7.23.1 Assets, liabilities and contingencies with certain officers from the levels of Bank's Directors, Executive Vice Presidents and higher, and Vice Presidents/equivalent positions and higher in the Finance and Accounting Functions and the companies in which they and/or the Bank directors and/or their related parties and/or the Bank owned and the companies in which the directors and/or shareholders of the Bank have significant voting right either directly and indirectly, as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

	2016											
	Interbank and money market items (Assets)	Loans	Accrued Interest Receivables	Derivative Assets	Other assets	Deposits	Interbank and money market items (Liabilities)	Borrowings	Derivative Liabilities	Other Liabilities	Derivative (Notional amount)	Contingencies
Parent company												
The Bank of Tokyo-Mitsubishi UFJ Ltd.	18,243	-	-	3,533	790	-	231,673	-	3,432	507	436,115	7,409
Total	18,243	-	-	3,533	790	-	231,673	-	3,432	507	436,115	7,409
Joint ventures												
Tesco Card Services Limited	-	8,502	24	-	89	288	-	-	-	4	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	-	126	-	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	1	554	-	-	-	-	-	-
<u>Less</u> Allowance for doubtful accounts	-	(85)	-	-	-	-	-	-	-	-	-	-
Total	-	8,417	24	-	90	968	-	-	-	4	-	-
Related companies having joint major shareholders or directors	12	18,141	38	200	-	9,585	263	1,094	356	10	28,597	2,170
<u>Less</u> Allowance for doubtful accounts	-	(77)	-	-	-	-	-	-	-	-	-	-
Total	12	18,064	38	200	-	9,585	263	1,094	356	10	28,597	2,170
Individual and related parties	-	469	-	-	-	1,178	-	-	-	396	-	-
<u>Less</u> Allowance for doubtful accounts	-	(1)	-	-	-	-	-	-	-	-	-	-
Total	-	468	-	-	-	1,178	-	-	-	396	-	-
Total	18,255	26,949	62	3,733	880	11,731	231,936	1,094	3,788	917	464,712	9,579

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

						2015						
	Interbank and money market items (Assets)	Loans	Accrued Interest Receivables	Derivative Assets	Other assets	Deposits	Interbank and money market items (Liabilities)	Borrowings	Derivative Liabilities	Other Liabilities	Derivative (Notional amount)	Contingencies
Parent company												
The Bank of Tokyo-Mitsubishi UFJ Ltd.	15,927	-	-	2,747	4,239	-	229,036	-	6,579	311	544,233	6,192
<u>Less</u> Allowance for doubtful accounts	(1)	-	-	-	-	-	-	-	-	-	-	-
Total	15,926	-	-	2,747	4,239	-	229,036	-	6,579	311	544,233	6,192
Joint ventures												
Tesco Card Services Limited	-	8,873	27	-	321	391	-	-	-	4	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	8	134	-	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	22	499	-	-	-	-	-	-
<u>Less</u> Allowance for doubtful accounts	-	(89)	-	-	-	-	-	-	-	-	-	-
Total	-	8,784	27	-	351	1,024	-	-	-	4	-	-
Related companies having joint major shareholders or directors	13	8,714	28	207	-	8,711	210	858	208	14	11,220	3,167
<u>Less</u> Allowance for doubtful accounts	-	(85)	-	-	-	-	-	-	-	-	-	-
Total	13	8,629	28	207	-	8,711	210	858	208	14	11,220	3,167
Individual and related parties	-	311	-	-	-	779	-	-	-	477	-	-
<u>Less</u> Allowance for doubtful accounts	-	(1)	-	-	-	-	-	-	-	-	-	-
Total	-	310	-	-	-	779	-	-	-	477	-	-
Total	15,939	17,723	55	2,954	4,590	10,514	229,246	858	6,787	806	555,453	9,359

Unit: Million Baht												
THE BANK'S FINANCIAL STATEMENTS												
	2016											
	Interbank and money market items (Assets)	Loans	Accrued Interest Receivables	Derivative Assets	Other assets	Deposits	Interbank and money market items (Liabilities)	Borrowings	Derivative Liabilities	Other Liabilities	Derivative (Notional amount)	Contingencies
Parent company												
The Bank of Tokyo-Mitsubishi UFJ Ltd.	18,243	-	-	3,533	790	-	231,673	-	3,432	507	436,115	7,409
Total	18,243	-	-	3,533	790	-	231,673	-	3,432	507	436,115	7,409
Subsidiaries												
Ayudhya Development Leasing Company Limited	-	5,484	1	-	3	2	-	-	-	1	-	45
Ayudhya Capital Auto Lease Public Company Ngern Tid Lor Company Limited (formerly CFG Services Company Limited)	-	35,857	113	-	118	411	-	-	-	145	-	-
Ayudhya Capital Services Company Limited	-	5,055	2	-	11	105	-	-	-	-	-	1
General Card Services Limited	-	26,255	79	-	67	996	-	-	-	13	-	3
Krungsriayudhya Card Company Limited	-	12,506	25	-	53	315	-	-	-	-	-	-
Siam Realty and Services Security Company Limited (formerly Siam Realty and Services Company Limited)	-	30,821	47	-	456	864	-	-	-	7	-	1
Total Services Solutions Public Company Limited	-	555	-	-	1	41	-	-	-	51	-	-
Krungsri Asset Management Company Limited	-	-	-	-	2	1,211	-	-	-	11	-	-
Krungsri Ayudhya AMC Limited	-	-	-	-	68	-	2,376	-	-	6	-	-
Krungsri Securities Public Company Limited	-	-	-	-	5	957	-	-	-	65	-	38
Krungsri Factoring Company Limited	-	-	-	-	3	3	1,417	-	-	7	136	-
Krungsri Life Assurance Broker Company Limited	-	-	-	-	1	196	-	-	-	1	-	-
Krungsri General Insurance Broker Company Limited	-	-	-	-	-	889	-	-	-	1	-	-
	-	-	-	-	-	1,363	-	-	-	1	-	-

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

	2016											
	Interbank and money market items (Assets)	Loans	Accrued Interest Receivables	Derivative Assets	Other assets	Deposits	Interbank and money market items (Liabilities)	Borrowings	Derivative Liabilities	Other Liabilities	Derivative (Notional amount)	Contingencies
Krungsri Leasing Services Company Limited	-	1,751	1	-	1	92	-	-	-	-	-	-
Hattha Kaksekar Limited	-	-	-	-	1	-	-	-	-	-	-	-
Total	-	118,284	268	-	790	7,445	3,793	-	-	309	136	88
<u>Less</u> Allowance for doubtful accounts	-	(1,183)	-	-	-	-	-	-	-	-	-	-
Total	-	117,101	268	-	790	7,445	3,793	-	-	309	136	88
Joint ventures												
Tesco Card Services Limited	-	8,502	24	-	31	288	-	-	-	-	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	-	126	-	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	1	554	-	-	-	-	-	-
<u>Less</u> Allowance for doubtful accounts	-	(85)	-	-	-	-	-	-	-	-	-	-
Total	-	8,417	24	-	32	968	-	-	-	-	-	-
Related companies having joint major shareholders or directors												
	12	18,141	38	200	-	9,585	263	1,094	356	10	28,597	2,170
<u>Less</u> Allowance for doubtful accounts	-	(77)	-	-	-	-	-	-	-	-	-	-
Total	12	18,064	38	200	-	9,585	263	1,094	356	10	28,597	2,170
Individual and related parties												
	-	405	-	-	-	1,178	-	-	-	271	-	-
Total	18,255	143,987	330	3,733	1,612	19,176	235,729	1,094	3,788	1,097	464,848	9,667

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS												
2015												
	Interbank and money market items (Assets)	Loans	Accrued Interest Receivables	Derivative Assets	Other assets	Deposits	Interbank and money market items (Liabilities)	Borrowings	Derivative Liabilities	Other Liabilities	Derivative (Notional amount)	Contingencies
Parent company												
The Bank of Tokyo-Mitsubishi UFJ Ltd.	15,927	-	-	2,747	4,239	-	229,036	-	6,579	311	544,233	6,192
<u>Less</u> Allowance for doubtful accounts	(1)	-	-	-	-	-	-	-	-	-	-	-
Total	15,926	-	-	2,747	4,239	-	229,036	-	6,579	311	544,233	6,192
Subsidiaries												
Ayudhya Development Leasing Company Limited	-	3,207	1	-	1	4	-	-	-	-	-	1
Ayudhya Capital Auto Lease Public Company Ngern Tid Lor Company Limited (formerly CFG Services Company Limited)	-	67,175	173	-	153	358	-	-	-	206	-	-
Ayudhya Capital Services Company Limited	-	5,886	3	-	9	91	-	-	-	-	-	2
General Card Services Limited	-	25,855	95	-	91	909	-	-	-	23	-	3
Krungsriayudhya Card Company Limited	-	12,494	32	-	53	325	-	-	-	-	-	-
Siam Realty and Services Security Company Limited (formerly Siam Realty and Services Company Limited)	-	30,267	41	-	401	682	-	-	-	7	-	1
Total Services Solutions Public Company Limited	-	540	-	-	-	56	-	-	-	48	-	-
Krungsri Asset Management Company Limited	-	-	-	-	1	1,085	-	-	-	17	-	-
Krungsri Ayudhya AMC Limited	-	-	-	-	63	-	1,096	-	-	-	-	722
Krungsri Securities Public Company Limited	-	-	-	-	-	458	-	-	-	69	-	37
Krungsri Factoring Company Limited	-	-	-	-	6	2	1,090	-	-	2	-	-
Krungsri Life Assurance Broker Company Limited	-	-	-	-	-	191	-	-	-	-	-	-
Krungsri General Insurance Broker Company Limited	-	-	-	-	-	629	-	-	-	-	-	-
	-	-	-	-	-	986	-	-	-	-	-	-

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

	2015											
	Interbank and money market items (Assets)	Loans	Accrued Interest Receivables	Derivative Assets	Other assets	Deposits	Interbank and money market items (Liabilities)	Borrowings	Derivative Liabilities	Other Liabilities	Derivative (Notional amount)	Contingencies
Krungsri Leasing Services Company Limited	-	341	-	-	-	5	-	-	-	-	-	-
Total	-	145,765	345	-	778	5,781	2,186	-	-	372	-	766
<u>Less</u> Allowance for doubtful accounts	-	(1,458)	-	-	-	-	-	-	-	-	-	-
Total	-	144,307	345	-	778	5,781	2,186	-	-	372	-	766
Joint ventures												
Tesco Card Services Limited	-	8,873	27	-	29	391	-	-	-	-	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	-	134	-	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	-	499	-	-	-	-	-	-
<u>Less</u> Allowance for doubtful accounts	-	(89)	-	-	-	-	-	-	-	-	-	-
Total	-	8,784	27	-	29	1,024	-	-	-	-	-	-
Related companies having joint major shareholders or directors	13	8,714	28	207	-	8,711	210	858	208	14	11,220	3,167
<u>Less</u> Allowance for doubtful accounts	-	(85)	-	-	-	-	-	-	-	-	-	-
Total	13	8,629	28	207	-	8,711	210	858	208	14	11,220	3,167
Individual and related parties	-	251	-	-	-	779	-	-	-	349	-	-
Total	15,939	161,971	400	2,954	5,046	16,295	231,432	858	6,787	1,046	555,453	10,125

As at December 31, 2016 and 2015, the Bank charges interest rates to related parties at 0.60% - 23.00% p.a. and 1.00% - 21.78% p.a., respectively.

As at December 31, 2016 and 2015, the allowance for doubtful accounts of loans granted to subsidiaries of Baht 1,183 million and Baht 1,458 million, respectively, are not eliminated but treated as surplus reserve in the consolidated financial statements.

7.23.2 The Bank has investments in subsidiaries, associates and joint ventures as disclosed in Note 7.5 and has investments in related companies as follows:

Unit: Million Baht

CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS							
				2016		2015	
	Business Type	Registered Share Capital	Ownership (%)	Investment Cost	Dividend Amount	Investment Cost	Dividend Amount
Related company							
Sri Ayudhya Capital Public Company Limited	Investment holding company	250	8.50	326	43	326	53
Less	Allowance for impairment			(5)	-	(5)	-
Investment in related company, net				<u>321</u>	<u>43</u>	<u>321</u>	<u>53</u>

7.23.3 Income and expenses between the Bank and its subsidiaries, associates, joint ventures and related companies for the years ended December 31, 2016 and 2015 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS								
				2016		2015		
		Income	Expenses			Income	Expenses	
		Interest income	Non-interest income	Interest expenses	Non-interest expenses	Interest income	Non-interest income	Interest expenses
Parent company								
The Bank of Tokyo-Mitsubishi UFJ Ltd.		5	3,620	2,124	1,278	9	(1,418)	986
Total		<u>5</u>	<u>3,620</u>	<u>2,124</u>	<u>1,278</u>	<u>9</u>	<u>(1,418)</u>	<u>986</u>
Joint ventures								
Tesco Card Services Limited		231	466	-	6	287	483	-
Tesco Life Assurance Broker Company Limited		-	6	2	-	-	6	2
Tesco General Insurance Broker Limited		-	21	4	-	-	22	3
Total		<u>231</u>	<u>493</u>	<u>6</u>	<u>6</u>	<u>287</u>	<u>511</u>	<u>5</u>
Related companies having joint major shareholders or directors								
		367	47	67	171	268	26	73
Total		<u>367</u>	<u>47</u>	<u>67</u>	<u>171</u>	<u>268</u>	<u>26</u>	<u>73</u>
Individual and related parties								
		12	3	11	-	10	1	13
Total		<u>615</u>	<u>4,163</u>	<u>2,208</u>	<u>1,455</u>	<u>574</u>	<u>(880)</u>	<u>1,077</u>

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS								
	2016				2015			
	Income		Expenses		Income		Expenses	
	Interest income	Non-interest income	Interest expenses	Non-interest expenses	Interest income	Non-interest income	Interest expenses	Non-interest expenses
Parent company								
The Bank of Tokyo-Mitsubishi UFJ Ltd.	5	3,620	2,124	1,278	9	(1,418)	986	428
Total	5	3,620	2,124	1,278	9	(1,418)	986	428
Subsidiaries								
Ayudhya Development Leasing Company Limited	115	(29)	-	-	192	8	-	-
Ayudhya Capital Auto Lease Public Company Limited	2,017	622	2	442	3,184	669	2	318
Ngern Tid Lor Company Limited (formerly CFG Services Company Limited)	218	50	-	1	271	40	-	-
Ayudhya Capital Services Company Limited	718	250	-	40	829	258	-	31
General Card Services Limited	292	37	-	6	337	33	-	5
Krungsriayudhya Card Company Limited	644	171	1	157	752	174	1	131
Siam Realty and Services Security Company Limited (formerly Siam Realty and Services Company Limited)	13	2	-	517	14	16	-	502
Total Services Solutions Public Company Limited	-	2	16	78	-	2	9	99
Krungsri Asset Management Company Limited	-	620	20	10	-	532	9	3
Krungsri Ayudhya AMC Limited	-	10	1	-	-	12	1	-
Krungsri Securities Public Company Limited	-	21	15	14	-	18	17	8
Krungsri Factoring Company Limited	-	6	-	-	-	9	-	-
Krungsri Life Assurance Broker Limited	-	1	10	-	-	1	6	-
Krungsri General Insurance Broker Limited	-	2	12	-	-	2	7	-
Krungsri Leasing Services Company Limited	56	13	-	-	13	-	-	-
Total	4,073	1,778	77	1,265	5,592	1,774	52	1,097
Joint ventures								
Tesco Card Services Limited	231	25	-	4	287	25	-	3
Tesco Life Assurance Broker Company Limited	-	-	2	-	-	-	2	-
Tesco General Insurance Broker Limited	-	10	4	-	-	9	3	-
Total	231	35	6	4	287	34	5	3
Related companies having joint major shareholders or directors	367	47	67	171	268	26	73	211
Total	367	47	67	171	268	26	73	211
Individual and related parties	12	3	11	-	10	1	13	-
Total	4,688	5,483	2,285	2,718	6,166	417	1,129	1,739

7.23.4 For the years ended December 31, 2016 and 2015, related party transactions among subsidiaries included collection services and other services of Baht 977 million and Baht 915 million, respectively, and office and vehicle rental and facilities service of Baht 64 million and Baht 62 million, respectively.

7.23.5 For the years ended December 31, 2016 and 2015, subsidiaries had related party transactions from the licenses relevant to technology and software for Baht 53 million and Baht 45 million, respectively.

- 7.23.6 For the years ended December 31, 2016 and 2015, related party transactions among subsidiaries from other services were Baht 1,509 million and Baht 1,483 million, respectively.
- 7.23.7 The Extraordinary General Meeting of Shareholders No. 1/2013, held on October 31, 2013, approved the integration of the Bank and the Bank of Tokyo-Mitsubishi UFJ, Ltd., Bangkok Branch (BTMU's Bangkok Branch) by acquisition of the business of BTMU's Bangkok Branch and the entering into a Conditional Branch Purchase Agreement between the Bank as transferee and the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) as transferor and other related agreements which are asset acquisition and connected transactions.

From the date of the business transfer of BTMU's Bangkok Branch under the Conditional Branch Purchase Agreement, BTMU shall provide various services to the Bank as agreed between the Bank and BTMU prior to the transfer. Such services shall include existing services provided by BTMU to BTMU's Bangkok Branch and other services as necessary and appropriate to ensure continued service of BTMU's Bangkok Branch's customers after the transfer of the assets. The Bank and BTMU will also enter into a Master Service Agreement to provide various services to the Bank which will include but not be limited to (a) General Services Agreement (b) Trademark License Agreement (c) Software License Agreement (d) Other ancillary agreements as may be agreed between the parties under the Master Service Agreement.

From the date of the business transfer of BTMU's Bangkok Branch under the Conditional Branch Purchase Agreement until (1) the lapse of 10 years from the date of the transfer or (2) the date BTMU holds shares in the Bank less than 50 percent of all issued shares (whichever occurs later). The Bank may request for BTMU to provide funding assistance to the Bank and BTMU shall use its best efforts to provide such funding assistance after confirming that: (a) the price and condition for the Funding assistance is on an Arm's Length Basis and is beneficial to both parties; (b) such funding assistance is aligned with the Bank's Asset and Liability Policy and Funding Policy; (c) such funding assistance complies with the legal requirements (including tax concerning transfer pricing). If BTMU agrees to provide funding assistance as requested by the Bank, the parties shall further agree on the type, amount, tenor and interest rate of such assistance.

On January 5, 2015, the Bank has entered into the borrowing agreement with BTMU under (1) Uncommitted Revolving Facility or (2) Interbank and Money Market Facility. Total facility amount is JPY 900,000 million or USD equivalent which equals to Baht 292,500 million using the exchange rate of Baht 32.50:JPY 100.

7.24 Management compensation

The Bank and its subsidiaries have no special benefits given to the directors and executive officers beyond the general benefits made as usual, including contingency benefits from employment compensation agreements and other benefits for those persons.

The Bank and its subsidiaries did not sell, give or lease any properties to directors, executive officers, or their related parties, or did not purchased or leased any assets from those persons, except, in 2015, the subsidiary had sold cars to managements in the amount of Baht 5 million with the book value of Baht 4 million.

For the years ended December 31, 2016 and 2015, compensations paid to key management personnel under TAS 24 (Revised 2015) “Related Party Disclosures” are as follows:

	CONSOLIDATED		Unit: Million Baht THE BANK'S	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Short-term employee benefits	1,658	1,483	1,099	1,079
Post-employment benefits	53	48	37	33
Total	<u>1,711</u>	<u>1,531</u>	<u>1,136</u>	<u>1,112</u>

7.25 Long-term leases

The Bank and its subsidiaries have entered into land and/or buildings and equipment lease agreements for branch offices and operation. The Bank and its subsidiaries are committed to pay future rental and service as at December 31, 2016 and 2015 which are summarized as follows:

TYPE OF LEASE	PERIOD	CONSOLIDATED		Unit: Million Baht THE BANK'S	
		FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
		2016	2015	2016	2015
Land and/or premises and equipment	Within 1 year	1,422	1,112	1,054	912
	Greater than 1-5 years	1,203	990	936	766
	Greater than 5 years	239	40	30	29
		<u>2,864</u>	<u>2,142</u>	<u>2,020</u>	<u>1,707</u>

7.26 Operating segments

The business segment results are prepared based on the Bank and its subsidiaries' internal management reporting which reflects the organizational management structure. The operating results by business segment provided to Chief Operating Decision Maker to make decision about resources allocations, and assess the performance of, operating segments. The operating segment results are measured in accordance with Thai Financial Reporting Standards, which are also adjusted in accordance with internal management accounting rules and practices. Amounts for each business segment are shown after the allocation of certain centralized costs, income from investment, and the application of transfer pricing, where appropriate. Transactions between segments are recorded on the same basis as the transaction conducted with the third party transactions. Transactions between segments are eliminated on consolidation.

The business segments are described below:

Retail: provides individual customers with a diverse range of banking and related financial services. The products and services available to customers include current and savings accounts, fixed deposits, bill of exchange, housing loan, credit cards, personal loans and sale finance loans, hire-purchase and leasing, wealth management and banc assurance products.

Commercial: provides financial services and products to institutional clients including corporate, small and medium-sized businesses and financial institutions. Products and services comprise the full range of credit facilities from short term working capital, cash management, trade finance, transactional banking, advisory services, and treasury and money markets products.

Others: encompasses other income and expenses generating activities that are not attributed to the business segments described above and eliminated transactions for preparation of consolidated financial statements.

During the years ended December 31, 2016 and 2015, no revenue from transactions with a single external customer or counter party amounted to 10% or more of the Bank's total revenue.

Operating segment by businesses for the years ended December 31, 2016 and 2015 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2016				
	Retail	Commercial	Others	Total
Interest income, net	38,629	23,334	14	61,977
Other operating income	22,753	8,075	(1,318)	29,510
Total operating income	61,382	31,409	(1,304)	91,487
Operating expenses	32,367	9,586	1,127	43,080
Impairment loss of loans and debt securities	16,315	2,816	2,184	21,315
Profit (loss) before tax	12,700	19,007	(4,615)	27,092
Taxation	2,578	3,775	(945)	5,408
Net Profit (loss)	10,122	15,232	(3,670)	21,684
Total assets	723,458	1,343,525	(183,795)	1,883,188

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2015				
	Retail	Commercial	Others	Total
Interest income, net	33,302	23,051	(3)	56,350
Other operating income	20,638	7,252	(1,467)	26,423
Total operating income	53,940	30,303	(1,470)	82,773
Operating expenses	30,343	9,152	(548)	38,947
Impairment loss of loans and debt securities	17,135	3,269	(218)	20,186
Profit (loss) before tax	6,462	17,882	(704)	23,640
Taxation	1,326	3,544	(82)	4,788
Net Profit (loss)	5,136	14,338	(622)	18,852
Total assets	612,931	1,294,104	(201,518)	1,705,517

7.27 Position and results of operations classified by domestic and foreign business

(1) Position classified by type of business

Position classified by domestic and foreign business as at December 31, 2016 and 2015 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2016				
	Domestic	Foreign	Elimination	Total
Total assets	1,859,911	29,055	(5,778)	1,883,188
Interbank and money market items, net (Assets)	192,861	7,422	-	200,283
Investments, net*	133,700	1	-	133,701
Loans to customers and accrued interest receivable, net	1,384,619	18,666	-	1,403,285
Deposits	1,093,458	14,830	-	1,108,288
Interbank and money market items, net (Liabilities)	311,917	2,483	-	314,400
Debt issued and borrowings	155,968	4,358	-	160,326

Unit: Million Baht
CONSOLIDATED FINANCIAL STATEMENTS
2015

	Domestic	Foreign	Elimination	Total
Total assets	1,702,383	16,083	(12,949)	1,705,517
Interbank and money market items, net (Assets)	188,961	5,133	-	194,094
Investments, net*	111,544	58	-	111,602
Loans to customers and accrued interest receivable, net	1,258,107	3,976	-	1,262,083
Deposits	1,044,326	1,964	-	1,046,290
Interbank and money market items, net (Liabilities)	274,213	847	-	275,060
Debt issued and borrowings	108,121	-	-	108,121

Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS
2016

	Domestic	Foreign	Elimination	Total
Total assets	1,803,616	6,287	(3,936)	1,805,967
Interbank and money market items, net (Assets)	191,464	2,989	-	194,453
Investments, net*	187,473	-	-	187,473
Loans to customers and accrued interest receivable, net	1,303,858	1,096	-	1,304,954
Deposits	1,100,903	2,011	-	1,102,914
Interbank and money market items, net (Liabilities)	317,462	21	-	317,483
Debt issued and borrowings	133,919	-	-	133,919

Unit: Million Baht
THE BANK'S FINANCIAL STATEMENTS
2015

	Domestic	Foreign	Elimination	Total
Total assets	1,649,833	15,332	(12,614)	1,652,551
Interbank and money market items, net (Assets)	187,101	5,111	-	192,212
Investments, net*	158,848	58	-	158,906
Loans to customers and accrued interest receivable, net	1,183,653	3,620	-	1,187,273
Deposits	1,050,108	1,964	-	1,052,072
Interbank and money market items, net (Liabilities)	276,739	507	-	277,246
Debt issued and borrowings	88,278	-	-	88,278

*Includes investments in subsidiaries, associates and joint ventures, net

(2) Results of operations classified by business

Results of operations classified by domestic and foreign business for the years ended December 31, 2016 and 2015 are as follows:

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2016				
	Domestic	Foreign	Elimination	Total
Interest income	84,852	1,133	(60)	85,925
Interest expenses	23,510	498	(60)	23,948
Net interest income	61,342	635	-	61,977
Fees and service income, net	18,115	60	-	18,175
Other operating income	19,147	68	(7,880)	11,335
Other operating expenses	71,725	550	(7,880)	64,395
Profit from operating before tax	26,879	213	-	27,092

Unit: Million Baht				
CONSOLIDATED FINANCIAL STATEMENTS				
2015				
	Domestic	Foreign	Elimination	Total
Interest income	81,750	209	(13)	81,946
Interest expenses	25,588	21	(13)	25,596
Net interest income	56,162	188	-	56,350
Fees and service income, net	17,193	37	-	17,230
Other operating income	16,124	(6)	(6,925)	9,193
Other operating expenses	65,870	188	(6,925)	59,133
Profit from operating before tax	23,609	31	-	23,640

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2016				
	Domestic	Foreign	Elimination	Total
Interest income	59,692	100	-	59,792
Interest expenses	22,998	9	-	23,007
Net interest income	36,694	91	-	36,785
Fees and service income, net	8,833	26	-	8,859
Other operating income	21,278	62	(7,879)	13,461
Other operating expenses	48,858	119	(7,879)	41,098
Profit from operating before tax	17,947	60	-	18,007

Unit: Million Baht				
THE BANK'S FINANCIAL STATEMENTS				
2015				
	Domestic	Foreign	Elimination	Total
Interest income	57,244	182	-	57,426
Interest expenses	24,629	8	-	24,637
Net interest income	32,615	174	-	32,789
Fees and service income, net	8,416	30	-	8,446
Other operating income	17,593	(6)	(6,925)	10,662
Other operating expenses	42,360	115	(6,925)	35,550
Profit from operating before tax	16,264	83	-	16,347

Income and expenses between the head office and branches or inter-branches are determined by the head office at the rate which approximates actual cost.

7.28 Interest income

Interest income for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED		Unit: Million Baht	
	FINANCIAL STATEMENTS		THE BANK'S	
	2016	2015	2016	2015
Interbank and money market items	2,833	2,806	2,822	2,784
Investment and trading transactions	139	87	139	87
Investment in debt securities	2,148	2,462	2,148	2,459
Loans to customers	56,483	55,279	43,845	45,698
Hire purchase and finance lease	24,322	21,313	10,838	6,399
Total interest income	85,925	81,947	59,792	57,427

7.29 Interest expenses

Interest expenses for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED		Unit: Million Baht	
	FINANCIAL STATEMENTS		THE BANK'S	
	2016	2015	2016	2015
Deposits	12,450	15,454	12,213	15,479
Interbank and money market items	3,202	1,665	3,215	1,690
Contributions to Financial Institution Development Fund and Deposit Protection Agency	5,222	4,941	5,222	4,941
Debt issued and borrowing				
- Subordinated debenture	866	1,125	837	1,125
- Other	2,186	2,369	1,505	1,383
Borrowing fee expense	7	28	11	17
Other	15	14	4	2
Total interest expenses	23,948	25,596	23,007	24,637

7.30 Fees and service income, net

Fees and service income, net for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Fees and service income				
- Acceptances, aval and guarantees	501	521	502	522
- Other	23,641	22,149	11,967	10,739
Total fees and service income	24,142	22,670	12,469	11,261
Fees and service expenses	5,967	5,440	3,610	2,815
Total fees and service income, net	18,175	17,230	8,859	8,446

7.31 Gains on trading and foreign exchange transactions, net

Gains on trading and foreign exchange transactions, net for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Gains (losses) on trading and foreign exchange transactions				
- Foreign currency and derivative of currency	3,652	4,064	3,571	4,084
- Derivative of interest rates	250	(846)	250	(846)
- Debt securities	(2)	7	(2)	7
- Equity securities	4	(10)	2	(14)
- Other	1	1	-	-
Total	3,905	3,216	3,821	3,231

7.32 Gains on investments, net

Gains on investments, net for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Gains on sales of investments				
- Available-for-sale	545	407	545	407
- General investments	54	2	54	2
Total	599	409	599	409

7.33 Impairment loss of loans and debt securities

Impairment loss of loans and debt securities (reversal) for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Interbank and money market items	69	6	69	6
Securities available-for-sale	-	(3)	-	-
Loans to customers	20,460	18,855	11,982	9,332
Loss on troubled debt restructuring	786	1,328	(376)	(145)
Total	<u>21,315</u>	<u>20,186</u>	<u>11,675</u>	<u>9,193</u>

7.34 Income tax expenses

Income tax expenses for the years ended December 31, 2016 and 2015 are as follows:

	CONSOLIDATED FINANCIAL STATEMENTS		Unit: Million Baht THE BANK'S FINANCIAL STATEMENTS	
	2016	2015	2016	2015
Current tax for the years	5,051	5,052	1,854	2,318
Deferred tax	358	(264)	422	(111)
Total income tax expenses	<u>5,409</u>	<u>4,788</u>	<u>2,276</u>	<u>2,207</u>

Reconciliation of effective tax rate

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS			
	2016		2015		2016		2015	
	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)
Profit before tax	<u>27,092</u>		<u>23,640</u>		<u>18,007</u>		<u>16,347</u>	
Income tax at the domestic tax rate	5,418	20.00	4,728	20.00	3,601	20.00	3,269	20.00
Add Tax effect of income and expense that are not exempt for tax purposes	1,462	5.40	1,346	5.69	105	0.58	39	0.24
Less Tax effect of income and expense that are exempt for tax purposes	<u>(1,471)</u>	<u>(5.43)</u>	<u>(1,286)</u>	<u>(5.44)</u>	<u>(1,430)</u>	<u>(7.94)</u>	<u>(1,101)</u>	<u>(6.74)</u>
Income tax expenses as per statements of profit or loss and other comprehensive income	<u>5,409</u>	<u>19.97</u>	<u>4,788</u>	<u>20.25</u>	<u>2,276</u>	<u>12.64</u>	<u>2,207</u>	<u>13.50</u>

According to the Royal Decree No. 577 B.E. 2557 issued under the Revenue Code regarding the corporate income tax rate reduction effective on November 11, 2014, the corporate income tax rates were reduced from 30% to 20% of net profit for accounting periods beginning on or after January 1, 2015 but not later than December 31, 2015.

In addition, according to the Act to amend the Revenue Code (No. 42) B.E.2559, with an effective from March 5, 2016, the corporate income tax rate shall be reduced from 30% to 20% for the accounting periods beginning on or after January 1, 2016, onwards.

Therefore, the Bank and its subsidiaries used a tax rate of 20% for the corporate income tax and deferred tax calculation for the years ended December 31, 2016 and 2015.

7.35 Income tax relating to components of other comprehensive income

Income tax relating to components of other comprehensive income for the years ended December 31, 2016 and 2015 are as follows:

	Unit: Million Baht					
	CONSOLIDATED FINANCIAL STATEMENTS					
	2016			2015		
	Amount	Tax	Net	Amount	Tax	Net
	before tax	income	amount	before tax	income	amount
		(expenses)	After tax		(expenses)	After tax
Item that will be reclassified subsequently to profit or loss						
Gains (losses) on remeasuring available-for-sale investment	(242)	48	(194)	6	(1)	5
Gains arising from translating the financial statements of a foreign operation	120	(24)	96	4	-	4
Item that will not be reclassified subsequently to profit or loss						
Changes in assets revaluation surplus	3,047	(609)	2,438	-	-	-
Actuarial gains (losses) on defined benefit plans	(42)	8	(34)	(289)	57	(232)
Share of other comprehensive income of joint venture	(4)	1	(3)	-	-	-
Other comprehensive income	<u>2,879</u>	<u>(576)</u>	<u>2,303</u>	<u>(279)</u>	<u>56</u>	<u>(223)</u>

	Unit: Million Baht					
	THE BANK'S FINANCIAL STATEMENTS					
	2016			2015		
	Amount	Tax	Net	Amount	Tax	Net
	before tax	income	amount	before tax	income	amount
		(expenses)	After tax		(expenses)	After tax
Item that will be reclassified subsequently to profit or loss						
Gains (losses) on remeasuring available-for-sale investment	(242)	48	(194)	6	(1)	5
Item that will not be reclassified subsequently to profit or loss						
Changes in assets revaluation surplus	3,047	(609)	2,438	-	-	-
Actuarial gains (losses) on defined benefit plans	70	(14)	56	(262)	52	(210)
Other comprehensive income	<u>2,875</u>	<u>(575)</u>	<u>2,300</u>	<u>(256)</u>	<u>51</u>	<u>(205)</u>

7.36 Approval of financial statements

These financial statements have been approved for issue by the Board of Directors on February 22, 2017.