

Mizuho Bank, Ltd. Bangkok Branch  
Report and financial statements  
31 March 2016



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## **Independent Auditor's Report**

To the Head Office of Mizuho Bank, Ltd. Bangkok Branch

I have audited the accompanying financial statements of Mizuho Bank, Ltd. Bangkok Branch, which comprise the statement of financial position as at 31 March 2016, and the related statements of comprehensive income, changes in equity of head office and other branches under the same entity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mizuho Bank, Ltd. Bangkok Branch as at 31 March 2016, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Rachada Yongsawadvanich  
Certified Public Accountant (Thailand) No. 4951

EY Office Limited  
Bangkok: 21 July 2016

**Mizuho Bank, Ltd. Bangkok Branch**

**Statement of financial position**

**As at 31 March 2016**

(Unit: Thousand Baht)

|   | Note | 31 March 2016      | 31 March 2015      |
|---|------|--------------------|--------------------|
| <b>Assets</b>   |      |                    |                    |
| Cash  |      | 10,036             | 7,850              |
| Interbank and money market items                          | 7    | 81,428,264         | 51,977,930         |
| Derivatives assets  | 8    | 16,292,565         | 10,069,925         |
| Investments   | 9    | 123,300,450        | 114,058,247        |
| Loans to customers and accrued interest receivables       | 10   |                    |                    |
| Loans to customers  |      | 241,441,878        | 225,988,665        |
| Accrued interest receivables                              |      | 643,550            | 501,021            |
| Total loans to customers and accrued interest receivables |      | 242,085,428        | 226,489,686        |
| Less: Deferred revenues                                   |      | (8,616)            | (1,991)            |
| Allowances for doubtful accounts                          | 11   | (2,713,652)        | (2,615,937)        |
| Loans to customers and accrued interest receivables - net |      | 239,363,160        | 223,871,758        |
| Leasehold improvements and equipment - net                | 12   | 851,665            | 75,671             |
| Intangible assets - net                                   | 13   | 117,777            | 87,682             |
| Accrued interest receivables                              |      | 723,952            | 577,586            |
| Deferred tax assets                                       | 26.1 | 307,782            | 104,362            |
| Other assets - net  | 14   | 63,265             | 102,671            |
| <b>Total assets</b>                                       |      | <b>462,458,916</b> | <b>400,933,682</b> |

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

**Mizuho Bank, Ltd. Bangkok Branch**  
**Statement of financial position (continued)**  
**As at 31 March 2016**

(Unit: Thousand Baht)

|  | Note | 31 March 2016      | 31 March 2015      |
|--|------|--------------------|--------------------|
| <b>Liabilities and equity of head office and other branches under the same entity</b>  |      |                    |                    |
| <b>Liabilities</b>   |      |                    |                    |
| Deposits   | 15   | 299,402,350        | 163,515,714        |
| Interbank and money market items   | 16   | 1,202,517          | 7,239,733          |
| Liability payable on demand  |      | 884,429            | 1,294,860          |
| Derivatives liabilities  | 8    | 12,366,412         | 4,783,042          |
| Debts issued and borrowings  | 17   | 173,000            | -                  |
| Provisions for liabilities   | 18   | 249,753            | 84,578             |
| Accrued interest payables  |      | 718,038            | 441,674            |
| Income tax payable   |      | 284,260            | 296,963            |
| Deferred tax liabilities   | 26.1 | 103,635            | 159,181            |
| Other liabilities  | 19   | 499,952            | 285,200            |
| <b>Total liabilities</b>   |      | <b>315,884,346</b> | <b>178,100,945</b> |
| <b>Equity of head office and other branches under the same entity</b>  |      |                    |                    |
| Funds remitted into Thailand for maintaining assets under section 32 of the Act on Undertaking of Banking business B.E. 2551 |      |                    |                    |
|  | 20   | 92,566,147         | 74,391,850         |
| Net balance of inter-office accounts with head office and other branches under the same entity                               |      |                    |                    |
|  | 20   | 37,889,947         | 134,688,546        |
| Other component of head office and other branches under the same entity  |      |                    |                    |
| Revaluation surplus (deficit) on available-for-sale investments - net of income taxes  |      |                    |                    |
|  | 9.2  | (515,793)          | 304,315            |
| Retained earnings  |      | 16,634,269         | 13,448,026         |
| <b>Total equity of head office and other branches under the same entity</b>  |      | <b>146,574,570</b> | <b>222,832,737</b> |
| <b>Total liabilities and equity of head office and other branches under the same entity</b>                                  |      | <b>462,458,916</b> | <b>400,933,682</b> |

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



General Manager of Bangkok Branch

**Mizuho Bank, Ltd. Bangkok Branch**  
**Statement of comprehensive income**  
**For the year ended 31 March 2016**

(Unit: Thousand Baht)

|   | Note    | 2016        | 2015      |
|---|---------|-------------|-----------|
| <b>Profit or loss:</b>  |         |             |           |
| Interest income   | 21      | 7,382,725   | 7,126,110 |
| Interest expenses   | 22      | 4,508,224   | 3,975,017 |
| <b>Net interest income</b>                                      |         | 2,874,501   | 3,151,093 |
| Fees and service income   |         | 408,978     | 553,557   |
| Fees and service expenses                                       |         | 65,477      | 32,254    |
| <b>Net fees and service income</b>                              | 23      | 343,501     | 521,303   |
| Net gains on trading and foreign exchange transactions          | 3.1, 24 | 2,388,681   | 1,856,842 |
| Other operating income  |         | 621         | 649       |
| <b>Total operating income</b>                                   |         | 5,607,304   | 5,529,887 |
| <b>Other operating expenses</b>                                 |         |             |           |
| Employee's expenses   |         | 707,029     | 613,029   |
| Premises and equipment expenses                                 |         | 270,745     | 184,452   |
| Taxes and duties  |         | 294,662     | 244,917   |
| Expenses allocated from head office                             | 30.1    | 447,705     | 463,162   |
| Other expenses  |         | 140,342     | 99,432    |
| <b>Total other operating expenses</b>                           |         | 1,860,483   | 1,604,992 |
| <b>Bad debts and doubtful accounts (reversal)</b>               | 25      | (44,239)    | 281,942   |
| <b>Profits before income tax expenses</b>                       |         | 3,791,060   | 3,642,953 |
| Income tax expenses   | 26.2    | 604,817     | 632,318   |
| <b>Profits for the years</b>                                    |         | 3,186,243   | 3,010,635 |
| <b>Other comprehensive income (loss):</b>                       |         |             |           |
| 27  |         |             |           |
| Items to be recognised in profit or loss in subsequent periods: |         |             |           |
| Losses on revaluation of available-for-sale investments         |         | (1,025,135) | (244,544) |
| Income taxes  |         | 205,027     | 48,909    |
| <b>Other comprehensive loss for the years</b>                   |         | (820,108)   | (195,635) |
| <b>Total comprehensive income for the years</b>                 |         | 2,366,135   | 2,815,000 |

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

General Manager of Bangkok Branch

Mizuho Bank, Ltd. Bangkok Branch

Statement of change in equity of head office account and other branches under the same entity

For the year ended 31 March 2016

(Unit: Thousand Baht)

|   | Funds remitted<br>into Thailand for<br>maintaining assets | Net balance of<br>inter-office accounts<br>with head office<br>and other branches<br>under the same entity | Other component<br>of head office and<br>other branches under<br>the same entity -<br>Revaluation surplus (deficit)<br>on available-for-sale<br>investments<br>- net of income taxes | Retained earnings | Total              |
|---|---|--|--|-------------------|--------------------|
| <b>Balance as at 1 April 2014</b>   | 73,584,812  | 147,548,018  | 499,950  | 10,437,391        | 232,070,171        |
| Net increase in funds remitted into Thailand  | 1,039,104   | -  | -  | -                 | 1,039,104          |
| Decrease in balance of inter-office accounts with<br>head office and other branches under the same entity | -   | (12,859,472)   | -  | -                 | (12,859,472)       |
| Profit for the year   | -   | -  | -  | 3,010,635         | 3,010,635          |
| Other comprehensive loss for the year   | -   | -  | (195,635)  | -                 | (195,635)          |
| Total comprehensive income (loss) for the year  | -   | -  | (195,635)  | 3,010,635         | 2,815,000          |
| Foreign exchange translation adjustments  | (232,066)   | -  | -  | -                 | (232,066)          |
| <b>Balance as at 31 March 2015</b>  | <b>74,391,850</b>   | <b>134,688,546</b>   | <b>304,315</b>   | <b>13,448,026</b> | <b>222,832,737</b> |
| <b>Balance as at 1 April 2015</b>   | 74,391,850  | 134,688,546  | 304,315  | 13,448,026        | 222,832,737        |
| Net increase in funds remitted into Thailand  | 12,581,485  | -  | -  | -                 | 12,581,485         |
| Decrease in balance of inter-office accounts with<br>head office and other branches under the same entity | -   | (96,798,599)   | -  | -                 | (96,798,599)       |
| Profit for the year   | -   | -  | -  | 3,186,243         | 3,186,243          |
| Other comprehensive loss for the year   | -   | -  | (820,108)  | -                 | (820,108)          |
| Total comprehensive income (loss) for the year  | -   | -  | (820,108)  | 3,186,243         | 2,366,135          |
| Foreign exchange translation adjustments  | 5,592,812   | -  | -  | -                 | 5,592,812          |
| <b>Balance as at 31 March 2016</b>  | <b>92,566,147</b>   | <b>37,889,947</b>  | <b>(515,793)</b>   | <b>16,634,269</b> | <b>146,574,570</b> |

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

**Mizuho Bank, Ltd. Bangkok Branch**

**Statement of cash flows**

**For the year ended 31 March 2016**

(Unit: Thousand Baht)

|   | 2016              | 2015              |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities</b>   |                   |                   |
| Profits before income tax expenses  | 3,791,060         | 3,642,953         |
| Adjustments to reconcile profits before income tax expenses to net cash received (paid) from operating activities |                   |                   |
| Depreciation and amortisation   | 49,738            | 36,868            |
| Bad debts and doubtful accounts (reversal)  | (44,239)          | 281,942           |
| Provision for contingent liabilities in respect of off-balance commitments (reversal)                             | (15,157)          | 7,077             |
| Provision for long-term employee benefits   | 9,452             | 8,542             |
| Provision for removal and restoration costs   | 62,000            | 9,000             |
| Gains on disposal of equipment  | (1)               | (4)               |
| Unrealised (gains) losses on exchange and financial derivative contracts  | 4,321,271         | (1,753,661)       |
| Net interest income   | (2,874,501)       | (3,151,093)       |
| Cash received on interest income  | 7,101,423         | 7,058,010         |
| Cash paid on interest expenses  | (3,614,107)       | (3,710,573)       |
| Cash paid on income taxes   | (671,459)         | (768,502)         |
| <b>Profits from operating activities before changes in operating assets and liabilities</b>                       | <b>8,115,480</b>  | <b>1,660,559</b>  |
| (Increase) decrease in operating assets   |                   |                   |
| Interbank and money market items  | (27,611,524)      | 2,940,232         |
| Derivatives assets  | 3,358,719         | 4,830,298         |
| Loans to customers  | (15,453,211)      | (28,772,570)      |
| Other assets  | (168,498)         | (69,671)          |
| Increase (decrease) in operating liabilities  |                   |                   |
| Deposits  | 135,886,636       | 32,847,486        |
| Interbank and money market items  | (6,037,216)       | (339,055)         |
| Liability payable on demand   | (410,431)         | 537,712           |
| Derivatives liabilities   | (2,192,657)       | (2,127,105)       |
| Other liabilities   | (113,167)         | (74,066)          |
| <b>Net cash provided by operating activities</b>  | <b>95,374,131</b> | <b>11,433,820</b> |

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



**Mizuho Bank, Ltd. Bangkok Branch**  
**Statement of cash flows (continued)**  
**For the year ended 31 March 2016**

(Unit: Thousand Baht)

|   | 2016                | 2015                |
|---|---------------------|---------------------|
| <b>Cash flows from investing activities</b>   |                     |                     |
| Cash paid for purchases of investments  | (68,976,766)        | (46,969,630)        |
| Cash received on disposals of investments   | 60,174,478          | 48,065,381          |
| Cash paid for purchases of equipment  | (690,933)           | (45,410)            |
| Cash received on disposal of equipment  | 1                   | 4                   |
| Cash paid for purchases of intangible assets  | (55,894)            | (43,396)            |
| <b>Net cash provided by (used in) investing activities</b>  | <b>(9,549,114)</b>  | <b>1,006,949</b>    |
| <b>Cash flows from financing activities</b>   |                     |                     |
| Cash received on debts issued and borrowings  | 173,000             | -                   |
| Net increase in funds remitted into Thailand  | 12,581,485          | 1,039,104           |
| Decrease in net balance of inter-office accounts with<br>head office and other branches under the same entity | (96,798,599)        | (12,859,472)        |
| <b>Net cash used in financing activities</b>  | <b>(84,044,114)</b> | <b>(11,820,368)</b> |
| <b>Net increase in cash and cash equivalents</b>  | <b>1,780,903</b>    | <b>620,401</b>      |
| <b>Cash and cash equivalents at beginning of the years</b>  | <b>4,000,912</b>    | <b>3,380,511</b>    |
| <b>Cash and cash equivalents at end of the years (Note 29)</b>  | <b>5,781,815</b>    | <b>4,000,912</b>    |

**Supplemental cash flows information**

Non-cash transactions

|  |         |   |
|--|---------|---|
| Equipment increase from provision for removal and restoration cost | 109,000 | - |
|--|---------|---|

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

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**Mizuho Bank, Ltd. Bangkok Branch**

**Notes to financial statements**

**For the year ended 31 March 2016**

**1. The Bank's information**

The Ministry of Finance granted Mizuho Bank, Ltd. Bangkok Branch ("the Bank") a license to carry out domestic banking business through Mizuho Bank, Ltd. Bangkok Branch under the Commercial Banking Act B.E. 2505.

Previously the Bank had its registered address at No. 48, 18<sup>th</sup> Floor of TISCO Tower, North Sathorn Road, Silom Sub-district, Bangrak District, Bangkok and since 18 April 2016, the Bank has changed its registered address and moved to the new offices at 98 Sathorn Square Office Tower, 32<sup>nd</sup>-35<sup>th</sup> Floor, North Sathorn Road, Silom Sub-district, Bangrak District, Bangkok.

The Bank has another branch, which is Eastern Seaboard Branch for supporting the clients in that surrounding area.

**2. Basis for preparation of financial statements**

These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and the principles stipulated by the Bank of Thailand ("BOT") and the presentation of the financial statements has been made in compliance with the BOT's Notification No. Sor Nor Sor. 21/2558 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 4 December 2015.

The financial statements in Thai language are the official statutory financial statements of the Bank. The financial statements in English language have been translated from the financial statements in Thai language.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 5 to the financial statements regarding a summary of significant accounting policies.

### **3. New financial reporting standards**

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

#### **3.1 Financial reporting standards that became effective in the current year**

The Bank has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which became effective for fiscal years beginning on or after 1 January 2015 onwards. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on these financial statements. However, some of these standards involve changes to key principles, which are summarised below:

##### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

The Bank has changed the recognition of actuarial gains and losses in the current year from an immediate recognition in profit or loss to an immediate recognition in other comprehensive income and adjusted the current year's transactions but did not restate the prior year's financial statements presented as comparative information, since the management of the Bank considers that the change did not have a significant impact to these financial statements.

##### **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. The Bank is to apply the guidance under this standard if it is required by other financial reporting standards to measure its assets or liabilities at fair value. Therefore, the Bank recognised the impact from adoption of this standard prospectively and recognised the impact from credit value adjustments on derivatives amounting to Baht 231 million as expenses, which was presented net of "Net gains on trading and foreign exchange transactions" in profit or loss for the year ended 31 March 2016.

### **3.2 Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Bank's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

### **4. Changes in Accounting Policies**

During the current year, the Bank has changed its accounting policies as a result of adoption of revised and new financial reporting standards as referred to in Note 3.1 to the financial statements. In addition the Bank has also changed the accounting policy for recognition of purchase and sale transactions of investments in debt securities from settlement date accounting to trade date accounting. However, the impact from such change in accounting policy on recognition of purchase and sale transactions of such investments is not significant.

### **5. Summary of significant accounting policies**

#### **5.1 Revenue recognition**

##### **(a) Interest and discounts on loans to customers**

Interest on loans to customers is recognised as revenue on an accrual basis and is based on the amount of principal outstanding. The Bank ceases accruing interest income for loans to customers on which principal or interest payments have been defaulted for more than three months and reverses accrued interest income previously recognised as revenue from the Bank's accounts. Interest is then recognised as revenue on a cash basis.

Interest or discounts, which are already included in the face values of notes receivable or loans to customers, are recorded as deferred revenues and taken up as revenues evenly throughout the terms of the notes or loans to customers or proportionately according to the collected amounts.

##### **(b) Interest on investments**

Interest on investments is recognised as revenue on an accrual basis.

##### **(c) Fees and service income**

Fees and service income is recognised as revenue on an accrual basis.

- (d) Gains on securities and derivatives trading

Gains (losses) on securities and derivatives trading are recognised as revenues or expenses on the transaction dates.

## **5.2 Expenses recognition**

- (a) Interest expenses

Interest expenses are charged as expenses on an accrual basis. Interest on notes payable included in the face value is recorded as deferred interest expenses and amortised to expenses evenly throughout the term of the notes.

- (b) Fees and service expenses

Fees and service expenses are recognised as expenses on an accrual basis.

## **5.3 Cash and cash equivalents**

Cash and cash equivalents in statements of cash flows consist of cash and deposits at banks with an original maturity period of three months or less, excluded cash and deposits at banks that are placed as collateral.

## **5.4 Investments**

Available-for-sale investments are presented at fair value. Changes in fair value of these investments are recorded in other comprehensive income or loss, and will be recognised in profit or loss when the investments are sold.

Premiums/discounts on debt securities are amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The fair value of government and state enterprise securities and foreign debt securities are determined in accordance with the BOT's regulations, which is based on market prices or the yield rates quoted in the market.

The Bank recognises losses on impairment (if any) of investments in profit or loss.

The Bank records purchase and sale transactions on debt securities on trade dates and uses the weighted average method for computation of the cost of investments when the investments are sold.

## **5.5 Securities purchased under resale agreements**

The Bank enters into agreements to purchase securities, whereby there are agreements to resell those securities at certain dates, time and at a fixed price in the future. Amounts paid for securities purchased under resale agreements are presented as assets under the caption of "Interbank and money market items" or "Loan", depending on the types of counterparties and the underlying securities are treated as collateral to such receivables.

## **5.6 Loans**

The Bank presents loans at principal balances, excluding accrued interest receivables, except for overdraft which are presented at the principal balances plus accrued interest receivables. Unrecognised deferred revenues and discounts on loans are deducted from the loan balances.

## **5.7 Allowances for doubtful accounts**

- (a) The Bank provides allowances for doubtful accounts in accordance with the Notifications of the BOT and adjusts these allowances by the additional amounts which are expected not to be collectible, based on analysis and evaluation of the current status of the debtors, taking into consideration the recovery risk, the value of collateral, and current economic conditions which could affect the debtor's ability to repay loans. Increase (decrease) in allowances for doubtful accounts is recognised as an addition or (a deduction) to expense during the years.

The Bank sets allowances for doubtful accounts for normal loans and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivables) net of collateral value as determined in accordance with the BOT's guidelines.

For non-performing loans, which are classified as substandard, doubtful and doubtful of loss, the Bank records allowances for doubtful accounts at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or the present value of expected cash flows from collateral disposal. The present values are determined using the discount rates and expected times required on collateral disposals in accordance with the BOT's guidelines.

- (b) Amounts written off as bad debts and amounts of bad debt recovered are deductions against or additions to allowances for doubtful accounts.

## **5.8 Leasehold improvements and equipment and depreciation**

Leasehold improvements and equipment are stated at cost less accumulated depreciation and less allowance for impairment losses (if any). The cost includes items directly incurred for assets to be in place and ready for use and the estimated removal and restoration costs as a result of obligations arising from the use of assets.

Depreciation is calculated with reference to their costs on a straight-line basis over an estimated useful life of 5 years.

Depreciation is recognised as expenses in profit or loss.

An item of leasehold improvement and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised as revenue or expenses in profit or loss when the asset is derecognised.

No depreciation is provided for construction in progress

## **5.9 Intangible assets and amortisation**

Intangible assets are stated at cost less accumulated amortisation and allowance for impairment losses (if any).

The Bank amortises intangible assets with finite lives on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expenses and loss on impairment are recognised as expenses in profit or loss.

The Bank's intangible assets with finite useful lives are computer softwares, which have an estimated useful life of approximately 5 years.

No amortisation for computer softwares under development.

## **5.10 Impairment of assets**

The Bank assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank realises loss on impairment in profit or loss when the asset's recoverable amount is less than the carrying value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Bank could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

## **5.11 Employee benefits**

### **Short-term employee benefits**

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

### **Post-employment benefits and other long-term benefits**

#### *Defined contribution plan*

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

#### *Defined benefit plan and other long-term benefit plan*

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other long-term benefit plan. The Bank treats its severance payment obligation as a defined benefit plan.

The obligations under the defined benefit plan and other long-term benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from the defined benefit plan are recognised immediately in other comprehensive income and from other long-term benefit plan are recognised immediately in profit or loss.

## **5.12 Provisions for liabilities**

Provisions for liabilities are recognised when the Bank has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

## **5.13 Foreign currencies**

The financial statements are presented in Baht, which is also the Bank's functional currency.

Foreign currency transactions have been translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of the financial reporting periods.

Gains and losses on translation of foreign currencies transactions are recognised in profit or loss.



#### **5.14 Financial derivatives**

The Bank has entered into financial derivatives transactions in order to respond to customers' needs and manages the risk of the Bank.

Forward foreign currency contracts, which are originated for trading purposes, are recorded as off-balance items. Gains or losses arising from changes in the fair value of these contracts are recognised in profit or loss. Fair value is determined based on an average rate of buying and selling rates for the remaining period of each contract.

Interest rate swap contracts, cross currency and interest rate swap contracts, interest rate option contracts and currency option contracts, which are originated in response to customers' needs, are recorded as off-balance items. Gains or losses arising from changes in the fair value of these contracts are recognised in profit or loss. Fair value is determined using the discounted cash flows technique.

Forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts, which are not originated for trading purposes, are recorded as off-balance items whereby the foreign currency components are measured at the exchange rates ruling at the end of financial reporting periods and the interest components are recognised on an accrual basis in the same way as those recognised for the underlying hedged assets or liabilities.

#### **5.15 Credit valuation adjustments on derivatives**

The Bank adjusts fair value of credit risk on derivatives taking into accounts credit risk of its counterparty (Credit valuation adjustment or CVA). Determination of such fair value reflects probability of default and loss given default of each counterparty. Change in fair value of credit risk on derivatives will be recognised in profit or loss.

#### **5.16 Operating leases**

Long-term leases of assets which do not transfer a significant portion of the risks and rewards of ownership of such assets to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised on a straight-line basis over the lease period in profit or loss.

#### **5.17 Income taxes**

Income tax expenses represent the sum of corporate income tax currently payable and deferred taxes.

##### **Current income taxes**

Current income taxes are provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

## **Deferred taxes**

Deferred taxes are provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting periods.

The Bank recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences can be utilised.

At each reporting date, the Bank reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of deferred tax assets to be utilised.

The Bank records deferred taxes directly to equity of head office account and other branches under the same entity if the taxes relate to items that are recorded directly to equity of head office account and other branches under the same entity.

### **5.18 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Bank applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Bank measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Bank determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

### **5.19 Related party transactions**

Related parties comprise enterprises and individuals that control or are controlled by the Bank, whether directly or indirectly, or which are under common control with the Bank.

They also included individuals which directly or indirectly own a voting interest in the Bank that gives them significant influence over the Bank, key management personnel, directors or officers with authority in the planning and direction of the Bank's operations.

## **6. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant accounting judgements and estimates are as follows:

### **6.1 Recognition and derecognition of assets and liabilities**

When considering the recognition and derecognition of assets or liabilities, the management is required to use judgement on whether risk and rewards of those assets and liabilities have been transferred, based on their best knowledge of current events and arrangements.

### **6.2 Allowances for doubtful accounts on loans to customers**

Allowances for doubtful accounts on loans to customers are intended to adjust the value of loans for probable credit losses. The management uses the BOT's regulation regarding allowances for doubtful accounts and also judgements to estimate losses to be incurred on loans to customers when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances for doubtful accounts are determined through a combination of credit reviews of each borrower, probability of default, value of collateral and current economic conditions.

### **6.3 Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques. The input to the models used is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

#### **6.4 Fair value of credit risk on derivatives**

In determining fair value of credit risk on derivatives, the management exercises judgement, using techniques and models. In valuation, the variables used may be derived from classification of customers and benchmarking with variables available in the market, taking into consideration credit risk of counterparty, terms of cashflows, probability of default, etc. The change in assumptions used to derive those variables may affect fair value as presented in the financial statements.

#### **6.5 Leasehold improvements, equipment and depreciation**

In determining depreciation of leasehold improvements and equipment, the management is required to make estimates of the useful lives and salvage values of the leasehold improvements and equipment and to review estimate useful lives and salvage values when circumstance changes.

In addition, the Bank sets up an allowance for impairment losses on leasehold improvements and equipment when the management determines that there is the indication of impairment exists on these assets and record impairment losses in the period when it is determined that their recoverable amounts are lower than the carrying values. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

#### **6.6 Finance lease/Operating lease**

In determining whether a lease is to be classified as an operating lease or a finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred to the Bank for being as the lessee to the leased asset, taking into consideration terms and conditions of the arrangement.

#### **6.7 Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

#### **6.8 Provisions for long-term employee benefits**

The obligations under the defined benefit plan and other long-term benefit plan are determined using actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary incremental rate, mortality rate, inflation rate, and staff turnover rate, based on their best knowledge at current situation.

## 7. Interbank and money market items (assets)

(Unit: Thousand Baht)

|  | 31 March 2016    |                   |                   | 31 March 2015    |                   |                   |
|--|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|  | At call          | Term              | Total             | At call          | Term              | Total             |
| <b>Domestic</b>  |                  |                   |                   |                  |                   |                   |
| Bank of Thailand and Financial Institutions Development Fund | 4,663,294        | -                 | 4,663,294         | 1,741,929        | 100,000           | 1,841,929         |
| Commercial banks   | 1,808,069        | 73,847,830        | 75,655,899        | 1,249,565        | 44,294,285        | 45,543,850        |
| Specialised financial institutions                           | 10               | -                 | 10                | 10               | -                 | 10                |
| Other financial institutions                                 | -                | -                 | -                 | 550,000          | 722,393           | 1,272,393         |
| <b>Total</b>   | <b>6,471,373</b> | <b>73,847,830</b> | <b>80,319,203</b> | <b>3,541,504</b> | <b>45,116,678</b> | <b>48,658,182</b> |
| <u>Add: Accrued interest receivables</u>                     | 3,621            | 26,972            | 30,593            | -                | 14,664            | 14,664            |
| <u>Less: Allowances for doubtful accounts</u>                | (17,000)         | (103,926)         | (120,926)         | -                | (153,200)         | (153,200)         |
| <b>Total domestic items</b>                                  | <b>6,457,994</b> | <b>73,770,876</b> | <b>80,228,870</b> | <b>3,541,504</b> | <b>44,978,142</b> | <b>48,519,646</b> |
| <b>Foreign</b>   |                  |                   |                   |                  |                   |                   |
| US dollars   | 444,877          | 165,846           | 610,723           | 478,134          | 1,316,787         | 1,794,921         |
| Euro   | 14,410           | -                 | 14,410            | 1,376,718        | -                 | 1,376,718         |
| Australian dollars   | 156,332          | -                 | 156,332           | 52,905           | -                 | 52,905            |
| Hong Kong dollars  | 27,301           | -                 | 27,301            | 856              | -                 | 856               |
| Other currencies   | 357,486          | 35,978            | 393,464           | 192,946          | 54,664            | 247,610           |
| <b>Total</b>   | <b>1,000,406</b> | <b>201,824</b>    | <b>1,202,230</b>  | <b>2,101,559</b> | <b>1,371,451</b>  | <b>3,473,010</b>  |
| <u>Add: Accrued interest receivables</u>                     | -                | -                 | -                 | -                | -                 | -                 |
| <u>Less: Deferred revenues</u>                               | -                | (826)             | (826)             | -                | (1,022)           | (1,022)           |
| <u>Allowances for doubtful accounts</u>                      | -                | (2,010)           | (2,010)           | -                | (13,704)          | (13,704)          |
| <b>Total foreign items</b>                                   | <b>1,000,406</b> | <b>198,988</b>    | <b>1,199,394</b>  | <b>2,101,559</b> | <b>1,356,725</b>  | <b>3,458,284</b>  |
| <b>Total domestic and foreign items</b>                      | <b>7,458,400</b> | <b>73,969,864</b> | <b>81,428,264</b> | <b>5,643,063</b> | <b>46,334,867</b> | <b>51,977,930</b> |

As at 31 March 2016, the Bank had loans to interbank and money market amounting to Baht 75,750 million and allowances for doubtful accounts provided in accordance with the BOT's guidelines amounting to Baht 123 million. All of the loans were classified as normal (31 March 2015: Loans amounted to Baht 48,038 million and allowances for doubtful accounts amounted to Baht 167 million. All of the loans were classified as normal.).

## 8. Derivatives

As at 31 March 2016 and 2015, the notional amounts, the fair values of derivatives held for trading, and the adjustments made on an accrual basis of derivatives held for hedging (banking book) were classified by types of risk as follow.

(Unit: Thousand Baht)

|                              | 31 March 2016                   |                   |                       | 31 March 2015                   |                  |                       |
|------------------------------|---------------------------------|-------------------|-----------------------|---------------------------------|------------------|-----------------------|
|                              | Fair values/Adjustments made on |                   | Notional              | Fair values/Adjustments made on |                  | Notional              |
|                              | an accrual basis                |                   |                       | an accrual basis                |                  |                       |
|                              | Assets                          | Liabilities       | Amount <sup>(1)</sup> | Assets                          | Liabilities      | Amount <sup>(1)</sup> |
| <b>Types of risk:</b>        |                                 |                   |                       |                                 |                  |                       |
| <b>Foreign exchange rate</b> |                                 |                   |                       |                                 |                  |                       |
| Derivatives for trading      | 9,872,756                       | 6,491,028         | 634,794,695           | 6,474,461                       | 2,537,036        | 373,346,065           |
| Derivatives for banking book | 3,518,463                       | 2,377,740         | 27,454,955            | 1,860,370                       | 269,346          | 47,718,873            |
| <b>Interest rate</b>         |                                 |                   |                       |                                 |                  |                       |
| Derivatives for trading      | 2,901,346                       | 3,497,644         | 564,473,150           | 1,735,094                       | 1,976,660        | 204,568,737           |
| Derivatives for banking book | -                               | -                 | 11,700,000            | -                               | -                | 2,738,699             |
| <b>Total</b>                 | <b>16,292,565</b>               | <b>12,366,412</b> | <b>1,238,422,800</b>  | <b>10,069,925</b>               | <b>4,783,042</b> | <b>628,372,374</b>    |

<sup>(1)</sup> Disclosed only in case that the Bank has an obligation to pay

Derivatives held for hedging (banking book) are obligations under forward contracts, which are not held for trading, and are measured on an accrual basis. For foreign currency components, gains or losses on exchange at the end of the reporting periods are presented under "Derivatives assets" or "Derivatives liabilities". For interest components, they are presented as a part of "Accrued interest receivables" or "Accrued interest payables" in statements of financial position.

Fair values and the adjustments made on an accrual basis for derivatives made with counterparties, who are head office and other branches under the same entity, are presented under inter-office accounts with head office and other branches under the same entity.

As at 31 March 2016 and 2015, proportions of derivatives transactions classified by types of counterparties, determined based on the notional amount, are as follows.

(Unit: Percent)

| Counterparties                            | 31 March 2016 | 31 March 2015 |
|---|---------------|---------------|
| Financial institutions                    | 78            | 66            |
| Companies within the Group <sup>(1)</sup> | 7             | 10            |
| Third parties                             | 15            | 24            |
| <b>Total</b>                              | <b>100</b>    | <b>100</b>    |

<sup>(1)</sup> Head office or other branches under the same entity

## 9. Investments

### 9.1 Classified by type of investment

(Unit: Thousand Baht)

|  | 31 March 2016 |             | 31 March 2015 |             |
|--|---------------|-------------|---------------|-------------|
|  | Cost          | Fair value  | Cost          | Fair value  |
| <b><u>Available-for-sale investments</u></b> |               |             |               |             |
| Government and state enterprise securities   | 89,763,216    | 90,422,637  | 81,832,849    | 82,656,233  |
| Foreign debt securities                      | 34,181,976    | 32,877,813  | 31,845,005    | 31,402,014  |
| Total  | 123,945,192   | 123,300,450 | 113,677,854   | 114,058,247 |
| <u>Add</u> Revaluation allowance             | (644,742)     |             | 380,393       |             |
| Total investments                            | 123,300,450   |             | 114,058,247   |             |

### 9.2 Revaluation surplus on available-for-sale investments

(Unit: Thousand Baht)

|  | 31 March 2016 | 31 March 2015 |
|--|---------------|---------------|
| Revaluation surplus on investments in debt securities                | 719,075       | 882,865       |
| Revaluation deficit on investments in debt securities                | (1,363,817)   | (502,472)     |
| Revaluation surplus (deficit) on available-for-sale investments      | (644,742)     | 380,393       |
| <u>Less</u> Income taxes   | 128,949       | (76,078)      |
| Revaluation surplus(deficit) on available-for-sale investments - net | (515,793)     | 304,315       |

### 9.3 Investments subject to obligation

As at 31 March 2016 and 2015, investments in government and state enterprise securities and foreign debt securities totalling Baht 89,464 million and Baht 72,029 million, respectively, are maintained as assets under Section 32 of the Act on Undertaking of Banking Business B.E. 2551.

## 10. Loans to customers and accrued interest receivables

### 10.1 Classified by loan type

|   | (Unit: Thousand Baht) |                    |
|---|-----------------------|--------------------|
|   | 31 March 2016         | 31 March 2015      |
| Overdrafts  | 176                   | 5,062              |
| Loans   | 232,743,436           | 222,193,813        |
| Discounted bills  | 8,698,266             | 3,789,790          |
| <u>Less</u> Deferred revenues   | (8,616)               | (1,991)            |
| Total loans to customers net from deferred revenue                                      | 241,433,262           | 225,986,674        |
| <u>Add</u> Accrued interest receivable  | 643,550               | 501,021            |
| Total loans to customers net from deferred revenues and accrued interest receivables    | 242,076,812           | 226,487,695        |
| <u>Less</u> Allowance for doubtful accounts - Provision at BOT's minimum required rates | (2,713,652)           | (2,615,937)        |
| Loans to customers and accrued interest receivables - net                               | <u>239,363,160</u>    | <u>223,871,758</u> |

### 10.2 Classified by currency and borrowers' residency

|   | (Unit: Thousand Baht) |                  |                    |                    |                  |                    |
|---|-----------------------|------------------|--------------------|--------------------|------------------|--------------------|
|   | 31 March 2016         |                  |                    | 31 March 2015      |                  |                    |
|   | Domestic              | Foreign          | Total              | Domestic           | Foreign          | Total              |
| Baht  | 112,556,543           | -                | 112,556,543        | 121,278,078        | -                | 121,278,078        |
| US Dollars  | 122,722,399           | 4,794,736        | 127,517,135        | 100,850,138        | 2,578,878        | 103,429,016        |
| Yen   | 1,128,167             | -                | 1,128,167          | 1,197,681          | -                | 1,197,681          |
| Other currencies                                    | 231,417               | -                | 231,417            | 81,899             | -                | 81,899             |
| Total loans to customers net from deferred revenues | <u>236,638,526</u>    | <u>4,794,736</u> | <u>241,433,262</u> | <u>223,407,796</u> | <u>2,578,878</u> | <u>225,986,674</u> |



### 10.3 Classified by business type and loan classification

(Unit: Thousand Baht)

|  | 31 March 2016           |                    |                  |                |                     | Total              |
|--|-------------------------|--------------------|------------------|----------------|---------------------|--------------------|
|  | Normal                  | Special<br>Mention | Sub-<br>standard | Doubtful       | Doubtful<br>of loss |                    |
|  | Agricultural and mining | 9,514,570          | 20,000           | -              | -                   |                    |
| Manufacturing and commerce                             | 106,202,286             | 7,290,733          | -                | 247,000        | -                   | 113,740,019        |
| Real estate and construction                           | 538,900                 | -                  | -                | -              | -                   | 538,900            |
| Public utilities and service                           | 46,965,044              | 919,200            | -                | -              | -                   | 47,884,244         |
| Others   | 69,735,529              | -                  | -                | -              | -                   | 69,735,529         |
| Total loans to customers net<br>from deferred revenues | <u>232,956,329</u>      | <u>8,229,933</u>   | <u>-</u>         | <u>247,000</u> | <u>-</u>            | <u>241,433,262</u> |

(Unit: Thousand Baht)

|  | 31 March 2015           |                    |                  |              |                     | Total              |
|--|-------------------------|--------------------|------------------|--------------|---------------------|--------------------|
|  | Normal                  | Special<br>mention | Sub-<br>standard | Doubtful     | Doubtful<br>of loss |                    |
|  | Agricultural and mining | 8,789,877          | 20,000           | -            | -                   |                    |
| Manufacturing and commerce                             | 101,775,700             | 6,247,285          | 280,000          | 8,500        | 5,326               | 108,316,811        |
| Real estate and construction                           | 958,846                 | 29,000             | -                | -            | -                   | 987,846            |
| Public utilities and service                           | 33,059,820              | 179,200            | -                | -            | -                   | 33,239,020         |
| Others   | 74,633,120              | -                  | -                | -            | -                   | 74,633,120         |
| Total loans to customers net<br>from deferred revenues | <u>219,217,363</u>      | <u>6,475,485</u>   | <u>280,000</u>   | <u>8,500</u> | <u>5,326</u>        | <u>225,986,674</u> |

### 10.4 Non-performing loans

As at 31 March 2016 and 2015, the Bank had non-performing loans classified in accordance with the BOT's guidelines (including loans classified as sub-standard, doubtful and doubtful of loss, but excluding accrued interest receivables) as follows:

(Unit: Thousand Baht)

|  | 31 March 2016 | 31 March 2015 |
|--|---------------|---------------|
| Non-performing loans before allowances for doubtful accounts | 247,000       | 293,826       |

As at 31 March 2016 and 2015, the Bank did not have loans to customers classified as "Normal" and "Special mention" on which interest income recognition under an accrual basis has been discontinued.

## 10.5 Classified by loan classification

As at 31 March 2016 and 2015, the Bank's loans and allowances for doubtful accounts, classified in accordance with the BOT's guidelines, are as below.

(Unit: Thousand Baht)

|                  | 31 March 2016  |   |                                    |                                  |
|------------------|--|---|------------------------------------|----------------------------------|
|                  | Loans to customers and accrued interest receivables <sup>(1)</sup> | Net balance used in setting up allowance for doubtful accounts <sup>(2)</sup> | Minimum percentage required by BOT | Allowances for doubtful accounts |
|                  |  |   | (%)                                |                                  |
| Normal           | 233,563,015  | 230,203,834   | 1                                  | 2,302,038                        |
| Special mention  | 8,266,782  | 8,229,933   | 2                                  | 164,599                          |
| Sub-standard     | -  | -   | 100                                | -                                |
| Doubtful         | 247,015  | 247,015   | 100                                | 247,015                          |
| Doubtful of loss | -  | -   | 100                                | -                                |
| <b>Total</b>     | <b>242,076,812</b>   | <b>238,680,782</b>  |                                    | <b>2,713,652</b>                 |

(Unit: Thousand Baht)

|                  | 31 March 2015  |   |                                    |                                  |
|------------------|--|---|------------------------------------|----------------------------------|
|                  | Loans to customers and accrued interest receivables <sup>(1)</sup> | Net balance used in setting up allowance for doubtful accounts <sup>(2)</sup> | Minimum percentage required by BOT | Allowances for doubtful accounts |
|                  |  |   | (%)                                |                                  |
| Normal           | 219,703,650  | 219,217,363   | 1                                  | 2,192,174                        |
| Special mention  | 6,489,792  | 6,475,485   | 2                                  | 129,510                          |
| Sub-standard     | 280,393  | 280,393   | 100                                | 280,393                          |
| Doubtful         | 8,534  | 8,534   | 100                                | 8,534                            |
| Doubtful of loss | 5,326  | 5,326   | 100                                | 5,326                            |
| <b>Total</b>     | <b>226,487,695</b>   | <b>225,987,101</b>  |                                    | <b>2,615,937</b>                 |

<sup>(1)</sup> Loans to customers net from deferred revenues plus accrued interest receivables.

<sup>(2)</sup> The net balance used in setting allowances for doubtful accounts for loans classified as "Normal" and "Special mention" is the principal balance net from deferred revenues, excluding accrued interest receivables, and after deducting collateral values, while loans classified as "Substandard", "Doubtful" and "Doubtful of loss", it is the principal balance net from deferred revenues plus accrued interest receivables, and after deducting the present value of expected future cash flows from debt collection or from disposal of collaterals.

## 11. Allowances for doubtful accounts

(Unit: Thousand Baht)

|                                     | For the year ended 31 March 2016 |                    |             |                |                     | Total            |
|-------------------------------------|----------------------------------|--------------------|-------------|----------------|---------------------|------------------|
|                                     | Normal                           | Special<br>mention | Substandard | Doubtful       | Doubtful<br>of loss |                  |
| Balance - beginning of the year     | 2,192,174                        | 129,510            | 280,393     | 8,534          | 5,326               | 2,615,937        |
| Increase (decrease) during the year | 20,169                           | 34,485             | (280,393)   | 238,481        | (5,326)             | 7,416            |
| Foreign exchange translation        | 89,695                           | 604                | -           | -              | -                   | 90,299           |
| Balance - end of the year           | <u>2,302,038</u>                 | <u>164,599</u>     | <u>-</u>    | <u>247,015</u> | <u>-</u>            | <u>2,713,652</u> |

(Unit: Thousand Baht)

|                                     | For the year ended 31 March 2015 |                    |                |              |                     | Total            |
|-------------------------------------|----------------------------------|--------------------|----------------|--------------|---------------------|------------------|
|                                     | Normal                           | Special<br>mention | Substandard    | Doubtful     | Doubtful<br>of loss |                  |
| Balance - beginning of the year     | 1,918,943                        | 98,379             | 240,235        | 38,661       | 33,105              | 2,329,323        |
| Increase (decrease) during the year | 272,164                          | 31,267             | 40,158         | (30,127)     | (27,779)            | 285,683          |
| Foreign exchange translation        | 1,067                            | (136)              | -              | -            | -                   | 931              |
| Balance - end of the year           | <u>2,192,174</u>                 | <u>129,510</u>     | <u>280,393</u> | <u>8,534</u> | <u>5,326</u>        | <u>2,615,937</u> |

## 12. Leasehold improvements and equipment

(Unit: Thousand Baht)

|  | Leasehold<br>improvements | Office<br>equipment | Computer<br>equipment | Construction<br>In progress | Total     |
|--|---------------------------|---------------------|-----------------------|-----------------------------|-----------|
| <b>Cost</b>  |                           |                     |                       |                             |           |
| 1 April 2014                                       | 244,376                   | 54,926              | 134,654               | -                           | 433,956   |
| Additions  | 10,771                    | 15,443              | 19,196                | -                           | 45,410    |
| Disposal/Write-off                                 | -                         | (104)               | -                     | -                           | (104)     |
| 31 March 2015                                      | 255,147                   | 70,265              | 153,850               | -                           | 479,262   |
| Additions  | 113                       | 149                 | 76,609                | 723,062                     | 799,933   |
| Disposals/Write-off                                | (29)                      | (4,471)             | -                     | -                           | (4,500)   |
| 31 March 2016                                      | 255,231                   | 65,943              | 230,459               | 723,062                     | 1,274,695 |
| <b>Accumulated depreciation</b>                    |                           |                     |                       |                             |           |
| 1 April 2014                                       | 220,258                   | 42,699              | 125,727               | -                           | 388,684   |
| Depreciation charged for the year                  | 6,495                     | 2,966               | 5,550                 | -                           | 15,011    |
| Accumulated depreciation on<br>disposals/write-off | -                         | (104)               | -                     | -                           | (104)     |
| 31 March 2015                                      | 226,753                   | 45,561              | 131,277               | -                           | 403,591   |
| Depreciation charged for the year                  | 8,395                     | 5,700               | 9,844                 | -                           | 23,939    |
| Accumulated depreciation on<br>disposals/write-off | (29)                      | (4,471)             | -                     | -                           | (4,500)   |
| 31 March 2016                                      | 235,119                   | 46,790              | 141,121               | -                           | 423,030   |
| <b>Net book value</b>                              |                           |                     |                       |                             |           |
| 31 March 2015                                      | 28,394                    | 24,704              | 22,573                | -                           | 75,671    |
| 31 March 2016                                      | 20,112                    | 19,153              | 89,338                | 723,062                     | 851,665   |

### Depreciation charged in profit or loss for the years ended

|               |        |
|---------------|--------|
| 31 March 2015 | 15,011 |
| 31 March 2016 | 23,939 |

As at 31 March 2016 and 2015, the Bank has certain items of leasehold improvements and equipment, which have been fully depreciated but are still in use. The original costs, before deducting accumulated depreciation, of those assets amounted to approximately Baht 377 million and Baht 378 million, respectively.

### 13. Intangible assets

(Unit: Thousand Baht)

|   | Computer<br>softwares | Computer<br>softwares under<br>development | Total   |
|---|-----------------------|--|---------|
| <b>Cost</b>   |                       |  |         |
| 1 April 2014  | 170,253               | 10,036                                     | 180,289 |
| Additions   | 18,813                | 24,583                                     | 43,396  |
| Transfers in/(Transfers out)  | 9,718                 | (9,718)                                    | -       |
| 31 March 2015   | 198,784               | 24,901                                     | 223,685 |
| Additions   | 27,900                | 27,994                                     | 55,894  |
| Transfers in/(Transfers out)  | 9,979                 | (9,979)                                    | -       |
| 31 March 2016   | 236,663               | 42,916                                     | 279,579 |
| <b>Accumulated amortisation</b>   |                       |  |         |
| 1 April 2014  | 114,146               | -  | 114,146 |
| Amortisation for the year   | 21,857                | -  | 21,857  |
| 31 March 2015   | 136,003               | -  | 136,003 |
| Amortisation for the year   | 25,799                | -  | 25,799  |
| 31 March 2016   | 161,802               | -  | 161,802 |
| <b>Net book value</b>   |                       |  |         |
| 31 March 2015   | 62,781                | 24,901                                     | 87,682  |
| 31 March 2016   | 74,861                | 42,916                                     | 117,777 |
| <b>Amortisation expenses included in profit or loss for the years ended</b> |                       |  |         |
| 31 March 2015   |                       |  | 21,857  |
| 31 March 2016   |                       |  | 25,799  |

As at 31 March 2016 and 2015, computer softwares have remaining amortisation periods of 0 - 5 years.

As at 31 March 2016 and 2015, the Bank has computer softwares, which have been fully amortised but are still in use. The original costs, before deducting accumulated amortisation, of those assets amounted to approximately Baht 100 million and Baht 82 million, respectively.

## 14. Other assets

|                                      | (Unit: Thousand Baht) |                |
|--------------------------------------|-----------------------|----------------|
|                                      | 31 March 2016         | 31 March 2015  |
| Deposits                             | 36,493                | 35,553         |
| Accrued fees receivable              | 21,573                | 43,151         |
| Prepaid rental expenses              | -                     | 22,005         |
| Others                               | 5,204                 | 2,185          |
| <b>Total</b>                         | <b>63,270</b>         | <b>102,894</b> |
| <u>Less Allowance for impairment</u> | <u>(5)</u>            | <u>(223)</u>   |
| <b>Other assets - net</b>            | <b>63,265</b>         | <b>102,671</b> |

## 15. Deposits

### 15.1 Classified by type of deposits

|                       | (Unit: Thousand Baht) |                    |
|-----------------------|-----------------------|--------------------|
|                       | 31 March 2016         | 31 March 2015      |
| Demand deposits       | 5,025,132             | 6,706,405          |
| Saving deposits       | 62,836,275            | 52,655,723         |
| Term deposits         | 231,540,943           | 104,153,586        |
| <b>Total deposits</b> | <b>299,402,350</b>    | <b>163,515,714</b> |

### 15.2 Classified by currency and depositors' residency

|                       | (Unit: Thousand Baht) |               |                    |                    |                  |                    |
|-----------------------|-----------------------|---------------|--------------------|--------------------|------------------|--------------------|
|                       | 31 March 2016         |               |                    | 31 March 2015      |                  |                    |
|                       | Domestic              | Foreign       | Total              | Domestic           | Foreign          | Total              |
| Baht                  | 279,529,293           | 15,816        | 279,545,109        | 150,104,748        | 28               | 150,104,776        |
| US dollars            | 17,277,789            | 15,233        | 17,293,022         | 9,326,668          | 168              | 9,326,836          |
| Yen                   | 2,086,276             | 242           | 2,086,518          | 1,675,156          | 209              | 1,675,365          |
| Other currencies      | 477,701               | -             | 477,701            | 1,352,203          | 1,056,534        | 2,408,737          |
| <b>Total deposits</b> | <b>299,371,059</b>    | <b>31,291</b> | <b>299,402,350</b> | <b>162,458,775</b> | <b>1,056,939</b> | <b>163,515,714</b> |

## 16. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

|   | 31 March 2016  |                |                  | 31 March 2015    |                  |                  |
|---|----------------|----------------|------------------|------------------|------------------|------------------|
|   | At call        | Term           | Total            | At call          | Term             | Total            |
| <b>Domestic</b>                         |                |                |                  |                  |                  |                  |
| Commercial banks                        | 50,191         | 880,979        | 931,170          | 5,550,141        | 1,627,755        | 7,177,896        |
| Other financial institutions            | 222,251        | -              | 222,251          | 57,247           | -                | 57,247           |
| <b>Total domestic items</b>             | <b>272,442</b> | <b>880,979</b> | <b>1,153,421</b> | <b>5,607,388</b> | <b>1,627,755</b> | <b>7,235,143</b> |
| <b>Foreign</b>                          |                |                |                  |                  |                  |                  |
| Baht                                    | 49,096         | -              | 49,096           | 4,590            | -                | 4,590            |
| <b>Total foreign items</b>              | <b>49,096</b>  | <b>-</b>       | <b>49,096</b>    | <b>4,590</b>     | <b>-</b>         | <b>4,590</b>     |
| <b>Total domestic and foreign items</b> | <b>321,538</b> | <b>880,979</b> | <b>1,202,517</b> | <b>5,611,978</b> | <b>1,627,755</b> | <b>7,239,733</b> |

## 17. Debts issued and borrowings

As at 31 March 2016, the Bank has outstanding balances of bills of exchange in Thai currency of Baht 173 million, bearing interest between 0.77% - 1.39% per annum, maturing within 2016. (31 March 2015: there was no outstanding balance).

## 18. Provisions for liabilities

(Unit: Thousand Baht)

|                                    | For the year ended 31 March 2016          |  |   |                |
|------------------------------------|---|--|---|----------------|
|                                    | Provision for long-term employee benefits | Provision for contingent liabilities in respect of off-balance commitments | Provision for removal and restoration costs | Total          |
| Balance as at 1 April 2015         | 60,421                                    | 15,157   | 9,000                                       | 84,578         |
| Increase during the year           | 9,452                                     | -  | 171,000                                     | 180,452        |
| Paid during the year               | (120)                                     | (15,157)   | -   | (15,277)       |
| <b>Balance as at 31 March 2016</b> | <b>69,753</b>                             | <b>-</b>   | <b>180,000</b>                              | <b>249,753</b> |

(Unit: Thousand Baht)

|                             | For the year ended 31 March 2015                   |   |   |        |
|-----------------------------|--|---|---|--------|
|                             | Provision for<br>long-term<br>employee<br>benefits | Provision for<br>contingent<br>liabilities in<br>respect of<br>off-balance<br>commitments | Provision for<br>removal and<br>restoration costs | Total  |
| Balance as at 1 April 2014  | 51,999   | 8,080   | -   | 60,079 |
| Increase during the year    | 8,542  | 7,077   | 9,000   | 24,619 |
| Paid during the year        | (120)  | -   | -   | (120)  |
| Balance as at 31 March 2015 | 60,421   | 15,157  | 9,000   | 84,578 |

#### **Provision for long-term employee benefits**

Provision for long-term employee benefits is obligations on compensations on employees upon retirement and other long-term benefit plan, the movements of which can be summarised as follows:

(Unit: Thousand Baht)

|   | For the years ended 31 March |        |
|---|------------------------------|--------|
|   | 2016                         | 2015   |
| Defined benefit obligations at beginning of the years | 60,421                       | 51,999 |
| Current service cost                                  | 6,980                        | 6,415  |
| Interest cost   | 2,472                        | 2,127  |
| Benefits paid during the years                        | (120)                        | (120)  |
| Defined benefit obligations at end of the years       | 69,753                       | 60,421 |

Long-term employee benefit expenses included in profit or loss are as follows:

(Unit: Thousand Baht)

|   | For the years ended 31 March |       |
|---|------------------------------|-------|
|   | 2016                         | 2015  |
| Current service cost  | 6,980                        | 6,415 |
| Interest cost   | 2,472                        | 2,127 |
| Total long-term employee benefit expenses recognised in<br>profit or loss | 9,452                        | 8,542 |



Principal actuarial assumptions at the valuation dates are as follows:

|  | 31 March 2016 | 31 March 2015 |
|--|---------------|---------------|
|  | (% per annum) | (% per annum) |
| Discount rate                                  | 4.10          | 4.10          |
| Future salary incremental rates                | 5.00 - 10.00  | 5.00 - 10.00  |
| Staff turnover rate (depend on employee's age) | 0.00 - 25.00  | 0.00 - 25.00  |

The result of sensitivity analysis for significant assumptions that affect the present value of long-term employee benefit obligation as at 31 March 2016 are summarised below:

|  | (Unit: Thousand Baht)                     |
|--|---|
|  | Increase (decrease) in provision          |
| Assumptions                                  | for employee benefits as at 31 March 2016 |
| Discount rate increased 1%                   | (5,963)                                   |
| Discount rate decreased 1%                   | 6,805                                     |
| Future salary incremental rates increased 1% | 8,006                                     |
| Future salary incremental rates decreased 1% | (7,070)                                   |
| Staff turnover rate increased 20%            | (5,807)                                   |
| Staff turnover rate decreased 20%            | 6,701                                     |

## 19. Other liabilities

|  | (Unit: Thousand Baht) |                |
|--|-----------------------|----------------|
|  | 31 March 2016         | 31 March 2015  |
| Revenue received in advance  | 82,326                | 13,890         |
| Contribution payables to the Deposit Protection Agency and<br>the Bank of Thailand | 306,800               | 174,500        |
| Accrued expenses   | 110,826               | 96,810         |
| Total other liabilities  | <u>499,952</u>        | <u>285,200</u> |

## 20. Capital funds

The primary objective of the Bank's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at 31 March 2016 and 2015, funds remitted into Thailand for maintaining assets under Section 32 of the Act on Undertaking of Banking business B.E. 2551 are as follows:

|  | (Unit: Thousand Baht) |               |
|--|-----------------------|---------------|
|  | 31 March 2016         | 31 March 2015 |
| <u>Funds remitted into Thailand</u>                  |                       |               |
| Funds from head office                               | 10,670,800            | 10,670,800    |
| Borrowings from other branches under the same entity | 81,895,347            | 63,721,050    |
| Total  | 92,566,147            | 74,391,850    |

As at 31 March 2016 and 2015, the Bank's capital adequacy ratios in accordance with the Act on undertaking of Banking business B.E. 2551 are as follows:

|  | (Unit: Thousand Baht) |               |
|--|-----------------------|---------------|
|  | 31 March 2016         | 31 March 2015 |
| 1. Assets required to be maintained under Section 32 (Note 9.3)  | 89,464,395            | 72,029,262    |
| 2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts  | 129,168,815           | 207,078,405   |
| 2.1 Net capital for maintenance of assets under Section 32   | 91,278,868            | 72,389,859    |
| 2.2 Net balance of inter-office accounts which are debtor (creditor) balances to the head office and other branches located in other countries, the parent company and subsidiaries of the head office | 37,889,947            | 134,688,546   |
| 3. Total regulatory capital (3.1 - 3.2)  | 89,346,618            | 71,941,580    |
| 3.1 Total regulatory capital before deduction items (the lowest amount among item 1, item 2 and item 2.1)  | 89,464,395            | 72,029,262    |
| 3.2 Deduction items  | (117,777)             | (87,682)      |

## 21. Interest income

|                                  | (Unit: Thousand Baht)        |           |
|----------------------------------|------------------------------|-----------|
|                                  | For the years ended 31 March |           |
|                                  | 2016                         | 2015      |
| Interest income incurred on:     |                              |           |
| Interbank and money market items | 724,579                      | 1,003,214 |
| Investments in debt securities   | 2,291,087                    | 2,195,595 |
| Loans to customers               | 4,353,725                    | 3,912,290 |
| Others                           | 13,334                       | 15,011    |
| Total interest income            | 7,382,725                    | 7,126,110 |

## 22. Interest expenses

|  | (Unit: Thousand Baht)        |           |
|--|------------------------------|-----------|
|  | For the years ended 31 March |           |
|  | 2016                         | 2015      |
| Interest expenses incurred on:   |                              |           |
| Deposits   | 2,531,367                    | 1,693,435 |
| Interbank and money market items   | 1,006,526                    | 1,667,935 |
| Contribution fees to the Deposit Protection Agency and the<br>Bank of Thailand | 963,868                      | 613,647   |
| Others   | 6,463                        | -         |
| Total interest expenses  | 4,508,224                    | 3,975,017 |

## 23. Net fees and service income

|                                 | (Unit: Thousand Baht)        |          |
|---------------------------------|------------------------------|----------|
|                                 | For the years ended 31 March |          |
|                                 | 2016                         | 2015     |
| Fees and service income on:     |                              |          |
| Acceptance, aval and guarantees | 67,251                       | 73,958   |
| Management fees                 | 161,918                      | 320,099  |
| Others                          | 179,809                      | 159,500  |
| Total fees and service income   | 408,978                      | 553,557  |
| Total fees and service expenses | (65,477)                     | (32,254) |
| Fees and service income - net   | 343,501                      | 521,303  |

## 24. Net gains on trading and foreign exchange transactions

|   | (Unit: Thousand Baht)        |           |
|---|------------------------------|-----------|
|   | For the years ended 31 March |           |
|   | 2016                         | 2015      |
| Foreign currencies and derivatives relating to foreign exchange | 3,638,192                    | 2,730,009 |
| Derivatives relating to interest rate                           | (1,018,541)                  | (873,167) |
| Loss on adjust fair value of credit risk on derivatives         | (230,970)                    | -         |
| Total   | 2,388,681                    | 1,856,842 |

## 25. Bad debts and doubtful accounts

|  | (Unit: Thousand Baht)        |         |
|--|------------------------------|---------|
|  | For the years ended 31 March |         |
|  | 2016                         | 2015    |
| Bad debts and doubtful accounts (reversal) on: |                              |         |
| Interbank and money market items               | (51,411)                     | (3,964) |
| Loans to customers                             | 7,416                        | 285,683 |
| Other receivables                              | (244)                        | 223     |
| Total  | (44,239)                     | 281,942 |

## 26. Deferred tax assets and liabilities/Income tax expenses

### 26.1 Deferred tax assets and liabilities

As at 31 March 2016 and 2015, deferred tax assets and liabilities comprise:

|   | (Unit: Thousand Baht) |               |
|---|-----------------------|---------------|
|   | 31 March 2016         | 31 March 2015 |
| Deferred tax assets*                    | 307,782               | 104,362       |
| Deferred tax liabilities*               | 103,635               | 159,181       |
| Deferred tax assets (liabilities) - net | 204,147               | (54,819)      |

\* As at 31 March 2016 and 2015, the balances presented net of deferred tax assets and liabilities on available-for-sale investments, which are matured in the same period by Baht 40 million and Baht 17 million, respectively.

(Unit: Thousand Baht)

For the year ended 31 March 2016

|   | Beginning<br>balance | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | Ending balance |
|---|----------------------|---------------------------------|---|----------------|
| Deferred tax assets arose from:                               |                      |                                 |   |                |
| Derivative assets   | -                    | 46,194                          | -   | 46,194         |
| Available-for-sale investments                                | 100,494              | -                               | 172,269   | 272,763        |
| Intangible assets and leasehold<br>improvements and equipment | 2,144                | (890)                           | -   | 1,254          |
| Provisions for other liabilities                              | 16,916               | 9,435                           | -   | 26,351         |
| Others  | 2,200                | (800)                           | -   | 1,400          |
| <b>Total deferred tax assets</b>                              | <b>121,754</b>       | <b>53,939</b>                   | <b>172,269</b>                                    | <b>347,962</b> |
| Deferred tax liabilities arose from:                          |                      |                                 |   |                |
| Available-for-sale investments                                | 176,573              | -                               | (32,758)  | 143,815        |
| <b>Total deferred tax liabilities</b>                         | <b>176,573</b>       | <b>-</b>                        | <b>(32,758)</b>                                   | <b>143,815</b> |
| <b>Net</b>  | <b>(54,819)</b>      | <b>53,939</b>                   | <b>205,027</b>                                    | <b>204,147</b> |

(Unit: Thousand Baht)

For the year ended 31 March 2015

|   | Beginning<br>balance | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | Ending balance  |
|---|----------------------|---------------------------------|---|-----------------|
| Deferred tax assets arose from:                               |                      |                                 |   |                 |
| Available-for-sale investments                                | 29,199               | -                               | 71,295  | 100,494         |
| Intangible assets and leasehold<br>improvements and equipment | 2,679                | (535)                           | -   | 2,144           |
| Provisions for other liabilities                              | 12,016               | 4,900                           | -   | 16,916          |
| Others  | 2,400                | (200)                           | -   | 2,200           |
| <b>Total deferred tax assets</b>                              | <b>46,294</b>        | <b>4,165</b>                    | <b>71,295</b>                                     | <b>121,754</b>  |
| Deferred tax liabilities arose from:                          |                      |                                 |   |                 |
| Available-for-sale investments                                | 154,186              | -                               | 22,387  | 176,573         |
| <b>Total deferred tax liabilities</b>                         | <b>154,186</b>       | <b>-</b>                        | <b>22,387</b>                                     | <b>176,573</b>  |
| <b>Net</b>  | <b>(107,892)</b>     | <b>4,165</b>                    | <b>48,908</b>                                     | <b>(54,819)</b> |

## 26.2 Income tax expenses

Income tax expenses for the years ended 31 March 2016 and 2015 are made up as follows:

|  | (Unit: Thousand Baht)        |                |
|--|------------------------------|----------------|
|  | For the years ended 31 March |                |
|  | 2016                         | 2015           |
| <b>Current income tax</b>  |                              |                |
| Corporate income taxes for the years   | 658,756                      | 636,483        |
| <b>Deferred taxes</b>  |                              |                |
| Deferred taxes relating to origination and reversal of temporary differences | (53,939)                     | (4,165)        |
| Income tax expenses recognised in profit or loss                             | <u>604,817</u>               | <u>632,318</u> |

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 March 2016 and 2015 and the applicable tax rate are as follow:

|   | (Unit: Thousand Baht)        |                |
|---|------------------------------|----------------|
|   | For the years ended 31 March |                |
|   | 2016                         | 2015           |
| Accounting profits before income tax expenses   | 3,791,060                    | 3,642,953      |
| Applicable corporate income tax rate  | 20%                          | 20%            |
| Accounting profits before income tax expenses multiplied by applicable tax rate                           | 758,212                      | 728,590        |
| Net tax effect on income or expenses that are not taxable or not deductible in determining taxable profit | (153,395)                    | (96,272)       |
| Income tax expenses recognised in profit or loss  | <u>604,817</u>               | <u>632,318</u> |

## 27. Components of other comprehensive income (loss)

|  | (Unit: Thousand Baht)        |                  |
|--|------------------------------|------------------|
|  | For the years ended 31 March |                  |
|  | 2016                         | 2015             |
| <b>Other comprehensive income (loss)</b>                                 |                              |                  |
| Losses on revaluation of available-for-sale investments during the years | (1,025,135)                  | (244,544)        |
| Income tax relating to components of other comprehensive (income) loss   | 205,027                      | 48,909           |
| Other comprehensive loss for the years                                   | <u>(820,108)</u>             | <u>(195,635)</u> |

## 28. Provident fund

The Bank and its employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed by the employees at the rate of 5 percent of the employee's salary and by the Bank at a rate of 5 - 10 percent of the employees' salary. The fund will be paid to the employees upon termination of employment in accordance with the rules of the fund. During 2016 and 2015, the Bank contributed approximately Baht 20 million and Baht 16 million, respectively to the fund.

## 29. Cash and cash equivalents

|  | (Unit: Thousand Baht) |               |
|--|-----------------------|---------------|
|  | 31 March 2016         | 31 March 2015 |
| Cash   | 10,036                | 7,850         |
| Interbank and money market items - deposits at banks | 5,771,779             | 3,993,062     |
| Total cash and cash equivalents                      | 5,781,815             | 4,000,912     |

## 30. Related party transactions

The Bank has had significant business transactions with its head office, other branches under the same entity and certain related companies, related by way of common shareholders and/or common directors. Such significant transactions, which have been concluded on the terms and basis as determined by the Bank and those parties, are summarised below.

### 30.1 Transactions with related parties occurred during the years

|   | For the years ended |         | (Unit: Thousand Baht)                                   |
|---|---------------------|---------|---|
|   | 31 March            |         | Pricing policy  |
|   | 2016                | 2015    | for the year 2016                                       |
| <b>Transactions with other related companies in Mizuho Financial Group</b>                  |                     |         |   |
| Losses on financial derivative contracts  | 175,589             | 110,932 | At the rates stipulated in the contracts                |
| <b>Transactions with head office and other branches under the same entity<sup>(1)</sup></b> |                     |         |   |
| Interest income from lendings   | 43,653              | 2,889   | At interest rates between 0.02 – 0.98 percent per annum |
| Interest expenses on borrowings   | 1,017,568           | 645,552 | At interest rates between 0.01 - 2.33 percent per annum |
| Losses on financial derivative contracts  | 516,530             | 920,164 | At the rates stipulated in the contracts                |
| Expenses allocated from head office   | 447,705             | 463,162 | As per invoices charged from head office                |

<sup>(1)</sup> The amounts presented are net amount of all entities

## 30.2 Outstanding balances with related parties

As at 31 March 2016 and 2015, the outstanding balances with related parties are as follows:

|  | (Unit: Thousand Baht) |               |
|--|-----------------------|---------------|
|  | 31 March 2016         | 31 March 2015 |
| <b>Balances with other related companies in</b>                    |                       |               |
| <b>Mizuho Financial Group</b>                                      |                       |               |
| Deposits   | 6,066                 | 6,746         |
| Off-balance items - financial derivative contracts <sup>(1)</sup>  | 62,999,809            | 42,856,550    |
| <b>Balances with other related banks in Mizuho Financial Group</b> |                       |               |
| Interbank and money market items (assets)                          | 132                   | 142,175       |
| Interbank and money market items (liabilities)                     | 3,510                 | 4,590         |
| <b>Net balances of inter-office accounts with head office and</b>  |                       |               |
| <b>    other branches under the same entity<sup>(2)</sup></b>      |                       |               |
| Borrowings and accrued interest payables                           | 37,061,663            | 133,136,767   |
| Deposits/inter-office balances - assets (liabilities)              | (867,762)             | (1,551,778)   |
| Off-balance items - financial derivative contracts <sup>(1)</sup>  | 85,899,068            | 61,286,220    |

<sup>(1)</sup> Amounts presented are notional amounts.

<sup>(2)</sup> The amounts presented are net amount of all branches.

## 31. Operating segments

For management purposes, the Bank is organised into business units based on its products and services and has the following 2 reportable segments:

1. Banking business : Provision of financial services, in the form of loans and related services
2. Treasury business: Responsible for asset and liability management activities of the Bank.

The Bank's operations are mainly carried on in Thailand.

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment.



The operating results presented by operating segment for the years ended 31 March 2016 and 2015 are as follows:

(Unit: Million Baht)

|   | For the year ended 31 March 2016 |                      |         |
|---|----------------------------------|----------------------|---------|
|   | Banking<br>business              | Treasury<br>business | Total   |
| Net interest income   | 2,913                            | (38)                 | 2,875   |
| Net fees and service income   | 355                              | (12)                 | 343     |
| Net gains on trading and foreign exchange transactions                                  | 1,672                            | 717                  | 2,389   |
| Total operating income  | 4,940                            | 667                  | 5,607   |
| Total operating expenses  | (1,728)                          | (132)                | (1,860) |
| Profit from operation before bad debts and doubtful<br>accounts and income tax expenses | 3,212                            | 535                  | 3,747   |
| Bad debt and doubtful accounts and income tax expenses                                  |                                  |                      | (561)   |
| Profit for the year   |                                  |                      | 3,186   |

(Unit: Million Baht)

|   | For the year ended 31 March 2015 |                      |         |
|---|----------------------------------|----------------------|---------|
|   | Banking<br>business              | Treasury<br>business | Total   |
| Net interest income   | 2,808                            | 343                  | 3,151   |
| Net fees and service income   | 531                              | (10)                 | 521     |
| Net gains on trading and foreign exchange transactions                                  | 1,654                            | 204                  | 1,858   |
| Total operating income  | 4,993                            | 537                  | 5,530   |
| Total operating expenses  | (1,481)                          | (124)                | (1,605) |
| Profit from operation before bad debts and doubtful<br>accounts and income tax expenses | 3,512                            | 413                  | 3,925   |
| Bad debt and doubtful accounts and income tax expenses                                  |                                  |                      | (914)   |
| Profit for the year   |                                  |                      | 3,011   |

As at 31 March 2016 and 2015, assets classified by operating segment are as follows:

(Unit: Million Baht)

|                     | Banking<br>business | Treasury<br>business | Total   |
|---------------------|---------------------|----------------------|---------|
| Total assets        |                     |                      |         |
| As at 31 March 2016 | 429,804             | 32,655               | 462,459 |
| As at 31 March 2015 | 370,092             | 30,842               | 400,934 |

## 32. Financial position and results of operations classified by domestic and foreign activities

### 32.1 Financial position classified by type of operations

(Unit: Million Baht)

|   | As at 31 March      |                    |         |                     |                    |         |
|---|---------------------|--------------------|---------|---------------------|--------------------|---------|
|   | 2016                |                    |         | 2015                |                    |         |
|   | Domestic operations | Foreign operations | Total   | Domestic operations | Foreign operations | Total   |
| <b>Total assets</b>                                       | 456,315             | 6,144              | 462,459 | 395,614             | 5,320              | 400,934 |
| Interbank and money market items - net                    | 80,229              | 1,199              | 81,428  | 48,520              | 3,458              | 51,978  |
| Investments - net   | 123,300             | -                  | 123,300 | 114,058             | -                  | 114,058 |
| Loans to customers and accrued interest receivables - net | 234,576             | 4,787              | 239,363 | 221,308             | 2,564              | 223,872 |
| <b>Total liabilities</b>                                  | 313,327             | 2,557              | 315,884 | 176,526             | 1,575              | 178,101 |
| Deposits  | 299,371             | 31                 | 299,402 | 162,459             | 1,057              | 163,516 |
| Interbank and money market items - net                    | 1,153               | 50                 | 1,203   | 7,235               | 5                  | 7,240   |

### 32.2 Results of operations classified by type of operations

(Unit: Million Baht)

|  | For the years ended 31 March |                    |         |                     |                    |         |
|--|------------------------------|--------------------|---------|---------------------|--------------------|---------|
|  | 2016                         |                    |         | 2015                |                    |         |
|  | Domestic operations          | Foreign operations | Total   | Domestic operations | Foreign operations | Total   |
| Interest income                                  | 7,204                        | 179                | 7,383   | 7,086               | 40                 | 7,126   |
| Interest expenses                                | (3,272)                      | (1,236)            | (4,508) | (3,329)             | (646)              | (3,975) |
| Net interest income                              | 3,932                        | (1,057)            | 2,875   | 3,757               | (606)              | 3,151   |
| Net fees and service income                      | 335                          | 8                  | 343     | 503                 | 18                 | 521     |
| Other operating income                           | 3,308                        | (919)              | 2,389   | 3,091               | (1,233)            | 1,858   |
| Other operating expenses                         | (1,412)                      | (448)              | (1,860) | (1,142)             | (463)              | (1,605) |
| Bad debts and doubtful accounts                  | 44                           | -                  | 44      | (282)               | -                  | (282)   |
| Profit from operation before income tax expenses | 6,207                        | (2,416)            | 3,791   | 5,927               | (2,284)            | 3,643   |

### 33. Commitments and contingent liabilities

#### 33.1 Commitments

|  | (Unit: Thousand Baht) |               |
|--|-----------------------|---------------|
|  | 31 March 2016         | 31 March 2015 |
| Aval to bills and guarantees of loans  | 6,505,694             | 1,064,933     |
| Liability under unmatured import bills | 89,740                | 587,569       |
| Letter of credits                      | 681,608               | 2,390,702     |
| Other obligations                      |                       |               |
| - Undrawn bank overdrafts              | 3,480,244             | 3,460,108     |
| - Undrawn commitment                   | 31,887,061            | 20,293,759    |
| - Guarantee - others                   | 29,264,393            | 29,697,096    |
| - Undrawn credit line                  | 344,868,999           | 287,782,206   |
| Total                                  | 416,777,739           | 345,276,373   |

Furthermore, the Bank has commitments in respect of foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and currency option contracts as mentioned in Note 8 to the financial statements.

#### 33.2 Commitments under operating lease agreements

As at 31 March 2016 and 2015, the Bank has rental and related service commitments related to 1 - 5 years office lease agreements. Under the lease agreements, the Bank has an option to renew the lease period and the lessor has the right to adjust the rental fee when the lease is renewed. Future minimum lease payments required under such contracts are as follows:

|                | (Unit: Thousand Baht) |         |
|----------------|-----------------------|---------|
|                | As at 31 March        |         |
| Payable within | 2016                  | 2015    |
| 1 year         | 99,895                | 91,543  |
| 1 to 5 years   | 80,746                | 162,363 |

Furthermore, as at 31 March 2016 and 2015, the Bank has commitments under the car rental and services agreements totalling approximately Baht 29 million and Baht 29 million, respectively.

## **34. Financial instruments**

Financial instruments are any contracts which give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Bank's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items, investments, loans to customers, deposits, liability payable on demand, debts issued and borrowings, funds remitted to Thailand – borrowings from other branches under the same entity and net balance of inter-office accounts with head office and other branches under the same entity.

The Bank enters into off-balance financial instruments in the normal course of its business in order to meet customer needs and to reduce its own exposure risk from fluctuations in foreign exchange rates and interest rates. The Bank's risk management accords with the head office's policy, which limits the scope of foreign exchange transactions and money market transactions.

### **34.1 Credit risk**

Credit risk is the risk that the party to a financial instrument will fail to fulfill its contractual obligations, causing the Bank to incur a financial loss. The maximum amount of credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statement of financial position, and the off-balance sheet transactions exposure arising from avals and guarantees on loans and other obligations.

The Bank manages credit risk based on analysis of the capability of debtors to make payment and their financial position. In addition, the Bank manages the concentration of its loan portfolio by grading debtors by reliability of industry, and taking into consideration risk factors to ensure the effectiveness of the Bank's capital funds.

### **34.2 Market risk**

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may affect the financial position of the Bank.

#### **(a) Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate as a result of changes in market interest rates.

As at 31 March 2016 and 2015, financial assets and liabilities classified by type of interest rate are as follows:

(Unit: Million Baht)

| Transactions  | Outstanding balances of financial instruments as at 31 March 2016 |                         |                         |         |
|---|---|-------------------------|-------------------------|---------|
|   | Floating<br>interest rates  | Fixed<br>interest rates | Non-interest<br>bearing | Total   |
| <b><u>Financial assets</u></b>  |   |                         |                         |         |
| Cash  | -   | -                       | 10                      | 10      |
| Interbank and money market items  | 7,068   | 68,702                  | 5,751                   | 81,521  |
| Investments   | 39,971  | 83,974                  | -                       | 123,945 |
| Loans to customers  | 222,461   | 18,981                  | -                       | 241,442 |
| <b><u>Financial liabilities</u></b>   |   |                         |                         |         |
| Deposits  | 62,836  | 231,541                 | 5,025                   | 299,402 |
| Interbank and money market items  | 57  | 1,093                   | 53                      | 1,203   |
| Liability payable on demand   | -   | -                       | 884                     | 884     |
| Debt issued and borrowings  | -   | 173                     | -                       | 173     |
| Funds remitted into Thailand - borrowings from other<br>branches under the same entity            | -   | 81,895                  | -                       | 81,895  |
| Net balance of inter-office accounts with head office<br>and other branches under the same entity | 2,049   | 36,902                  | (1,061)                 | 37,890  |

(Unit: Million Baht)

| Transactions  | Outstanding balances of financial instruments as at 31 March 2015 |                         |                         |         |
|---|---|-------------------------|-------------------------|---------|
|   | Floating<br>interest rates  | Fixed<br>interest rates | Non-interest<br>bearing | Total   |
| <b><u>Financial assets</u></b>  |   |                         |                         |         |
| Cash  | -   | -                       | 8                       | 8       |
| Interbank and money market items  | 12,687  | 35,471                  | 3,973                   | 52,131  |
| Investments   | 39,390  | 74,288                  | -                       | 113,678 |
| Loans to customers  | 205,604   | 20,385                  | -                       | 225,989 |
| <b><u>Financial liabilities</u></b>   |   |                         |                         |         |
| Deposits  | 52,656  | 104,154                 | 6,706                   | 163,516 |
| Interbank and money market items  | 74  | 7,159                   | 7                       | 7,240   |
| Liability payable on demand   | -   | -                       | 1,295                   | 1,295   |
| Funds remitted into Thailand - borrowings from other<br>branches under the same entity            | -   | 63,721                  | -                       | 63,721  |
| Net balance of inter-office accounts with head office<br>and other branches under the same entity | 2,993   | 133,072                 | (1,377)                 | 134,688 |

With respect to financial instruments that carry fixed interest rates, the periods from the financial reporting date to the repricing or maturity dates (whichever is the earlier) are presented below:

(Unit: Million Baht)

|  | 31 March 2016               |             |           |              | Total   | Weighted average interest rate (%) |
|--|-----------------------------|-------------|-----------|--------------|---------|------------------------------------|
|  | Repricing or maturity dates |             |           |              |         |                                    |
|  | 0-3 months                  | 3-12 months | 1-5 years | Over 5 years |         |                                    |
| <b><u>Financial assets</u></b>   |                             |             |           |              |         |                                    |
| Interbank and money market items   | 68,671                      | 31          | -         | -            | 68,702  | 1.49                               |
| Investments  | 15,754                      | 45,374      | 22,846    | -            | 83,974  | 1.89                               |
| Loans to customers   | 14,926                      | 3,997       | 28        | 30           | 18,981  | 3.39                               |
| <b><u>Financial liabilities</u></b>  |                             |             |           |              |         |                                    |
| Deposits   | 196,059                     | 33,482      | 2,000     | -            | 231,541 | 1.60                               |
| Interbank and money market items   | 1,093                       | -           | -         | -            | 1,093   | 0.56                               |
| Debt issued and borrowings   | -                           | 173         | -         | -            | 173     | 1.39                               |
| Funds remitted into Thailand - borrowings from other branches under the same entity            | 73,931                      | 7,964       | -         | -            | 81,895  | 0.85                               |
| Net balance of inter-office accounts with head office and other branches under the same entity | 53,015                      | (16,113)    | -         | -            | 36,902  | 0.69                               |

(Unit: Million Baht)

|  | 31 March 2015               |             |           |              | Total   | Weighted average interest rate (%) |
|--|-----------------------------|-------------|-----------|--------------|---------|------------------------------------|
|  | Repricing or maturity dates |             |           |              |         |                                    |
|  | 0-3 months                  | 3-12 months | 1-5 years | Over 5 years |         |                                    |
| <b><u>Financial assets</u></b>   |                             |             |           |              |         |                                    |
| Interbank and money market items   | 35,471                      | -           | -         | -            | 35,471  | 1.71                               |
| Investments  | 6,973                       | 27,725      | 39,590    | -            | 74,288  | 2.98                               |
| Loans to customers   | 15,766                      | 4,619       | -         | -            | 20,385  | 3.51                               |
| <b><u>Financial liabilities</u></b>  |                             |             |           |              |         |                                    |
| Deposits   | 99,925                      | 4,179       | 50        | -            | 104,154 | 1.68                               |
| Interbank and money market items   | 7,159                       | -           | -         | -            | 7,159   | 1.33                               |
| Funds remitted into Thailand - borrowings from other branches under the same entity            | 56,364                      | 7,357       | -         | -            | 63,721  | 0.34                               |
| Net balance of inter-office accounts with head office and other branches under the same entity | 128,189                     | 4,883       | -         | -            | 133,072 | 0.36                               |

In addition, the Bank has interest bearing financial assets and financial liabilities. The monthly average balance of performing financial assets and liabilities of the Bank and the average rate of interest for the years ended 31 March 2016 and 2015 can be summarised as follows:

(Unit: Million Baht)

|   | For the years ended 31 March |          |          |          |          |          |
|---|------------------------------|----------|----------|----------|----------|----------|
|   | 2016                         |          |          | 2015     |          |          |
|   | Average                      | Average  | Average  | Average  | Average  | Average  |
|   | balances                     | Interest | rate     | balances | Interest | rate     |
|   |                              |          | (Percent |          |          | (Percent |
|   |                              |          | per      |          |          | per      |
|   |                              |          | annum)   |          |          | annum)   |
| <u>Interest bearing financial assets</u>      |                              |          |          |          |          |          |
| Interbank and money market items and          |                              |          |          |          |          |          |
| inter-office accounts with head office and    |                              |          |          |          |          |          |
| other branches under the same entity          | 59,817                       | 725      | 1.21     | 52,827   | 1,003    | 1.90     |
| Investments                                   | 122,739                      | 2,291    | 1.87     | 114,457  | 2,196    | 1.92     |
| Loans to customers                            | 251,594                      | 4,354    | 1.73     | 208,708  | 3,912    | 1.87     |
| <u>Interest bearing financial liabilities</u> |                              |          |          |          |          |          |
| Deposits                                      | 215,422                      | 2,531    | 1.18     | 136,516  | 1,693    | 1.24     |
| Debt issued and borrowings                    | 464                          | 6        | 1.29     | -        | -        | -        |
| Interbank and money market items and          |                              |          |          |          |          |          |
| borrowings and inter-office accounts with     |                              |          |          |          |          |          |
| head office and other branches under          |                              |          |          |          |          |          |
| the same entity                               | 195,249                      | 1,007    | 0.52     | 218,393  | 1,668    | 0.76     |

(b) Foreign exchange risk

Foreign exchange risk is the risk that changes in exchange rates will result in changes in the values of financial instruments, fluctuations in revenues or in the values of financial assets and financial liabilities.

As at 31 March 2016 and 2015, the significant Bank's foreign currency positions are summarised as follows:

(Unit: Million Baht)

|  | 31 March 2016                                 |       |          |        | 31 March 2015                                 |       |          |         |
|--|---|-------|----------|--------|---|-------|----------|---------|
|  | Outstanding balances of financial instruments |       |          |        | Outstanding balances of financial instruments |       |          |         |
|  | US<br>Dollar                                  | Euro  | Yen      | Others | US<br>Dollar                                  | Euro  | Yen      | Others  |
| <b>Foreign currency position in the statement of financial position</b>                        |   |       |          |        |   |       |          |         |
| <b>Financial assets</b>  |   |       |          |        |   |       |          |         |
| Interbank and money market items   | 7,658   | 14    | -        | 541    | 13,611  | 1,377 | -        | 247     |
| Investments  | 34,182  | -     | -        | -      | 29,137  | -     | 2,708    | -       |
| Loans to customers and accrued interest receivables  | 127,762                                       | 231   | 1,130    | -      | 103,594                                       | 82    | 1,200    | -       |
| <b>Financial liabilities</b>   |   |       |          |        |   |       |          |         |
| Deposits   | 17,293  | 63    | 2,087    | 415    | 9,327   | 1,392 | 1,675    | 1,016   |
| Interbank and money market items   | 881   | -     | -        | -      | 1,628   | -     | -        | -       |
| Liability payable on demand  | 536   | -     | 31       | 1      | 726   | -     | 31       | 7       |
| Funds remitted into Thailand - borrowings from other branches under the same entity            | 81,895  | -     | -        | -      | 61,012  | -     | 2,709    | -       |
| Net balance of inter-office accounts with head office and other branches under the same entity | 63,014  | 3,513 | (30,472) | 1,643  | 150,736                                       | 770   | (12,853) | (1,038) |

(Unit: Million Baht)

|   | 31 March 2016                                 |       |        |        | 31 March 2015                                 |       |        |        |
|---|---|-------|--------|--------|---|-------|--------|--------|
|   | Outstanding balances of financial instruments |       |        |        | Outstanding balances of financial instruments |       |        |        |
|   | US<br>Dollar                                  | Euro  | Yen    | Others | US<br>Dollar                                  | Euro  | Yen    | Others |
| <b>Foreign currency position of obligations</b> |   |       |        |        |   |       |        |        |
| Liability under unmatured import bills          | 90  | -     | -      | -      | 588   | -     | -      | -      |
| Guarantees                                      | 15,700  | 1,288 | 1,009  | 926    | 9,511   | 1,193 | 1,195  | 1,221  |
| Letters of credit                               | 528   | 49    | 31     | 6      | 2,091   | 24    | 93     | 171    |
| Foreign exchange contracts                      |   |       |        |        |   |       |        |        |
| - Bought  | 123,837                                       | 3,958 | 4,554  | 4,499  | 124,463                                       | 1,530 | 14,879 | 1,589  |
| - Sold  | 186,988                                       | 3,975 | 29,387 | 4,613  | 79,209  | 1,584 | 19,266 | 1,668  |
| Cross currency and interest rate swap contracts |   |       |        |        |   |       |        |        |
| - Bought  | 192,349                                       | -     | 22,384 | -      | 109,073                                       | -     | 13,910 | -      |
| - Sold  | 129,635                                       | -     | 20,408 | -      | 84,372  | -     | 10,328 | -      |
| Interest rate swap contracts                    |   |       |        |        |   |       |        |        |
| - Bought  | 138,313                                       | -     | 225    | -      | 86,094  | -     | 3,038  | -      |
| - Sold  | 138,313                                       | -     | 225    | -      | 86,094  | -     | 3,038  | -      |
| Currency option contracts                       |   |       |        |        |   |       |        |        |
| - Bought  | 208   | -     | -      | -      | -   | -     | -      | -      |
| - Sold  | 208   | -     | -      | -      | -   | -     | -      | -      |



(c) Securities price risk

Securities price risk is the risk that changes in the market prices of securities will result in fluctuations in revenues or in the values of financial assets. The maximum amount of securities price risk exposure is the carrying amount of investments as stated in the statement of financial position.

### 34.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to liquidate their financial assets or procure sufficient funds to discharge their obligations in a timely manner, resulting in the incurrance of a financial loss.

As at 31 March 2016 and 2015, the periods to maturity, counting from the financial position date, of financial instruments are as follows:

(Unit: Million Baht)

| Transactions   | 31 March 2016 |                    |               |             |              | Total   |
|--|---------------|--------------------|---------------|-------------|--------------|---------|
|  | At call       | Less than 3 months | 3 - 12 months | 1 - 5 years | Over 5 years |         |
| <b><u>Financial assets</u></b>   |               |                    |               |             |              |         |
| Cash   | 10            | -                  | -             | -           | -            | 10      |
| Interbank and money market items   | 7,471         | 66,972             | 30            | 7,048       | -            | 81,521  |
| Derivatives assets   | -             | 2,346              | 3,449         | 8,076       | 2,422        | 16,293  |
| Investments  | -             | 16,984             | 50,659        | 56,302      | -            | 123,945 |
| Loans to customers   | 6,017         | 25,917             | 115,010       | 68,031      | 26,467       | 241,442 |
| <b><u>Financial liabilities</u></b>  |               |                    |               |             |              |         |
| Deposits   | 67,861        | 196,059            | 33,482        | 2,000       | -            | 299,402 |
| Interbank and money market items   | 322           | 881                | -             | -           | -            | 1,203   |
| Liability payable on demand  | 884           | -                  | -             | -           | -            | 884     |
| Derivatives liabilities  | -             | 2,220              | 2,613         | 6,242       | 1,291        | 12,366  |
| Debt issued and borrowings   | -             | -                  | -             | 173         | -            | 173     |
| Funds remitted into Thailand - borrowings from other branches under the same entity            | -             | -                  | 11,443        | 70,452      | -            | 81,895  |
| Net balance of inter-office accounts with head office and other branches under the same entity | (1,132)       | (11,528)           | 43,110        | 6,544       | 896          | 37,890  |
| <b><u>Off-balance items - obligations</u></b>  |               |                    |               |             |              |         |
| Liability under unmatured import bills   | -             | 89                 | 1             | -           | -            | 90      |
| Letters of credit  | 44            | 568                | 70            | -           | -            | 682     |
| Other obligations  | 381,478       | 5,231              | 18,144        | 4,864       | 6,289        | 416,006 |

(Unit: Million Baht)

31 March 2015

| Transactions   | At call | Less             |                  |                |                 | Total   |
|--|---------|------------------|------------------|----------------|-----------------|---------|
|  |         | than<br>3 months | 3 - 12<br>months | 1 - 5<br>years | Over<br>5 years |         |
| <b><u>Financial assets</u></b>   |         |                  |                  |                |                 |         |
| Cash   | 8       | -                | -                | -              | -               | 8       |
| Interbank and money market items   | 5,643   | 34,571           | 7,033            | 4,883          | -               | 52,130  |
| Derivatives assets   | -       | 634              | 2,439            | 5,385          | 1,612           | 10,070  |
| Investments  | -       | 6,973            | 39,191           | 62,631         | 4,883           | 113,678 |
| Loans to customers   | 4,729   | 31,398           | 110,293          | 64,803         | 14,764          | 225,987 |
| <b><u>Financial liabilities</u></b>  |         |                  |                  |                |                 |         |
| Deposits   | 59,362  | 101,512          | 2,592            | 50             | -               | 163,516 |
| Interbank and money market items   | 5,612   | 1,628            | -                | -              | -               | 7,240   |
| Liability payable on demand  | 1,295   | -                | -                | -              | -               | 1,295   |
| Derivatives liabilities  | -       | 684              | 1,409            | 2,068          | 622             | 4,783   |
| Funds remitted into Thailand - borrowings from<br>other branches under the same entity               | -       | 3,039            | 5,860            | 54,822         | -               | 63,721  |
| Net balance of inter-office accounts with head<br>office and other branches under the same<br>entity | (1,296) | 56,417           | 67,609           | 10,540         | 1,419           | 134,689 |
| <b><u>Off-balance items - obligations</u></b>  |         |                  |                  |                |                 |         |
| Liability under unmatured import bills   | -       | 584              | 3                | -              | -               | 587     |
| Letters of credit  | -       | 2,094            | 297              | -              | -               | 2,391   |
| Other obligations  | 311,536 | 6,685            | 16,782           | 6,430          | 865             | 342,298 |

### 34.4 Fair value

As at 31 March 2016 and 2015, carrying value and fair value of the financial assets and financial liabilities of the Bank are as follows:

|   | (Unit: Million Baht) |               |                   |               |
|---|----------------------|---------------|-------------------|---------------|
|   | 31 March 2016        |               | 31 March 2015     |               |
|   | Carrying<br>value    | Fair<br>value | Carrying<br>value | Fair<br>value |
| <b><u>Financial assets</u></b>  |                      |               |                   |               |
| Cash  | 10                   | 10            | 8                 | 8             |
| Interbank and money market items  | 81,428               | 81,428        | 51,978            | 51,978        |
| Derivatives assets  | 16,293               | 16,293        | 10,070            | 10,070        |
| Investments   | 123,300              | 123,300       | 114,058           | 114,058       |
| Loans to customers  | 239,363              | 239,363       | 223,872           | 223,872       |
| <b><u>Financial liabilities</u></b>   |                      |               |                   |               |
| Deposits  | 299,402              | 299,402       | 163,516           | 163,516       |
| Interbank and money market items  | 1,203                | 1,203         | 7,240             | 7,240         |
| Liability payable on demand   | 884                  | 884           | 1,295             | 1,295         |
| Derivatives liabilities   | 12,366               | 12,366        | 4,783             | 4,783         |
| Debt issued and borrowings  | 173                  | 173           | -                 | -             |
| Funds remitted into Thailand - borrowings from<br>other branches under the same entity            | 81,895               | 81,895        | 63,721            | 63,721        |
| Net balance of inter-office accounts with head<br>office and other branches under the same entity | 37,890               | 37,890        | 134,689           | 134,689       |

As at 31 March 2016, the Bank has the financial assets and financial liabilities which presented based on fair value hierarchy as follows:

(Unit: Million Baht)

|  | 31 March 2016  |            |         |         |
|--|----------------|------------|---------|---------|
|  | Carrying value | Fair value |         |         |
|  |                | Total      | Level 1 | Level 2 |
| <b><u>Financial assets and liabilities measured at fair value</u></b>                          |                |            |         |         |
| Derivatives assets   | 12,774         | 12,774     | -       | 12,774  |
| Investments  | 123,300        | 123,300    | -       | 123,300 |
| Derivatives liabilities  | 9,988          | 9,988      | -       | 9,988   |
| <b><u>Financial assets and liabilities for which fair value are disclosed</u></b>              |                |            |         |         |
| Cash   | 10             | 10         | 10      | -       |
| Interbank and money market items (assets)  | 81,428         | 81,428     | 12,726  | 68,702  |
| Derivatives assets   | 3,519          | 3,519      | -       | 3,519   |
| Loans to customers   | 239,363        | 239,363    | 220,382 | 18,981  |
| Deposits   | 299,402        | 299,402    | 67,861  | 231,541 |
| Interbank and money market items (liabilities)   | 1,203          | 1,203      | 110     | 1,093   |
| Liability payable on demand  | 884            | 884        | 884     | -       |
| Derivatives liabilities  | 2,378          | 2,378      | -       | 2,378   |
| Debt issued and borrowings   | 173            | 173        | -       | 173     |
| Funds remitted into Thailand - borrowings from other branches under the same entity            | 81,895         | 81,895     | -       | 81,895  |
| Net balance of inter-office accounts with head office and other branches under the same entity | 37,890         | 37,890     | 988     | 36,902  |

### Valuation techniques and inputs used for fair value measurement

|   |   |
|---|---|
| Cash  | Fair value is measured approximate to its carrying value as stated in the statement of financial position.  |
| Interbank and money market items (asset)                    | Fair value is measured approximate to its carrying value as stated in statement of financial position due to short-term maturity  |
| Derivatives   | Fair value of derivative is based on quoted market price in active markets. Fair value of derivative in an illiquid market is based on valuation technique by using observable market data (e.g. interest rate, foreign exchange rate) obtained from reliable source and adjusted with counterparty credit risk and other risks when appropriate.   |
| Investments   | <p>Investment in government debt securities and stated enterprise are determined at fair value based on government yield curve or bid price from the Thai Bond Market Association.</p> <p>Investment in foreign debt securities are determined at fair value based on bid price from Bloomberg. If it is not available, indicative price from custodian is used.</p>                                |
| Loans to customers  | <p>Fair value of floating interest rate loans is measured approximate to its carrying value as stated in the statement of financial position, net of deferred revenue and allowance for doubtful accounts.</p> <p>Fair value of fixed interest rate loans is determined by discount cash flow using relevant market interest rates. There is no significant difference with the carrying value.</p> |
| Deposits and Interbank and money market items (liabilities) | Fair value is approximated to its carrying value as stated in the statement of financial position, except fair value of fixed interest rate with remaining maturity period greater than one year which are determined based on the present value of future cash flows of principal and interest, discounted at current interest rates.  |
| Liability payable on demand                                 | Fair value is approximated to its carrying value as stated in the statement of financial position due to short-term maturity.   |

|  |   |
|--|---|
| Debt issued and borrowings   | Fair value is approximated to its carrying value as stated in the statement of financial position due to short-term maturity.   |
| Funds remitted into Thailand - borrowings from other branches under the same entity            | Fair value is approximated to its carrying value as stated in the statement of financial position. The majority is fixed interest rate items which its remaining maturity period is less than one year. |
| Net balance of inter-office accounts with head office and other branches under the same entity | Fair value is approximated to its carrying value as stated in the statement of financial position. The majority is fixed interest rate items which its remaining maturity period is less than one year. |

During the current year, the Bank did not transfer any items among fair value hierarchy levels.

### 34.5 Financial derivatives

The Bank enters into financial derivatives as required in the normal course of its business, in order to respond to customer needs and to manage the risk of the Bank which will be incurred from the fluctuations in exchange rates and interest rates.

As at 31 March 2016 and 2015, the Bank's financial derivatives can be classified by period to maturity as follows:

|   | 31 March 2016 |         |         | 31 March 2015 |         |         |
|---|---------------|---------|---------|---------------|---------|---------|
|   | Less than     | Over    | Total   | Less than     | Over    | Total   |
|   | 1 year        | 1 year  |         | 1 year        | 1 year  |         |
| Foreign exchange contracts                      |               |         |         |               |         |         |
| Bought  | 326,632       | 212     | 326,844 | 214,229       | 1,377   | 215,606 |
| Sold  | 327,379       | 221     | 327,600 | 214,384       | 1,355   | 215,739 |
| Cross currency and interest rate swap contracts |               |         |         |               |         |         |
| Bought  | 104,553       | 232,084 | 336,637 | 69,714        | 136,950 | 206,664 |
| Sold  | 102,852       | 231,871 | 334,723 | 69,381        | 135,945 | 205,326 |
| Interest rate swap contracts                    |               |         |         |               |         |         |
| Bought  | 188,202       | 387,971 | 576,173 | 37,498        | 169,809 | 207,307 |
| Sold  | 188,202       | 387,971 | 576,173 | 37,498        | 169,809 | 207,307 |
| Currency option contracts                       |               |         |         |               |         |         |
| Bought  | 208           | -       | 208     | -             | -       | -       |
| Sold  | 208           | -       | 208     | -             | -       | -       |

### 35. Approval of financial statements

These financial statements were authorised for issue by the General Manager of Bangkok Branch on 21 July 2016.