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, 2017, 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, 2017, 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’ 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, but does not include the consolidated and Bank's financial statements and our auditor's report thereon. The annual report 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' 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' 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.

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

BANGKOK
February 28, 2018

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

BAHT: '000

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
ASSETS				
CASH	38,244,197	36,142,429	37,671,005	35,670,918
INTERBANK AND MONEY MARKET ITEMS, NET (Note 7.2)	330,797,381	200,283,418	325,640,238	194,452,735
CLAIM ON SECURITY	47,134,759	13,838,550	47,134,759	13,838,550
DERIVATIVES ASSETS (Note 7.3)	14,561,586	29,117,399	14,572,899	29,117,399
INVESTMENTS, NET (Note 7.4)	83,934,465	131,781,831	83,702,705	131,762,520
INVESTMENTS IN SUBSIDIARIES				
AND JOINT VENTURES, NET (Note 7.5)	2,222,431	1,919,378	57,869,606	55,710,546
LOANS TO CUSTOMERS AND ACCRUED				
INTEREST RECEIVABLES, NET (Note 7.6)				
Loans to customers	1,619,357,880	1,506,222,326	1,473,612,160	1,371,970,480
Accrued interest receivables	3,916,985	3,864,375	2,295,796	2,316,251
Total loans to customers and accrued				
interest receivables	1,623,274,865	1,510,086,701	1,475,907,956	1,374,286,731
Less Deferred revenue	(68,953,805)	(57,340,352)	(50,190,371)	(36,656,980)
Less Allowance for doubtful accounts (Note 7.7)	(54,172,854)	(48,273,619)	(38,493,249)	(32,647,817)
Less Revaluation allowance for debt				
restructuring (Note 7.8)	(1,302,828)	(1,187,903)	(48,016)	(28,026)
Net loans and accrued interest receivables	1,498,845,378	1,403,284,827	1,387,176,320	1,304,953,908
CUSTOMERS' LIABILITY UNDER ACCEPTANCE	500,108	476,024	500,108	476,024
PROPERTIES FOR SALE, NET (Note 7.9)	3,684,841	4,256,248	2,088,299	2,388,268
PREMISES AND EQUIPMENT, NET (Note 7.10)	26,401,168	25,221,074	24,344,496	23,326,968
GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Note 7.11)	16,756,121	16,698,596	3,630,013	3,585,090
DEFERRED TAX ASSETS (Note 7.12)	4,823,047	4,713,693	-	-
ACCOUNTS RECEIVABLE FOR INVESTMENTS	1,315,317	52,668	1,315,317	52,668
OTHER ASSETS, NET (Note 7.13)	19,551,268	15,402,070	14,163,285	10,631,652
TOTAL ASSETS	2,088,772,067	1,883,188,205	1,999,809,050	1,805,967,246

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 FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2017

BAHT: '000

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	As at December 31, 2017	As at December 31, 2016	As at December 31, 2017	As at December 31, 2016
LIABILITIES AND EQUITY				
DEPOSITS (Note 7.14)	1,319,228,951	1,108,287,927	1,316,704,846	1,102,914,201
INTERBANK AND MONEY MARKET ITEMS, NET (Note 7.15)	279,720,847	314,399,699	284,477,010	317,482,684
LIABILITY PAYABLE ON DEMAND	6,296,314	4,176,569	6,296,270	4,176,258
LIABILITY TO DELIVER SECURITY	47,134,759	13,838,550	47,134,759	13,838,550
DERIVATIVES LIABILITIES (Note 7.3)	15,723,571	20,581,038	15,723,571	20,581,236
DEBT ISSUED AND BORROWINGS (Note 7.16)	142,866,150	160,325,732	111,994,878	133,918,957
BANK'S LIABILITY UNDER ACCEPTANCE	500,108	476,024	500,108	476,024
PROVISIONS (Note 7.17)	7,467,766	7,333,340	6,549,941	6,456,427
DEFERRED TAX LIABILITIES (Note 7.12)	106,529	456,479	103,853	293,890
ACCOUNTS PAYABLE FOR INVESTMENTS	1,587,891	65,526	1,587,891	65,526
OTHER LIABILITIES (Note 7.19)	42,151,955	44,479,313	23,210,217	27,037,238
TOTAL LIABILITIES	1,862,784,841	1,674,420,197	1,814,283,344	1,627,240,991
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	3,496,606	4,062,842	3,820,139	3,963,430
RETAINED EARNINGS				
Appropriated				
Legal reserve	5,006,800	4,371,800	5,006,800	4,371,800
Unappropriated	90,190,736	73,308,328	50,262,400	43,954,658
TOTAL BANK'S EQUITY	225,130,509	208,179,337	185,525,706	178,726,255
NON-CONTROLLING INTEREST	856,717	588,671	-	-
TOTAL EQUITY	225,987,226	208,768,008	185,525,706	178,726,255
TOTAL LIABILITIES AND EQUITY	2,088,772,067	1,883,188,205	1,999,809,050	1,805,967,246

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

BAHT : '000

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
INTEREST INCOME (Note 7.28)	94,997,812	85,924,554	64,955,061	59,792,189
INTEREST EXPENSES (Note 7.29)	26,463,003	23,947,857	24,738,869	23,007,155
INTEREST INCOME, NET	68,534,809	61,976,697	40,216,192	36,785,034
FEES AND SERVICE INCOME	26,340,619	24,141,661	13,736,349	12,468,812
FEES AND SERVICE EXPENSES	6,665,529	5,967,022	4,145,390	3,609,910
FEES AND SERVICE INCOME, NET (Note 7.30)	19,675,090	18,174,639	9,590,959	8,858,902
GAINS ON TRADING AND FOREIGN EXCHANGE TRANSACTIONS, NET (Note 7.31)	4,233,207	3,904,876	4,215,117	3,820,764
GAINS ON INVESTMENTS, NET (Note 7.32)	895,933	598,512	795,933	598,512
SHARE OF PROFIT FROM INVESTMENT USING EQUITY METHOD	301,603	347,617	-	-
DIVIDEND INCOME	194,826	161,010	3,221,218	6,536,572
BAD DEBTS RECOVERIES	5,161,214	4,710,949	845,386	1,174,901
GAINS ON SALE PROPERTIES FOR SALE	516,064	629,237	363,045	338,238
OTHER OPERATING INCOME	967,236	983,262	858,236	992,495
TOTAL OPERATING INCOME	100,479,982	91,486,799	60,106,086	59,105,418
OTHER OPERATING EXPENSES				
Employee's expenses	24,437,909	21,333,840	16,604,677	15,269,448
Directors' remuneration	57,775	49,003	52,130	45,859
Premises and equipment expenses	8,248,116	7,355,727	6,326,456	5,723,570
Taxes and duties	2,605,339	2,544,174	1,749,670	1,758,098
Others	12,860,814	11,797,235	6,968,724	6,626,447
Total other operating expenses	48,209,953	43,079,979	31,701,657	29,423,422
IMPAIRMENT LOSS OF LOANS AND DEBT SECURITIES (Note 7.33)	22,970,491	21,314,536	13,578,693	11,674,922
PROFIT FROM OPERATING BEFORE INCOME TAX EXPENSES	29,299,538	27,092,284	14,825,736	18,007,074
INCOME TAX EXPENSES (Note 7.34)	5,738,988	5,408,596	2,142,481	2,275,627
NET PROFIT	23,560,550	21,683,688	12,683,255	15,731,447

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

BAHT : '000

		CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
		2017	**2016**	**2017**	**2016**
OTHER COMPREHENSIVE INCOME					
Items that will be reclassified subsequently to profit or loss:					
Gain (loss) on remeasuring available-for-sale investments		162,971	(241,898)	162,971	(241,898)
Gain (loss) arising from translating the financial statements of a foreign operation		(527,143)	120,297	-	-
Income tax relating to components of other comprehensive income (Note 7.35)		68,589	24,307	(32,595)	48,380
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		378,329	(41,964)	297,771	70,196
Share of other comprehensive income of joint venture		1,449	(3,815)	-	-
Income tax relating to components of other comprehensive income (Note 7.35)		(75,666)	(601,028)	(59,554)	(623,489)
Total other comprehensive income, net		8,529	2,303,148	368,593	2,300,438
TOTAL COMPREHENSIVE INCOME		23,569,079	23,986,836	13,051,848	18,031,885
NET PROFIT ATTRIBUTABLE					
Owners of the Bank		23,209,271	21,404,034	12,683,255	15,731,447
Non-controlling interest		351,279	279,654	-	-
		23,560,550	21,683,688	12,683,255	15,731,447
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE					
Owners of the Bank		23,220,052	23,708,754	13,051,848	18,031,885
Non-controlling interest		349,027	278,082	-	-
		23,569,079	23,986,836	13,051,848	18,031,885
EARNINGS PER SHARE OF OWNERS OF THE BANK					
BASIC EARNINGS PER SHARE	**BAHT**	3.16	2.91	1.72	2.14
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	**SHARES**	7,355,761,773	7,355,761,773	7,355,761,773	7,355,761,773

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, 2017

BAHT : '000

	CONSOLIDATED FINANCIAL STATEMENTS										
	Owners of the Bank									Non-Controlling Interest	Total
	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves				Retained Earnings		Total Bank's Equity		
			Asset Appraisal Surplus	Revaluation Surplus on Investments	Foreign Currency Translation	Deficit from Business Combination under Common Control	Appropriated Legal Reserve	Unappropriated			
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 7.20.2)	-	-	-	-	-	-	-	(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
Balance as of January 1, 2017	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
Change in revaluation surplus	-	-	(273,668)	-	-	-	-	273,668	-	-	-
Dividend payment (Note 7.20.2)	-	-	-	-	-	-	-	(6,252,397)	(6,252,397)	(81,936)	(6,334,333)
Increase in legal reserve	-	-	-	-	-	-	635,000	(635,000)	-	-	-
Total comprehensive income	-	-	-	130,377	(423,838)	-	-	23,513,513	23,220,052	349,027	23,569,079
Change in shareholding in subsidiaries company	-	-	-	-	893	-	-	(17,376)	(16,483)	955	(15,528)
Balance as of December 31, 2017	73,557,618	52,878,749	8,148,936	888,958	(323,533)	(5,217,755)	5,006,800	90,190,736	225,130,509	856,717	225,987,226

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, 2017

BAHT : '000

THE BANK'S FINANCIAL STATEMENTS

	Issued and Paid-up Share Capital	Premium on Share Capital	Other reserves: Asset Appraisal Surplus	Other reserves: Revaluation Surplus on Investments	Other reserves: Deficit from Business Combination under Common Control	Retained Earnings: Appropriated Legal Reserve	Retained Earnings: Unappropriated	Total
Balance as of January 1, 2016	73,557,618	52,878,749	6,224,030	952,099	(5,217,755)	3,584,800	34,599,439	166,578,980
Change in revaluation surplus	-	-	(239,225)	-	-	-	239,225	-
Dividend payment (Note 7.20.2)	-	-	-	-	-	-	(5,884,610)	(5,884,610)
Increase in legal reserve	-	-	-	-	-	787,000	(787,000)	-
Total comprehensive income	-	-	2,437,799	(193,518)	-	-	15,787,604	18,031,885
Balance as of December 31, 2016	73,557,618	52,878,749	8,422,604	758,581	(5,217,755)	4,371,800	43,954,658	178,726,255
Balance as of January 1, 2017	73,557,618	52,878,749	8,422,604	758,581	(5,217,755)	4,371,800	43,954,658	178,726,255
Change in revaluation surplus	-	-	(273,668)	-	-	-	273,668	-
Dividend payment (Note 7.20.2)	-	-	-	-	-	-	(6,252,397)	(6,252,397)
Increase in legal reserve	-	-	-	-	-	635,000	(635,000)	-
Total comprehensive income	-	-	-	130,377	-	-	12,921,471	13,051,848
Balance as of December 31, 2017	73,557,618	52,878,749	8,148,936	888,958	(5,217,755)	5,006,800	50,262,400	185,525,706

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, 2017

BAHT : '000

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income from operating before income tax expenses	29,299,538	27,092,284	14,825,736	18,007,074
Adjustments to reconcile income to cash received (paid) from operating activities:				
Depreciation and amortization	3,887,437	3,657,044	2,984,804	2,716,220
Interest expenses from finance lease	1,299	1,818	819	1,636
Impairment loss on loans and debt securities	22,970,491	21,314,536	13,578,693	11,674,922
(Gain) loss on translation in foreign currencies	(13,872,500)	566,751	(13,872,500)	566,751
Share of profit from investment using equity method	(301,603)	(347,617)	-	-
Gain on investments	(895,933)	(598,512)	(795,933)	(598,512)
Increase (decrease) in discount on investments	114,378	(251,178)	114,378	(251,178)
Gain on sales of properties for sale	(516,064)	(629,237)	(363,045)	(338,238)
Loss on sales of premises and equipment	12,292	2,047	39,123	8,065
Loss on impairment of properties for sale	481,011	433,237	250,825	191,313
Loss on impairment of premises and equipment (reversal)	132	(90,223)	(76)	(89,025)
Loss on impairment of other assets (reversal)	105,088	(133,577)	61,733	124,512
Increase in other reserves	86,834	574,583	346,090	345,371
Interest income, net	(68,534,809)	(61,976,697)	(40,216,192)	(36,785,034)
Interest received	94,930,634	92,038,652	64,868,176	49,109,412
Interest paid	(26,076,307)	(23,118,153)	(24,305,089)	(22,586,368)
Dividend income	(194,826)	(161,010)	(3,221,218)	(6,536,572)
Dividends received	198,339	156,718	197,808	155,962
Increase in other accrued expenses	1,065,296	498,712	501,169	302,048
Income tax paid	(5,436,105)	(5,258,575)	(1,833,534)	(2,407,322)
Income from operations before changes in operating assets and liabilities	37,324,622	53,771,603	13,161,767	13,611,037
(Increase) decrease in operating assets				
Interbank and money market items	(132,802,223)	(1,755,863)	(133,497,714)	(3,887,328)
Derivatives assets	14,918,292	6,547,471	14,906,979	6,547,471
Current investments - securities for trading	275,604	565,225	275,866	565,225
Loans to customers	(132,833,393)	(161,448,578)	(106,839,735)	(123,326,675)
Properties for sale	8,696,473	5,720,513	5,753,772	4,872,623
Other assets	(4,543,475)	8,183,653	(3,927,740)	5,626,455

BANK OF AYUDHYA PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

BAHT : '000

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Increase (decrease) in operating liabilities				
Deposits	215,417,046	51,803,007	218,266,666	51,635,711
Interbank and money market items	(15,574,105)	39,471,597	(13,900,926)	41,318,022
Liability payable on demand	2,292,117	1,037,924	2,292,384	1,037,660
Derivatives liabilities	(6,563,416)	(6,097,209)	(6,563,614)	(6,097,216)
Other liabilities	(4,160,288)	(3,957,188)	(5,462,818)	(3,452,533)
Net cash from operating activities	(17,552,746)	(6,157,845)	(15,535,113)	(11,549,548)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales of investments in securities	129,361,447	134,758,647	129,311,447	134,758,647
Cash paid for purchases of investments in securities	(80,581,297)	(156,540,725)	(80,369,111)	(156,538,000)
Cash paid for investment in subsidiaries	(15,528)	(4,961,638)	(2,259,060)	(6,814,928)
Dividend received from subsidiaries	-	-	3,026,924	6,376,318
Proceeds from sales of premises and equipment	78,792	82,909	7,720	3,735
Cash paid for purchases of premises and equipment	(3,926,441)	(3,748,891)	(3,102,329)	(2,975,154)
Cash paid for purchases of other assets	(1,094,420)	(946,119)	(822,612)	(912,541)
Net cash from investing activities	43,822,553	(31,355,817)	45,792,979	(26,101,923)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from debts issued and borrowings	279,104,267	337,942,874	266,731,361	329,458,198
Cash paid for repayment of debts issued and borrowings	(296,555,730)	(290,443,999)	(288,655,440)	(283,816,792)
Cash paid for repayment of liabilities under finance lease agreements	(21,316)	(20,097)	(21,316)	(20,097)
Dividend payment	(6,334,333)	(5,966,546)	(6,252,397)	(5,884,610)
Net cash from financing activities	(23,807,112)	41,512,232	(28,197,792)	39,736,699
Total	2,462,695	3,998,570	2,060,074	2,085,228
Gain (loss) arising from translating the financial statements of a foreign operation	(278,541)	120,297	-	-
Effect of exchange rate change on cash	(59,987)	(10,141)	(59,987)	(10,141)
Net Increase in cash and cash equivalents	2,124,167	4,108,726	2,000,087	2,075,087
Cash and cash equivalents as at January 1,	39,576,980	35,468,254	35,670,918	33,595,831
Cash and cash equivalents as at December 31,	41,701,147	39,576,980	37,671,005	35,670,918

Notes to the consolidated and the Bank's financial statements form an intergral 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, 2017

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. As at December 31, 2017 and 2016, the Bank has 17 subsidiaries 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 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 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.

1.5 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.

1.6 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.

1.7 Siam Realty and Services Security 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.

1.8 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.

1.9 Krungsri Asset Management Company Limited was incorporated in Thailand on December 19, 1996 and is located at 898, 1^{st}-2^{nd} zone A, 12^{th} and 18^{th} 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.

1.10 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.

1.11 Krungsri Securities Public Company Limited was incorporated in Thailand on April 16, 2004 and is located at 898, 3^{rd} Floor, Ploenchit Tower, Ploenchit Road, Lumpini Subdistrict, Pathumwan District, Bangkok. The subsidiary's main business is a securities business.

1.12 Krungsri Factoring Company Limited was incorporated in Thailand on February 1, 2007 and is located at 1222, 19^{th} Floor, Bank of Ayudhya, Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is factoring.

1.13 Krungsri Life Assurance Broker 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.

1.14 Krungsri General Insurance Broker 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.

1.15 Krungsri Finnovate Company Limited was incorporated in Thailand on March 27, 2017 and is located at 1222, 10^{th} Floor, Rama III Road, Bang Phongphang Subdistrict, Yannawa District, Bangkok. The subsidiary's main business is venture capital.

1.16 Krungsri Leasing Services Company Limited as at December 31, 2017 and 2016, which is owned by Ayudhya Capital Auto Lease Public Company Limited of 78% and 35% and Ayudhya Capital Services Company Limited of 12%, and 35%, respectively, 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, has changed its registered address from 606, Street 271, Village 06, Sangkat Phsar Daeum Thkov, Khan Chamka Morn, Phnom Penh, the Kingdom of Cambodia to 606, Street 271, Sansam Kosal 3 Village, Sangkat Boeng Tumpun 1, Khan Mean Chey, Phnom Penh, the Kingdom of Cambodia. The subsidiary's main business is providing loans, deposits and other financial services.

During 2017, the Bank has one subsidiary which was dissolved as follows:

1.18 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. Subsidiary registered the completion of liquidation in 2017.

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 2016) "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 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 2017

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, 2018 onwards. Thai Financial Reporting Standards which are related to the Bank and its subsidiaries are as follows:

Thai Accounting Standards ("TAS")

TAS 1 (Revised 2017)	Presentation of Financial Statements
TAS 7 (Revised 2017)	Statement of Cash Flows
TAS 8 (Revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2017)	Events After the Reporting Period
TAS 12 (Revised 2017)	Income Taxes
TAS 16 (Revised 2017)	Property, Plant and Equipment
TAS 17 (Revised 2017)	Leases
TAS 18 (Revised 2017)	Revenue
TAS 19 (Revised 2017)	Employee Benefits
TAS 20 (Revised 2017)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2017)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (Revised 2017)	Borrowing Cost
TAS 24 (Revised 2017)	Related Party Disclosures
TAS 26 (Revised 2017)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2017)	Separate Financial Statements
TAS 28 (Revised 2017)	Investments in Associates and Joint Ventures
TAS 29 (Revised 2017)	Financial Reporting in Hyperinflationary Economics
TAS 33 (Revised 2017)	Earnings per Share
TAS 34 (Revised 2017)	Interim Financial Reporting
TAS 36 (Revised 2017)	Impairment of Assets
TAS 37 (Revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2017)	Intangible Assets
TAS 40 (Revised 2017)	Investment Property

Thai Financial Reporting Standards ("TFRS")

TFRS 2 (Revised 2017)	Share-based Payment
TFRS 3 (Revised 2017)	Business Combinations
TFRS 5 (Revised 2017)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (Revised 2017)	Operating Segments
TFRS 10 (Revised 2017)	Consolidated Financial Statements
TFRS 11 (Revised 2017)	Joint Arrangements
TFRS 12 (Revised 2017)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2017)	Fair Value Measurement

Thai Standards Interpretations ("TSIC")

TSIC 15 (Revised 2017)	Operating Leases - Incentives
TSIC 27 (Revised 2017)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 31 (Revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (Revised 2017)	Intangible Assets - Web Site Costs

Thai Financial Reporting Standard Interpretations ("TFRIC")

TFRIC 1 (Revised 2017)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2017)	Determining whether an Arrangement contains a Lease
TFRIC 5 (Revised 2017)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 10 (Revised 2017)	Interim Financial Reporting and Impairment
TFRIC 13 (Revised 2017)	Customer Loyalty Programmes
TFRIC 14 (Revised 2017)	TAS 19 (Revised 2017) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (Revised 2017)	Distributions of Non-cash Assets to Owners
TFRIC 18 (Revised 2017)	Transfers of Assets from Customers
TFRIC 21 (Revised 2017)	Levies

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, 2017	2016
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	Hire-purchase and motorcycle loans	Thailand	100.00	100.00
Ayudhya Card Services Company Limited(1)	Credit cards and personal loans	Thailand	-	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
Siam Realty and Services Security Company Limited	Car rental services and personnel services	Thailand	100.00	100.00
Total Services 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	99.84	98.71
Krungsri Factoring Company Limited	Factoring	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, 2017	2016
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 Finnovate Company Limited	Venture capital	Thailand	100.00	-
Krungsri Leasing Services Company Limited[(3)]	Hire-purchase, leasing and sales finance	Lao PDR	90.00	70.00
Hattha Kaksekar Limited	Micro finance	Cambodia	100.00	100.00

(1) Subsidiary registered the completion of liquidation in 2017.
(2) Indirectly holding via Ayudhya Capital Services Company Limited of 100%.
(3) As at December 31, 2017 and 2016, indirectly holding via Ayudhya Capital Auto Lease Public Company Limited of 78% and 35% and Ayudhya Capital Services Company Limited of 12% and 35%, respectively.

All material intercompany transactions and balances have been eliminated.

3. ADOPTION OF NEW AND REVISED THAI FINANCIAL REPORTING STANDARDS

Since January 1, 2017, 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 on the financial statements for the accounting periods beginning on or after January 1, 2017. 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

Thai Accounting Standards ("TAS") (Continued)

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

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TFRIC 5 (Revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 10 (Revised 2016)	Interim Financial Reporting and Impairment
TFRIC 13 (Revised 2016)	Customer Loyalty Programmes
TFRIC 14 (Revised 2016)	TAS 19 (Revised 2016) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (Revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (Revised 2016)	Transfers of Assets from Customers
TFRIC 21 (Revised 2016)	Levies

Guideline on Accounting

Guideline on Accounting regarding Derecognition of Financial Assets and Liabilities

The above TFRSs have no material impact to the Bank and its subsidiaries' financial statements except Thai Accounting Standard No. 38 (Revised 2016) "Intangible Assets". The Bank and its subsidiaries have changed amortization method of intangible assets from revenue-based method to be straight-line method. The effects of such change are as follows:

		Unit: Million Baht
	CONSOLIDATED FINANCIAL STATEMENTS	**THE BANK'S FINANCIAL STATEMENTS**
Statements of profit or loss and other comprehensive income for the year ended December 31, 2017		
Decrease in other expenses – amortization expenses	123	2
Increase in profit from operating before income tax expenses	123	2

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 is 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 is 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 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 associates and joint ventures are accounted for by the equity method. In the Bank's financial statements, investments in subsidiaries and associates 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 receivables and finance lease receivables 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 exclude 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 debts 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 risks 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 vehicles	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. Since January 1, 2017, amortization of other intangible assets received from business combinations are calculated by the straight-line method.

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 from 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 investments in receivables 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 receivables and loans on a cash basis.

The hire-purchase business recognizes 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 statements of financial position and employee’s expenses in the statements 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 point.

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 recognize 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 in equity.

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 operations 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 operations are recognized in other comprehensive income and its cumulative amount is presented as foreign currency translation reserve in other reserves under 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 as at the date 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 contractual 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.

In 2017 Bank has continuously conducted the forward-looking risk management to support the business expansion in potential financial products and services to meet more complicated and varieties customers' demand at the acceptable market risk level amid high volatility in global financial markets and tightening regulation from BOT. In addition, Bank has continued to enhance market risk measurement to align with new international's framework issued by Basel Committee on Banking Supervision (BCBS) such as Fundamental Review of the Trading Book (FRTB) and Interest Rate Risk in Banking Book (IRRBB) etc., with continuous BTMU strong support and knowledge sharing.

Credit risk

Credit risk refers to the risk that customer or 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 contractual 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's 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 liquid 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 income 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 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 and Liquidity Coverage Ratio (LCR) “Liquid assets to the expected net cash outflows over 30 days under acute stressed scenarios” are to comply with the BOT’s requirements at least 60% by January 2016 and rise by 10% each year to reach 100% on January 2020 onwards. Liquidity management utilizes qualitative and quantitative methods to ensure 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 still has required commercial banks to prepare and submit the liquidity risk reports in accordance with the Basel III guidelines, namely, 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. Bank has assessed impacts of compliance and calculated and reported the monthly NSFR 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, 2017 and 2016 are summarized as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2017

	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	284,587	2,083	2,300	-	-	41,827	330,797
Investments, net	9,101	33,711	33,970	1,970	-	5,182	83,934
Loans to customers	842,885	217,768	356,783	24,541	37,622	70,805	1,550,404
Financial liabilities							
Deposits	969,734	288,909	23,764	24	-	36,798	1,319,229
Interbank and money market items, net	241,207	31,397	2,780	474	-	3,863	279,721
Debt issued and borrowings	5,259	31,549	63,865	42,168	-	25	142,866

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

	THE BANK'S FINANCIAL STATEMENTS 2017						
	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	282,463	1,983	2,300	-	-	38,894	325,640
Investments, net	9,101	33,711	33,970	1,970	-	4,951	83,703
Loans to customers	850,300	179,975	334,138	24,048	30,419	4,542	1,423,422
Financial liabilities							
Deposits	971,572	283,876	23,439	22	-	37,796	1,316,705
Interbank and money market items, net	244,668	31,397	4,061	474	-	3,877	284,477
Debt issued and borrowings	4,010	21,000	45,000	41,985	-	-	111,995

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

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, 2017 and 2016.

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2017			2016		
	Average Balance	Interest Amount	Average Rate (%)	Average Balance	Interest Amount	Average Rate (%)
Interest bearing financial assets						
Interbank and money market items	189,941	3,425	1.8	168,883	2,833	1.7
Investments	97,751	2,269	2.3	106,835	2,287	2.1
Loans to customers	1,473,633	89,304	6.1	1,356,201	80,804	6.0
Total	1,761,325	94,998		1,631,919	85,924	
Interest bearing financial liabilities						
Deposits	1,142,519	17,955	1.6	1,037,262	17,319	1.7
Interbank and money market items	279,338	3,959	1.4	297,708	3,202	1.1
Debt issued and borrowings	157,359	4,549	2.9	121,551	3,427	2.8
Total	1,579,216	26,463		1,456,521	23,948	

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2017			2016		
	Average Balance	Interest Amount	Average Rate (%)	Average Balance	Interest Amount	Average Rate (%)
Interest bearing financial assets						
Interbank and money market items	187,472	3,413	1.8	167,303	2,822	1.7
Investments	97,473	2,269	2.3	106,517	2,287	2.1
Loans to customers	1,355,068	59,273	4.4	1,257,582	54,683	4.3
Total	1,640,013	64,955		1,531,402	59,792	
Interest bearing financial liabilities						
Deposits	1,137,844	17,145	1.5	1,038,803	17,070	1.6
Interbank and money market items	283,375	4,004	1.4	300,362	3,216	1.1
Debt issued and borrowings	128,825	3,590	2.8	99,594	2,721	2.7
Total	1,550,044	24,739		1,438,759	23,007	

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, 2017 and 2016.

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2017

	Call	Not Over 3 Months	Greater than 3-12 Months	Greater than 1-5 Years	Greater than 5 Years	Non-Performing Loans	No Maturity	Total
Financial assets								
Interbank and money market items, net	48,008	275,593	2,891	3,020	1,082	-	203	330,797
Investments, net	-	7,257	17,453	52,561	2,084	-	4,579	83,934
Loans to customers	64,205	243,889	285,943	598,353	320,392	37,622	-	1,550,404
Financial liabilities								
Deposits	587,760	418,468	289,192	23,785	24	-	-	1,319,229
Interbank and money market items, net	11,115	263,326	2,065	2,742	473	-	-	279,721
Debt issued and borrowings	-	5,348	32,921	62,554	42,035	-	8	142,866

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2016

	Call	Not Over 3 Months	Greater than 3-12 Months	Greater than 1-5 Years	Greater than 5 Years	Non-Performing Loans	No Maturity	Total
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

THE BANK'S FINANCIAL STATEMENTS

2017

	Call	Not Over 3 Months	Greater than 3-12 Months	Greater than 1-5 Years	Greater than 5 Years	Non-Performing Loans	No Maturity	Total
Financial assets								
Interbank and money market items, net	44,270	275,357	2,791	3,019	-	-	203	325,640
Investments, net	-	7,257	17,453	52,561	2,083	-	4,349	83,703
Loans to customers	63,285	229,963	220,290	560,859	318,606	30,419	-	1,423,422
Financial liabilities								
Deposits	593,275	416,094	283,854	23,460	22	-	-	1,316,705
Interbank and money market items, net	14,606	263,301	2,041	4,056	473	-	-	284,477
Debt issued and borrowings	-	4,010	21,000	45,000	41,985	-	-	111,995

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS 2016							
	Call	Not Over 3 Months	Greater than 3-12 Months	Greater than 1-5 Years	Greater than 5 Years	Non-Performing Loans	No Maturity	Total
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

5.5 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 assets and liabilities 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 assets and liabilities as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

	2017			2016		
	Measured at fair value	Not measured at fair value	Total carrying amount	Measured at fair value	Not measured at fair value	Total carrying amount
Financial assets:						
Cash	-	38,244	38,244	-	36,142	36,142
Interbank and money market items, net	-	330,797	330,797	-	200,283	200,283
Derivatives assets	14,520	42	14,562	23,380	5,737	29,117
Investments, net	67,152	16,782	83,934	114,922	16,860	131,782
Loans to customers and accrued interest receivables, net	-	1,498,845	1,498,845	-	1,403,285	1,403,285
Total	81,672	1,884,710	1,966,382	138,302	1,662,307	1,800,609
Financial liabilities:						
Deposits	-	1,319,229	1,319,229	-	1,108,288	1,108,288
Interbank and money market items, net	-	279,721	279,721	-	314,400	314,400
Liability payable on demand	-	6,296	6,296	-	4,177	4,177
Derivatives liabilities	12,741	2,983	15,724	19,758	823	20,581
Debt issued and borrowings	-	142,866	142,866	-	160,326	160,326
Total	12,741	1,751,095	1,763,836	19,758	1,588,014	1,607,772

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2017			2016		
	Measured at fair value	Not measured at fair value	Total carrying amount	Measured at fair value	Not measured at fair value	Total carrying amount
Financial assets:						
Cash	-	37,671	37,671	-	35,671	35,671
Interbank and money market items, net	-	325,640	325,640	-	194,453	194,453
Derivatives assets	14,531	42	14,573	23,380	5,737	29,117
Investments, net	67,152	16,551	83,703	114,922	16,841	131,763
Loans to customers and accrued interest receivables, net	-	1,387,176	1,387,176	-	1,304,954	1,304,954
Total	81,683	1,767,080	1,848,763	138,302	1,557,656	1,695,958
Financial liabilities:						
Deposits	-	1,316,705	1,316,705	-	1,102,914	1,102,914
Interbank and money market items, net	-	284,477	284,477	-	317,483	317,483
Liability payable on demand	-	6,296	6,296	-	4,176	4,176
Derivatives liabilities	12,741	2,983	15,724	19,758	823	20,581
Debt issued and borrowings	-	111,995	111,995	-	133,919	133,919
Total	12,741	1,722,456	1,735,197	19,758	1,559,315	1,579,073

Financial assets and liabilities measured at fair value

Classification of financial assets and liabilities measured at fair value by the level of fair value hierarchy as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS							
	2017				2016			
	Fair value			Carrying	Fair value			Carrying
	Level 1	Level 2	Total fair value	amount	Level 1	Level 2	Total fair value	amount
Derivatives assets								
- trading book	-	14,520	14,520	14,520	-	23,380	23,380	23,380
Investments - trading	-	355	355	355	-	425	425	425
Investments								
- available-for-sale	3,082	63,715	66,797	66,797	3,420	111,077	114,497	114,497
Derivative liabilities								
- trading book	-	12,741	12,741	12,741	-	19,758	19,758	19,758

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS							
	2017				2016			
	Fair value			Carrying	Fair value			Carrying
	Level 1	Level 2	Total fair value	amount	Level 1	Level 2	Total fair value	amount
Derivatives assets								
- trading book	-	14,531	14,531	14,531	-	23,380	23,380	23,380
Investments - trading	-	355	355	355	-	425	425	425
Investments								
- available-for-sale	3,082	63,715	66,797	66,797	3,420	111,077	114,497	114,497
Derivative liabilities								
- trading book	-	12,741	12,741	12,741	-	19,758	19,758	19,758

There are no transfers of financial assets and liabilities measured at fair value between level 1 and level 2 for the years ended December 31, 2017 and 2016.

Valuation technique for financial assets and liabilities measured at fair value are as follows:

Derivatives - 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 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 assets and liabilities not measured at fair value

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

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS									
	2017					**2016**				
	Fair value				**Carrying**	**Fair value**				**Carrying**
	Level 2	**Level 3**	**Their carrying amounts are considered as a reasonable approximate of fair value**	**Total fair value**	**amount**	**Level 2**	**Level 3**	**Their carrying amounts are considered as a reasonable approximate of fair value**	**Total fair value**	**amount**
Financial assets:										
Cash	-	-	38,244	38,244	38,244	-	-	36,142	36,142	36,142
Interbank and money market items, net	-	-	330,797	330,797	330,797	-	-	200,283	200,283	200,283
Derivatives assets - banking book	45	-	-	45	42	5,444	-	-	5,444	5,737
Held to maturity and general investments	-	16,043	783	16,826	16,782	-	16,050	860	16,910	16,860
Loans to customers and accrued interest receivables, net	-	-	1,498,845	1,498,845	1,498,845	-	-	1,403,285	1,403,285	1,403,285
Total	45	16,043	1,868,669	1,884,757	1,884,710	5,444	16,050	1,640,570	1,662,064	1,662,307
Financial liabilities:										
Deposits	1,319,620	-	-	1,319,620	1,319,229	1,108,734	-	-	1,108,734	1,108,288
Interbank and money market items, net	-	-	279,721	279,721	279,721	-	-	314,400	314,400	314,400
Liability payable on demand	-	-	6,296	6,296	6,296	-	-	4,177	4,177	4,177
Derivatives liabilities - banking book	3,045	-	-	3,045	2,983	871	-	-	871	823
Debt issued and borrowings	139,337	4,464	10	143,811	142,866	113,880	4,355	41,327	159,562	160,326
Total	1,462,002	4,464	286,027	1,752,493	1,751,095	1,223,485	4,355	359,904	1,587,744	1,588,014

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS									
	2017					2016				
	Fair value				Carrying	Fair value				Carrying
	Level 2	Level 3	Their carrying amounts are considered as a reasonable approximate of fair value	Total fair value	amount	Level 2	Level 3	Their carrying amounts are considered as a reasonable approximate of fair value	Total fair value	amount
Financial assets:										
Cash	-	-	37,671	37,671	37,671	-	-	35,671	35,671	35,671
Interbank and money market items, net	-	-	325,640	325,640	325,640	-	-	194,453	194,453	194,453
Derivatives assets - banking book	45	-	-	45	42	5,444	-	-	5,444	5,737
Held to maturity and general investments	-	16,043	552	16,595	16,551	-	16,050	841	16,891	16,841
Loans to customers and accrued interest receivables, net	-	-	1,387,176	1,387,176	1,387,176	-	-	1,304,954	1,304,954	1,304,954
Total	45	16,043	1,751,039	1,767,127	1,767,080	5,444	16,050	1,535,919	1,557,413	1,557,656
Financial liabilities:										
Deposits	1,317,022	-	-	1,317,022	1,316,705	1,103,331	-	-	1,103,331	1,102,914
Interbank and money market items, net	-	-	284,477	284,477	284,477	-	-	317,483	317,483	317,483
Liability payable on demand	-	-	6,296	6,296	6,296	-	-	4,176	4,176	4,176
Derivatives liabilities - banking book	3,045	-	-	3,045	2,983	871	-	-	871	823
Debt issued and borrowings	112,864	-	10	112,874	111,995	91,967	-	41,575	133,542	133,919
Total	1,432,931	-	290,783	1,723,714	1,722,456	1,196,169	-	363,234	1,559,403	1,559,315

Valuation technique for financial assets and liabilities 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.

Derivatives - 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 BOT 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 Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the BOT. The Bank is required to calculate its Capital Funds in accordance with Basel III. As at December 31, 2017 and 2016, the Consolidated Supervision and the Bank's total capital funds and capital adequacy ratios can be categorized as follows:

	Unit : Million Baht	
	Basel III	
	Consolidated Supervision	
	2017	**2016**
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	5,007	4,372
Unappropriated retained earning	78,166	62,305
Other comprehensive income	8,590	8,959
Owner changes - other	(5,218)	(5,218)
Less Deduction items from Common Equity Tier 1 capital	(21,056)	(20,220)
Total Common Equity Tier 1 capital	191,926	176,635
Additional Tier 1	1,307	1,387
Total Tier 1 capital	193,233	178,022
Tier 2 capital	58,936	41,080
Total capital fund	252,169	219,102

Capital adequacy ratio (%)

	BOT regulatory Minimum requirement*		Basel III Consolidated Supervision	
	2017	**2016**	**2017**	**2016**
Total Common Equity Tier 1 capital / Total risk weighted assets	5.75	5.125	12.56	12.14
Total Tier 1 capital / Total risk weighted assets	7.25	6.625	12.64	12.24
Total capital / Total risk weighted assets	9.75	9.125	16.50	15.06
Capital after deducting capital add-on arising from Single Lending Limit (Million Baht)			252,169	219,102
Capital ratio after deducting capital add-on arising from Single Lending Limit			16.50	15.06

* BOT requires to maintain minimum CAR at 8.5% and gradually increases the conservation buffer at 0.625% per year since January 1, 2016 until reaching 2.5% by January 1, 2019.

BOT has adopted supervisory framework for Domestic Systemically Important Banks ("D-SIBs") by requiring qualified banks to maintain higher capital to better absorb losses from their operations. The Bank is identified as D-SIBs and required to maintain additional 1% of common equity tier 1 ratio. This new requirement will be phasing in starting at 0.5% on January 1, 2019 and 1% on January 1, 2020.

	Unit : Million Baht	
	Basel III	
	The Bank	
	2017	2016
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	5,007	4,372
Unappropriated retained earning	44,704	36,052
Other comprehensive income	8,938	8,988
Owner changes - other	(5,218)	(5,218)
Less Deduction items from Common Equity Tier 1 capital	(12,337)	(11,803)
Total Common Equity Tier 1 capital	167,531	158,828
Additional Tier 1	-	-
Total Tier 1 capital	167,531	158,828
Tier 2 capital	51,502	32,266
Total capital fund	219,033	191,094

Capital adequacy ratio (%)

	BOT regulatory Minimum requirement*		Basel III The Bank	
	2017	2016	2017	2016
Total Common Equity Tier 1 capital / Total risk weighted assets	5.75	5.125	11.97	11.77
Total Tier 1 capital / Total risk weighted assets	7.25	6.625	11.97	11.77
Total capital / Total risk weighted assets	9.75	9.125	15.65	14.16
Capital after deducting capital add-on arising from Single Lending Limit (Million Baht)			219,033	191,094
Capital ratio after deducting capital add-on arising from Single Lending Limit			15.65	14.16

* BOT requires to maintain minimum CAR at 8.5% and gradually increases the conservation buffer at 0.625% per year since January 1, 2016 until reaching 2.5% by January 1, 2019.

BOT has adopted supervisory framework for Domestic Systemically Important Banks ("D-SIBs") by requiring qualified banks to maintain higher capital to better absorb losses from their operations. The Bank is identified as D-SIBs and required to maintain additional 1% of common equity tier 1 ratio. This new requirement will be phasing in starting at 0.5% on January 1, 2019 and 1% on January 1, 2020.

Disclosure of capital maintenance information of the Financial Business Group and the Bank under the BOT'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, 2017
Information as at	June 30, 2017

The disclosure for the year ended December 31, 2017 will be provided on or before April 30, 2018 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 assumptions 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 which may differ from these 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 for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Increase (decrease) in revaluation surplus on investments	163	(242)	163	(242)
Accumulated depreciation of premises appraisal deducted from premises revaluation surplus	(326)	(324)	(326)	(299)
Increase in changes assets revaluation surplus	-	3,047	-	3,047
Properties for sale debt repayment	8,070	7,742	5,322	4,251
Properties and premises transferred to be properties for sale	20	34	20	-

7.1.2 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	14,705
Intangible assets	-	161
Others	4,806	4,752
	19,413	19,979
Liabilities		
Deposit and borrowings	15,591	15,604
Others	1,725	1,858
	17,316	17,462
Net assets	2,097	2,517
Goodwill		2,806
Cash payment to acquire shares		5,323
Less Cash of the subsidiary		(361)
Net cash payment		4,962

During the year ended December 31, 2017, the Bank has adjusted the fair value of assets and liabilities based on the Final Purchase Price Allocation Report. Therefore, the Bank made an adjustment to goodwill, which had been previously recognized on the acquisition date in the consolidated statements of financial position as at December 31, 2017 as follows:

			Unit: Million Baht
	Fair value as previously reported	**Increase (decrease)**	**Fair value as final reported**
Net assets	2,846	(329)	2,517
Purchase price	5,323	-	5,323
Goodwill	2,477	329	2,806

7.1.3 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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2017			2016		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	15,903	233,150	249,053	13,199	62,770	75,969
Commercial banks	1,629	2,603	4,232	1,262	18,765	20,027
Specialized financial institutions	-	6,279	6,279	-	13,733	13,733
Other financial institutions	392	38,610	39,002	203	33,458	33,661
Total	17,924	280,642	298,566	14,664	128,726	143,390
Add Accrued interest receivables	-	108	108	-	34	34
Less Allowance for doubtful accounts	-	(366)	(366)	-	(439)	(439)
Total domestic items	17,924	280,384	298,308	14,664	128,321	142,985
Foreign items						
US Dollar	16,647	2,090	18,737	23,559	11,045	34,604
Yen	10,735	-	10,735	16,224	-	16,224
Euro	638	-	638	489	-	489
Other currencies	2,064	315	2,379	5,359	615	5,974
Total	30,084	2,405	32,489	45,631	11,660	57,291
Add Accrued interest receivables	-	-	-	1	6	7
Total foreign items	30,084	2,405	32,489	45,632	11,666	57,298
Total domestic and foreign items	48,008	282,789	330,797	60,296	139,987	200,283

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2017			2016		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	15,903	233,150	249,053	13,199	62,770	75,969
Commercial banks	161	2,473	2,634	252	18,635	18,887
Specialized financial institutions	-	6,279	6,279	-	13,733	13,733
Other financial institutions	392	38,608	39,000	203	33,456	33,659
Total	16,456	280,510	296,966	13,654	128,594	142,248
Add Accrued interest receivables	-	107	107	-	34	34
Less Allowance for doubtful accounts	-	(366)	(366)	-	(439)	(439)
Total domestic items	16,456	280,251	296,707	13,654	128,189	141,843
Foreign items						
US Dollar	14,765	1,008	15,773	21,110	9,960	31,070
Yen	10,735	-	10,735	16,224	-	16,224
Euro	638	-	638	489	-	489
Other currencies	1,676	111	1,787	4,699	122	4,821
Total	27,814	1,119	28,933	42,522	10,082	52,604
Add Accrued interest receivables	-	-	-	-	6	6
Total foreign items	27,814	1,119	28,933	42,522	10,088	52,610
Total domestic and foreign items	44,270	281,370	325,640	56,176	138,277	194,453

7.3 Derivatives

7.3.1 Fair value and the notional amount classified by type of risk as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

Risk type	2017 Fair value / Readjustment based on an accrual basis Assets	2017 Fair value / Readjustment based on an accrual basis Liabilities	2017 Notional Amount	2016 Fair value / Readjustment based on an accrual basis Assets	2016 Fair value / Readjustment based on an accrual basis Liabilities	2016 Notional Amount
Exchange rate	9,162	10,633	945,452	24,039	15,030	1,086,297
Interest rate	5,400	5,091	712,294	5,078	5,551	871,189
Total	14,562	15,724	1,657,746	29,117	20,581	1,957,486

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

Risk type	2017 Fair value / Readjustment based on an accrual basis Assets	2017 Fair value / Readjustment based on an accrual basis Liabilities	2017 Notional Amount	2016 Fair value / Readjustment based on an accrual basis Assets	2016 Fair value / Readjustment based on an accrual basis Liabilities	2016 Notional Amount
Exchange rate	9,162	10,633	945,452	24,039	15,030	1,086,229
Interest rate	5,411	5,091	713,863	5,078	5,551	871,189
Total	14,573	15,724	1,659,315	29,117	20,581	1,957,418

7.3.2 Proportion of derivatives transactions classified by type of counterparty on the basis of notional amount as at December 31, 2017 and 2016 are as follows:

Counterparty	CONSOLIDATED FINANCIAL STATEMENTS 2017 Proportion (%)	CONSOLIDATED FINANCIAL STATEMENTS 2016 Proportion (%)	THE BANK'S FINANCIAL STATEMENTS 2017 Proportion (%)	THE BANK'S FINANCIAL STATEMENTS 2016 Proportion (%)
Financial institution	57.38	57.62	57.32	57.62
Related company	15.37	19.14	15.45	19.15
Third party	27.25	23.24	27.23	23.23
Total	100.00	100.00	100.00	100.00

7.4 Investments, net

Investments, net as at December 31, 2017 and 2016 consist of the following:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

	2017				2016			
	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	355	-	-	355	425	-	-	425
Domestic marketable equity securities	-	-	-	-	-	-	-	-
	355	-	-	355	425	-	-	425
Add Revaluation allowance	-			-	-			-
Total	355			355	425			425
Securities Available-for-Sale								
Government and state enterprise securities	51,612	235	-	51,847	95,728	296	(66)	95,958
Private sector's debt securities	10,601	392	-	10,993	13,358	399	(25)	13,732
Domestic marketable equity securities	3,757	605	(121)	4,241	4,747	532	(188)	5,091
	65,970	1,232	(121)	67,081	113,833	1,227	(279)	114,781
Add Revaluation allowance	1,111			-	948			-
Less Allowance for impairment	(284)			(284)	(284)			(284)
Total	66,797			66,797	114,497			114,497
Securities Held-to-Maturity								
Private sector's debt securities	16,000				16,050			
Investment in accounts receivable	452				714			
	16,452				16,764			
Less Allowance for impairment	(14)				(64)			
Total	16,438				16,700			
Securities for General Investments								
Domestic non-marketable equity securities	525				322			
Foreign non-marketable equity securities	3				30			
	528				352			
Less Allowance for impairment	(184)				(192)			
Total	344				160			
Total Investments, net	83,934				131,782			

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS							
	2017				2016			
	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	355	-	-	355	425	-	-	425
Domestic marketable equity securities	-	-	-	-	-	-	-	-
	355	-	-	355	425	-	-	425
Add Revaluation allowance	-			-	-			-
Total	355			355	425			425
Securities Available-for-Sale								
Government and state enterprise securities	51,612	235	-	51,847	95,728	296	(66)	95,958
Private sector's debt securities	10,322	392	-	10,714	13,079	399	(25)	13,453
Domestic marketable equity securities	3,757	605	(121)	4,241	4,747	532	(188)	5,091
	65,691	1,232	(121)	66,802	113,554	1,227	(279)	114,502
Add Revaluation allowance	1,111			-	948			-
Less Allowance for impairment	(5)			(5)	(5)			(5)
Total	66,797			66,797	114,497			114,497
Securities Held-to-Maturity								
Private sector's debt securities	16,000				16,050			
Investment in accounts receivable	452				714			
	16,452				16,764			
Less Allowance for impairment	(14)				(64)			
Total	16,438				16,700			
Securities for General Investments								
Domestic non-marketable equity securities	278				287			
Foreign non-marketable equity securities	3				30			
	281				317			
Less Allowance for impairment	(168)				(176)			
Total	113				141			
Total Investments, net	83,703				131,763			

For the years ended December 31, 2017 and 2016, revaluation surplus (deficit) on investments presented in the equity consists of the following:

Unit: Million Baht

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
	2017	2016
Beginning balance	948	1,190
Net amount transferred to profit or loss	(312)	(170)
Net change in fair value	475	(72)
Ending balance	1,111	948

As at December 31, 2017 and 2016, 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 and joint ventures, net

Investments in subsidiaries and joint ventures net as at December 31, 2017 and 2016 consist of the following:

Unit: Million Baht

			CONSOLIDATED FINANCIAL STATEMENTS 2017				
Company Name	**Business Type**	**Securities Investment Type**	**Issued and Paid-up 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	2,000	-
Tesco Life Assurance Broker Limited [2]	Life assurance broker	Common stock	12	50.00	-	60	-
Tesco General Insurance Broker Limited [2]	General insurance broker	Common stock	107	50.00	-	162	-
Investments in joint ventures, net					1,040	2,222	-

Unit: Million Baht

			CONSOLIDATED FINANCIAL STATEMENTS 2016				
Company Name	**Business Type**	**Securities Investment Type**	**Issued and Paid-up 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	1,715	-
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	-

[1] Indirect holding via Ayudhya Capital Services Company Limited
[2] Indirect holding via Tesco Card Services Limited

Unit: Million Baht

Company Name	Business Type	Securities Investment Type	Issued and Paid-up Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Dividend
		THE BANK'S FINANCIAL STATEMENTS 2017				
Subsidiaries						
Ayudhya Development Leasing Company Limited	Hire-purchase and leasing	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	2,759
Ngern Tid Lor Company Limited	Hire-purchase and motorcycle loans	Common stock	3,290	100.00	3,126	-
		Preferred stock			1	-
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	-
Krungsriayudhya Card Company Limited	Credit cards and personal loans	Common stock	5,906	100.00	6,275	-
Siam Realty and Services Security 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	1,350	99.84	1,497	-
Krungsri Factoring Company Limited	Factoring	Common stock	300	100.00	300	-
Krungsri Finnovate Company Limited	Venture capital	Common stock	700	100.00	700	-
Hattha Kaksekar Limited	Micro finance	Common stock	1,031	100.00	6,208	-
Investments in subsidiaries					62,922	3,027
Less Allowance for impairment					(5,052)	-
Investments in subsidiaries net					57,870	3,027

Unit: Million Baht

Company Name	Business Type	Securities Investment Type	Issued and Paid-up Share Capital	Proportion of Ownership Interest and Voting Power Held by the Bank (%)	Investment (Cost)	Dividend
		THE BANK'S FINANCIAL STATEMENTS 2016				
Subsidiaries						
Ayudhya Development Leasing Company Limited	Hire-purchase and leasing	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	Hire-purchase and motorcycle loans	Common stock	3,290	100.00	3,126	1,000
		Preferred stock			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	2,458	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	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
Less Allowance for impairment					(4,952)	-
Investments in subsidiaries net					55,711	6,376

[1] Subsidiary registered the completion of liquidation in 2017.

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, 2017

Unit: Million Baht

	2017	2016
Cash flows from operating activities		
Income before income tax	188	175
Adjustments to reconcile income to cash provided (paid) from operating activities		
Bad debt and doubtful accounts	21	11
Loss on impairment of properties for sale	17	55
Depreciation and amortization	1	1
Gain on sales of properties for sale	(118)	(92)
Employment benefits expenses	7	5
Interest income, net	(145)	(103)
Interest received	145	103
Income tax paid	(41)	(28)
Income from operations before changes in operating assets and liabilities	75	127
(Increase) decrease in operating assets		
Investment in receivables	22	35
Loans to customers	2	11
Properties for sale	338	335
Other assets	59	(4)
Decrease in operating liabilities		
Other liabilities	(24)	(5)
Net cash from operating activities	472	499
Cash flows from investing activities		
Net cash from investing activities	-	-
Cash flows from financing activities		
Net cash from financing activities	-	-
Net increase in cash and cash equivalents	472	499
Cash and cash equivalents as at January 1,	957	458
Cash and cash equivalents as at December 31,	1,429	957

7.6 Loans to customers and accrued interest receivables, net

Loans to customers and accrued interest receivables, net as at December 31, 2017 and 2016 are as follows:

(1) Classified by products

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Overdrafts	60,432	55,297	60,382	55,243
Loan against contract	792,493	737,450	810,399	782,688
Trade bill	283,266	296,147	285,321	297,178
Hire-purchase receivable	400,930	344,044	309,557	232,016
Lease contract receivable	14,707	14,413	3,923	3,452
Credit card receivable	62,007	56,542	-	-
Others	5,523	2,329	4,030	1,394
Total	1,619,358	1,506,222	1,473,612	1,371,971
Less Deferred revenue	(68,954)	(57,340)	(50,190)	(36,657)
Loans to customers after deferred revenue, net	1,550,404	1,448,882	1,423,422	1,335,314
Add Accrued interest receivables	3,917	3,865	2,296	2,316
Loans to customers and accrued interest receivable after deferred revenue, net	1,554,321	1,452,747	1,425,718	1,337,630
Less Allowance for doubtful accounts				
1) BOT requirement :				
- Individual approach	(26,805)	(24,525)	(21,992)	(20,006)
- Collective approach	(8,916)	(7,693)	(6,984)	(5,220)
2) Surplus reserve	(18,452)	(16,056)	(9,518)	(7,422)
Less Revaluation allowance for debt restructuring	(1,303)	(1,188)	(48)	(28)
Total loans to customers, net	1,498,845	1,403,285	1,387,176	1,304,954

(2) Classified by currency and residence of debtors

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,452,878	11,159	1,464,037	1,350,834	11,571	1,362,405
US Dollar	55,437	26,225	81,662	60,759	21,891	82,650
Other currencies	980	3,725	4,705	1,575	2,252	3,827
Total	1,509,295	41,109	1,550,404	1,413,168	35,714	1,448,882

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,345,001	10,426	1,355,427	1,253,181	10,846	1,264,027
US Dollar	55,437	8,983	64,420	60,759	6,079	66,838
Other currencies	980	2,595	3,575	1,575	2,874	4,449
Total	1,401,418	22,004	1,423,422	1,315,515	19,799	1,335,314

(3) Classified by business type and classification

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2017					
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Total
Agriculture and mining	18,510	1,080	109	121	800	20,620
Manufacturing and trading	371,182	12,402	3,396	2,620	8,803	398,403
Real estate and construction	89,539	3,946	806	374	1,541	96,206
Public utilities and services	138,883	10,781	270	244	1,693	151,871
Housing loans	209,100	2,749	1,238	1,191	2,820	217,098
Others	631,929	22,681	5,460	2,471	3,665	666,206
Total	1,459,143	53,639	11,279	7,021	19,322	1,550,404

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	1,356,310	57,738	12,564	5,876	16,394	1,448,882

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS 2017					
	Normal	**Special Mention**	**Substandard**	**Doubtful**	**Doubtful of Loss**	**Total**
Agriculture and mining	14,663	1,071	85	78	163	16,060
Manufacturing and trading	366,965	12,152	3,370	2,590	8,201	393,278
Real estate and construction	88,414	3,936	792	372	1,467	94,981
Public utilities and services	138,869	10,781	270	244	1,376	151,540
Housing loans	207,318	2,749	1,236	1,187	2,805	215,295
Others	532,545	13,540	2,377	1,811	1,995	552,268
Total	1,348,774	44,229	8,130	6,282	16,007	1,423,422

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	1,262,378	45,944	9,053	5,133	12,806	1,335,314

(4) Classified by type of classification

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS 2017			
	Loans to Customers and Accrued Interest Receivables	**Outstanding Balance Used for Calculation Allowance**	**% Used for Calculation Allowance[(3)]**	**Allowance for Doubtful Accounts[(4)]**
1. Minimum allowance per BOT guideline				
Normal	1,462,823	985,804	1, 2	11,863
Special mention	53,876	39,273	2, 15	2,998
Substandard	11,279	7,561	50, 100	5,938
Doubtful	7,021	4,724	46, 100	3,902
Doubtful of loss	19,322	9,251	100	11,020
Total	1,554,321	1,046,613		35,721 [(1)]
2. Surplus Reserve				18,452 [(2)]
Total				54,173

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2016			
	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Used for Calculation Allowance	% Used 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	1,452,747	971,046		32,218 [(1)]
2. Surplus Reserve				16,056 [(2)]
Total				48,274

(1) Including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2017 and 2016, of Baht 8,916 million and Baht 7,693 million, respectively.

(2) Including allowance for doubtful accounts of loans granted to subsidiaries as at December 31, 2017 and 2016, at the rate of 1% of Baht 102,882 million and Baht 118,284 million equal to Baht 1,029 million and Baht 1,183 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 BOT for loans to customers and the rates used for the collective approach valuation.

(4) Excluding revaluation allowance for debt restructuring as at December 31, 2017 and 2016, of Baht 1,303 million and Baht 1,188 million, respectively, and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2017 and 2016, of Baht 366 million and Baht 439 million, respectively.

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS			
	2017			
	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Used for Calculation Allowance	% Used for Calculation Allowance[(3)]	Allowance for Doubtful Accounts[(4)]
1. Minimum allowance per BOT guideline				
Normal	1,350,928	883,154	1, 2	10,549
Special mention	44,371	30,378	2, 10	2,287
Substandard	8,130	4,511	38, 100	3,731
Doubtful	6,282	4,043	38, 100	3,425
Doubtful of loss	16,007	7,319	100	8,984
Total	1,425,718	929,405		28,976 [(1)]
2. Surplus Reserve				9,518 [(2)]
Total				38,494

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS			
	2016			
	Loans to Customers and Accrued Interest Receivables	Outstanding Balance Used for Calculation Allowance	% Used 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	1,337,630	866,581		25,226 [(1)]
2. Surplus Reserve				7,422 [(2)]
Total				32,648

(1) Including allowance for doubtful accounts on a collective approach for hire-purchase loans as at December 31, 2017 and 2016, of Baht 6,984 million and Baht 5,220 million, respectively.

(2) Including allowance for doubtful accounts of loan granted to subsidiaries as at December 31, 2017 and 2016, at the rate of 1% of Baht 102,882 million and Baht 118,284 million, equal to Baht 1,029 million and Baht 1,183 million, respectively.

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

(4) Excluding revaluation allowance for debt restructuring as at December 31, 2017 and 2016, of Baht 48 million and Baht 28 million, respectively and excluding allowance for doubtful accounts for interbank and money market items as at December 31, 2017 and 2016, of Baht 366 million and Baht 439 million, respectively.

For the years ended December 31, 2017 and 2016, 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	
	2017	2016
Book value	2,858	2,878
Net book value	2,084	2,095
Sale price	2,084	2,095

As at December 31, 2017 and 2016, the Bank and Krungsri Ayudhya AMC Limited ("AMC") had non-performing loans which included interbank and money market items as follows:

Unit: Million Baht

	2017		
	The Bank	AMC	The Bank and AMC
Non-performing loans	30,419	491	30,910
Percentage of total loans	1.78	100.00	1.81
Non-performing loans, net	14,279	334	14,613
Percentage of total loans, net	0.85	100.00	0.86

	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

As at December 31, 2017 and 2016, the Bank and its subsidiaries' non-performing loans are Baht 37,622 million and Baht 34,834 million, respectively.

(5) Troubled debt restructuring

For the years ended December 31, 2017 and 2016, the Bank and its subsidiaries had restructured the following debts:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

	2017				2016			
Form of Restructuring	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value
Modification of terms	23,613	6,363	-	-	22,478	7,500	-	-
Reduction of principal and interest	6,694	330	-	-	6,497	331	-	-
Various forms of restructuring	929	6,647	-	-	817	5,402	-	-
Total	31,236	13,340		-	29,792	13,233		-

Unit : Million Baht

THE BANK'S FINANCIAL STATEMENTS

	2017				2016			
Form of Restructuring	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value	Number of Debtors	Amount of Debt Before Restructuring	Type of Assets Acquired	Fair Value
Modification of terms	2,358	4,817	-	-	1,012	5,146	-	-
Various forms of restructuring	929	6,647	-	-	817	5,402	-	-
Total	3,287	11,464		-	1,829	10,548		-

For the years ended December 31, 2017 and 2016, the Bank and its subsidiaries calculated the net realizable value for the troubled 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	2017				2016			
	Average Aging (Year)	Number of Debtors	Amount of Debt Before Restructuring	Amount of Debt After Restructuring	Average Aging (Year)	Number of Debtors	Amount of Debt Before Restructuring	Amount of Debt After Restructuring
Present value of future cash flows	4.75	23,112	5,195	5,181	4.63	21,920	3,152	3,170
Fair value of collateral	8.11	501	1,168	1,166	9.19	558	4,348	4,348

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS

Method	2017				2016			
	Average Aging (Year)	Number of Debtors	Amount of Debt Before Restructuring	Amount of Debt After Restructuring	Average Aging (Year)	Number of Debtors	Amount of Debt Before Restructuring	Amount of Debt After Restructuring
Present value of future cash flows	4.83	1,906	3,653	3,637	5.08	531	809	804
Fair value of collateral	8.98	452	1,164	1,162	10.66	481	4,337	4,337

For the years ended December 31, 2017 and 2016, 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	
	2017	2016	2017	2016
Losses on debt restructured (reversal)	1,512	786	39	(376)
Interest received from debt restructured	1,128	807	691	520

As at December 31, 2017 and 2016, the Bank and its subsidiaries recorded balances of total debt restructured and debt restructured during the years ended December 31, 2017 and 2016, in the statements of financial position as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Balances of total debt restructured	20,542	19,541	15,801	14,803
Balances of debt restructured during the years	11,271	11,976	9,426	9,880

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

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS 2017			
	Amount due per agreements			
	Within 1 Year	Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	100,122	231,619	83,896	415,637
Less Unearned interest income				(68,929)
Present value of the minimum lease payments				346,708
Less Allowance for doubtful accounts				(12,848)
Total lease receivables, net				333,860

Unit: Million Baht

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

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS 2017			
	Amount due per agreements			
	Within 1 Year	Greater than 1-5 Years	Greater than 5 Years	Total
Minimum lease payments	58,715	179,117	75,648	313,480
Less Unearned interest income				(50,174)
Present value of the minimum lease payments				263,306
Less Allowance for doubtful accounts				(6,984)
Total lease receivables, net				256,322

Unit: Million Baht

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

7.7 Allowance for doubtful accounts

Allowance for doubtful accounts as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS 2017						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	10,426	3,100	7,254	2,388	9,050	16,056	48,274
Doubtful accounts	1,579	468	4,866	4,416	7,845	2,407	21,581
Bad debts written off	(124)	(570)	(6,177)	(2,886)	(5,103)	-	(14,860)
Bad debts written off from sales of NPLs	(3)	-	(1)	(11)	(774)	-	(789)
Other	(15)	-	(4)	(5)	2	(11)	(33)
Ending balance	11,863	2,998	5,938	3,902	11,020	18,452	54,173

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	10,426	3,100	7,254	2,388	9,050	16,056	48,274

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS						
	2017						
	Normal	Special Mention	Substandard	Doubtful	Doubtful of Loss	Surplus Reserve	Total
Beginning balance	9,378	2,157	4,819	2,035	6,837	7,422	32,648
Doubtful accounts	1,298	700	108	4,287	5,170	2,099	13,662
Bad debts written off	(124)	(570)	(1,195)	(2,886)	(2,255)	-	(7,030)
Bad debts written off from sales of NPLs	(3)	-	(1)	(11)	(768)	-	(783)
Other	-	-	-	-	-	(3)	(3)
Ending balance	10,549	2,287	3,731	3,425	8,984	9,518	38,494

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

As at December 31, 2017 and 2016, 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	
	2017	2016	2017	2016
Allowance for doubtful accounts*	37,389	33,844	29,389	25,692

* 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

	2017	2016
Consolidated financial statements	55,841	49,900
The Bank and Krungsri Ayudhya AMC Limited	39,220	33,433
The Bank's financial statements	38,907	33,114

* 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, 2017 and 2016, 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			
	2017			
	Number	Outstanding Balance	Collateral	Allowance for Doubtful Accounts
Companies subject to be delisted by SET	5	1,180	673	524
Total	5	1,180	673	524

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

7.8 Revaluation allowance for debt restructuring

Revaluation allowance for debt restructuring as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Beginning balance	1,188	1,726	28	412
Increase (decrease) during the years	1,512	786	39	(376)
Amount written off	(1,397)	(1,324)	(19)	(8)
Ending balance	1,303	1,188	48	28

7.9 Properties for sale, net

Properties for sale, net as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

Type of Properties For Sale	CONSOLIDATED FINANCIAL STATEMENTS Balance as at January 1, 2017	Acquisition	Disposition	Balance as at December 31, 2017
1. Assets acquired from debt repayment				
1.1 Immovable	4,750	37	(642)	4,145
1.2 Movable	763	8,033	(7,904)	892
Total	5,513	8,070	(8,546)	5,037
2. Others	89	20	(22)	87
Total properties for sale	5,602	8,090	(8,568)	5,124
Less Provision for impairment	(1,346)	(1,353)	1,260	(1,439)
Total properties for sale	4,256	6,737	(7,308)	3,685

Unit: Million Baht

Type of Properties For Sale	CONSOLIDATED FINANCIAL STATEMENTS 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
Less 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

Type of Properties For Sale	THE BANK'S FINANCIAL STATEMENTS Balance as at January 1, 2017	Acquisition	Disposition	Balance as at December 31, 2017
1. Assets acquired from debt repayment				
1.1 Immovable	2,760	26	(355)	2,431
1.2 Movable	337	5,296	(5,089)	544
Total	3,097	5,322	(5,444)	2,975
2. Others	90	19	(22)	87
Total properties for sale	3,187	5,341	(5,466)	3,062
Less Provision for impairment	(799)	(229)	54	(974)
Total properties for sale	2,388	5,112	(5,412)	2,088

Unit: Million Baht

Type of Properties For Sale	THE BANK'S FINANCIAL STATEMENTS 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
Less Provision for impairment	(741)	(179)	121	(799)
Total properties for sale	2,857	4,072	(4,541)	2,388

Immovable assets for sale classified by external and internal appraisers as at December 31, 2017 and 2016 consist of the following:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Immovable assets-Foreclosed assets				
Appraised by external appraisers	1,400	1,498	1,345	1,444
Appraised by internal appraisers	2,745	3,252	1,086	1,316
Total	4,145	4,750	2,431	2,760

7.10 Premises and equipment, net

Premises and equipment, net as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2017	Increase	Decrease	Other	Balance as at December 31, 2017
Land					
Cost	4,307	-	(1)	-	4,306
Appraisal increase (Year 2016)	7,102	-	(16)	-	7,086
Appraisal decrease (Year 2016)	(37)	-	-	-	(37)
Premises					
Cost	7,344	164	(3)	-	7,505
Appraisal increase (Year 2016)	11,649	-	(8)	-	11,641
Appraisal decrease (Year 2016)	(86)	-	-	-	(86)
Equipment	15,859	1,887	(1,388)	(36)	16,322
Leasehold improvement	3,582	363	(49)	(4)	3,892
Total	49,720	2,414	(1,465)	(40)	50,629
Less Accumulated depreciation					
Premises					
- Cost	(4,013)	(331)	1	-	(4,343)
- Appraisal increase (Year 2016)	(8,221)	(324)	5	-	(8,540)
Equipment	(10,905)	(1,518)	1,275	25	(11,123)
Leasehold improvement	(2,074)	(460)	35	3	(2,496)
Total	(25,213)	(2,633)	1,316	28	(26,502)
Construction in progress	714	1,697	(137)	-	2,274
Premises and equipment, net	25,221				26,401

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
Less 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

	2017	2016
Depreciation for the years	2,633	2,301

As at December 31, 2017 and 2016, the Bank and its subsidiaries had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 11,479 million and Baht 8,625 million, respectively.

As at December 31, 2017 and 2016, the Bank and its subsidiaries had equipment which are under finance leases, with the original costs amounting to Baht 464 million and Baht 463 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, 2017	**Increase**	**Decrease**	**Other**	**Balance as at December 31, 2017**
Land					
Cost	4,307	-	(1)	-	4,306
Appraisal increase (Year 2016)	7,102	-	(16)	-	7,086
Appraisal decrease (Year 2016)	(37)	-	-	-	(37)
Premises					
Cost	7,344	164	(3)	-	7,505
Appraisal increase (Year 2016)	11,649	-	(8)	-	11,641
Appraisal decrease (Year 2016)	(86)	-	-	-	(86)
Equipment	11,914	1,224	(1,102)	-	12,036
Leasehold improvement	2,230	228	(35)	-	2,423
Total	44,423	1,616	(1,165)	-	44,874
Less Accumulated depreciation					
Premises					
- Cost	(4,013)	(331)	1	-	(4,343)
- Appraisal increase (Year 2016)	(8,222)	(324)	5	-	(8,541)
Equipment	(8,595)	(1,087)	1,060	-	(8,622)
Leasehold improvement	(961)	(305)	19	-	(1,247)
Total	(21,791)	(2,047)	1,085	-	(22,753)
Construction in progress	695	1,631	(103)	-	2,223
Premises and equipment, net	23,327				24,344

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
Less 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

	2017	**2016**
Depreciation for the years	2,047	1,795

As at December 31, 2017 and 2016, the Bank had premises and equipment which were fully depreciated but still in use, with the original costs amounting to Baht 8,913 million and Baht 6,340 million, respectively.

As at December 31, 2017 and 2016, the Bank had equipment which are under finance leases, with the original costs amounting to Baht 445 million and Baht 444 million, respectively.

7.11 Goodwill and other intangible assets, net

Goodwill and other intangible assets, net as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance as at January 1, 2017	Increase	Decrease	Other	Balance as at December 31, 2017
Cost					
Goodwill	12,470	329	-	(242)	12,557
Software	8,347	1,205	(1,001)	(9)	8,542
Other intangible assets	5,763	7	-	(13)	5,757
Total	26,580	1,541	(1,001)	(264)	26,856
Accumulated amortization					
Software	(5,252)	(1,061)	990	7	(5,316)
Other intangible assets	(4,609)	(154)	(2)	1	(4,764)
Total	(9,861)	(1,215)	988	8	(10,080)
Allowance for impairment	(20)	-	-	-	(20)
Goodwill and other intangible assets, net	16,699				16,756

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

	2017	2016
Amortization for the years	1,215	1,380

As at December 31, 2017 and 2016, the Bank and its subsidiaries had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 2,197 million and Baht 2,299 million, respectively.

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS			
	Balance as at January 1, 2017	**Increase**	**Decrease**	**Balance as at December 31, 2017**
Cost				
Goodwill	1,054	-	-	1,054
Software	6,929	962	(1,008)	6,883
Other intangible assets	57	-	-	57
Total	8,040	962	(1,008)	7,994
Accumulated amortization				
Software	(4,409)	(897)	989	(4,317)
Other intangible assets	(46)	(1)	-	(47)
Total	(4,455)	(898)	989	(4,364)
Goodwill and other intangible assets, net	3,585			3,630

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	3,832			3,585

Unit: Million Baht

	2017	**2016**
Amortization for the years	898	922

As at December 31, 2017 and 2016, the Bank had intangible assets which were fully amortized but still in use, with the original costs amounting to Baht 1,637 million and Baht 1,855 million, respectively.

7.12 Deferred tax

Deferred tax assets and deferred tax liabilities as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Deferred tax assets	4,823	4,714	-	-
Deferred tax liabilities	(106)	(457)	(104)	(294)
Net	4,717	4,257	(104)	(294)

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

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2017	**Items as recognized into Profit or Loss**	**Items as recognized into Other Comprehensive Income**	**Others**	**Balance at December 31, 2017**
Deferred tax assets					
Impairment of assets	343	30	-	-	373
Loans and accrued interest receivables, net	5,592	379	-	-	5,971
Provisions	1,515	134	(73)	-	1,576
Others	463	137	92	(2)	690
Total	7,913	680	19	(2)	8,610
Deferred tax liabilities					
Asset appraisal surplus	2,178	(68)	-	-	2,110
Investments	76	-	26	-	102
Others	1,402	399	-	(120)	1,681
Total	3,656	331	26	(120)	3,893
Deferred tax assets - net	4,257	349	(7)	118	4,717

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	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**	**Others**	**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	8,256	78	(381)	(40)	-	7,913
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	2,919	223	(23)	537	-	3,656
Deferred tax assets - net	5,337	(145)	(358)	(577)	-	4,257

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS			
	Balance at January 1, 2017	**Items as recognized into Profit or Loss**	**Items as recognized into Other Comprehensive Income**	**Balance at December 31, 2017**
Deferred tax assets				
Impairment of assets	233	35	-	268
Loans and accrued interest receivables, net	977	415	-	1,392
Provisions	1,277	94	(59)	1,312
Others	193	(57)	(8)	128
Total	2,680	487	(67)	3,100
Deferred tax liabilities				
Asset appraisal surplus	2,105	(68)	-	2,037
Investments	198	-	25	223
Others	671	273	-	944
Total	2,974	205	25	3,204
Deferred tax assets (liabilities) - net	(294)	282	(92)	(104)

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**	**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)

7.13 Other assets, net

Other assets, net as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Accrued income	2,018	1,733	324	314
Prepayment	1,168	1,809	664	1,306
Other receivables	12,011	9,391	8,680	6,737
Margin call to counterparty	3,032	1,019	3,032	1,019
Others	1,322	1,450	1,463	1,256
Total	19,551	15,402	14,163	10,632

7.14 Deposits

Deposits as at December 31, 2017 and 2016 are as follows:

(1) Classified by product

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Current deposit	36,798	33,173	37,796	34,293
Savings deposit	550,962	550,757	555,479	553,394
Time deposit				
- Less than 6 months	341,517	188,335	342,587	188,774
- 6 months and less than 1 year	285,292	260,313	283,739	251,016
- 1 year and over	104,660	75,710	97,104	75,437
Total	1,319,229	1,108,288	1,316,705	1,102,914

(2) Classified by currency and residence of depositors

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,255,331	1,949	1,257,280	1,038,089	1,945	1,040,034
US Dollar	36,758	11,881	48,639	41,889	11,978	53,867
Other currencies	8,251	5,059	13,310	8,524	5,863	14,387
Total	1,300,340	18,889	1,319,229	1,088,502	19,786	1,108,288

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,264,789	1,619	1,266,408	1,045,442	1,591	1,047,033
US Dollar	36,758	1,737	38,495	41,889	1,349	43,238
Other currencies	8,251	3,551	11,802	8,524	4,119	12,643
Total	1,309,798	6,907	1,316,705	1,095,855	7,059	1,102,914

7.15 Interbank and money market items, net (Liability)

Interbank and money market items, net (liability) as December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2017			2016		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	1,166	1,166	-	3,506	3,506
Commercial banks	628	47,190	47,818	614	56,140	56,754
Specialized financial institutions	25	6,804	6,829	8	8,986	8,994
Other financial institutions	8,184	1,913	10,097	6,807	660	7,467
Total domestic items	8,837	57,073	65,910	7,429	69,292	76,721
Foreign items						
US Dollar	1,208	211,533	212,741	4,817	231,825	236,642
Yen	-	-	-	-	-	-
Euro	243	-	243	21	-	21
Other currencies	827	-	827	1,014	2	1,016
Total foreign items	2,278	211,533	213,811	5,852	231,827	237,679
Total domestic and foreign items	11,115	268,606	279,721	13,281	301,119	314,400

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2017			2016		
	At Call	Time	Total	At Call	Time	Total
Domestic items						
Bank of Thailand and Financial Institution Development Fund	-	1,166	1,166	-	3,506	3,506
Commercial banks	628	47,190	47,818	614	56,140	56,754
Specialized financial institutions	25	6,804	6,829	8	8,986	8,994
Other financial institutions	11,675	3,914	15,589	10,600	661	11,261
Total domestic items	12,328	59,074	71,402	11,222	69,293	80,515
Foreign items						
US Dollar	1,208	210,797	212,005	4,817	231,116	235,933
Yen	-	-	-	-	-	-
Euro	243	-	243	21	-	21
Other currencies	827	-	827	1,014	-	1,014
Total foreign items	2,278	210,797	213,075	5,852	231,116	236,968
Total domestic and foreign items	14,606	269,871	284,477	17,074	300,409	317,483

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

As at December 31, 2017 and 2016, the outstanding balances of borrowing from the Bank of Thailand is Baht 1,166 million and Baht 3,506 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, 2017 and 2016 are as follows:

Unit: Million Baht

				CONSOLIDATED FINANCIAL STATEMENTS					
				2017			2016		
	Currency	Interest rate (%)	Maturity	Domestic	Foreign	Total	Domestic	Foreign	Total
Subordinated debentures	THB	3.40 - 3.90	2027	41,985	-	41,985	24,844	-	24,844
	USD	7.50 - 10.85	2019-2027	-	823	823	-	907	907
Senior securities	THB	1.73 - 4.50	2018-2022	96,325	-	96,325	89,275	-	89,275
Bill of exchange	THB	-	-	8	-	8	41,817	-	41,817
Other borrowings	THB	0.00 - 9.00	2018-2023	2	276	278	7	339	346
	USD	0.00 - 7.59	2018-2023	-	3,381	3,381	-	3,037	3,037
	KHR	10.25 - 10.50	2018	-	66	66	-	100	100
				138,320	4,546	142,866	155,943	4,383	160,326

Unit: Million Baht

				THE BANK'S FINANCIAL STATEMENTS					
				2017			2016		
	Currency	Interest rate (%)	Maturity	Domestic	Foreign	Total	Domestic	Foreign	Total
Subordinated debentures	THB	3.40 - 3.90	2027	41,985	-	41,985	24,844	-	24,844
Senior securities	THB	1.85 - 2.89	2018-2020	70,000	-	70,000	67,500	-	67,500
Bill of exchange	THB	-	-	8	-	8	41,568	-	41,568
Other borrowings	THB	0.00	2023	2	-	2	7	-	7
				111,995	-	111,995	133,919	-	133,919

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.

   On September 28, 2017, the Bank obtained the approval from the BOT to early redeem subordinated debentures. Therefore, the Bank exercised the right to redeem the subordinated debentures on November 7, 2017.

2. On August 11, 2016, the Bank issued subordinated debentures 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 subordinated debentures on any interest payment date after the fifth anniversary subject to the approval of the BOT.

3. On May 24, 2017, the Bank issued subordinated debentures No. 1/2017 in amount of Baht 17,007 million for a 10-year and 6-month tenor at the fixed interest rate of 3.9% per annum, payable quarterly in February, May, August and November of each year. The Bank has the right to redeem subordinated debentures on any interest payment date after the fifth anniversary subject to the approval of the BOT.

4. On November 17, 2017, the Bank issued subordinated debentures No. 2/2017 in the amount of Baht 14,978 million for a 10-year tenor at the fixed interest rate of 3.4% 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 any interest payment date thereafter subject to the approval of the BOT.

7.17 Provisions

Provisions for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS				
	Balance at January 1, 2016	Increase (Decrease)	Balance at December 31, 2016	Increase (Decrease)	Balance at December 31, 2017
Provision for post-employment benefits obligation	4,751	490	5,241	80	5,321
Others	2,008	84	2,092	55	2,147
Total	6,759	574	7,333	135	7,468

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS				
	Balance at January 1, 2016	Increase (Decrease)	Balance at December 31, 2016	Increase (Decrease)	Balance at December 31, 2017
Provision for post-employment benefits obligation	4,157	323	4,480	51	4,531
Others	1,981	(5)	1,976	43	2,019
Total	6,138	318	6,456	94	6,550

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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Opening defined benefits obligation	5,241	4,751	4,480	4,157
Current service cost	446	398	343	327
Interest cost	165	156	141	137
Actuarial (gains) losses				
- Experience	27	59	40	23
- Demographic assumptions	(476)	(83)	(382)	(149)
- Financial assumptions	70	66	44	56
Benefit paid	(153)	(108)	(132)	(81)
Transfer employee from subsidiaries	1	2	(3)	10
Closing defined benefit obligation	5,321	5,241	4,531	4,480

Actuarial (gains) losses are recognized in other comprehensive income for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Included in retained earnings:				
As at 1 January	695	653	461	531
Recognized during the years	(379)	42	(298)	(70)
As at 31 December	316	695	163	461

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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Current service cost	446	398	343	327
Interest on obligation	165	156	141	137
	611	554	484	464

The principal actuarial assumptions used to calculate the obligation under the defined benefit plans as at December 31, 2017 and 2016 are as follows:

	CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS	
Financial assumptions	**2017**	**2016**
Discount rate	1.16% - 4.50%	1.54% - 5.00%
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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS 2017	CONSOLIDATED FINANCIAL STATEMENTS 2016	THE BANK'S FINANCIAL STATEMENTS 2017	THE BANK'S FINANCIAL STATEMENTS 2016
Discount rate - 1% increase	(526)	(530)	(427)	(433)
Discount rate - 1% decrease	611	617	492	500
Salary increase rate - 1% increase	946	935	831	822
Salary increase rate - 1% decrease	(840)	(830)	(742)	(734)

7.18 Finance lease liabilities

Finance lease liabilities as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2017			2016		
	Principal	Interest	Payment	Principal	Interest	Payment
Within one year	11	1	12	24	1	25
One year to five years	11	-	11	21	-	21
Total	22	1	23	45	1	46

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS					
	2017			2016		
	Principal	Interest	Payment	Principal	Interest	Payment
Within one year	6	-	6	19	1	20
One year to five years	4	-	4	11	-	11
Total	10	-	10	30	1	31

7.19 Other liabilities

Other liabilities as at December 31, 2017 and 2016 are as follows:

Unit : Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS 2017	CONSOLIDATED FINANCIAL STATEMENTS 2016	THE BANK'S FINANCIAL STATEMENTS 2017	THE BANK'S FINANCIAL STATEMENTS 2016
Accrued expenses	14,032	12,585	9,653	8,720
Tax payable	4,165	3,298	1,846	1,161
Deposit	4,282	4,514	1,283	1,059
Unearned income from customer loyalty program	2,804	2,814	3	106
Other payables	3,822	2,395	2,724	1,663
Margin call from counterparty	1,962	9,040	1,962	9,040
Others	11,085	9,833	5,739	5,288
Total	42,152	44,479	23,210	27,037

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. 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.

The Annual General Meeting of Shareholders No. 105 held on April 27, 2017, approved the dividend payment for the six-month period ended December 31, 2016 to the shareholders of 7,355,761,773 ordinary shares at Baht 0.45 per share totaling Baht 3,310 million with payment date on May 25, 2017.

The Board of Directors' Meeting No. 8/2017 held on August 23, 2017, approved the interim dividend payment for the six-month period ended June 30, 2017 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 21, 2017.

7.21 Assets with obligations and restrictions

As at December 31, 2017 and 2016, government and state enterprise securities with book value of Baht 59 million and Baht 38,737 million, respectively, are used as collateral for other commitments with government departments and state enterprises.

7.22 Contingencies

Contingencies as at December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Avals to bills	1,636	1,475	1,636	1,475
Guarantees of loans	1,369	90	1,369	90
Liability under unmatured import bills	1,437	1,601	1,437	1,601
Letters of credit	7,744	8,425	7,744	8,425
Other contingencies				
- Unused overdraft limit	6,390	17,903	6,390	17,903
- Unused credit line	36,052	31,968	41,915	31,962
- Other guarantees	57,196	60,038	57,196	60,038
- Others	372	196	372	196
Total	112,196	121,696	118,059	121,690

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, 2017 and 2016, the Bank and its subsidiaries have a commitment to pay in the amounts of Baht 1,034 million and Baht 1,885 million, respectively.

As at December 31, 2017 and 2016, the Bank has commitments to pay regarding the information technology services the amounts of Baht 2,659 million and Baht 1,496 million, respectively.

As at December 31, 2017 and 2016, the Bank has commitment payment amount of Baht 645 million and Baht 1,479 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, 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. 8/2560 regarding the "Guideline on Consolidated Supervision" dated April 27, 2017, 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 have 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.

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 processes, 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, 2017 and 2016 are as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS

2017

	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.	11,889	-	-	1,987	458	-	211,311	-	1,429	1,430	308,370	7,115
Total	11,889	-	-	1,987	458	-	211,311	-	1,429	1,430	308,370	7,115
Joint ventures												
Tesco Card Services Limited		10,006	21	-	83	402	-	-	-	1	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	-	136	-	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	-	574	-	-	-	2	-	-
Less Allowance for doubtful accounts	-	(100)	-	-	-	-	-	-	-	-	-	-
Total	-	9,906	21	-	83	1,112	-	-	-	3	-	-
Related companies having joint major shareholders or directors	4	7,728	25	621	16	9,265	172	-	50	11	18,320	1,471
Less Allowance for doubtful accounts	-	(72)	-	-	-	-	-	-	-	-	-	-
Total	4	7,656	25	621	16	9,265	172	-	50	11	18,320	1,471
Individual and related parties	-	468	-	-	-	4,665	-	-	-	774	-	-
Less Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	468	-	-	-	4,665	-	-	-	774	-	-
Total	11,893	18,030	46	2,608	557	15,042	211,483	-	1,479	2,218	326,690	8,586

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	-	-	-	-	-	-
Less 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
Less 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	-	-
Less 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

THE BANK'S FINANCIAL STATEMENTS

2017

	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.	11,889	-	-	1,987	458	-	211,311	-	1,429	1,430	308,370	7,115
Total	11,889	-	-	1,987	458	-	211,311	-	1,429	1,430	308,370	7,115
Subsidiaries												
Ayudhya Development Leasing Company Limited	-	7,171	2	-	3	7	-	-	-	1	-	44
Ayudhya Capital Auto Lease Public Company Limited	-	19,669	78	-	77	675	-	-	-	111	-	-
Ngern Tid Lor Company Limited	-	3,390	1	-	15	213	-	-	-	-	-	2
Ayudhya Capital Services Company Limited	-	29,020	87	-	80	1,026	-	-	-	12	-	3
General Card Services Limited	-	10,554	20	-	88	353	-	-	-	-	-	-
Krungsriayudhya Card Company Limited	-	27,225	32	-	718	1,183	-	-	-	9	-	1
Siam Realty and Services Security Company Limited	-	585	-	-	1	90	-	-	-	58	-	-
Total Services Solutions Public Company Limited	-	-	-	-	2	1,333	-	-	-	10	-	-
Krungsri Asset Management Company Limited	-	-	-	-	116	-	3,440	-	-	18	-	-
Krungsri Ayudhya AMC Limited	-	-	-	-	1	1,429	-	-	-	64	-	35
Krungsri Securities Public Company Limited	-	-	-	-	2	2	2,053	-	-	8	-	-
Krungsri Factoring Company Limited	-	-	-	-	-	198	-	-	-	-	-	-
Krungsri Life Assurance Broker Limited	-	-	-	-	-	1,051	-	-	-	1	-	-
Krungsri General Insurance Broker Limited	-		-	-	-	1,427	-	-	-	1	-	-

Unit: Million Baht

THE BANK'S FINANCIAL STATEMENTS (CONTINUED)

2017

	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
Subsidiaries (Continued)												
Krungsri Leasing Services Company Limited	-	3,993	2	-	2	26	-	-	-	-	-	-
Hattha Kaksekar Limited	-	1,275	7	11	2	-	-	-	-	-	1,569	-
Krungsri Finnovate Company Limited	-	-	-	-	2	471	-	-	-	-	-	-
Total	-	102,882	229	11	1,109	9,484	5,493	-	-	293	1,569	85
Less Allowance for doubtful accounts	-	(1,029)	-	-	-	-	-	-	-	-	-	-
Total	-	101,853	229	11	1,109	9,484	5,493	-	-	293	1,569	85
Joint ventures												
Tesco Card Services Limited	-	10,006	21	-	50	402	-	-	-	-	-	-
Tesco Life Assurance Broker Limited	-	-	-	-	-	136	-	-	-	-	-	-
Tesco General Insurance Broker Limited	-	-	-	-	-	574	-	-	-	-	-	-
Less Allowance for doubtful accounts	-	(100)	-	-	-	-	-	-	-	-	-	-
Total	-	9,906	21	-	50	1,112	-	-	-	-	-	-
Related companies having joint major shareholders or directors	4	7,728	25	621	-	9,265	172	-	50	10	18,320	1,471
Less Allowance for doubtful accounts	-	(72)	-	-	-	-	-	-	-	-	-	-
Total	4	7,656	25	621	-	9,265	172	-	50	10	18,320	1,471
Individual and related parties	-	363	-	-	-	4,518	-	-	-	575	-	-
Total	11,893	119,778	275	2,619	1,617	24,379	216,976	-	1,479	2,308	328,259	8,671

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 Limited	-	35,857	113	-	118	411	-	-	-	145	-	-
Ngern Tid Lor Company Limited	-	5,055	2	-	11	105	-	-	-	-	-	1
Ayudhya Capital Services Company Limited	-	26,255	79	-	67	996	-	-	-	13	-	3
General Card Services Limited	-	12,506	25	-	53	315	-	-	-	-	-	-
Krungsriayudhya Card Company Limited	-	30,821	47	-	456	864	-	-	-	7	-	1
Siam Realty and Services Security Company Limited	-	555	-	-	1	41	-	-	-	51	-	-
Total Services Solutions Public Company Limited	-	-	-	-	2	1,211	-	-	-	11	-	-
Krungsri Asset Management Company Limited	-	-	-	-	68	-	2,376	-	-	6	-	-
Krungsri Ayudhya AMC Limited	-	-	-	-	5	957	-	-	-	65	-	38
Krungsri Securities Public Company Limited	-	-	-	-	3	3	1,417	-	-	7	136	-
Krungsri Factoring Company Limited	-	-	-	-	1	196	-	-	-	1	-	-
Krungsri Life Assurance Broker Limited	-	-	-	-	-	889	-	-	-	1	-	-
Krungsri General Insurance Broker Limited	-	-	-	-	-	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
Subsidiaries (Continued)												
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
Less 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	-	-	-	-	-	-
Less 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
Less 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

As at December 31, 2017 and 2016, the Bank charges interest rates to related parties at 0.75% - 26.47% p.a. and 0.60% - 23.00% p.a., respectively.

As at December 31, 2017 and 2016, the allowance for doubtful accounts of loans granted to subsidiaries of Baht 1,029 million and Baht 1,183 million, respectively, are not eliminated but treated as surplus reserve in the consolidated financial statements.

7.23.2 The Bank has investments in subsidiaries and joint ventures as disclosed in Note 7.5 and has investments in related companies for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

				CONSOLIDATED AND THE BANK'S FINANCIAL STATEMENTS			
				2017		2016	
	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	37	326	43
Less Allowance for impairment				(5)	-	(5)	-
Investment in related company, net				321	37	321	43

7.23.3 Income and expenses between the Bank and its subsidiaries, joint ventures and related companies for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS							
	2017				2016			
	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.	1	(373)	3,037	570	5	3,620	2,124	1,278
Total	1	(373)	3,037	570	5	3,620	2,124	1,278
Joint ventures								
Tesco Card Services Limited	232	495	-	6	231	466	-	6
Tesco Life Assurance Broker Company Limited	-	6	2	-	-	6	2	-
Tesco General Insurance Broker Limited	-	23	4	-	-	21	4	-
Total	232	524	6	6	231	493	6	6
Related companies having joint major shareholders or directors	253	1,140	59	275	367	47	67	171
Total	253	1,140	59	275	367	47	67	171
Individual and related parties	17	5	33	1	12	3	11	-
Total	503	1,296	3,135	852	615	4,163	2,208	1,455

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS							
	2017				2016			
	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.	1	(373)	3,037	570	5	3,620	2,124	1,278
Total	1	(373)	3,037	570	5	3,620	2,124	1,278
Subsidiaries								
Ayudhya Development Leasing Company Limited	218	14	-	(5)	115	(29)	-	-
Ayudhya Capital Auto Lease Public Company Limited	1,056	541	17	581	2,017	622	2	442
Ngern Tid Lor Company Limited	171	49	-	1	218	50	-	1
Ayudhya Capital Services Company Limited	738	280	-	4	718	250	-	40
General Card Services Limited	228	44	-	8	292	37	-	6
Krungsriayudhya Card Company Limited	597	143	1	191	644	171	1	157
Siam Realty and Services Security Company Limited	13	4	-	529	13	2	-	517
Total Services Solutions Public Company Limited	-	2	18	51	-	2	16	78
Krungsri Asset Management Company Limited	-	949	38	14	-	620	20	10
Krungsri Ayudhya AMC Limited	-	6	1	(3)	-	10	1	-
Krungsri Securities Public Company Limited	-	21	20	10	-	21	15	14
Krungsri Factoring Company Limited	-	4	-	(1)	-	6	-	-
Krungsri Life Assurance Broker Limited	-	1	11	-	-	1	10	-
Krungsri General Insurance Broker Limited	-	1	14	-	-	2	12	-
Krungsri Leasing Services Company Limited	153	5	-	-	56	13	-	-
Hattha Kaksekar Limited	36	23	-	-	-	-	-	-
Krungsri Finnovate Company Limited	-	6	-	-	-	-	-	-
Total	3,210	2,093	120	1,380	4,073	1,778	77	1,265
Joint ventures								
Tesco Card Services Limited	232	30	-	5	231	25	-	4
Tesco Life Assurance Broker Company Limited	-	-	2	-	-	-	2	-
Tesco General Insurance Broker Limited	-	11	4	-	-	10	4	-
Total	232	41	6	5	231	35	6	4
Related companies having joint major shareholders or directors	253	1,134	59	190	367	47	67	171
Total	253	1,134	59	190	367	47	67	171
Individual and related parties	14	5	14	-	12	3	11	-
Total	3,710	2,900	3,236	2,145	4,688	5,483	2,285	2,718

7.23.4 For the years ended December 31, 2017 and 2016, compensations paid to key management personnel under TAS 24 (Revised 2016) "Related Party Disclosures" are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Short-term employee benefits	1,883	1,658	1,215	1,099
Post-employment benefits	58	53	39	37
Other long-term benefits	20	-	17	-
Total	1,961	1,711	1,271	1,136

7.23.5 For the years ended December 31, 2017 and 2016, related party transactions among subsidiaries included collection services and other services of Baht 961 million and Baht 977 million, respectively, and office and vehicle rental and facilities service of Baht 71 million and Baht 64 million, respectively.

7.23.6 For the years ended December 31, 2017 and 2016, subsidiaries had related party transactions from the licenses relevant to technology and software of Baht 51 million and Baht 53 million, respectively.

7.23.7 For the years ended December 31, 2017 and 2016, related party transactions among subsidiaries from other services were Baht 1,511 million and Baht 1,509 million, respectively.

7.23.8 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 to 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 purchase or lease any assets from those persons, except, in 2017, the subsidiary had sold assets to managements in the amount of Baht 6 million with the book value of Baht 6 million.

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, 2017 and 2016 which are summarized as follows:

Unit: Million Baht

TYPE OF LEASE	PERIOD	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
		2017	2016	2017	2016
Land and/or premises and equipment	Within 1 year	1,278	1,422	1,082	1,054
	Greater than 1-5 years	1,349	1,203	1,073	936
	Greater than 5 years	218	239	25	30
		2,845	2,864	2,180	2,020

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 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 bancassurance 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, 2017 and 2016, 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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS 2017			
	Retail	**Commercial**	**Others**	**Total**
Interest income, net	46,556	21,924	55	68,535
Other operating income	25,172	8,302	(1,529)	31,945
Total operating income	71,728	30,226	(1,474)	100,480
Operating expenses	36,569	11,356	285	48,210
Impairment loss of loans and debt securities	16,349	4,534	2,087	22,970
Profit (loss) before tax	18,810	14,336	(3,846)	29,300
Taxation	3,779	2,689	(729)	5,739
Net profit (loss)	15,031	11,647	(3,117)	23,561
Total assets	820,603	1,441,891	(173,722)	2,088,772

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

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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2017			
	Domestic	**Foreign**	**Elimination**	**Total**
Total assets	2,062,031	39,196	(12,455)	2,088,772
Interbank and money market items, net (Assets)	323,049	7,748	-	330,797
Investments, net*	86,156	1	-	86,157
Loans to customers and accrued interest receivable, net	1,474,719	24,126	-	1,498,845
Deposits	1,305,174	14,055	-	1,319,229
Interbank and money market items, net (Liabilities)	274,989	4,732	-	279,721
Debt issued and borrowings	137,045	5,821	-	142,866

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

	THE BANK'S FINANCIAL STATEMENTS			
	2017			
	Domestic	**Foreign**	**Elimination**	**Total**
Total assets	1,997,683	9,274	(7,148)	1,999,809
Interbank and money market items, net (Assets)	321,187	4,453	-	325,640
Investments, net*	141,572	-	-	141,572
Loans to customers and accrued interest receivable, net	1,386,140	1,036	-	1,387,176
Deposits	1,314,657	2,048	-	1,316,705
Interbank and money market items, net (Liabilities)	284,475	2	-	284,477
Debt issued and borrowings	111,995	-	-	111,995

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

*Includes investments in subsidiaries 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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS			
	2017			
	Domestic	Foreign	Elimination	Total
Interest income	91,583	3,603	(188)	94,998
Interest expenses	25,212	1,446	(195)	26,463
Net interest income	66,371	2,157	7	68,535
Fees and service income, net	19,634	41	-	19,675
Other operating income	19,139	91	(6,960)	12,270
Other operating expenses	76,516	1,617	(6,953)	71,180
Profit from operating before tax	28,628	672	-	29,300

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

	THE BANK'S FINANCIAL STATEMENTS			
	2017			
	Domestic	Foreign	Elimination	Total
Interest income	64,891	64	-	64,955
Interest expenses	24,729	10	-	24,739
Net interest income	40,162	54	-	40,216
Fees and service income, net	9,568	23	-	9,591
Other operating income	17,197	55	(6,953)	10,299
Other operating expenses	52,029	204	(6,953)	45,280
Profit (loss) from operating before tax	14,898	(72)	-	14,826

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

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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Interbank and money market items	3,425	2,833	3,413	2,822
Investment and trading transactions	81	139	81	139
Investment in debt securities	2,188	2,148	2,188	2,148
Loans to customers	61,095	56,483	44,392	43,845
Hire purchase and finance lease	28,209	24,322	14,881	10,838
Total interest income	94,998	85,925	64,955	59,792

7.29 Interest expenses

Interest expenses for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Deposits	12,628	12,450	11,832	12,213
Interbank and money market items	3,959	3,202	4,004	3,215
Contributions to Financial Institution Development Fund and Deposit Protection Agency	5,751	5,222	5,751	5,222
Debt issued and borrowings				
- Subordinated debenture	1,500	866	1,409	837
- Other	2,579	2,186	1,728	1,505
Borrowing fee expense	28	7	11	11
Other	18	15	4	4
Total interest expenses	26,463	23,948	24,739	23,007

7.30 Fees and service income, net

Fees and service income, net for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Fees and service income				
- Acceptances, aval and guarantees	537	501	537	502
- Other	25,804	23,641	13,199	11,967
Total fees and service income	26,341	24,142	13,736	12,469
Fees and service expenses	6,666	5,967	4,145	3,610
Total fees and service income, net	19,675	18,175	9,591	8,859

7.31 Gains on trading and foreign exchange transactions, net

Gains on trading and foreign exchange transactions, net for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	2016	2017	2016
Gains (losses) on trading and foreign exchange transactions				
- Foreign currency and derivative of currency	4,264	3,652	4,231	3,571
- Derivative of interest rates	(46)	250	(25)	250
- Debt securities	7	(2)	7	(2)
- Equity securities	7	4	2	2
- Other	1	1	-	-
Total	4,233	3,905	4,215	3,821

7.32 Gains on investments, net

Gains on investments, net for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Gains on sales of investments				
- Available-for-sale	892	545	892	545
- General investments	4	54	4	54
	896	599	896	599
Losses on impairments				
- Subsidiaries	-	-	(100)	-
Total	896	599	796	599

7.33 Impairment loss on loans and debt securities

Impairment loss on loans and debt securities (reversal) for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Interbank and money market items	(73)	69	(73)	69
Impairment loss on debt instrument (reversal)	(50)	-	(50)	-
Loans to customers	21,581	20,460	13,662	11,982
Loss on troubled debt restructuring (reversal)	1,512	786	39	(376)
Total	22,970	21,315	13,578	11,675

7.34 Income tax expenses

Income tax expenses for the years ended December 31, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS		THE BANK'S FINANCIAL STATEMENTS	
	2017	**2016**	**2017**	**2016**
Current tax for the years	6,088	5,051	2,424	1,854
Deferred tax	(349)	358	(282)	422
Total income tax expenses	5,739	5,409	2,142	2,276

Reconciliation of effective tax rate

	CONSOLIDATED FINANCIAL STATEMENTS				THE BANK'S FINANCIAL STATEMENTS			
	2017		2016		2017		2016	
	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)	Rate (%)
Profit before tax	29,300		27,092		14,826		18,007	
Income tax at the domestic tax rate	5,860	20.00	5,418	20.00	2,965	20.00	3,601	20.00
Add Tax effect of income and expense that are not exempt for tax purposes	867	2.96	1,462	5.40	97	0.65	105	0.58
Less Tax effect of income and expense that are exempt for tax purposes	(988)	(3.38)	(1,471)	(5.43)	(920)	(6.21)	(1,430)	(7.94)
Income tax expenses as per statements of profit or loss and other comprehensive income	5,739	19.58	5,409	19.97	2,142	14.44	2,276	12.64

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, 2017 and 2016 are as follows:

Unit: Million Baht

	CONSOLIDATED FINANCIAL STATEMENTS					
	2017			2016		
	Amount before tax	Tax income (expenses)	Net amount After tax	Amount before tax	Tax income (expenses)	Net amount After tax
Item that will be reclassified subsequently to profit or loss						
Gains (losses) on remeasuring available-for-sale investment	163	(33)	130	(242)	48	(194)
Gains (losses) arising from translating the financial statements of a foreign operation	(527)	101	(426)	120	(24)	96
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	379	(75)	304	(42)	8	(34)
Share of other comprehensive income of joint venture	1	-	1	(4)	1	(3)
Other comprehensive income	16	(7)	9	2,879	(576)	2,303

Unit: Million Baht

	THE BANK'S FINANCIAL STATEMENTS					
		2017			2016	
	Amount before tax	Tax income (expenses)	Net amount After tax	Amount before tax	Tax income (expenses)	Net amount After tax
Item that will be reclassified subsequently to profit or loss						
Gains (losses) on remeasuring available-for-sale investment	163	(33)	130	(242)	48	(194)
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	298	(59)	239	70	(14)	56
Other comprehensive income	461	(92)	369	2,875	(575)	2,300

7.36 Approval of financial statements

These financial statements have been approved for issue by the Board of Directors on February 28, 2018.