

Mizuho Bank, Ltd. Bangkok Branch
Report and financial statements
31 March 2017

Independent Auditor's Report

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

Opinion

I have audited the accompanying financial statements of Mizuho Bank, Ltd. Bangkok Branch (the Bank), which comprise the statement of financial position as at 31 March 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

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 2017, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

The engagement partner on the audit resulting in this independent auditor's report is Rachada Yongsawadvanich.



Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 25 July 2017

Mizuho Bank, Ltd. Bangkok Branch

Statement of financial position

As at 31 March 2017

(Unit: Thousand Baht)

	Note	31 March 2017	31 March 2016
Assets			
Cash		7,113	10,036
Interbank and money market items	6	58,479,250	81,428,264
Derivatives assets	7	13,019,936	16,292,565
Investments - net	8	114,334,300	123,300,450
Loans to customers and accrued interest receivables	9		
Loans to customers		248,269,022	241,441,878
Accrued interest receivables		732,188	643,550
Total loans to customers and accrued interest receivables		249,001,210	242,085,428
Less: Deferred revenues		(7,184)	(8,616)
Allowances for doubtful accounts	10	(2,908,026)	(2,713,652)
Loans to customers and accrued interest receivables - net		246,086,000	239,363,160
Leasehold improvements and equipment - net	11	829,563	851,665
Intangible assets - net	12	181,739	117,777
Accrued interest receivables		487,132	723,952
Deferred tax assets	25.1	107,178	307,782
Other assets - net	13	60,552	63,265
Total assets		433,592,763	462,458,916

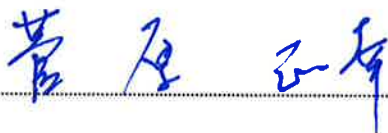
The accompanying notes are an integral part of the financial statements.

Mizuho Bank, Ltd. Bangkok Branch
Statement of financial position (continued)
As at 31 March 2017

(Unit: Thousand Baht)

	Note	31 March 2017	31 March 2016
Liabilities and equity of head office and other branches under the same entity			
Liabilities			
Deposits	14	271,322,097	299,402,350
Interbank and money market items	15	1,222,353	1,202,517
Liabilities payable on demand		1,038,800	884,429
Derivatives liabilities	7	9,802,724	12,366,412
Debts issued and borrowings	16	-	173,000
Provisions for liabilities	17	232,049	249,753
Accrued interest payables		1,042,064	718,038
Income tax payable		283,651	284,260
Deferred tax liabilities	25.1	80,782	103,635
Payable on purchase of securities		784,857	-
Other liabilities	18	760,773	499,952
Total liabilities		<u>286,570,150</u>	<u>315,884,346</u>
Equity of head office and other branches under the same entity			
Funds remitted into Thailand for maintaining assets under section 32 of the Act on Undertaking of Banking business B.E. 2551			
	19	90,914,219	92,566,147
Net balance of inter-office accounts with head office and other branches under the same entity - net			
	19	38,080,131	37,889,947
Other component of head office and other branches under the same entity			
Revaluation surplus (deficit) on available-for-sale investments - net of income taxes			
	8.2	204,961	(515,793)
Retained earnings		17,823,302	16,634,269
Total equity of head office and other branches under the same entity		<u>147,022,613</u>	<u>146,574,570</u>
Total liabilities and equity of head office and other branches under the same entity		<u>433,592,763</u>	<u>462,458,916</u>

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 2017

(Unit: Thousand Baht)

	Note	2017	2016
Profit or loss:			
Interest income	20	9,700,250	7,382,725
Interest expenses	21	7,331,091	4,508,224
Net interest income		2,369,159	2,874,501
Fees and service income		513,190	408,978
Fees and service expenses		47,078	65,477
Net fees and service income	22	466,112	343,501
Net gains on trading and foreign exchange transactions	23	1,419,914	2,388,681
Other operating income		922	621
Total operating income		4,256,107	5,607,304
Other operating expenses			
Employee's expenses		790,651	707,029
Premises and equipment expenses		345,794	270,745
Taxes and duties		417,164	294,662
Expenses allocated from head office	28.1	631,358	447,705
Other expenses		123,911	140,342
Total other operating expenses		2,308,878	1,860,483
Bad debts and doubtful accounts (reversal)	24	218,015	(44,239)
Profits before income tax expenses		1,729,214	3,791,060
Income tax expenses	25.2	504,840	604,817
Profits for the years		1,224,374	3,186,243

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

Mizuho Bank, Ltd. Bangkok Branch
Statement of comprehensive income (continued)
For the year ended 31 March 2017

	(Unit: Thousand Baht)	
	2017	2016
Other comprehensive income:		
<i>Items to be subsequently recognised in profit or loss:</i>		
Gain (losses) on revaluation of available-for-sale investments	900,943	(1,025,135)
Income taxes	(180,189)	205,027
Items to be subsequently recognised in profit or loss		
- net of income taxes	720,754	(820,108)
<i>Items not to be subsequently recognised in profit or loss:</i>		
Actuarial losses	(44,176)	-
Income taxes	8,835	-
Items not to be subsequently recognised in profit or loss		
- net of income taxes	(35,341)	-
Other comprehensive income (loss) for the years	685,413	(820,108)
Total comprehensive income for the years	1,909,787	2,366,135

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 2017

(Unit: Thousand Baht)

	Funds remitted into Thailand for maintaining assets	Net balance of inter-office accounts with head office and other branches under the same entity	Other component of head office and other branches under the same entity - Revaluation surplus (deficit) on available-for-sale investments - net of income taxes	Retained earnings	Total
Balance as at 1 April 2015	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 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
Balance as at 31 March 2016	92,566,147	37,889,947	(515,793)	16,634,269	146,574,570
Balance as at 1 April 2016	92,566,147	37,889,947	(515,793)	16,634,269	146,574,570
Net increase in funds remitted into Thailand	1,737,177	-	-	-	1,737,177
Increase in balance of inter-office accounts with head office and other branches under the same entity	-	190,184	-	-	190,184
Profit for the year	-	-	-	1,224,374	1,224,374
Other comprehensive income (loss) for the year	-	-	720,754	(35,341)	685,413
Total comprehensive income for the year	-	-	720,754	1,189,033	1,909,787
Foreign exchange translation adjustments	(3,389,105)	-	-	-	(3,389,105)
Balance as at 31 March 2017	90,914,219	38,080,131	204,961	17,823,302	147,022,613

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 2017**

(Unit: Thousand Baht)

	2017	2016
Cash flows from operating activities		
Profits before income tax expenses	1,729,214	3,791,060
Adjustments to reconcile profits before income tax expenses to net cash received (paid) from operating activities		
Depreciation and amortisation	156,286	49,738
Bad debts and doubtful accounts (reversal)	218,015	(44,239)
Reversal of provision for contingent liabilities in respect of off-balance commitments	-	(15,157)
Provision for long-term employee benefits	10,631	9,452
Provision for removal and restoration costs (reversal)	(1,450)	62,000
(Gain) loss on disposal of equipment	1,462	(1)
Loss on equipment written off	4,700	-
Unrealised (gains) losses on exchange and financial derivatives contracts	(2,937,853)	4,321,271
Net interest income	(2,369,159)	(2,874,501)
Cash received on interest income	9,357,858	7,101,423
Cash paid on interest expenses	(6,579,860)	(3,614,107)
Cash paid on income taxes	(499,052)	(671,459)
Profit (loss) from operating activities before changes in operating assets and liabilities	(909,208)	8,115,480
(Increase) decrease in operating assets		
Interbank and money market items	19,633,128	(27,611,524)
Derivatives assets	6,017,914	3,358,719
Loans to customers	(6,827,144)	(15,453,211)
Other assets	153,502	(168,498)
Increase (decrease) in operating liabilities		
Deposits	(28,080,253)	135,886,636
Interbank and money market items	19,836	(6,037,216)
Liabilities payable on demand	154,371	(410,431)
Derivatives liabilities	(5,102,678)	(2,192,657)
Other liabilities	732,738	(113,167)
Net cash provided by (used in) operating activities	(14,207,794)	95,374,131

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 2017

(Unit: Thousand Baht)

	2017	2016
Cash flows from investing activities		
Cash paid for purchases of investments	(92,716,629)	(68,976,766)
Cash received on disposals of investments	102,048,707	60,174,478
Cash paid for purchases of equipment	(101,600)	(690,933)
Cash received on disposal of equipment	110	1
Cash paid for purchases of intangible assets	(102,818)	(55,894)
Net cash provided by (used in) investing activities	9,127,770	(9,549,114)
Cash flows from financing activities		
Cash received (paid) on debts issued and borrowings	(173,000)	173,000
Net increase in funds remitted into Thailand	1,737,177	12,581,485
Increase (decrease) in net balance of inter-office accounts with head office and other branches under the same entity	190,184	(96,798,599)
Net cash provided by (used in) financing activities	1,754,361	(84,044,114)
Net increase (decrease) in cash and cash equivalents	(3,325,663)	1,780,903
Cash and cash equivalents at beginning of the years	5,781,815	4,000,912
Cash and cash equivalents at end of the years (Note 27)	2,456,152	5,781,815
Supplemental cash flows information		
Non-cash transactions		
Equipment increase from provision for removal and restoration costs	-	109,000

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

Mizuho Bank, Ltd. Bangkok Branch

Notes to financial statements

For the year ended 31 March 2017

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.

Since 18 April 2016, the Bank's registered address is located at No. 98 Sathorn Square Office Tower, 32nd-35th Floors, North Sathorn Road, Silom Sub-district, Bangrak District, Bangkok.

The Bank has another branch, which is Eastern Seaboard Branch for supporting its 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 with reference to 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 4 to the financial statements regarding a summary of significant accounting policies.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Bank adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become 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, 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 the Bank's financial statements.

3.2 Financial reporting standard that will become effective in the future

During the year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance, which become effective for fiscal years beginning on or after 1 January 2017. 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 management of the Bank believes that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

4. Summary of significant accounting policies

4.1 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.

4.2 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.

4.3 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.

4.4 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.

4.5 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.

4.6 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.

4.7 Allowances for doubtful accounts

- (a) The Bank provides allowances for doubtful accounts in accordance with the Notifications of the BOT on loans that 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.

4.8 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 their estimated useful lives or lease periods of 5 - 12 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

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 Related party transactions

Related parties comprise individuals or enterprises 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 or enterprises 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.

5. 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:

5.1 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.

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

6. Interbank and money market items (assets)

(Unit: Thousand Baht)

	31 March 2017			31 March 2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial						
Institutions Development Fund	1,138,351	-	1,138,351	4,663,294	-	4,663,294
Commercial banks	1,200,286	54,879,011	56,079,297	1,808,069	73,847,830	75,655,899
Specialised financial institutions	10	-	10	10	-	10
Total	2,338,647	54,879,011	57,217,658	6,471,373	73,847,830	80,319,203
<u>Add:</u> Accrued interest receivables	278	26,843	27,121	3,621	26,972	30,593
<u>Less:</u> Allowances for doubtful accounts	(11,000)	(100,321)	(111,321)	(17,000)	(103,926)	(120,926)
Total domestic items	2,327,925	54,805,533	57,133,458	6,457,994	73,770,876	80,228,870
Foreign						
US dollars	438,246	133,208	571,454	444,877	165,846	610,723
Euro	294,794	-	294,794	14,410	-	14,410
Australian dollars	189,514	-	189,514	156,332	-	156,332
Hong Kong dollars	20,765	-	20,765	27,301	-	27,301
Other currencies	267,073	4,308	271,381	357,486	35,978	393,464
Total	1,210,392	137,516	1,347,908	1,000,406	201,824	1,202,230
<u>Add:</u> Accrued interest receivables	-	15	15	-	-	-
<u>Less:</u> Deferred revenues	-	(763)	(763)	-	(826)	(826)
Allowances for doubtful accounts	-	(1,368)	(1,368)	-	(2,010)	(2,010)
Total foreign items	1,210,392	135,400	1,345,792	1,000,406	198,988	1,199,394
Total domestic and foreign items	3,538,317	54,940,933	58,479,250	7,458,400	73,969,864	81,428,264

As at 31 March 2017, the Bank had loans to interbank and money market amounting to Baht 56,117 million and allowances for doubtful accounts provided in accordance with the BOT's guidelines amounting to Baht 113 million. All of the loans were classified as normal (31 March 2016: Loans amounted to Baht 75,750 million and allowances for doubtful accounts amounted to Baht 123 million. All of the loans were classified as normal.).

7. Derivatives

As at 31 March 2017 and 2016, 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 2017			31 March 2016		
	Fair values/Adjustments made on an accrual basis		Notional Amount ⁽¹⁾	Fair values/Adjustments made on an accrual basis		Notional Amount ⁽¹⁾
	Assets	Liabilities		Assets	Liabilities	
Types of risk:						
Foreign exchange rate						
Derivatives for trading	10,469,492	7,463,117	794,897,714	9,872,756	6,491,028	634,794,695
Derivatives for banking book	992,296	546,928	16,495,376	3,518,463	2,377,740	27,454,955
Interest rate						
Derivatives for trading	1,558,148	1,792,679	643,138,208	2,901,346	3,497,644	564,473,150
Derivatives for banking book	-	-	23,700,000	-	-	11,700,000
Total	13,019,936	9,802,724	1,478,231,298	16,292,565	12,366,412	1,238,422,800

⁽¹⁾ 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 2017 and 2016, proportions of derivatives transactions classified by types of counterparties, determined based on the notional amount, are as follows.

(Unit: Percent)

Counterparties	31 March 2017	31 March 2016
Financial institutions	70	78
Companies within the Group ⁽¹⁾	15	7
Third parties	15	15
Total	100	100

⁽¹⁾ Head office or other branches under the same entity

8. Investments

8.1 Classified by type of investment

	(Unit: Thousand Baht)			
	31 March 2017		31 March 2016	
	Cost	Fair value	Cost	Fair value
<u>Available-for-sale investments</u>				
Government and state enterprise securities	80,661,550	80,857,993	89,763,216	90,422,637
Foreign debt securities	33,416,549	33,476,307	34,181,976	32,877,813
Total	114,078,099	114,334,300	123,945,192	123,300,450
<u>Add (less) Revaluation allowance</u>	256,201		(644,742)	
Investments - net	114,334,300		123,300,450	

8.2 Revaluation surplus (deficit) on available-for-sale investments

	(Unit: Thousand Baht)	
	31 March 2017	31 March 2016
Revaluation surplus on investments in debt securities	342,505	719,075
Revaluation deficit on investments in debt securities	(86,304)	(1,363,817)
Revaluation surplus (deficit) on available-for-sale investments	256,201	(644,742)
<u>Add (less) Income taxes</u>	(51,240)	128,949
Revaluation surplus (deficit) on available-for-sale investments - net	204,961	(515,793)

8.3 Investments subject to obligation

As at 31 March 2017 and 2016, investments in government and state enterprise securities and foreign debt securities totalling Baht 90,236 million and Baht 89,464 million, respectively, are maintained as assets under Section 32 of the Act on Undertaking of Banking Business B.E. 2551.

9. Loans to customers and accrued interest receivables

9.1 Classified by loan type

	(Unit: Thousand Baht)	
	31 March 2017	31 March 2016
Overdrafts	1,788	176
Loans	242,093,734	232,743,436
Discounted bills	6,173,500	8,698,266
<u>Less</u> Deferred revenues	(7,184)	(8,616)
Total loans to customers net from deferred revenue	248,261,838	241,433,262
<u>Add</u> Accrued interest receivable	732,188	643,550
Total loans to customers net from deferred revenues and accrued interest receivables	248,994,026	242,076,812
<u>Less</u> Allowance for doubtful accounts - Provision at BOT's minimum required rates	(2,908,026)	(2,713,652)
Loans to customers and accrued interest receivables - net	<u>246,086,000</u>	<u>239,363,160</u>

9.2 Classified by currency and borrowers' residency

	(Unit: Thousand Baht)					
	31 March 2017			31 March 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	131,005,448	-	131,005,448	112,556,543	-	112,556,543
US Dollar	114,138,575	699,613	114,838,188	122,722,399	4,794,736	127,517,135
Yen	1,884,979	-	1,884,979	1,128,167	-	1,128,167
Other currencies	533,223	-	533,223	231,417	-	231,417
Total loans to customers net from deferred revenues	<u>247,562,225</u>	<u>699,613</u>	<u>248,261,838</u>	<u>236,638,526</u>	<u>4,794,736</u>	<u>241,433,262</u>

9.3 Classified by business type and loan classification

(Unit: Thousand Baht)

	31 March 2017					Total
	Normal	Special Mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	4,734,657	-	-	-	-	4,734,657
Manufacturing and commerce	109,927,821	6,585,786	-	229,000	-	116,742,607
Real estate and construction	8,364,996	-	-	118,000	-	8,482,996
Public utilities and service	51,948,206	354,200	-	-	-	52,302,406
Others	64,784,339	1,214,833	-	-	-	65,999,172
Total loans to customers net from deferred revenues	<u>239,760,019</u>	<u>8,154,819</u>	<u>-</u>	<u>347,000</u>	<u>-</u>	<u>248,261,838</u>

(Unit: Thousand Baht)

	31 March 2016					Total
	Normal	Special Mention	Sub- standard	Doubtful	Doubtful of loss	
Agricultural and mining	9,514,570	20,000	-	-	-	9,534,570
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 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>

9.4 Non-performing loans

As at 31 March 2017 and 2016, 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 2017	31 March 2016
Non-performing loans before allowances for doubtful accounts	347,000	247,000

As at 31 March 2017 and 2016, 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.

9.5 Classified by loan classification

As at 31 March 2017 and 2016, 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 2017				
	Net balance used			
	Loans to customers and accrued interest receivables ⁽¹⁾	in setting up allowance for doubtful accounts ⁽²⁾	Minimum percentage required by BOT	Allowances for doubtful accounts
			(%)	
Normal	240,456,454	239,760,019	1	2,397,600
Special mention	8,190,243	8,154,819	2	163,097
Sub-standard	-	-	100	-
Doubtful	347,329	347,329	100	347,329
Doubtful of loss	-	-	100	-
Total	248,994,026	248,262,167		2,908,026

(Unit: Thousand Baht)

31 March 2016				
	Net balance used			
	Loans to customers and accrued interest receivables ⁽¹⁾	in setting up allowance for doubtful accounts ⁽²⁾	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	-
Total	242,076,812	238,680,782		2,713,652

⁽¹⁾ Loans to customers net from deferred revenues plus accrued interest receivables.

⁽²⁾ 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.

10. Allowances for doubtful accounts

(Unit: Thousand Baht)

	For the year ended 31 March 2017					Total
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	
Balance - beginning of the year	2,302,038	164,599	-	247,015	-	2,713,652
Increase (decrease) during the year	126,838	(902)	339	100,314	-	226,589
Foreign exchange translation	(31,276)	(600)	(339)	-	-	(32,215)
Balance - end of the year	<u>2,397,600</u>	<u>163,097</u>	<u>-</u>	<u>347,329</u>	<u>-</u>	<u>2,908,026</u>

(Unit: Thousand Baht)

	For the year ended 31 March 2016					Total
	Normal	Special mention	Substandard	Doubtful	Doubtful 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>

11. Leasehold improvements and equipment

(Unit: Thousand Baht)

	Leasehold improvements	Office equipment	Computer equipment	Construction In progress	Total
Cost					
1 April 2015	255,147	70,265	153,850	-	479,262
Additions	113	149	76,609	723,062	799,933
Disposal/Write-off	(29)	(4,471)	-	-	(4,500)
31 March 2016	255,231	65,943	230,459	723,062	1,274,695
Additions	-	-	82,409	18,691	101,100
Transfer in/(transfer out)	620,013	107,370	14,370	(741,753)	-
Disposals/Write-off	(227,120)	(38,241)	(72,499)	-	(337,860)
31 March 2017	648,124	135,072	254,739	-	1,037,935
Accumulated depreciation					
1 April 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 disposals/write-off	(29)	(4,471)	-	-	(4,500)
31 March 2016	235,119	46,790	141,121	-	423,030
Depreciation charged for the year	56,297	25,620	35,513	-	117,430
Accumulated depreciation on disposals/write-off	(223,247)	(36,378)	(72,463)	-	(332,088)
31 March 2017	68,169	36,032	104,171	-	208,372
Net book value					
31 March 2016	20,112	19,153	89,338	723,062	851,665
31 March 2017	579,955	99,040	150,568	-	829,563
Depreciation charged in profit or loss for the years ended					
31 March 2016					23,939
31 March 2017					117,430

As at 31 March 2017 and 2016, the Bank had certain items of leasehold improvements and equipment, which were fully depreciated but were still in use. The original costs, before deducting accumulated depreciation, of those assets amounted to approximately Baht 63 million and Baht 377 million, respectively.

12. Intangible assets

(Unit: Thousand Baht)

	Computer softwares	Computer softwares under development	Total
Cost			
1 April 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
Additions	81,021	21,797	102,818
Transfers in/(Transfers out)	23,162	(23,162)	-
31 March 2017	340,846	41,551	382,397
Accumulated amortisation			
1 April 2015	136,003	-	136,003
Amortisation for the year	25,799	-	25,799
31 March 2016	161,802	-	161,802
Amortisation for the year	38,856	-	38,856
31 March 2017	200,658	-	200,658
Net book value			
31 March 2016	74,861	42,916	117,777
31 March 2017	140,188	41,551	181,739
Amortisation expenses included in profit or loss for the years ended			
31 March 2016			25,799
31 March 2017			38,856

As at 31 March 2017 and 2016, computer softwares had remaining amortisation periods of 0 - 5 years.

As at 31 March 2017 and 2016, the Bank had computer softwares, which were fully amortised but were still in use. The original costs, before deducting accumulated amortisation, of those assets amounted to approximately Baht 141 million and Baht 100 million, respectively.

13. Other assets

	(Unit: Thousand Baht)	
	31 March 2017	31 March 2016
Deposits	28,583	36,493
Accrued fees receivable	22,988	21,573
Others	9,047	5,204
Total	60,618	63,270
<u>Less</u> Allowance for impairment	(66)	(5)
Other assets - net	60,552	63,265

14. Deposits

14.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	31 March 2017	31 March 2016
Demand deposits	4,571,832	5,025,132
Saving deposits	78,328,784	62,836,275
Term deposits	188,421,481	231,540,943
Total deposits	271,322,097	299,402,350

14.2 Classified by currency and depositors' residency

	(Unit: Thousand Baht)					
	31 March 2017			31 March 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	231,130,135	11,550	231,141,685	279,529,293	15,816	279,545,109
US dollar	37,340,060	9,648	37,349,708	17,277,789	15,233	17,293,022
Yen	2,124,375	237	2,124,612	2,086,276	242	2,086,518
Other currencies	706,092	-	706,092	477,701	-	477,701
Total deposits	271,300,662	21,435	271,322,097	299,371,059	31,291	299,402,350

15. Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	31 March 2017			31 March 2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	500,225	344,501	844,726	50,191	880,979	931,170
Other financial institutions	292,980	3,000	295,980	222,251	-	222,251
Total domestic items	793,205	347,501	1,140,706	272,442	880,979	1,153,421
Foreign						
Baht	81,647	-	81,647	49,096	-	49,096
Total foreign items	81,647	-	81,647	49,096	-	49,096
Total domestic and foreign items	874,852	347,501	1,222,353	321,538	880,979	1,202,517

16. Debts issued and borrowings

As at 31 March 2017, The Bank had no outstanding balance of debts issued and borrowings, (31 March 2016: the Bank had 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).

17. Provisions for liabilities

(Unit: Thousand Baht)

	For the year ended 31 March 2017			
	Provision for long-term employee benefits	Provision for liabilities in respect of off-balance commitments	Provision for removal and restoration costs	Total
Balance as at 1 April 2016	69,753	-	180,000	249,753
Increase during the year	54,807	-	-	54,807
Decrease during the year	-	-	(1,450)	(1,450)
Paid during the year	(1,511)	-	(69,550)	(71,061)
Balance as at 31 March 2017	123,049	-	109,000	232,049

(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)
Balance as at 31 March 2016	69,753	-	180,000	249,753

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:

	For the years ended 31 March	
	2017	2016
Defined benefit obligations at beginning of the years	69,753	60,421
Included in profit or loss:		
Current service cost	7,553	6,980
Interest cost	2,856	2,472
Actuarial loss arising from		
- Financial assumptions changes	47	-
- Experience adjustments	175	-
Included in other comprehensive income:		
Actuarial loss arising from		
- Financial assumptions changes	15,281	-
- Experience adjustments	28,895	-
Benefits paid during the years	(1,511)	(120)
Defined benefit obligations at end of the years	123,049	69,753

As at 31 March 2017, the Bank expected to pay Baht 6 million on long-term employee benefits during the next one year.

Principal actuarial assumptions at the valuation dates were as follows:

	31 March 2017	31 March 2016
	(% per annum)	(% per annum)
Average discount rate	3.0625	4.10
Future salary incremental rates	6.00 - 9.00	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 on principal actuarial assumptions to the present value of long-term employee benefit obligations as at 31 March 2017 and 2016 were summarised below:

Assumptions	(Unit: Thousand Baht)	
	Increase (decrease) in provision	
	for long-term employee benefits as at	
	31 March 2017	31 March 2016
Average discount rate increased by 1%	(10,425)	(5,963)
Average discount rate decreased by 1%	11,915	6,805
Future salary incremental rates increased by 1%	11,385	8,006
Future salary incremental rates decreased by 1%	(10,190)	(7,070)
Staff turnover rate increased by 20%	(7,603)	(5,807)
Staff turnover rate decreased by 20%	8,674	6,701

As at 31 March 2017 and 2016, the weighted average duration of employee benefit obligations were 10.7 years and 15 years, respectively.

18. Other liabilities

	(Unit: Thousand Baht)	
	31 March 2017	31 March 2016
Revenue received in advance	258,502	82,326
Contribution payables to the Deposit Protection Agency and the Bank of Thailand	378,500	306,800
Accrued expenses	123,771	110,826
Total other liabilities	760,773	499,952

19. 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 2017 and 2016, 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 2017	31 March 2016
<u>Funds remitted into Thailand</u>		
Funds from head office	10,670,800	10,670,800
Borrowings from other branches under the same entity	80,243,419	81,895,347
Total	90,914,219	92,566,147

As at 31 March 2017 and 2016, 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 2017	31 March 2016
1. Assets required to be maintained under Section 32 (Note 8.3)	90,236,202	89,464,395
2. Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts	127,496,948	129,168,815
2.1 Net capital for maintenance of assets under Section 32	89,416,817	91,278,868
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	38,080,131	37,889,947
3. Total regulatory capital (3.1 - 3.2)	89,235,078	89,346,618
3.1 Total regulatory capital before deduction items (the lowest amount among item 1, item 2 and item 2.1)	89,416,817	89,464,395
3.2 Deduction items	(181,739)	(117,777)

20. Interest income

(Unit: Thousand Baht)

For the years ended 31 March

	2017	2016
Interest income incurred on:		
Interbank and money market items	2,443,149	724,579
Investments in debt securities	2,182,791	2,291,087
Loans to customers	5,070,710	4,353,725
Others	3,600	13,334
Total interest income	9,700,250	7,382,725

21. Interest expenses

(Unit: Thousand Baht)

For the years ended 31 March

	2017	2016
Interest expenses incurred on:		
Deposits	4,313,528	2,531,367
Interbank and money market items	1,487,539	1,006,526
Contribution fees to the Deposit Protection Agency and the Bank of Thailand	1,529,175	963,868
Others	849	6,463
Total interest expenses	7,331,091	4,508,224

22. Net fees and service income

(Unit: Thousand Baht)

For the years ended 31 March

	2017	2016
Fees and service income on:		
Acceptance, aval and guarantees	65,080	67,251
Management fees	203,159	161,918
Others	244,951	179,809
Total fees and service income	513,190	408,978
Total fees and service expenses	(47,078)	(65,477)
Fees and service income - net	466,112	343,501

23. Net gains on trading and foreign exchange transactions

(Unit: Thousand Baht)

	For the years ended 31 March	
	2017	2016
Gain on foreign currencies and derivatives relating to foreign exchange	801,829	3,638,192
Gain (loss) on derivatives relating to interest rate	480,224	(1,018,541)
Gain (loss) on adjust fair value of credit risk on derivatives	137,861	(230,970)
Total	1,419,914	2,388,681

24. Bad debts and doubtful accounts

(Unit: Thousand Baht)

	For the years ended 31 March	
	2017	2016
Bad debts and doubtful accounts (reversal) on:		
Interbank and money market items	(8,635)	(51,411)
Loans to customers	226,589	7,416
Other receivables	61	(244)
Total	218,015	(44,239)

25. Deferred tax assets and liabilities/Income tax expenses

25.1 Deferred tax assets and liabilities

As at 31 March 2017 and 2016, deferred tax assets and liabilities comprise:

(Unit: Thousand Baht)

	31 March 2017	31 March 2016
Deferred tax assets*	107,178	307,782
Deferred tax liabilities*	80,782	103,635
Deferred tax assets (liabilities) - net	26,396	204,147

* As at 31 March 2017 and 2016, the balances presented net of deferred tax assets and liabilities on available-for-sale investments, which were matured in the same period by Baht 8 million and Baht 40 million, respectively.

(Unit: Thousand Baht)

For the year ended 31 March 2017

	Beginning balances	Recognised in profit or loss	Recognised in other comprehensive income	Ending balances
Deferred tax assets arose from:				
Derivatives assets	46,194	(27,572)	-	18,622
Available-for-sale investments	272,763	-	(255,503)	17,260
Intangible assets and leasehold improvements and equipment	1,254	17,349	-	18,603
Provisions for other liabilities	26,351	11,224	8,835	46,410
Others	1,400	12,586	-	13,986
Total deferred tax assets	347,962	13,587	(246,668)	114,881
Deferred tax liabilities arose from:				
Available-for-sale investments	143,815	-	(75,314)	68,501
Provision for removal and restoration costs	-	19,984	-	19,984
Total deferred tax liabilities	143,815	19,984	(75,314)	88,485
Net	204,147	(6,397)	(171,354)	26,396

(Unit: Thousand Baht)

For the year ended 31 March 2016

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

25.2 Income tax expenses

Income tax expenses for the years ended 31 March 2017 and 2016 are made up as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2017	2016
Current income tax		
Corporate income taxes for the years	498,443	658,756
Deferred taxes		
Deferred taxes relating to origination and reversal of temporary differences	6,397	(53,939)
Income tax expenses recognised in profit or loss	504,840	604,817

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 March 2017 and 2016 and the applicable tax rate were as follow:

	(Unit: Thousand Baht)	
	For the years ended 31 March	
	2017	2016
Accounting profits before income tax expenses	1,729,214	3,791,060
Applicable corporate income tax rate	20%	20%
Accounting profits before income tax expenses multiplied by applicable tax rate	345,843	758,212
Net tax effect on income or expenses that are not taxable or not deductible in determining taxable profit	158,997	(153,395)
Income tax expenses recognised in profit or loss	504,840	604,817

26. 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 - 15 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 2017 and 2016, the Bank contributed approximately Baht 21 million and Baht 20 million, respectively to the fund.

27. Cash and cash equivalents

	(Unit: Thousand Baht)	
	31 March 2017	31 March 2016
Cash	7,113	10,036
Interbank and money market items - deposits at banks	2,449,039	5,771,779
Total cash and cash equivalents	<u>2,456,152</u>	<u>5,781,815</u>

28. 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.

28.1 Transactions with related parties occurred during the years

	(Unit: Thousand Baht)			
	For the years ended		Pricing policy	
	31 March			
	2017	2016	2017	2016
Transactions with other related companies in Mizuho Financial Group				
Losses on financial derivative contracts	215,664	175,589	At the rates stipulated in the contracts	At the rates stipulated in the contracts
Transactions with head office and other branches under the same entity⁽¹⁾				
Interest income from lendings	272,888	43,653	At interest rates between 0.68 - 1.57 percent per annum	At interest rates between 0.02 - 0.98 percent per annum
Interest expenses on borrowings	1,674,406	1,017,568	At interest rates between 0.01 - 2.33 percent per annum	At interest rates between 0.01 - 2.33 percent per annum
Gain (losses) on financial derivative contracts	494,131	(516,530)	At the rates stipulated in the contracts	At the rates stipulated in the contracts
Expenses allocated from head office	631,358	447,705	As per invoices charged from head office	As per invoices charged from head office

⁽¹⁾ The amounts presented are net amount of all entities

28.2 Outstanding balances with related parties

As at 31 March 2017 and 2016, the outstanding balances with related parties are as follows:

	(Unit: Thousand Baht)	
	31 March 2017	31 March 2016
Balances with other related companies in		
Mizuho Financial Group		
Deposits	54,136	6,066
Off-balance items - financial derivative contracts ⁽¹⁾	42,099,011	62,999,809
Balances with other related banks in Mizuho Financial Group		
Interbank and money market items (assets)	657	132
Interbank and money market items (liabilities)	81,647	49,096
Net balances of inter-office accounts with head office and other branches under the same entity⁽²⁾		
Borrowings and accrued interest payables	39,036,523	37,061,663
Deposits/inter-office balances - assets (liabilities)	956,392	(867,762)
Off-balance items - financial derivative contracts ⁽¹⁾	219,525,255	85,899,068

⁽¹⁾ Amounts presented are notional amounts.

⁽²⁾ The amounts presented are net amount of all branches.

29. 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 2017 and 2016 are as follows:

	(Unit: Million Baht)		
	For the year ended 31 March 2017		
	Banking business	Treasury business	Total
Net interest income	3,110	(741)	2,369
Net fees and service income	479	(13)	466
Net gains (loss) on trading and foreign exchange transactions	1,541	(120)	1,421
Total operating income	5,130	(874)	4,256
Total operating expenses	(2,153)	(156)	(2,309)
Profit (loss) from operation before bad debts and doubtful accounts and income tax expenses	2,977	(1,030)	1,947
Bad debt and doubtful accounts and income tax expenses			(723)
Profit for the year			1,224

	(Unit: Million Baht)		
	For the year ended 31 March 2016		
	Banking business	Treasury 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 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

As at 31 March 2017 and 2016, assets classified by operating segment are as follows:

	(Unit: Million Baht)		
	Banking business	Treasury business	Total
Total assets			
As at 31 March 2017	404,383	29,210	433,593
As at 31 March 2016	429,804	32,655	462,459

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

30.1 Financial position classified by type of operations

(Unit: Million Baht)

	As at 31 March					
	2017			2016		
	Domestic operations	Foreign operations	Total	Domestic operations	Foreign operations	Total
Total assets	431,611	1,982	433,593	456,315	6,144	462,459
Interbank and money market items						
- net	57,133	1,346	58,479	80,229	1,199	81,428
Investments - net	114,334	-	114,334	123,300	-	123,300
Loans to customers and accrued interest receivables - net	245,659	427	246,086	234,576	4,787	239,363
Total liabilities	286,035	535	286,570	313,327	2,557	315,884
Deposits	271,301	21	271,322	299,371	31	299,402
Interbank and money market items						
- net	1,141	81	1,222	1,153	50	1,203

30.2 Results of operations classified by type of operations

(Unit: Million Baht)

	For the years ended 31 March					
	2017			2016		
	Domestic operations	Foreign operations	Total	Domestic operations	Foreign operations	Total
Interest income	9,387	313	9,700	7,204	179	7,383
Interest expenses	(5,655)	(1,676)	(7,331)	(3,272)	(1,236)	(4,508)
Net interest income	3,732	(1,363)	2,369	3,932	(1,057)	2,875
Net fees and service income	389	77	466	335	8	343
Other operating income	707	714	1,421	3,308	(919)	2,389
Other operating expenses	(1,678)	(631)	(2,309)	(1,412)	(448)	(1,860)
Bad debts and doubtful accounts	(218)	-	(218)	44	-	44
Profit from operation before income tax expenses	2,932	(1,203)	1,729	6,207	(2,416)	3,791

31. Commitments and contingent liabilities

31.1 Commitments

	(Unit: Thousand Baht)	
	31 March 2017	31 March 2016
Aval to bills and guarantees of loans	4,584,249	6,505,694
Liability under unmatured import bills	134,198	89,740
Letter of credits	3,846,528	681,608
Other obligations		
- Undrawn bank overdrafts	3,388,782	3,480,244
- Undrawn commitment	34,492,771	31,887,061
- Guarantee - others	30,188,398	29,264,393
- Undrawn credit line	379,944,621	344,868,999
Total	456,579,547	416,777,739

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 7 to the financial statements.

31.2 Commitments under operating lease agreements

As at 31 March 2017 and 2016, 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	2017	2016
1 year	65,178	99,895
1 to 5 years	16,052	80,746

Furthermore, as at 31 March 2017 and 2016, the Bank has commitments under the car rental and services agreements totaling approximately Baht 26 million and Baht 29 million, respectively.

32. 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.

32.1 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.

32.2 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 2017 and 2016, financial assets and liabilities classified by type of interest rate are as follows:

(Unit: Million Baht)

Descriptions	Outstanding balances of financial instruments as at 31 March 2017			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
Cash	-	-	7	7
Interbank and money market items	7,599	48,538	2,429	58,566
Investments	43,049	71,029	-	114,078
Loans to customers	236,270	11,999	-	248,269
Financial liabilities				
Deposits	78,329	188,421	4,572	271,322
Interbank and money market items	7	1,129	86	1,222
Liabilities payable on demand	-	-	1,039	1,039
Funds remitted into Thailand - borrowings from other branches under the same entity	-	80,243	-	80,243
Net balance of inter-office accounts with head office and other branches under the same entity	951	38,832	(1,703)	38,080

(Unit: Million Baht)

Descriptions	Outstanding balances of financial instruments as at 31 March 2016			
	Floating interest rates	Fixed interest rates	Non-interest bearing	Total
Financial assets				
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
Financial liabilities				
Deposits	62,836	231,541	5,025	299,402
Interbank and money market items	57	1,093	53	1,203
Liabilities payable on demand	-	-	884	884
Debt issued and borrowings	-	173	-	173
Funds remitted into Thailand - borrowings from other branches under the same entity	-	81,895	-	81,895
Net balance of inter-office accounts with head office and other branches under the same entity	2,049	36,902	(1,061)	37,890

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 2017				Total	Weighted average interest rate (%)
	Repricing or maturity dates					
	0-3 months	3-12 months	1-5 years	Over 5 years		
Financial assets						
Interbank and money market items	48,465	73	-	-	48,538	1.50
Investments	28,311	28,482	14,236	-	71,029	1.42
Loans to customers	7,688	4,272	-	39	11,999	3.28
Financial liabilities						
Deposits	158,149	30,272	-	-	188,421	1.40
Interbank and money market items	1,129	-	-	-	1,129	1.15
Funds remitted into Thailand - borrowings from other branches under the same entity	72,457	7,786	-	-	80,243	1.43
Net balance of inter-office accounts with head office and other branches under the same entity	39,277	(445)	-	-	38,832	1.33

(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		
Financial assets						
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
Financial liabilities						
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

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 2017 and 2016 can be summarised as follows:

(Unit: Million Baht)

	For the years ended 31 March					
	2017			2016		
	Average	Average		Average	Average	
	balances	rate	(Percent	balances	rate	(Percent
		per	per		per	per
	Interest	annum)	annum)	Interest	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	168,086	2,443	1.45	59,817	725	1.21
Investments	120,779	2,183	1.81	122,739	2,291	1.87
Loans to customers	250,394	5,071	2.03	251,594	4,354	1.73
<u>Interest bearing financial liabilities</u>						
Deposits	339,986	4,314	1.27	215,422	2,531	1.18
Debt issued and borrowings	68	1	1.24	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	170,013	1,488	0.87	195,249	1,007	0.52

(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 2017 and 2016, the significant Bank's foreign currency positions were summarised as follows:

(Unit: Million Baht)

	31 March 2017				31 March 2016			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	Dollar	Euro	Yen	Others	Dollar	Euro	Yen	Others
<u>Foreign currency position in</u>								
<u>the statement of financial position</u>								
<u>Financial assets</u>								
Interbank and money market items	8,150	295	4	477	7,658	14	-	541
Investments	33,417	-	-	-	34,182	-	-	-
Loans to customers and accrued interest receivables	115,168	247	1,890	287	127,762	231	1,130	-
<u>Financial liabilities</u>								
Deposits	37,350	400	2,125	306	17,293	63	2,087	415
Interbank and money market items	345	-	-	-	881	-	-	-
Liabilities payable on demand	542	1	89	5	536	-	31	1
Funds remitted into Thailand - borrowings from other branches under the same entity	80,243	-	-	-	81,895	-	-	-
Net balance of inter-office accounts with head office and other branches under the same entity	45,869	3,530	(8,740)	632	63,014	3,513	(30,472)	1,643

(Unit: Million Baht)

	31 March 2017				31 March 2016			
	Outstanding balances of financial instruments				Outstanding balances of financial instruments			
	US				US			
	Dollar	Euro	Yen	Others	Dollar	Euro	Yen	Others
Foreign currency position of obligations								
Liability under unmatured import bills	134	-	-	-	90	-	-	-
Guarantees	8,962	1,249	5,223	840	15,700	1,288	1,009	926
Letters of credit	2,905	46	87	41	528	49	31	6
Foreign exchange contracts								
- Bought	178,973	4,802	10,156	2,759	123,837	3,958	4,554	4,499
- Sold	238,738	4,945	12,678	2,910	186,988	3,975	29,387	4,613
Cross currency and interest rate swap contracts								
swap contracts								
- Bought	202,838	274	27,383	15,995	192,349	-	22,384	-
- Sold	133,189	274	26,967	15,995	129,635	-	20,408	-
Interest rate swap contracts								
- Bought	209,586	-	3,950	-	138,313	-	225	-
- Sold	209,586	-	3,950	-	138,313	-	225	-
Currency option contracts								
- Bought	220	-	-	-	208	-	-	-
- Sold	220	-	-	-	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.

32.3 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 incurrence of a financial loss.

As at 31 March 2017 and 2016, the periods to maturity, counting from the financial position date, of financial instruments are as follows:

(Unit: Million Baht)

Transactions	31 March 2017					Total
	At call	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	
<u>Financial assets</u>						
Cash	7	-	-	-	-	7
Interbank and money market items	3,549	47,413	25	7,579	-	58,566
Derivatives assets	-	4,369	2,421	5,210	1,020	13,020
Investments	-	32,445	41,750	34,715	5,168	114,078
Loans to customers	170	10,374	112,193	102,450	23,082	248,269
<u>Financial liabilities</u>						
Deposits	82,901	158,336	30,085	-	-	271,322
Interbank and money market items	875	347	-	-	-	1,222
Liabilities payable on demand	1,039	-	-	-	-	1,039
Derivatives liabilities	-	2,540	2,963	3,659	641	9,803
Funds remitted into Thailand - borrowings from other branches under the same entity	-	7,386	6,708	66,149	-	80,243
Net balance of inter-office accounts with head office and other branches under the same entity	(1,476)	7,082	24,476	7,832	166	38,080
<u>Off-balance items - obligations</u>						
Liabilities under unmatured import bills	-	133	1	-	-	134
Letters of credit	83	3,026	738	-	-	3,847
Other obligations	420,413	6,189	10,248	15,669	80	452,599

(Unit: Million Baht)

31 March 2016

Transactions	Less					Total
	At call	than 3 months	3 - 12 months	1 - 5 years	Over 5 years	
<u>Financial assets</u>						
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
<u>Financial liabilities</u>						
Deposits	67,861	196,059	33,482	2,000	-	299,402
Interbank and money market items	322	881	-	-	-	1,203
Liabilities 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
<u>Off-balance items - obligations</u>						
Liabilities 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

32.4 Fair value

As at 31 March 2017 and 2016, the Bank has the financial assets and financial liabilities which presented based on fair value hierarchy as follows:

(Unit: Million Baht)

	31 March 2017			
	Carrying value	Fair value		
		Total	Level 1	Level 2
<u>Financial assets and liabilities measured at fair value</u>				
Derivatives assets	12,027	12,027	-	12,027
Investments	114,334	114,334	-	114,334
Derivatives liabilities	9,255	9,255	-	9,255
<u>Financial assets and liabilities for which fair value are disclosed</u>				
Cash	7	7	7	-
Interbank and money market items (assets)	58,479	58,479	9,941	48,538
Derivatives assets	993	993	-	993
Loans to customers	246,086	246,086	234,087	11,999
Deposits	271,322	271,322	82,901	188,421
Interbank and money market items (liabilities)	1,222	1,222	93	1,129
Liabilities payable on demand	1,039	1,039	1,039	-
Derivatives liabilities	548	548	-	548
Debt issued and borrowings				
Funds remitted into Thailand - borrowings from other branches under the same entity	80,243	80,243	-	80,243
Net balance of inter-office accounts with head office and other branches under the same entity	38,080	38,080	(752)	38,832

31 March 2016

	Carrying value	Fair value		
		Total	Level 1	Level 2
<u>Financial assets and liabilities measured at fair value</u>				
Derivatives assets	12,774	12,774	-	12,774
Investments	123,300	123,300	-	123,300
Derivatives liabilities	9,988	9,988	-	9,988
<u>Financial assets and liabilities for which fair value are disclosed</u>				
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
Liabilities 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 and the determined fair value does not significantly differ from 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. The majority is fixed interest rate items which its remaining repricing period is less than one year.
Liabilities payable on demand	Fair value is approximated to its carrying value as stated in the statement of financial position due to short-term maturity.
Debts 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 repricing 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 repricing period is less than one year.

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

32.5 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 2017 and 2016, the Bank's financial derivatives can be classified by period to maturity as follows:

(Unit: Million Baht)

	31 March 2017			31 March 2016		
	Less than	Over	Total	Less than	Over	Total
	1 year	1 year		1 year	1 year	
Foreign exchange contracts						
Bought	435,211	1,717	436,928	326,632	212	326,844
Sold	433,073	1,729	434,802	327,379	221	327,600
Cross currency and interest rate swap contracts						
Bought	143,418	232,528	375,946	104,553	232,084	336,637
Sold	144,566	232,068	376,634	102,852	231,871	334,723
Interest rate swap contracts						
Bought	230,939	435,899	666,838	188,202	387,971	576,173
Sold	230,939	435,899	666,838	188,202	387,971	576,173
Currency option contracts						
Bought	220	-	220	208	-	208
Sold	220	-	220	208	-	208

33. Approval of financial statements

These financial statements were authorised for issue by the General Manager of Bangkok Branch on 25 July 2017.