

**TMB Bank Public Company Limited
and its Subsidiaries**

Financial statements for the year ended
31 December 2015
and
Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of TMB Bank Public Company Limited

I have audited the accompanying consolidated and the Bank only financial statements of TMB Bank Public Company Limited and its Subsidiaries (the "Group"), and of TMB Bank Public Company Limited (the "Bank"), respectively, which comprise the consolidated and the Bank only statements of financial position as at 31 December 2015, the consolidated and the Bank only statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and the Bank only Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and the Bank only financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and the Bank only 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 consolidated and the Bank only 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 consolidated and the Bank only 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 consolidated and the Bank only financial statements present fairly, in all material respects, the financial position of the Group and the Bank only, respectively, as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Other Matter

The accompanying consolidated and the Bank only financial statements of TMB Bank Public Company Limited and its subsidiaries, and of TMB Bank Public Company Limited, respectively for the year ended 31 December 2014, were audited by another auditor who expressed an unmodified opinion on those statements on 18 February 2015.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
17 February 2016

TMB Bank Public Company Limited and its subsidiaries
Statements of financial position

Assets	Note	Consolidated 31 December		Bank only 31 December	
		2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Cash		17,290,402	16,427,953	17,289,833	16,427,874
Interbank and money market items, net	9, 36.2	115,758,178	113,096,814	114,957,730	112,426,118
Claims on securities		11,944,900	22,689,700	11,944,900	22,689,700
Derivative assets	10	12,250,311	10,875,999	12,250,311	10,875,999
Investments, net	11, 36.2	98,260,036	110,859,350	95,470,360	108,785,569
Investments in subsidiaries and associate, net	12	8	8	3,331,428	3,229,428
Loans to customers and accrued interest receivable, net	13, 36.2				
Loans to customers		580,867,827	530,446,525	580,836,479	530,403,628
Accrued interest receivable		1,068,312	1,068,201	1,068,312	1,068,201
Total loans to customers and accrued interest receivable		581,936,139	531,514,726	581,904,791	531,471,829
Less deferred revenue		(91,694)	(86,162)	(91,694)	(86,162)
Less allowance for doubtful accounts	13.4, 15, 36.2	(28,844,706)	(28,252,268)	(28,821,032)	(28,224,616)
Less revaluation allowance for debt restructuring	13.7	(180,558)	(109,818)	(180,558)	(109,818)
Total loans to customers and accrued interest receivable, net		552,819,181	503,066,478	552,811,507	503,051,233
Customers' liabilities under acceptances		10,913	15,095	10,913	15,095
Properties for sale, net	16	1,207,101	1,860,150	1,207,101	1,817,253
Premises and equipment, net	17	10,291,853	10,672,208	10,266,657	10,645,551
Goodwill and other intangible assets, net	18	1,238,552	1,002,878	1,173,917	937,812
Deferred tax assets	19	2,044,523	2,065,370	2,032,134	2,057,586
Other receivables, net	20, 36.2	11,325,343	12,973,198	11,066,170	12,188,199
Other assets, net	21, 36.2	4,495,980	3,577,057	4,420,344	3,432,069
Total assets		838,937,281	809,182,258	838,233,305	808,579,486

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

TMB Bank Public Company Limited and its subsidiaries
Statements of financial position

Liabilities and equity	Note	Consolidated 31 December		Bank only 31 December	
		2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Liabilities					
Deposits	22, 36.2	644,693,924	571,625,314	644,729,505	571,720,372
Interbank and money market items	23, 36.2	36,216,663	72,716,662	36,216,663	72,716,662
Liabilities payable on demand		3,008,198	3,145,176	3,008,198	3,145,176
Liabilities to deliver security		11,944,900	22,689,700	11,944,900	22,689,700
Financial liabilities designated at fair value through profit or loss	24	298,869	183,337	298,869	183,337
Derivative liabilities	10	12,141,438	10,171,992	12,141,438	10,171,992
Debt issued and borrowings, net	25, 36.2	30,183,564	36,249,255	30,183,564	36,249,255
Bank's liabilities under acceptances		10,913	15,095	10,913	15,095
Provisions for obligations on transfers of non-performing assets	8, 36.2	5,998,333	5,998,333	5,998,333	5,998,333
Provisions for employee benefits	26	1,492,439	1,534,712	1,471,505	1,513,303
Provisions for other liabilities	27	542,453	534,751	542,423	529,490
Other payables	28	6,988,253	5,636,688	6,983,792	5,629,503
Other liabilities	29, 36.2	8,818,971	8,888,207	8,705,973	8,673,907
Total liabilities		762,338,918	739,389,222	762,236,076	739,236,125
Equity					
Share capital					
Authorised share capital					
44,108,738,479 ordinary shares of Baht 0.95 each		41,903,302	41,903,302	41,903,302	41,903,302
Issued and paid-up share capital					
43,749,499,615 ordinary shares of Baht 0.95 each (31 December 2014: 43,678,764,288 ordinary shares of Baht 0.95 each)	30	41,562,025	41,494,826	41,562,025	41,494,826
Premium on share capital	30	236,181	157,690	236,181	157,690
Other reserves		3,959,690	4,164,566	3,927,758	4,116,641
Retained earnings					
Appropriated					
Legal reserve	32, 33	1,710,000	1,250,000	1,710,000	1,250,000
Unappropriated		29,023,338	22,637,090	28,561,265	22,324,204
Equity attributable to equity holders of the Bank		76,491,234	69,704,172	75,997,229	69,343,361
Non-controlling interest		107,129	88,864	-	-
Total equity		76,598,363	69,793,036	75,997,229	69,343,361
Total liabilities and equity		838,937,281	809,182,258	838,233,305	808,579,486

Mr. Boontuck Wungcharoen
Chief Executive Officer

Mr. Rungson Sriworasat
Chairman of the Board

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

TMB Bank Public Company Limited and its subsidiaries
Statements of profit or loss and other comprehensive income

		Consolidated		Bank only	
		For the year ended		For the year ended	
		31 December		31 December	
	<i>Note</i>	2015	2014	2015	2014
		<i>(in thousand Baht)</i>			
Interest income	36.1, 39	36,429,927	35,848,295	36,393,131	35,694,944
Interest expenses	36.1, 40	13,209,941	14,253,242	13,210,053	14,253,406
Net interest income		23,219,986	21,595,053	23,183,078	21,441,538
Fees and service income	36.1, 41	9,712,001	7,874,418	9,089,281	7,341,024
Fees and service expenses	36.1, 41	1,890,925	2,140,092	1,780,648	2,049,027
Net fees and service income		7,821,076	5,734,326	7,308,633	5,291,997
Gains on trading and foreign exchange transactions, net	42	1,701,220	1,991,435	1,701,220	1,991,435
Losses on financial liabilities designated at fair value through profit or loss, net	43	(15,533)	(51,367)	(15,533)	(51,367)
Gains on investments, net	44	180,638	193,257	199,781	550,244
Other operating income	36.1	542,954	490,230	483,311	420,998
Total operating income		33,450,341	29,952,934	32,860,490	29,644,845
Other operating expenses					
Employee expenses	36.3	8,169,475	8,047,621	7,958,599	7,835,472
Directors' remuneration	36.3	41,542	37,834	41,183	37,473
Premises and equipment expenses		3,129,663	3,003,243	3,073,052	2,948,441
Taxes and duties		1,282,041	1,198,474	1,280,148	1,195,282
Others	36.1, 45	3,844,572	3,486,900	3,719,884	3,360,011
Total other operating expenses		16,467,293	15,774,072	16,072,866	15,376,679
Impairment loss on loans and debt securities	36.1, 46	5,478,950	3,436,748	5,516,680	3,801,349
Profit from operations before income tax expense		11,504,098	10,742,114	11,270,944	10,466,817
Income tax expense	19	2,152,755	1,190,505	2,087,126	1,023,673
Profit for the year		9,351,343	9,551,609	9,183,818	9,443,144
Other comprehensive income					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on remeasuring available-for-sale investments		(30,198)	61,240	(10,206)	20,381
Gains arising from translating the financial statements of foreign operations		30,535	-	30,535	-
Income tax relating to items that will be reclassified subsequently to profit or loss	19	(67)	(12,248)	(4,066)	(4,076)
		270	48,992	16,263	16,305
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Change in revaluation surplus on assets		(48,889)	(60,506)	(48,889)	(60,506)
Actuarial gains on post-employment benefit plan		95,162	-	95,253	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	19	(9,255)	12,101	(9,273)	12,101
		37,018	(48,405)	37,091	(48,405)
Total other comprehensive income for the year, net of income tax		37,288	587	53,354	(32,100)
Total comprehensive income for the year		9,388,631	9,552,196	9,237,172	9,411,044

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

TMB Bank Public Company Limited and its subsidiaries
Statements of profit or loss and other comprehensive income

	Consolidated		Bank only	
	For the year ended		For the year ended	
	31 December		31 December	
<i>Note</i>	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Profit attributable to:				
Equity holders of the Bank	9,333,069	9,538,876	9,183,818	9,443,144
Non-controlling interest	18,274	12,733	-	-
Profit for the year	9,351,343	9,551,609	9,183,818	9,443,144
Total comprehensive income attributable to:				
Equity holders of the Bank	9,370,366	9,539,463	9,237,172	9,411,044
Non-controlling interest	18,265	12,733	-	-
Total comprehensive income for the year	9,388,631	9,552,196	9,237,172	9,411,044
Earnings per share				
Basic earnings per share <i>(in Baht)</i>	0.2134	0.2185	0.2100	0.2163
Diluted earnings per share <i>(in Baht)</i>	0.2128	0.2177	0.2094	0.2155

47

Mr. Boontuck Wungcharoen
Chief Executive Officer

Mr. Rungson Sriworasat
Chairman of the Board

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

TMB Bank Public Company Limited and its subsidiaries
Statements of changes in equity

Consolidated												
Other reserves								Retained earnings				

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

TMB Bank Public Company Limited and its subsidiaries
Statements of changes in equity

		Bank only									
		Other reserves						Retained earnings			
		Issued and paid-up share capital	Premium on share capital	Other reserve - share-based payments (Note 30)	Revaluation surplus on assets, net (Note 31)	Revaluation surplus on available-for-sale investments, net (Note 11.4)	Translation adjustment arising from translating the financial statements of foreign operations, net (in thousand Baht)	Total other reserve	Legal reserve	Unappropriated	Total equity
Note											
Year ended 31 December 2014											
Balance at 1 January 2014		41,426,006	81,196	256,596	3,918,131	42,543	43,563	4,260,833	770,000	14,986,829	61,524,864
Comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	-	-	9,443,144	9,443,144
Other comprehensive income		-	-	-	(48,405)	16,305	-	(32,100)	-	-	(32,100)
Total comprehensive income for the year		-	-	-	(48,405)	16,305	-	(32,100)	-	9,443,144	9,411,044
Contributions by and distribution to owners of the bank											
Expenses in relation to share-based payments		30.3	-	-	155,130	-	-	155,130	-	-	155,130
Issued ordinary shares to employees		30.3	68,820	77,070	(145,890)	-	-	(145,890)	-	-	-
Expenses in relation to issuance of ordinary shares to employees		30.3	-	(576)	-	-	-	-	-	-	(576)
Dividend paid		33	-	-	-	-	-	-	-	(1,747,101)	(1,747,101)
Total contributions by and distribution to owners of the bank											
		68,820	76,494	9,240	-	-	-	9,240	-	(1,747,101)	(1,592,547)
Transfer to legal reserve		-	-	-	-	-	-	-	480,000	(480,000)	-
Transfer to retained earnings		-	-	-	(121,332)	-	-	(121,332)	-	121,332	-
Balance at 31 December 2014		41,494,826	157,690	265,836	3,748,394	58,848	43,563	4,116,641	1,250,000	22,324,204	69,343,361
Year ended 31 December 2015											
Balance at 31 December 2014 - as reported		41,494,826	157,690	265,836	3,748,394	58,848	43,563	4,116,641	1,250,000	22,324,204	69,343,361
Impact of changes in accounting policy		3	-	-	-	-	-	-	-	(50,925)	(50,925)
Balance at 1 January 2015		41,494,826	157,690	265,836	3,748,394	58,848	43,563	4,116,641	1,250,000	22,273,279	69,292,436
Comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	-	-	9,183,818	9,183,818
Other comprehensive income		-	-	-	(39,111)	(8,165)	24,428	(22,848)	-	76,202	53,354
Total comprehensive income for the year		-	-	-	(39,111)	(8,165)	24,428	(22,848)	-	9,260,020	9,237,172
Contributions by and distribution to owners of the bank											
Expenses in relation to share-based payments		30.3	-	-	93,067	-	-	93,067	-	-	93,067
Issued ordinary shares to employees		30.3	67,199	79,053	(146,252)	-	-	(146,252)	-	-	-
Expenses in relation to issuance of ordinary shares to employees		30.3	-	(562)	-	-	-	-	-	-	(562)
Dividend paid		33	-	-	-	-	-	-	-	(2,624,884)	(2,624,884)
Total contributions by and distribution to owners of the bank											
		67,199	78,491	(53,185)	-	-	-	(53,185)	-	(2,624,884)	(2,532,379)
Transfer to legal reserve		-	-	-	-	-	-	-	460,000	(460,000)	-
Transfer to retained earnings		-	-	-	(112,850)	-	-	(112,850)	-	112,850	-
Balance at 31 December 2015		41,562,025	236,181	212,651	3,596,433	50,683	67,991	3,927,758	1,710,000	28,561,265	75,997,229

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

TMB Bank Public Company Limited and its subsidiaries
Statements of cash flows

	Consolidated		Bank only	
	For the year ended		For the year ended	
	31 December		31 December	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit from operations before income tax expense	11,504,098	10,742,114	11,270,944	10,466,817
<i>Adjustments to reconcile profit from operations before income tax expense to net cash provided by (used in) operating activities</i>				
Depreciation and amortisation	1,177,528	1,215,462	1,163,274	1,203,473
Impairment loss on loans and debt securities	5,478,950	3,436,748	5,516,680	3,801,349
Impairment loss on premises and equipment	24,310	12,319	24,310	12,319
Impairment loss on properties for sale and other assets	117,787	102,859	113,533	105,455
Provisions for employee benefits and other liabilities	174,724	247,451	178,199	247,111
Impairment losses on investment (reversal of)	2,400	(2,623)	(99,600)	(359,610)
Losses (gains) on revaluation of trading investments	(5,501)	8,538	(5,501)	8,538
Loss on written-off of intangible assets	2,425	-	2,425	-
Gains on disposal of premises and equipment	(89,943)	(37,429)	(62,191)	(37,838)
Gains on disposal of investments	(183,038)	(190,634)	(100,181)	(190,634)
Unrealised losses on remeasurement of financial liabilities designated at fair value through profit or loss	15,532	20,642	15,532	20,642
Unrealised losses (gains) on exchange on borrowings and derivatives	840,396	(464,896)	843,321	(464,896)
Expenses in relation to share-based payments	93,067	155,130	93,067	155,130
Net interest income	(23,219,986)	(21,595,053)	(23,183,078)	(21,441,538)
Dividend income	(39,778)	(54,557)	(39,778)	(54,557)
Interest received	34,076,063	32,990,508	34,035,833	32,838,791
Interest paid	(11,598,695)	(12,206,500)	(11,598,829)	(12,206,790)
Income tax refund	-	736,257	-	736,257
Income tax paid	(1,706,352)	(229,643)	(1,562,855)	(196,695)
Profit from operations before changes in operating assets and liabilities	16,663,987	14,886,693	16,605,105	14,643,324
<i>Decrease (increase) operating assets</i>				
Interbank and money market items	(2,853,374)	(16,610,159)	(2,723,182)	(16,490,721)
Trading investments	5,936,034	(11,659,577)	5,936,034	(11,659,577)
Loans to customers	(55,719,972)	(37,719,527)	(55,765,273)	(38,717,641)
Properties for sale	908,568	666,479	865,671	659,128
Other receivables	2,042,812	1,482,901	1,516,986	2,065,123
Other accrued income	(42,588)	(138,378)	(94,821)	(118,206)
Other assets	(216,666)	4,737,006	(227,208)	4,743,160
<i>Increase (decrease) in operating liabilities</i>				
Deposits	72,890,780	41,609,898	72,831,304	41,647,482
Interbank and money market items	(36,499,999)	6,678,911	(36,499,999)	6,678,911
Liabilities payable on demand	(136,978)	(130,710)	(136,978)	(130,710)
Financial liabilities designated at fair value through profit or loss	100,000	(200,000)	100,000	(200,000)
Short-term debt issued and borrowings	(73,581)	(3,373,124)	(73,581)	(3,373,124)
Provision for employee benefits	(160,327)	(100,726)	(158,572)	(95,199)
Provisions for other liabilities	(13,868)	(71,819)	(13,868)	(66,682)
Account payables	127,101	(1,219,719)	129,825	(1,211,155)
Other accrued expenses	273,233	36,022	288,478	9,715
Other liabilities	(1,733,025)	(2,999,782)	(1,717,229)	(3,017,595)
Net cash provided by (use in) operating activities	1,492,137	(4,125,611)	862,692	(4,633,767)

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

TMB Bank Public Company Limited and its subsidiaries
Statements of cash flows

	Consolidated		Bank only	
	For the year ended		For the year ended	
	31 December		31 December	
	2015	2014	2015	2014
	(in thousand Baht)			
Cash flows from investing activities				
Interest received	2,322,597	2,500,525	2,313,869	2,509,181
Dividend received	39,778	54,557	39,778	54,557
Purchase of available-for-sale investments	(52,514,239)	(68,355,991)	(49,055,969)	(67,845,991)
Proceeds from sales of available-for-sale investments	53,330,938	70,780,303	50,525,697	70,780,303
Purchase of held to maturity debt securities	(11,828,098)	(2,001,758)	(11,828,098)	(2,001,758)
Proceeds from redemption of matured held to maturity debt securities	19,377,732	3,536,048	19,377,732	3,536,048
Capital return from investment units and proceeds from sales of general investments	123,165	124,715	123,165	124,715
Purchase of premises and equipment	(801,939)	(645,032)	(791,608)	(636,989)
Purchase of leasehold rights	(1,661)	(11,272)	(1,661)	(11,272)
Purchase of intangible assets	(559,222)	(369,510)	(556,803)	(367,719)
Proceeds from disposals of premises and equipment	172,121	53,753	143,980	53,359
Net cash provided by investing activities	9,661,172	5,666,338	10,290,082	6,194,434
Cash flows from financing activities				
Repayments of long-term debts issued and borrowings	(1,442,792)	(4,239,407)	(1,442,792)	(4,239,407)
Interest paid on long-term debts issued and borrowings	(1,396,945)	(1,401,893)	(1,396,900)	(1,401,830)
Cash receipts on senior debenture issued	3,143,788	15,000,000	3,143,788	15,000,000
Cash paid for redemption of subordinated debenture	(8,000,000)	(9,300,000)	(8,000,000)	(9,300,000)
Expenses in relation to issuance of ordinary shares to employees	(562)	(576)	(562)	(576)
Dividends paid	(2,624,884)	(1,747,101)	(2,624,884)	(1,747,101)
Net cash used in financing activities	(10,321,395)	(1,688,977)	(10,321,350)	(1,688,914)
Change in translation adjustments of foreign operations	30,535	-	30,535	-
Net increase (decrease) in cash	862,449	(148,250)	861,959	(128,247)
Cash at 1 January	16,427,953	16,576,203	16,427,874	16,556,121
Cash at 31 December	17,290,402	16,427,953	17,289,833	16,427,874
Supplementary disclosures of cash flow information				
Non-cash transactions:				
Issuance of ordinary shares to employees	146,252	145,890	146,252	145,890
Change in remeasuring available-for-sale investments	(30,198)	61,240	(10,206)	20,381
Change in revaluation surplus on assets and transferred revaluation surplus on assets directly to retained earnings	(189,951)	(212,172)	(189,951)	(212,172)
Actuarial gains on post-employment benefit plan	95,162	-	95,253	-
Change in translation adjustments of foreign operations	30,535	-	30,535	-
Increase in properties for sale due to debts settlement	58,707	206,628	58,707	206,628
Transfer of premises and equipment to properties for sale	238,793	466,738	238,793	466,738

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

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Note	Contents
1	General information
2	Basis of preparation of financial statements
3	Change in accounting policy
4	Significant accounting policies
5	Financial risk management
6	Fair value of assets and liabilities
7	Maintenance of capital fund
8	Sale of non-performing assets to Thai Asset Management Corporation (“TAMC”)
9	Interbank and money market items, net (assets)
10	Derivatives
11	Investments, net
12	Investments in subsidiaries and associate, net
13	Loans to customers and accrued interest receivable, net
14	Classified assets
15	Allowance for doubtful accounts
16	Properties for sale, net
17	Premises and equipment, net
18	Goodwill and other intangible assets, net
19	Deferred tax and income tax expense
20	Other receivables, net
21	Other assets, net
22	Deposits
23	Interbank and money market items (liabilities)
24	Financial liabilities designated at fair value through profit or loss
25	Debts issued and borrowings, net
26	Provision for employee benefits
27	Provisions for other liabilities
28	Other payables
29	Other liabilities
30	Share-based payments - TMB Performance Share Bonus Scheme
31	Revaluation surplus on assets
32	Legal reserves
33	Appropriation of profit and dividend payment
34	Assets pledged as collateral and under restriction
35	Commitments and contingent liabilities
36	Related parties
37	Segment information
38	Financial position and results of operations classified by domestic and foreign business
39	Interest income
40	Interest expenses
41	Net fees and service income
42	Gains on trading and foreign exchange transactions, net
43	Loss on financial liabilities designated at fair value through profit or loss, net
44	Gains on investments, net
45	Other operating expenses
46	Impairment loss of loans and debt securities
47	Earnings per share
48	Thai Financial Reporting Standards (TFRS) not yet adopted
49	Events after the reporting period

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 17 February 2016.

1 General information

TMB Bank Public Company Limited, “the Bank”, is incorporated in Thailand and has its registered office at 3000 Phaholyothin Road, Chomphon, Chatuchak, Bangkok.

The Bank was listed on the Stock Exchange of Thailand on 23 December 1983.

The principal business of the Bank is operating commercial banking businesses. All subsidiaries are incorporated as limited companies under Thai laws and have been operating in Thailand, with their core businesses being provisions of asset management and fund management services. Details of the Bank’s subsidiaries and associate as at 31 December 2015 and 2014 are given in note 12.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission; and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor. 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2015. The initial application of these new and revised TFRS has resulted in changes in certain of the Bank and its subsidiaries’ accounting policies. The effect of these changes are disclosed in note 3.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2016 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Bank and its subsidiaries’ operations are disclosed in note 48.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured at fair value in the statements of financial position.

- Derivative financial instruments (trading book)
- Trading and available-for-sale investments
- Financial liabilities designated at fair value through profit or loss
- Land and buildings

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about significant areas of estimation is included in the following notes:

Note 10	Derivatives
Note 15	Allowance for doubtful accounts

3 Change in accounting policy

From 1 January 2015, the Bank and its subsidiaries have adopted TFRS 13 Fair Value Measurement, which establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other TFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurements date. It also replaces and expands the disclosure requirements about fair value measurements in other TFRSs. Some of these disclosures are specifically required in financial statements; accordingly, the Bank and its subsidiaries have included additional disclosures in this regard as disclosed in note 6.

In accordance with the transitional provisions of TFRS 13, the Bank and its subsidiaries has applied the new fair value measurement guidance as follows:

- (1) Through decrease in unappropriated retained earnings as at 1 January 2015 amounting to Baht 51 million (net of income tax) for the effect of changes resulting from assessment of credit risk when measuring the fair value of over-the-counter derivatives recorded at fair value as at 31 December 2014;
- (2) Prospectively for the effects of all other changes;
- (3) Comparative information for new disclosures is not provided.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policies.

(a) Basis of consolidation

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the "Group") and the Bank and its subsidiaries' interests in associate.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Business combinations

The Bank applies the acquisition method for all business combinations when control is transferred to the Bank and its subsidiaries other than those with entities under common control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Bank takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Bank to the previous owners of the acquiree, and equity interests issued by the Bank. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Bank measures any non-controlling interest (NCI) at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Bank incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The accounting policies of the subsidiaries have been changed where necessary to align with the policies adopted by the Bank.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Significant intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity - accounted investees are eliminated against the investment to the extent of the Bank and its subsidiaries' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates announced by the Bank of Thailand at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss)

Foreign operations

The assets and liabilities of foreign operations, are translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the exchange rates at the dates of the transactions.

The financial statements of overseas branches are translated into Thai Baht at the reference rates announced by the Bank of Thailand at the reporting dates. Foreign exchange differences arising on translation is recognised in other comprehensive income until dissolution of the branch's business, except for the Cayman Islands Branch, for which the foreign exchange differences arising on translation are recognised in profit or loss.

(c) Cash

Cash includes cash in hand and cash on collection

(d) Securities purchased under resale agreements/Securities sold under repurchase agreements

The Bank enters into agreements to purchase securities or to sell securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of "Interbank and money market items, net (assets)" or "Loans to customers", depending upon the type of its counterparty, in the statements of financial position, and the underlying securities are treated as collateral to such receivables. Securities sold subject to repurchase commitments are presented as liabilities under the caption of "Interbank and money market items (liabilities)" or "Debt issued and borrowings, net", depending upon the type of its counterparty, in the statements of financial position, at the amounts received from the sale of those securities, and the underlying securities are treated as collateral.

The difference between the purchase and sale considerations is recognised as interest income or expenses, as the case may be, over the transaction periods.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

(e) Investments

Investments in subsidiaries and associate

Investments in subsidiaries and associate as stated in the Bank only financial statements are accounted for using the cost method less allowance for impairment losses, (if any). Impairment losses are recorded as expenses in profit or loss. Investment in associate in the consolidated financial statements are accounted for using the equity method.

If the Bank and its subsidiaries receive shares as a result of debt restructuring of a borrower, which cause them to hold more than 50% or 20% of the paid-up share capital of such company, they will not treat that investee company as a subsidiary or an associate, respectively, since they intend to hold such investment temporarily. Such investments are classified as general investments and stated at cost less allowance for impairment losses (if any).

The Bank and its subsidiaries do not treat investments in any mutual funds in which they hold more than 50% or 20% of the issued units of the fund as investments in a subsidiary or an associate, respectively, because the Bank and its subsidiaries do not have control or influence over the financial and operating policies of these funds, which are independently managed by the fund managers in accordance with the details stipulated in the mutual fund prospectus and under the supervision of the Office of Securities and Exchange Commission. Such investments are classified as general investments and stated at cost less allowance for impairment losses (if any).

Investments in other debt and equity securities

Debt securities and marketable equity securities held for trading are classified as trading securities and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities, including rights to receive non-negotiable promissory notes availed by the Financial Institution Development Fund ("FIDF") on the transfer of non-performing assets to Thai Asset Management Corporation ("TAMC"), that the Bank and its subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less allowance for impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss.

Investments in (a) non-marketable equity securities, (b) investment units with conditions regarding the return on the investments similar to those of debt securities, (c) equity securities that were received as a result of debt restructuring, or (d) mutual funds, which are not classified as investments in subsidiaries or associate, are classified as general investments and stated at cost less allowance for impairment losses (if any).

Recognition

Purchases and sales of investments are recorded on trade dates.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

For equity securities, cost of both investments sold and those still held are determined using the weighted average method.

For debt securities, cost of both investments that are disposed of and are still held are determined using the first-in, first-out method.

(f) Loans to customers

Loans to customers are presented exclusive of accrued interest receivable (except for overdrafts, which are presented inclusive of accrued interest receivable). Unearned discounts received in advance on loans to customers are presented as deductions from the loans.

(g) Bill purchased, trade finance and factoring

The Bank classifies bill purchased transactions, trade finance transactions by purchasing, discounting or rediscounting bills under letters of credit, and factoring transactions as assets based on the business type of the counterparty whom the Bank has its legal recourses. In case that there is acceptance, aval or guarantee by other financial institutions, the Bank will classify the recorded transactions as assets, which are presented under the caption of “Interbank and money market items, net (assets)”. In case that there is no acceptance, aval or guarantee by other financial institutions, the Bank will classify the recorded transactions as assets, which are presented under the caption of “Loans to customers” or “Interbank and money market items, net (assets)” depending upon the business type of its counterparty.

The Bank recognises the difference between purchase price and the face value of bill as unearned discounts which are presented as deductions against “Loans to customers” or “Interbank and money market items, net (assets)” as the case may be and gradually amortises such unearned discounts as interest income using the effective interest rate over the term of discounting or rediscounting periods.

(h) Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on relevant BoT’s criteria and regulations. The allowance for doubtful accounts includes (a) an allowance determined at the minimum percentage as specified in the BoT’s notifications, (b) an allowance in excess of such minimum percentage as specified in the BoT’s notifications to cover losses incurred but not yet reported and (c) an additional provision following its business plan and management of non-performing loans. The allowance for doubtful accounts is calculated based on the shortfall between the carrying value of the outstanding debts and the present value of future cash flows expected to be collected from debtors or from the disposal of the underlying collateral, which is determined in accordance with the BoT’s notifications.

The allowance in excess of such minimum percentage as specified in the BoT’s notifications to cover losses incurred but not yet reported is determined, taking into accounts the relevant factors such as the types of lendings, historical loss, the debtor’s credit risk, management’s experience and so on. The additional provision is determined, taking into accounts the debtor’s payment ability, the expected amount to be collected from the underlying collateral and debt management plan etc.

Any additional allowances for doubtful accounts are charged to expense in each accounting period. The Bank and its subsidiaries write off bad debts against the allowance for doubtful accounts for uncollectible amounts and bad debts recovered (principal portion) are credited to the allowance for doubtful accounts.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

(i) *Troubled debt restructuring*

Foreclosed assets transferred as a result of troubled debt restructuring are recorded at the fair value of the assets net of estimated disposal expenses, to the extent that this does not exceed the book value of the debt plus non-booked interest receivable to which the Bank and its subsidiaries are legally entitled. Where restructuring a loan involves modification of its terms, the present value of the future cash flows expected to be collected from the debtor is calculated by using a discount rate. The difference between the then-determined present value and the outstanding balances of loans to customers and accrued interest receivables is recorded as a revaluation allowance on debt restructuring in the statements of financial position. Such revaluation allowance is reviewed using the present value of the projected expected cash to be received over the remaining terms.

For debt restructuring agreements made before 1 January 2014, the present value of the future cash flows expected to be collected from the debtor is determined using the market rates at the restructuring dates as the discount rates. For debt restructuring agreements made since 1 January 2014 onwards, the Bank used the effective interest rates under the original loan agreements, except for SME debtors used the market rates at the restructuring dates as the discount rates.

(j) *Properties for sale*

Properties for sale are stated at the lower of cost or net realisable value. Impairment losses is recognised as an expense in profit or loss. Gains or losses on disposal is recognised in profit or loss when a disposal is made.

Cost of properties for sale as a result of settlement from a debtor is stated at the lower of the appraised value or carrying value of the related debt for properties acquired from debt settlement before 2002, and at fair value less estimated direct cost to sell for properties acquired from debt settlement after 2002, to the extent that this does not exceed the carrying value of the debt plus non-booked interest receivable to which the Bank and its subsidiaries are legally entitled. Cost of properties for sale through a public auction process is the purchase price plus transfer costs and less estimated direct cost to sell.

The Bank and its subsidiaries consider net realisable value for each unit of properties for sale. Net realisable value is the recoverable value from disposal of properties for sale less estimated selling expenses. The recoverable value from disposal of properties for sale is assessed with reference to the appraisal value of each unit of properties for sale and is adjusted down by varying discount rates, taking into consideration the quality of assets (location, infrastructure and property usage potential), holding period, historical disposal experience and market demand.

(k) *Premises and equipment*

Land is stated at revalued amount less allowance for impairment (if any), buildings are stated at revalued amount less accumulated depreciation and allowance for impairment (if any), and equipment is stated at cost less accumulated depreciation and allowance for impairment (if any).

The Bank and its subsidiaries initially record land, buildings and equipment at their costs on the acquisition dates. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

The cost of replacing a part of an item of premises and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its subsidiaries, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of assets are recognised in profit or loss as incurred.

The Bank, thereafter, arranges to have the independent valuers appraise the land and buildings on a regular basis and records them at the revalued amount (Revalued amounts are determined by the independent valuer using the market approach for land and the depreciated replacement cost approach for buildings) such that the carrying values of such assets as at the end of the reporting period do not materially differ from their fair values.

The Bank recognises surplus/deficit arising as a result of revaluation of their assets as follows:

- (1) When an asset's carrying amount is increased as a result of a revaluation of the assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in other reserve under the heading of "Revaluation surplus on assets". However, if the asset is previously devalued and the Bank used to recognise such revaluation decrease as an expense in profit or loss, a revaluation increase from this revaluation is then recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- (2) When an asset's carrying amount is decreased as a result of a revaluation of the asset, the decrease is recognised in profit or loss. However, if the asset was previously revalued and an outstanding balance of revaluation surplus remains in other reserve under the heading of "Revaluation surplus on assets", the revaluation decrease is then charged to other comprehensive income to the extent that it does not exceed the amount already held in "Revaluation surplus on assets" in respect of the same asset and the revaluation decrease in excess of the amount already held in "Revaluation surplus on assets" in respect of the same asset is recognised in profit or loss.

Leases in terms of which the Bank and its subsidiaries substantially assumes all the risks and rewards of ownership are classified as finance leases. Premises and equipment recognised by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss.

Depreciation of buildings and equipment is calculated by reference to their cost or the revalued amounts, on a straight-line basis over the following estimated periods of useful lives. (Depreciation of fixed assets of overseas branches is computed at a rate specified by the applicable laws, which is at the rate of 20% of the cost or the estimated useful life of 5 years.)

Buildings	Appraised by independent professional appraisers (average at 50 years)
Leasehold improvement	6 years
Equipment	3 - 10 years

Depreciation is charged to profit or loss. No depreciation is determined for land and assets under construction and installation. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The revaluation surplus on assets is amortised, using the straight-line method, over the estimated remaining periods of those assets' estimated useful lives and directly charged to retained earnings. The remaining of revaluation surplus on an item of land and buildings, that is derecognised of, is transferred directly to retained earnings when the asset is derecognised of.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

An item of premises 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 value of the asset) is recognised in profit or loss when the asset is derecognised.

(l) Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation and allowance for impairment losses and are presented as a part of “other assets, net” in the statements of financial position. Leasehold rights are amortised and recognised as the expenses, using a straight-line method, over the lease periods.

(m) Lease payments

Lease not transferring a significant portion of the risks and rewards of ownership to lessee are classified as operating lease.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(n) Goodwill and other intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 4 (a). Subsequent to initial recognition, goodwill is measured at cost less allowance for impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Bank and its subsidiaries and have finite useful lives are measured at cost less accumulated amortisation and allowance for impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software	5 years
-------------------	---------

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

(o) Impairment

The carrying amounts of the Bank and its subsidiaries' assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any allowance for impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of loans to customers and accrued interest receivables is calculated as described in note 4 from item (f) to (i).

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale investments that are debt securities, general investments and investments in subsidiaries and associate, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior years in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

(p) Claims on security and liabilities to deliver security

The Bank records claims on security and liabilities to deliver security in the statement of financial position as assets and liabilities, respectively, according to the BoT's guidance.

These represent the Bank and its subsidiaries right to claim and liability to return collateral, respectively, in the form of securities for private repurchase or securities borrowing and lending transactions where these securities are used to further borrow or lend in other transactions.

(q) Hybrid instruments

The Bank records financial liabilities that are created in the form of hybrid instruments with reference to the BoT's Notification, which requires the Bank to apply International Accounting Standard No.39 (IAS 39) in relation to financial liabilities whereby it has an option to classify financial liabilities as "Financial liabilities designated at fair value through profit or loss" when one of the following criteria are met:

1. To reduce a mismatch in profit or loss that would otherwise arise from different accounting recognition between financial assets and financial liabilities; or
2. For management and evaluation of a group of financial assets or financial liabilities under a documented risk management or investment strategy policy as approved by the Board of Directors of the Bank; or
3. It is a financial instrument containing an embedded derivative.

The fair value of financial liabilities designated at fair value through profit or loss is calculated based on a valuation model, using market data obtained from reliable sources. Changes in the fair value are recorded as income or expense in profit or loss.

If the Bank opts not to classify the hybrid instrument liabilities as "Financial liabilities designated at fair value through profit or loss" or the criteria for classifying them are not met, the Bank is to classify and account for hybrid instrument liabilities in accordance with IAS 39 regarding hybrid instruments, taken into consideration all of the following criteria:

1. The hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss.
2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
3. The economic characteristics and risks of the embedded derivative and the host contract are not closely related.

If all 3 conditions are met, the Bank will account for the host contract at cost or amortised cost and measure the embedded derivative separately from the host contract at fair value with changes in the fair value of the embedded derivative recognised as income or expense in profit or loss. If any of the 3 conditions is not met, the Bank will recognise the hybrid instrument at cost or amortised cost.

(r) Derivative

Trading derivatives are initially and subsequently measured at fair value. Gains or losses on measurement of derivatives is recognised as income or expenses in profit or loss.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Derivatives, entered for the banking book purpose, with interest components are recognised on an accrual basis, in the same manner as the hedged assets and liabilities. That is, the interest income or interest expense is recognised over the term of the contracts. Derivatives with foreign exchange components are recognised based on exchange rates ruling on the reporting period-end date. Unrealised gain or loss on exchange rate is recognised in profit or loss and the difference between the forward rate and the spot rate at the contract date is recognised by amortise as income or expense using the straight-line basis over the contract periods.

(s) 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 employee benefits

Defined contribution plan

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

Defined benefit plans

The Bank and its subsidiaries treat the severance payments they must make to employees upon retirement under labour law and other benefit (if any) as a post-employment benefit plan and the obligation to provide memorable gifts to employees when the employees have worked for the Bank and its subsidiaries for the specified length of years in service as other long-term employee benefit plan.

Provisions for post-employment benefit plan and other long-term employee benefit plan are determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method. These actuarial techniques involve assumptions with reference to various variables such as demographic assumptions (e.g. staff turnover rate, mortality rate, etc.) and financial assumptions (e.g. salary incremental rate, discount rate, etc.).

Actuarial gain or loss arising from a post-employment benefit plan is recognised in other comprehensive income and taken as a part of retained earnings.

Actuarial gain or loss arising from other long-term employee benefit plan is recognised in profit or loss.

Share-based payments

The cost of the TMB Performance Share Bonus Project ("Share-based payment plan") is recognised when services are rendered by employees. The cost of the share-based payment plan is measured by reference to the fair value of the issued shares on the grant date (date of offering of new ordinary shares to the employees).

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

The cost of the share-based payment plan is recognised as expense in profit or loss with a corresponding increase in “Other reserve - share-based payments” in equity over the periods in which the performance and service conditions are fulfilled. The cumulative expense, which involves the Bank’s management best estimate of number or ordinary shares that will ultimately vest, is recognised for the share-based payment plan at each reporting period-end until the vesting date. The expense or reversal of expense for a period represented the movement in cumulative expense recognised as at the beginning and at the end of the reporting period.

(t) Provisions

A provision is recognised if, as a result of a past event, the Bank and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions for contingent liabilities as a result of obligation having credit risk exposures

The Bank provides provisions for those off-balance sheet items having credit risk exposures, such as loan guarantees, avals or commitments irrevocable by financial institutions, or obligation according to letter of guarantee of which the Bank was claimed against, using the same criteria and methods applied to allowance for doubtful accounts that are described in Note 4 (h).

(u) Income

Interest income

The Bank and its subsidiaries recognise interest income on loans on an accrual basis, except for loans on which interest has been accrued longer than 3 months, or loans classified as sub-standard, doubtful and doubtful of loss in accordance with the BoT regulations. Interest on these loans is then recognised when received and the Bank and its subsidiaries will reverse all interest income previously accrued for these loans. Interest on these loans will be recognised on an accrual basis once they are restructured and meet all of the following conditions:

1. The loans are qualified to be classified as “pass”.
2. There is no interest receivable and present value loss on debt restructuring outstanding.

Interest income on investment in debt securities is recognised as revenue based on the effective interest rates over the holding periods.

Fees and service income

Fees are recognised as revenue on an accrual basis and service income is recognised as revenue when services are rendered, taking into account the stage of completion of the services provided. In case that the Bank and its subsidiaries give away customer loyalty programmes, such as award points to redeem goods or services, etc. to their customers to motivate them to become their loyal customers, the Bank and its subsidiaries shall allocate the fair value of the award points earned by customers each time they use services of the Bank and its subsidiaries from considerations received on services they provide each time. The then allocated amount is recorded as deferred revenue, which is presented as a part of “Other liabilities” in the statements of financial position and it will be recognised as revenue in profit or loss when the customers redeem the award points.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Dividend income

Dividend income is recognised in profit or losses on the date the Bank and its subsidiaries' right to receive payments is established.

(v) Expenses

Interest expenses

The Bank and its subsidiaries recognise interest expenses on an accrual basis.

Fees and service expenses

The Bank and its subsidiaries recognise fees and service expenses on an accrual basis.

Contributions to the Deposit Protection Agency and Bank of Thailand

Contributions to the Deposit Protection Agency and Bank of Thailand are recorded as expenses on an accrual basis.

(w) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank and its subsidiaries' expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Bank and its subsidiaries take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank and its subsidiaries believe that their accruals for tax liabilities are adequate for all open tax years based on their assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank and its subsidiaries to change their judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(x) *Earnings per share*

The Bank and its subsidiaries present basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of potential ordinary shares from TMB Performance Share Bonus Scheme.

(y) *Segment reporting*

Segment results that are reported to the Bank Executive Committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are not included in reporting segment operating results.

(z) *Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position when the Bank and its subsidiaries has a legal, enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

5 Financial risk management

Risk management approach

The Bank has set up its risk management structure in order to efficiently manage its core risks, i.e. credit, market, operational, liquidity, reputational and strategic risks. Appropriate risk policies and risk management procedures have been established to provide common guidelines and standards to be consistently applied across the Bank and its subsidiaries.

The Bank manages its risks under the following key principles: Core risks must be identified, measured, monitored, reported, analysed and controlled; and Business activities are managed under a risk-return framework to ensure that risks undertaken are commensurate with an appropriate return.

The Bank's risk governance structure consists of the Board of Directors (BOD), which holds the ultimate responsibility for the Bank's overall risk management, the Risk Management Committee (RMC), which has been delegated by the BOD with the authority to review and oversee the management of all risks across the Bank and is authorised to approve certain risk management strategies, policies, frameworks and standards, as well as risk appetite and risk concentration levels. Other senior management risk committees that oversee specific risk areas include the Risk Policy Committee (RPC), the Operational Risk Management Committee (ORC), the Asset and Liability Management Committee (ALCO) and the Portfolio Monitoring Committee (PoMoCo).

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

While business units are primarily responsible for managing risks within their own responsible areas as per the defined operating framework, the following dedicated risk management related functions are under the stewardship of the Chief Risk Officer (CRO): Credit Risk Management, Credit Risk Intelligence, Market Risk Management, Corporate Operational Risk Management, Compliance and Legal. Under the Credit Risk Management unit, sub-functions including Corporate Credit Underwriting, Business Banking and Small Enterprise Underwriting, Consumer Credit, Credit Restructuring, NPL Prevention Team and Credit Policy Management are set in order to manage credit risk of each portfolio. These functions are responsible for establishing firm-wide risk management policies and guidelines, and take care of the following roles: developing tools for managing risks; proposing risk management strategies and recommending risk appetite to top management for approval in order to be used for monitoring, controlling and managing risk levels of the Bank.

5.1 Credit risk

Credit risk is the risk to the Bank as a result of borrowers and/or counterparties failing to meet their financial or contractual obligations in accordance with agreed terms. It arises principally from granting loans and undertaking contingent liabilities, and also from certain off-balance sheet items products such as guarantees and derivatives, etc.

The maximum credit risk exposure is the carrying values of the financial assets after deducting allowance for losses as presented in the statements of financial position, and the provision for contingent liabilities arising as a result of loan guarantees and other guarantees.

Credit policies/Framework

The Bank's credit risk appetite and strategy are approved by the Board of Directors (BOD). To properly manage credit risk, the Bank has put in place the Core Credit Risk Policies (CCRP) and frameworks to ensure that credit decisions are prudently made and make credit risk management an integral part of all credit-related business processes. All relevant Business Units and Support Units are required to formulate their own specific policies and supplementary policies under the CCRP. The Bank has also established policies to ensure diversification of its credit portfolio to address various concentration risks covering single exposure concentration risk on a group basis that is economically interdependent, industry/business sector concentration risk and country exposure concentration risk. Additionally, the Bank's Stress Testing Policy ensures a consistent framework to assess the Bank's ability to withstand extreme but plausible adverse changes to economic conditions.

Credit approval process

In managing credit risk, the Bank segregates the roles and responsibilities of the credit marketing function from the credit granting function to ensure proper checks and balance. Individual credit risk is analysed and assessed by experienced credit officers and approved by an appropriate authority depending on the size and risk levels of credit requested.

Where appropriate, the Bank demands the placement of adequate collateral by customers in various forms including, for example, land and building, bank deposits, securities, and personal/corporate guarantees, etc.

The Bank has contingent liabilities by issuing loan payment and other forms of guarantees, as well as issuing letters of credit and endorsing aval on commercial bills and notes for its customers. Such contingent transaction activities require assessment on financial condition of customers in the same manner as done for direct lending. The Bank also makes a standard practice to set conditions to mitigate the elements of risk in the same manner as for direct lending procedures.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Credit review

The Audit unit, independent unit, is responsible for performing the assessments and making recommendations to improve the adequacy and effectiveness of credit-related processes and the risk management processes. Moreover, the Independent Credit Review (ICR) team, under the Audit unit, performs individual credit reviews to ensure that the credit process and account administration are effectively conducted in accordance with policies and procedures, and in compliance with the regulatory requirements.

5.2 Market risk

Market risk refers to losses that may happen due to the fluctuations of foreign exchange rates, interest rates, and prices of equity securities and commodities, all of which may impact the Bank's assets, liabilities, and off-balance sheet items.

The ALCO holds the responsibility to assist the BOD and the RMC to ensure that bank-wide market risk management complies with the relevant risk policies and defined levels of risk appetite. The Bank classifies the overall market risk management into two parts: trading book and banking book. The Bank has developed a policy to set standards on the book definitions and transaction classification criteria as well as the treatment of each book.

Market risk in the trading book

Market risk in the trading book consists of market risk from exposures of financial instruments and derivatives that are held with trading intent or for hedging other positions in the trading book. The Bank has established Market Risk Management: Trading Book Policy to ensure the proper management of market risks in the trading book as well as impose limits to control the risks.

Market risk in the banking book

Market risk in the banking book consists of market risks incurred from the Bank's both on and off-balance sheet items, and derivatives designated to hedge other banking book items.

The Bank has established Market Risk Management: Banking Book Policy, which outlines the approach for managing market risks in the banking book and setting the relevant limits appropriate to the positions of the risks in the book and in line with the Bank's risk appetite.

The Bank also analyses risks and regularly assesses the impact, the results of which are used as tools to manage the Bank's assets and liabilities structure to be in line with the changing market environment.

(a) Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Bank's and its subsidiaries' operations and their cash flows.

The Bank's and its subsidiaries' principal financial assets, namely loans to customers mostly earn interest at floating rates, based on MRR, MLR, MOR, interest rates of time deposits or other benchmark floating rates such as BIBOR, LIBOR, etc.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

As at 31 December 2015 and 2014, financial assets and liabilities classified by types of interest rates were as follows:

	Consolidated 2015			
	Floating interest rate	Fixed interest rate (in million Baht)	Non-interest bearing	Total
<i>Financial assets</i>				
Cash	-	-	17,290	17,290
Interbank and money market items net of deferred revenue	40,113	67,859	7,888	115,860
Investments, net	91,464	3,437	3,359	98,260
Loans to customers net of deferred revenue	335,520	239,216	6,040	580,776
Other financial assets	2,172	131	13,142	15,445
Total financial assets	469,269	310,643	47,719	827,631
<i>Financial liabilities</i>				
Deposits	450,302	169,842	24,550	644,694
Interbank and money market items	8,544	26,061	1,611	36,216
Liabilities payable on demand	-	-	3,008	3,008
Financial liabilities designated at fair value through profit or loss	239	-	-	239
Debt issued and borrowings	1,462	28,701	20	30,183
Other financial liabilities	185	-	15,381	15,566
Total financial liabilities	460,732	224,604	44,570	729,906

	Consolidated 2014			
	Floating interest rate	Fixed interest rate (in million Baht)	Non-interest bearing	Total
<i>Financial assets</i>				
Cash	-	-	16,428	16,428
Interbank and money market items net of deferred revenue	21,713	86,013	5,280	113,006
Investments, net	2,950	105,147	2,762	110,859
Loans to customers net of deferred revenue	322,247	203,240	4,873	530,360
Other financial assets	2,183	662	13,383	16,228
Total financial assets	349,093	395,062	42,726	786,881
<i>Financial liabilities</i>				
Deposits	373,335	173,236	25,054	571,625
Interbank and money market items	7,162	63,624	1,931	72,717
Liabilities payable on demand	-	-	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	-	-	137
Debt issued and borrowings	2,055	34,172	22	36,249
Other financial liabilities	281	-	14,077	14,358
Total financial liabilities	382,970	271,032	44,229	698,231

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Bank only 2015			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	17,290	17,290
Interbank and money market items net of deferred revenue	40,111	67,066	7,888	115,065
Investments, net	91,464	3,437	569	95,470
Loans to customers net of deferred revenue	335,489	239,216	6,040	580,745
Other financial assets	2,068	131	12,918	15,117
Total financial assets	469,132	309,850	44,705	823,687
<i>Financial liabilities</i>				
Deposits	450,328	169,842	24,560	644,730
Interbank and money market items	8,544	26,061	1,611	36,216
Liabilities payable on demand	-	-	3,008	3,008
Financial liabilities designated at fair value through profit or loss	239	-	-	239
Debt issued and borrowings	1,462	28,701	20	30,183
Other financial liabilities	185	-	15,308	15,493
Total financial liabilities	460,758	224,604	44,507	729,869

	Bank only 2014			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	16,428	16,428
Interbank and money market items net of deferred revenue	21,711	85,350	5,280	112,341
Investments, net	2,950	105,147	689	108,786
Loans to customers net of deferred revenue	322,204	203,240	4,873	530,317
Other financial assets	2,079	105	13,119	15,303
Total financial assets	348,944	393,842	40,389	783,175
<i>Financial liabilities</i>				
Deposits	373,416	173,236	25,068	571,720
Interbank and money market items	7,162	63,624	1,931	72,717
Liabilities payable on demand	-	-	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	-	-	137
Debt issued and borrowings	2,055	34,172	22	36,249
Other financial liabilities	281	-	13,865	14,146
Total financial liabilities	383,051	271,032	44,031	698,114

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

As at 31 December 2015 and 2014, significant financial assets and liabilities classified by interest repricing periods are as follows:

	Consolidated 2015					
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non- performing assets	Non- interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	17,290	17,290
Interbank and money market items net of deferred revenue	106,458	1,514	-	-	7,888	115,860
Investments, net	37,570	26,873	30,458	-	3,359	98,260
Loans to customers net of deferred revenue	421,095	56,150	77,018	20,473	6,040	580,776
Other financial assets	2,303	-	-	-	13,142	15,445
Total financial assets	567,426	84,537	107,476	20,473	47,719	827,631

Financial liabilities						
Deposits	524,133	88,752	7,259	-	24,550	644,694
Interbank and money market items	29,456	2,031	3,118	-	1,611	36,216
Liabilities payable on demand	-	-	-	-	3,008	3,008
Financial liabilities designated at fair value through profit or loss	239	-	-	-	-	239
Debt issued and borrowings	286	1,255	28,622	-	20	30,183
Other financial liabilities	185	-	-	-	15,381	15,566
Total financial liabilities	554,299	92,038	38,999	-	44,570	729,906

	Consolidated					
	2014					
	Repricing periods					
	Within	Over	Over	Non-	Non-	
	3 months	3 months	1 year	performing	interest	Total
		to 1 year		assets	bearing	
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	16,428	16,428
Interbank and money market items net of deferred revenue	107,304	422	-	-	5,280	113,006
Investments, net	33,147	40,238	34,712	-	2,762	110,859
Loans to customers net of deferred revenue	411,141	56,250	40,003	18,093	4,873	530,360
Other financial assets	2,844	-	1	-	13,383	16,228
Total financial assets	554,436	96,910	74,716	18,093	42,726	786,881

Financial liabilities						
Deposits	450,533	88,818	7,220	-	25,054	571,625
Interbank and money market items	65,490	1,588	3,708	-	1,931	72,717
Liabilities payable on demand	-	-	-	-	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	-	-	-	-	137
Debt issued and borrowings	1,010	9,855	25,362	-	22	36,249
Other financial liabilities	281	-	-	-	14,077	14,358
Total financial liabilities	517,451	100,261	36,290	-	44,229	698,231

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Bank only 2015						
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non- performing assets	Non- interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	17,290	17,290
Interbank and money market items net of deferred revenue	106,455	722	-	-	7,888	115,065
Investments, net	37,570	26,873	30,458	-	569	95,470
Investments in subsidiaries and associate, net	-	-	-	-	3,331	3,331
Loans to customers net of deferred revenue	421,095	56,150	77,018	20,442	6,040	580,745
Other financial assets	2,199	-	-	-	12,918	15,117
Total financial assets	567,319	83,745	107,476	20,442	48,036	827,018
Financial liabilities						
Deposits	524,159	88,752	7,259	-	24,560	644,730
Interbank and money market items	29,456	2,031	3,118	-	1,611	36,216
Liabilities payable on demand	-	-	-	-	3,008	3,008
Financial liabilities designated at fair value through profit or loss	239	-	-	-	-	239
Debt issued and borrowings	286	1,255	28,622	-	20	30,183
Other financial liabilities	185	-	-	-	15,308	15,493
Total financial liabilities	554,325	92,038	38,999	-	44,507	729,869

Bank only 2014						
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non- performing assets	Non- interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	16,428	16,428
Interbank and money market items net of deferred revenue	107,061	-	-	-	5,280	112,341
Investments, net	33,147	40,238	34,712	-	689	108,786
Investments in subsidiaries and associate, net	-	-	-	-	3,229	3,229
Loans to customers net of deferred revenue	411,141	56,249	40,003	18,051	4,873	530,317
Other financial assets	2,183	-	1	-	13,119	15,303
Total financial assets	553,532	96,487	74,716	18,051	43,618	786,404
Financial liabilities						
Deposits	450,614	88,818	7,220	-	25,068	571,720
Interbank and money market items	65,490	1,588	3,708	-	1,931	72,717
Liabilities payable on demand	-	-	-	-	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	-	-	-	-	137
Debt issued and borrowings	1,010	9,855	25,362	-	22	36,249
Other financial liabilities	281	-	-	-	13,865	14,146
Total financial liabilities	517,532	100,261	36,290	-	44,031	698,114

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

The Bank and its subsidiaries' average interest-bearing financial assets and financial liabilities, together with the average interest rates were as follows:

	Consolidated					
	2015			2014		
	Average balance (in million Baht)	Interest ⁽¹⁾	Average interest rate (% per annum)	Average balance (in million Baht)	Interest ⁽¹⁾	Average interest rate (% per annum)
Interest-bearing financial assets						
Interbank and money market items	116,719	2,037	1.75	104,311	2,229	2.14
Investments in debt securities	101,699	2,422	2.38	106,773	2,947	2.76
Loans to customers net from deferred revenue	550,193	31,588	5.74	514,285	30,210	5.87
Total	768,611	36,047		725,369	35,386	
Interest-bearing financial liabilities						
Deposits	575,872	10,992	1.91	542,838	11,806	2.17
Interbank and money market items	64,357	882	1.37	60,813	1,054	1.73
Debt issued and borrowings	32,348	1,336	4.13	36,732	1,388	3.78
Total	672,577	13,210		640,383	14,248	

⁽¹⁾ Excludes interest income and interest expenses on derivatives entered into by the Bank for banking book purpose for group of financial assets and liabilities

	Bank only					
	2015			2014		
	Average balance (in million Baht)	Interest ⁽¹⁾	Average interest rate (% per annum)	Average balance (in million Baht)	Interest ⁽¹⁾	Average interest rate (% per annum)
Interest-bearing financial assets						
Interbank and money market items	115,937	2,020	1.74	103,668	2,211	2.13
Investments in debt securities	101,699	2,422	2.38	106,773	2,947	2.76
Loans to customers net from deferred revenue	550,156	31,567	5.74	513,100	30,086	5.86
Total	767,792	36,009		723,541	35,244	
Interest-bearing financial liabilities						
Deposits	575,960	10,992	1.91	542,981	11,807	2.17
Interbank and money market items	64,357	882	1.37	60,813	1,054	1.73
Debt issued and borrowings	32,348	1,336	4.13	36,732	1,388	3.78
Total	672,665	13,210		640,526	14,249	

⁽¹⁾ Excludes interest income and interest expenses on derivatives entered into by the Bank for banking book purpose for group of financial assets and liabilities

(b) Foreign exchange risk

Foreign exchange risk is the risk that the value of the financial instruments will be affected by changes in foreign exchange rates.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

In addition to the financial assets and liabilities denominated in foreign currencies already disclosed in the relevant notes to the financial statements. As at 31 December 2015 and 2014, the Bank's net foreign currency positions categorised by major foreign currencies were as follows:

	Bank only					
	2015			2014		
	USD	Euro (*)	Other currencies (*)	USD	Euro (*)	Other currencies (*)
	<i>(in USD million)</i>					
Spot	868	13	(71)	626	26	15
Forward	(880)	(15)	71	(584)	(28)	(15)
Net position	(12)	(2)	-	42	(2)	-

(*) Balance denominated in Euro and other currencies are stated in USD equivalents.

(c) *Equity price risk*

Equity price risk is the risk that the Bank's earnings or value of financial assets may fluctuate due to changes in the price of equities.

The equity portfolio of the Bank is managed by specific units depending on the strategy, the types of business of the issuers, and the objectives for holding such equities. The equity investment management is under the supervision of the ALCO and/or the Chief Executive Committee (CEC). All equity investments must comply with the bank-wide investment policy and framework, and related risk policies. The criteria for equity investments include consideration of risk factors such as credit, market, and liquidity risks. Various limits are set, including Gross Limit and Loss Limit. All of these measures are established to ensure that securities investments comply with policies and remain within the approved limits taking into consideration the capital adequacy.

5.3 Liquidity risk

Liquidity risk refers to the risk that the Bank fails to meet its obligations as and when they fall due as a result of an inability to liquidate assets into cash in time or is unable to raise funds necessary for its operations, causing damage to the Bank.

The ALCO is responsible for assisting the BOD and the RMC in supervising the liquidity risk management of the Bank in compliance with the BoT's regulations, and ensuring that the Bank has sufficient liquidity for its operations in both normal and crisis situations. In addition, the ALCO is responsible for ensuring that appropriate funding sources are secured in line with the changing market environment.

The Balance Sheet Management unit is responsible for overall liquidity management and the Capital Markets unit is responsible for day-to-day liquidity management. Additionally, the responsibilities of the Balance Sheet Management unit include liquidity risk measurement and reporting the performance of the liquidity management to the ALCO. The Market Risk Management unit is responsible for identifying, monitoring and controlling the liquidity risk. The Bank has a liquidity risk management policy, which is reviewed at least once a year or when necessary, to ensure that it is appropriate with the prevailing environment. The Bank and each company in the Bank's financial business group manage their liquidity risk separately.

In order to manage liquidity, the Bank continually monitors its funding sources and access to capital markets. The Bank recognises the importance of holding highly liquid assets that can be quickly converted into cash or used as collateral for raising funds.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Risk indicators are used as tools to measure and monitor liquidity risk. These comprise financial ratios such as Loans to Deposits Ratio, Liquidity Coverage Ratio, and Net Stable Funding Ratio, as well as cash flow models incorporating contractual and behavioral maturities. Aside from this, the Bank has its own internal ratio to monitor its daily net liquid assets called Marketable Liquid Asset Ratio (MLAR). The components under MLAR are similar to Basel III's Liquidity Coverage Ratio which includes both cash inflows, cash outflows and liquid assets. The Bank sets risk limits and indicators in order to maintain its liquidity risk within the Bank's approved risk appetite. The liquidity position is monitored and reported on daily and monthly basis to the ALCO.

Stress tests are performed under various scenarios, in accordance with the BoT's guidelines, in order to assess the Bank's ability to withstand a crisis. In addition, the liquidity contingency plan is prepared for various crisis situations, whereby the roles of the relevant responsible units are defined, as well as funding plans and communication plans to customers, etc.

As at 31 December 2015, the loans to deposits ratio of the Bank was 91.6% (2014: 94.3%).

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

The significant financial assets and liabilities classified by remaining periods to maturity, counted from the date of statements of financial position, as at 31 December 2015 and 2014 were summarised as follows:

	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Consolidated 2015 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	17,290	-	-	-	-	-	17,290
Interbank and money market items net of deferred revenue	8,777	99,720	6,808	555	-	-	115,860
Investments, net							
Trading securities and general investments	-	20	8,705	6,697	-	565 ⁽²⁾	15,987
Available-for-sale securities	-	13,423	17,471	9,916	-	2,794 ⁽²⁾	43,604
Held-to-maturity debt securities	-	8,225	9,402	18,391	2,651	-	38,669
Loans to customers net of deferred revenue	123,791	128,098	100,553	123,897	83,964	20,473 ⁽³⁾	580,776
Other financial assets	1,166	6,887	199	309	661	6,223	15,445
Total financial assets	151,024	256,373	143,138	159,765	87,276	30,055	827,631
Financial liabilities							
Deposits	475,236	73,076	88,843	7,539	-	-	644,694
Interbank and money market items	10,160	20,908	2,031	3,117	-	-	36,216
Liabilities payable on demand	3,008	-	-	-	-	-	3,008
Financial liabilities designated at fair value through profit or loss	-	-	-	-	239	-	239
Debt issued and borrowings	15	77	722	29,296	73	-	30,183
Other financial liabilities	1,165	6,632	-	-	1,084	6,685	15,566
Total financial liabilities	489,584	100,693	91,596	39,952	1,396	6,685	729,906
Net liquidity gap	(338,560)	155,680	51,542	119,813	85,880	23,370	97,725
Net cash flow on derivatives	-	(1)	777	(42)	160	-	894

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Consolidated 2014 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>							
Cash	16,428	-	-	-	-	-	16,428
Interbank and money market items net of deferred revenue	6,490	100,094	422	6,000	-	-	113,006
Investments, net							
Trading securities and general investments	-	10,825	5,734	3,641	-	685 ⁽²⁾	20,885
Available-for-sale securities	-	6,997	21,301	13,252	-	2,077 ⁽²⁾	43,627
Held-to-maturity debt securities	-	3,015	18,937	24,395	-	-	46,347
Loans to customers net of deferred revenue	124,993	120,202	101,799	103,074	62,199	18,093 ⁽³⁾	530,360
Other financial assets	989	6,636	243	1,338	893	6,129	16,228
Total financial assets	148,900	247,769	148,436	151,700	63,092	26,984	786,881
<i>Financial liabilities</i>							
Deposits	397,768	77,092	89,303	7,462	-	-	571,625
Interbank and money market items	7,445	59,976	1,588	3,708	-	-	72,717
Liabilities payable on demand	3,145	-	-	-	-	-	3,145
Financial liabilities designated at fair value through profit or loss	-	-	-	-	137	-	137
Debt issued and borrowings	141	574	8,816	26,637	81	-	36,249
Other financial liabilities	1,238	5,382	-	-	1,157	6,581	14,358
Total financial liabilities	409,737	143,024	99,707	37,807	1,375	6,581	698,231
Net liquidity gap	(260,837)	104,745	48,729	113,893	61,717	20,403	88,650
Net cash flow on derivatives	-	466	391	88	15	-	960

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

				Bank only 2015			
	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years <i>(in million Baht)</i>	Over 5 years	No maturity	Total
<i>Financial assets</i>							
Cash	17,290	-	-	-	-	-	17,290
Interbank and money market items net of deferred revenue	8,775	99,568	6,167	555	-	-	115,065
Investments, net							
Trading securities and general investments	-	20	8,705	6,697	-	565 ⁽²⁾	15,987
Available-for-sale securities	-	13,423	17,471	9,916	-	4 ⁽²⁾	40,814
Held-to-maturity debt securities	-	8,225	9,402	18,391	2,651	-	38,669
Investments in subsidiaries and associate, net	-	-	-	-	-	3,331 ⁽²⁾	3,331
Loans to customers net of deferred revenue	123,791	128,098	100,553	123,897	83,964	20,442 ⁽³⁾	580,745
Other financial assets	1,166	6,887	115	289	661	5,999	15,117
Total financial assets	151,022	256,221	142,413	159,745	87,276	30,341	827,018
<i>Financial liabilities</i>							
Deposits	475,272	73,076	88,843	7,539	-	-	644,730
Interbank and money market items	10,160	20,908	2,031	3,117	-	-	36,216
Liabilities payable on demand	3,008	-	-	-	-	-	3,008
Financial liabilities designated at fair value through profit or loss	-	-	-	-	239	-	239
Debt issued and borrowings	15	77	722	29,296	73	-	30,183
Other financial liabilities	1,165	6,615	-	-	1,084	6,629	15,493
Total financial liabilities	489,620	100,676	91,596	39,952	1,396	6,629	729,869
Net liquidity gap	(338,598)	155,545	50,817	119,793	85,880	23,712	97,149
Net cash flow on derivatives	-	(1)	777	(42)	160	-	894

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Bank only 2014 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>							
Cash	16,428	-	-	-	-	-	16,428
Interbank and money market items net of deferred revenue	6,488	99,853	-	6,000	-	-	112,341
Investments, net							
Trading securities and general investments	-	10,825	5,734	3,641	-	685 ⁽²⁾	20,885
Available-for-sale securities	-	6,997	21,301	13,252	-	4 ⁽²⁾	41,554
Held-to-maturity debt securities	-	3,015	18,937	24,395	-	-	46,347
Investments in subsidiaries and associate, net	-	-	-	-	-	3,229 ⁽²⁾	3,229
Loans to customers net of deferred revenue	124,993	120,202	101,798	103,074	62,199	18,051 ⁽³⁾	530,317
Other financial assets	989	6,079	243	1,234	884	5,874	15,303
Total financial assets	148,898	246,971	148,013	151,596	63,083	27,843	786,404
<i>Financial liabilities</i>							
Deposits	397,863	77,092	89,303	7,462	-	-	571,720
Interbank and money market items	7,445	59,976	1,588	3,708	-	-	72,717
Liabilities payable on demand	3,145	-	-	-	-	-	3,145
Financial liabilities designated at fair value through profit or loss	-	-	-	-	137	-	137
Debt issued and borrowings	141	574	8,816	26,637	81	-	36,249
Other financial liabilities	1,238	5,365	-	-	1,156	6,387	14,146
Total financial liabilities	409,832	143,007	99,707	37,807	1,374	6,387	698,114
Net liquidity gap	(260,934)	103,964	48,306	113,789	61,709	21,456	88,290
Net cash flow on derivatives	-	466	391	88	15	-	960

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

6 Fair value of assets and liabilities

6.1 Financial assets and liabilities

The significant different of fair values in comparison with carrying values of each line item of financial assets and financial liabilities as shown in the statements of financial position at 31 December 2015 and 2014 were as follows:

	Consolidated			
	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Derivatives assets	12,250	12,411	10,876	10,974
Investments, net	98,260	99,415	110,859	112,043
Total financial assets	110,510	111,826	121,735	123,017
<i>Financial liabilities</i>				
Deposits	644,694	644,666	571,625	571,627
Derivatives liabilities	12,141	11,987	10,172	10,136
Debts issued and borrowings	30,183	32,028	36,249	37,970
Total financial liabilities	687,018	688,681	618,046	619,733

	Bank only			
	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Derivatives assets	12,250	12,411	10,876	10,974
Investments, net	95,470	96,625	108,786	109,969
Total financial assets	107,720	109,036	119,662	120,943
<i>Financial liabilities</i>				
Deposits	644,730	644,701	571,720	571,722
Derivatives liabilities	12,141	11,987	10,172	10,136
Debts issued and borrowings	30,183	32,028	36,249	37,970
Total financial liabilities	687,054	688,716	618,141	619,828

The following methods and assumptions were used by the Bank in estimating fair value of financial instruments as disclosed herein.

- Cash:

The fair value is approximated based on its carrying value.

- Interbank and money market items (assets):

The fair value is approximated based on the carrying value of interbank and money market items, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at market interest rates.

- Claims on securities:

The fair value is approximated based on its carrying value.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

- Investments, net:

The fair value of investments in government-sector debt securities is determined, using yield rates or prices quoted on the Thai Bond Market Association (“ThaiBMA”). The fair value of investments in other debt securities issued locally is determined based on market value appraised by the reliable institutions, their respective yields, or the ThaiBMA’s yield rates adjusted by appropriate risk factors.

The fair value of marketable equity securities held for trading and as available-for-sale is determined at the last bid price quoted on the last working day of the Stock Exchange of Thailand of the reporting period. The fair value of an investment unit is determined using the net asset value announced on the reporting period-end date. The fair value of non-marketable equity securities is determined mainly based on the net asset value of the investee company.

- Loans to customers and accrued interest receivable:

The fair value is based on the carrying value of loans to customers and accrued interest receivable net of deferred revenue and allowance for doubtful accounts as most loans are floating rate loans or fixed rate loans with repricing periods of less than 1 year.

- Other financial assets

The fair value is approximated based on its carrying value.

- Deposits and interbank and money market items (liabilities):

The fair value is approximated based on the carrying value of deposits or interbank and money market items, except for the fair value of fixed rate items with remaining maturity period greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at interest rates currently being offered on such deposits or interbank and money market items or similar deposits.

- Liability payable on demand and Liabilities to deliver security:

The fair value is approximated based on its carrying value.

- Financial liabilities designated at fair value through profit or loss:

Fair value is calculated based on a valuation model, using market data obtained from reliable sources.

- Debts issued and borrowings:

The fair value is approximated based on their carrying value, except for the fair value of fixed rate borrowings with remaining maturities greater than 1 year which is calculated based on the present value of future cash flows of principal and interest, discounted at the market rates of interest at the reporting dates, in cases where there is no active market, and the market value, in cases where there is an active market.

- Other financial liabilities:

The fair value is approximated based on its carrying value.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

- Derivatives:

In cases where there is an active market, the Bank uses the market value as the fair value of derivatives. For simple over-the-counter derivative are based on inputs which are observable from independent and reliable market data sources, mainly based on exchange-traded prices, broker/dealer quotations, or counterparties' quotations. Those inputs are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values of over-the-counter derivative reflect the credit risk of the instrument and include adjustments to take account of the counter party and own entity credit risk when appropriate.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Bank and its subsidiaries use market observable data as far as possible. Fair value measurements for assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank and its subsidiaries can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on unobservable market data.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank and its subsidiaries recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2015.

6.1.1 Financial assets and liabilities carried at fair value

The Bank and its subsidiaries have an established control framework with respect to the measurement of fair values. This is to ensure that prudent revaluation principles and proper internal control procedures are in place.

The following table analyses financial instruments carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Consolidated			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(in million Baht)</i>			
31 December 2015				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	7,781	-	7,781
- Interest rate related	-	4,428	-	4,428
Investments				
- Trading investments	-	15,422	-	15,422
- Available-for-sale investments	-	43,604	-	43,604

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Consolidated			
	Fair value			
	Level 1	Level 2	Level 3	Total
	(in million Baht)			
Financial liabilities				
Financial liabilities designated at fair value				
through profit or loss	-	299	-	299
Derivatives (trading book)				
- Foreign currency related	-	7,242	-	7,242
- Interest rate related	-	4,575	-	4,575

	Bank only			Total
	Fair value			
	Level 1	Level 2	Level 3	
	(in million Baht)			

31 December 2015

Financial assets

Derivatives (trading book)				
- Foreign currency related	-	7,781	-	7,781
- Interest rate related	-	4,428	-	4,428
Investments				
- Trading investments	-	15,422	-	15,422
- Available-for-sale investments	-	40,814	-	40,814

Financial liabilities

Financial liabilities designated at fair value through profit or loss	-	299	-	299
Derivatives (trading book)				
- Foreign currency related	-	7,242	-	7,242
- Interest rate related	-	4,575	-	4,575

6.1.2 Financial assets and liabilities not carried at fair value

The following table analyses financial instruments not carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Carrying amount	Consolidated Fair value			Total
		Level 1	Level 2	Level 3	
		(in million Baht)			
31 December 2015					
<i>Financial assets</i>					
Derivatives (banking book)	41	-	202	-	202
Investments					
- Held-to-maturity investments	38,669	-	39,557	-	39,557
- General investments	565	-	-	832	832
<i>Financial liabilities</i>					
Deposits	644,694	-	644,666	-	644,666
Derivatives (banking book)	324	-	170	-	170
Debt issued and borrowings	30,183	-	32,028	-	32,028

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Carrying amount	Bank only Fair value			Total
		Level 1	Level 2 <i>(in million Baht)</i>	Level 3	
31 December 2015					
<i>Financial assets</i>					
Derivatives (banking book)	41	-	202	-	202
Investments					
- Held-to-maturity investments	38,669	-	39,557	-	39,557
- General investments	565	-	-	832	832
<i>Financial liabilities</i>					
Deposits	644,730	-	644,701	-	644,701
Derivatives (banking book)	324	-	170	-	170
Debt issued and borrowings	30,183	-	32,028	-	32,028

6.2 Non-financial assets carried at fair value

The following table analyses non-financial assets carried at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

		Consolidated and Bank only			
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
31 December 2015					
Non-financial assets					
Premises, net	8,660	-	-	8,660	8,660

The fair value of premises were determined by external, independent property appraisers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of premises were determined by the independent valuers using the market approach for land and the depreciated replacement cost approach for buildings.

The independent appraisers provided the fair value of the Bank's premises on a regular basis such that the carrying values of such assets as at the end of the reporting period do not materially differ from their fair values.

Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

	Consolidated and Bank only (in million Baht)
Balance at 1 January 2015	8,980
Acquisitions	248
Transferred to property for sale	(238)
Depreciation	(276)
Change in revaluation surplus on assets	(54)
Balance at 31 December 2015	8,660

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

7 Maintenance of capital fund

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT in its circulars dated 8 November 2012 and 8 May 2015, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2015 and 2014, the consolidated supervision and the Bank only's total capital funds could be categorised as follows:

	Consolidated supervision	
	2015	2014
	<i>(in million Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 capital (CET1)		
Paid-up share capital	41,562	41,495
Share premium	236	157
Legal reserve	1,710	1,250
Net profits after appropriation	22,421	15,987
Other comprehensive income	3,549	3,705
Capital adjustment items on CET1	(87)	-
Capital deduction items on CET1	(3,512)	(3,288)
Total Common Equity Tier 1 capital	65,879	59,306
Additional Tier 1 capital		
Transactions under subsidiary and associated companies only for non-controlling interest and outside the scope that countable as Tier 1 of financial instruments of consolidated financial institutions	38	78
Total Tier 1 Capital	65,917	59,384
Tier 2 capital		
Allowance for classified assets of "pass" category	5,702	5,700
Subordinated debentures	25,350	33,350
Transactions under subsidiary and associated companies only for non-controlling interest and outside the scope that is countable as Tier 2 of consolidated financial institutions	9	2
Total Tier 2 Capital	31,061	39,052
Total Capital funds	96,978	98,436
Total Risk-Weighted Assets	581,336	537,119

	The BoT's regulation minimum requirement	2015 (%)	2014
Capital Adequacy Ratio/Total Risk-Weighted Asset	8.50	16.68	18.33
Tier 1 Capital Ratio/Total Risk-Weighted Asset	6.00	11.34	11.06
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	4.50	11.33	11.04

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Bank only	
	2015	2014
	<i>(in million Baht)</i>	
<i>Tier 1 capital</i>		
Common Equity Tier 1 capital (CET1)		
Paid-up share capital	41,562	41,495
Share premium	236	157
Legal reserve	1,710	1,250
Net profits after appropriation	22,108	15,770
Other comprehensive income	3,517	3,658
Capital adjustment items on CET1	(87)	-
Capital deduction items on CET1	(3,430)	(3,208)
Total Tier 1 Capital	65,616	59,122
<i>Tier 2 capital</i>		
Allowance for classified assets of “pass” category	5,702	5,700
Subordinated debentures	25,350	33,350
Total Tier 2 Capital	31,052	39,050
Total Capital funds	96,668	98,172
Total Risk-Weighted Assets	579,513	535,363

	The BoT's regulation minimum requirement	2015 (%)	2014
Capital Adequacy Ratio/Total Risk-Weighted Asset	8.50	16.68	18.34
Tier 1 Capital Ratio/Total Risk-Weighted Asset	6.00	11.32	11.04
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	4.50	11.32	11.04

According to BoT's notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013, the Bank is required to disclose CET1 after deducting capital add-on arising from Single Lending Limit, effective at the end of January 2015. As at 31 December 2015, the Bank has no add-on arising from Single Lending Limit.

The Bank will disclose capital adequacy and capital risk exposure information for the Bank and the full consolidated financial institutions as at 31 December 2015 through the Bank's website at www.tmbbank.com within April 2016.

Capital management

The Bank's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements and to maintain appropriate credit ratings.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

8 Sale of non-performing assets to Thai Asset Management Corporation (“TAMC”)⁽¹⁾

8.1 Asset transfer agreements and profit or loss sharing

The Bank and a subsidiary entered into the Asset Transfer Agreements with TAMC in 2001 for sales of non-performing assets to TAMC, and the Bank and its subsidiary (as the transferors) received promissory notes from TAMC (as the transferee) for settlement of the transfer prices. Under the agreements, TAMC and the transferors were jointly responsible for sharing the profits or losses from TAMC’s management of the non-performing assets at the end of the fifth year and the tenth year commencing 1 July 2001.

In September 2013, the Bank and its subsidiary received letters from TAMC on the subject of “Results of calculating profits or losses from the management of the non-performing assets as of 30 November 2012, official version, and lodging claims for settlement with TAMC”, informing them of their loss sharing of Baht 1,403 million (the Bank only: Baht 1,317 million) from the management of assets transferred (excluding the portion in dispute with respect to transfer price reduction requests) from the Bank and its subsidiary. The Bank and its subsidiary therefore adjusted provisions for liabilities to correspond to the information received from TAMC. As at 31 December 2015 and 2014, the Bank has outstanding provisions for loss sharing of Baht 1,317 million, which are included under the caption of “Provisions for obligations on transfers of non-performing assets” in the statements of financial position.

⁽¹⁾ TAMC was liquidated on 8 June 2013 and has already delivered the remaining assets and liabilities to the Ministry of Finance for further arrangement.

8.2 Promissory notes disputed over transfer price adjustment requests

Over the period of asset management by TAMC, TAMC issued letters to the Bank informing its requests of transfer price adjustments as summarized below:

- (a) In November 2006, TAMC informed the Bank that it requested a transfer price adjustment of Baht 4,341 million, being the collateral value of the pledged machinery transferred to TAMC. The Bank has refused the adjustment request since it breached the conditions of the Asset Transfer Agreements dated 12 October 2001, and therefore has no legal enforcement. The Bank took legal action against TAMC. On 27 April 2010, the Court of First Instance judged in favour of the Bank. On 4 February 2014, however, the Appeal Court reversed the earlier Court’s verdict by making decision to dismiss the case. Currently, the case is in the proceeding session of the Supreme Court.
- (b) In June 2011, the Bank sued TAMC for an additional sum of Baht 242 million over TAMC’s refusals to make settlement of four items of non-performing assets transferred to TAMC of Baht 56 million and interest on promissory notes for the years 2006 and 2007. On 27 September 2012, the Court of First Instance already dismissed the case. On 22 January 2014, the Appeal Court decided to uphold the earlier Court’s verdict. Currently, the case is in the proceeding session of the Supreme Court.

As at 31 December 2015 and 2014, the Bank recorded liabilities provisions of Baht 4,681 million, as a result of the transfer price adjustment requested for non-performing loans against which machinery is pledged as collateral, as mentioned in 8.2 (a) (including accrued interest receivable of Baht 276 million), and TAMC’s refusals to make settlement for non-performing assets transferred to TAMC, as mentioned in 8.2 (b). Such amounts are included under the caption of “Provisions for obligation on transfers of non-performing assets” in the statements of financial position.

8.3 Settlement of promissory notes

As at 31 December 2015, the Bank has matured promissory notes of Baht 4,398 million due from TAMC, presented as a part of “Other receivables” in the statements of financial position, in dispute with TAMC regarding the transfer price adjustment as described in Note 8.2.

The Bank is not to call for any penalties, default interest or remedies from TAMC and the Financial Institutions Development Fund in case of late redemption of disputed promissory notes, for which the disputes have yet to be resolved or the court judgement has yet been finalised.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

9 Interbank and money market items, net (assets)

	Consolidated					
	At call	2015 Term	Total	At call	2014 Term	Total
			<i>(in million Baht)</i>			
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,732	68,200	73,932	3,390	62,300	65,690
Commercial banks	3	15,112	15,115	16	22,167	22,183
Specialised financial institutions	17	6,900	6,917	20	6,001	6,021
Other financial institutions	6	13,536	13,542	19	14,063	14,082
Total	5,758	103,748	109,506	3,445	104,531	107,976
Add accrued interest receivable	-	100	100	-	123	123
Less deferred revenues	-	(1)	(1)	-	-	-
allowance for doubtful accounts	-	(204)	(204)	-	(27)	(27)
Total domestic, net	5,758	103,643	109,401	3,445	104,627	108,072
Foreign						
US Dollar	1,759	3,311	5,070	1,724	1,930	3,654
Japanese Yen	319	-	319	389	-	389
Euro	129	-	129	251	-	251
Other currencies	813	24	837	681	55	736
Total	3,020	3,335	6,355	3,045	1,985	5,030
Add accrued interest receivable	-	5	5	-	-	-
Less allowance for doubtful accounts	-	(3)	(3)	-	(5)	(5)
Total foreign, net	3,020	3,337	6,357	3,045	1,980	5,025
Total domestic and foreign, net	8,778	106,980	115,758	6,490	106,607	113,097

	Bank only					
	At call	2015 Term	Total	At call	2014 Term	Total
			<i>(in million Baht)</i>			
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,732	68,200	73,932	3,390	62,300	65,690
Commercial banks	-	14,320	14,320	15	21,504	21,519
Specialised financial institutions	17	6,900	6,917	20	6,001	6,021
Other financial institutions	6	13,536	13,542	19	14,063	14,082
Total	5,755	102,956	108,711	3,444	103,868	107,312
Add accrued interest receivable	-	95	95	-	116	116
Less deferred revenues	-	(1)	(1)	-	-	-
allowance for doubtful accounts	-	(204)	(204)	-	(27)	(27)
Total domestic, net	5,755	102,846	108,601	3,444	103,957	107,401
Foreign						
US Dollar	1,759	3,311	5,070	1,724	1,930	3,654
Japanese Yen	319	-	319	389	-	389
Euro	129	-	129	251	-	251
Other currencies	813	24	837	681	55	736
Total	3,020	3,335	6,355	3,045	1,985	5,030
Add accrued interest receivable	-	5	5	-	-	-
Less allowance for doubtful accounts	-	(3)	(3)	-	(5)	(5)
Total foreign, net	3,020	3,337	6,357	3,045	1,980	5,025
Total domestic and foreign, net	8,775	106,183	114,958	6,489	105,937	112,426

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

10 Derivatives

As at 31 December 2015 and 2014, fair value of derivatives held for trading book, readjustment based on accrual basis of derivatives held for banking book and notional amount classified by type of risks were as follows:

Type of risks	Consolidated and Bank only					
	2015		Notional amount	2014		Notional amount
	Fair value/Readjustment based on an accrual basis	Fair value/Readjustment based on an accrual basis		Fair value/Readjustment based on an accrual basis	Fair value/Readjustment based on an accrual basis	
	Assets	Liabilities	(in million Baht)	Assets	Liabilities	
Foreign currency related						
- Trading Book	7,781	7,242	529,622	5,866	5,005	712,512
- Banking Book ⁽¹⁾	80	324	34,216	66	167	25,992
Interest rate related						
- Trading Book	4,428	4,575	682,342	4,944	5,000	673,940
- Banking Book ⁽¹⁾	72	165	15,000	77	174	15,000
Commodity						
- Trading Book	-	-	-	-	-	17
Total	12,361	12,306	1,261,180	10,953	10,346	1,427,461

⁽¹⁾ Readjustment made on an accrual basis at the end of year for interest rate swap contracts held for banking book are adjustments of accrued interest receivable or payable or interest paid or received in advance based on the contracts. As at 31 December 2015, accrued interest receivable and interest paid in advance amounting to Baht 111 million (2014: Baht 77 million) are presented as a part of “Other assets” and accrued interest payable and interest received in advance amounting to Baht 165 million (2014: Baht 174 million) are presented as a part of “Other liabilities” in the consolidated and Bank only financial statements.

As at 31 December 2015 and 2014, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

Counterparties	Consolidated and Bank only	
	2015	2014
	(%)	
Financial institutions	82.49	82.27
Other parties	17.51	17.73
Total	100.00	100.00

11 Investments, net

11.1 Classified by type of investments

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Trading securities - Fair value				
Government and state enterprise securities	15,422	20,201	15,422	20,201
Total	15,422	20,201	15,422	20,201
Available-for-sale securities - Fair value				
Government and state enterprise securities	40,810	41,549	40,810	41,549
Domestic marketable equity securities	2,794	2,078	4	5
Total	43,604	43,627	40,814	41,554

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
<i>Held-to-maturity debt securities</i>				
<i>- Cost/Amortised cost</i>				
Government and state enterprise securities	38,669	46,346	38,669	46,346
Total	38,669	46,346	38,669	46,346
<i>General investments - Cost</i>				
Domestic non-marketable equity securities	1,344	1,467	1,344	1,467
Foreign non-marketable equity securities	36	34	36	34
Total	1,380	1,501	1,380	1,501
Less allowance for impairment	(815)	(816)	(815)	(816)
Net	565	685	565	685
Total investments, net	98,260	110,859	95,470	108,786

As at 31 December 2014, the Bank has non-transferable promissory notes of Baht 15 million, availed by the Financial Institutions Development Fund, which were received from TAMC for transfer price settlement as described in Note 8. The Bank classified them as held-to-maturity debt securities. The bear interest at the average deposit rates announced by the 5 major Thai banks and the interest is payable on the last working day of each year. These notes matured in March 2015.

11.2 Investments in entities in which the Bank and its subsidiaries hold 10% or more

As at 31 December 2015 and 2014, the Bank had investments in entities in which the Bank holds 10% or more of the paid-up share capital of the investee companies but such companies are not treated as its subsidiaries and associate. Those investments were summarised below.

	Consolidated and Bank only	
	2015	2014
	<i>(in million Baht)</i>	
Property development and construction	34	34
Public utilities and services	14	14
Mutual funds and financial services	337	452
Others	11	11
Total	396	511
Less allowance for impairment	(41)	(41)
Investment, net	355	470

Interest in unconsolidated structured entity arising in the normal business

The Bank and its subsidiaries may enter into transactions with structured entities in the forms of investment in unit trusts, lending and derivative transactions and providing fund management services. Investment in unit trusts is recognised as equity securities. Lending and derivative transactions are provided under normal business terms and are managed the same way as other loan and receivables, and derivative counterparties. Fund management is provided to mutual funds and private funds for which the Group earns management fees.

As at 31 December 2015, the Bank and its subsidiaries did not have significant risks and transactions relating to structured entities to disclose in the financial statements.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

11.3 Investments in companies with problems in their financial position and operating results

As at 31 December 2015 and 2014, the Bank had the following investments in listed companies which meet the Stock Exchange of Thailand (“SET”)’s criteria for delisting, and are in default on debt securities, or companies whose ability to continue as a going concern is uncertain, or unlisted companies whose financial position and operating results are similar to the listed companies which meet criteria for delisting from the SET:

	Consolidated and Bank only							
	2015				2014			
	No.	Cost		Allowance	No.	Cost		Allowance
	of	value/		for impair-	of	value/		for impair-
Com-	Com-	book	Fair	ment	Com-	book	Fair	ment
panies	panies	value	value	loss	panies	value	value	loss
			(in million Baht)				(in million Baht)	
- Listed companies under delisting conditions/ defaulted debt securities	2	62	-	(62)	2	62	-	(62)
- Companies whose ability to continues as a going concern is uncertain, or unlisted companies whose financial position and operating results are similar to the listed companies which meet criteria for delisting from the SET	11	733	-	(733)	11	733	-	(733)
Total	13	795	-	(795)	13	795	-	(795)

11.4 Revaluation surplus on available-for-sale investments

As at 31 December 2015 and 2014, revaluation surplus on investments could be summarized as follows:

	Consolidated		Bank only	
	2015	2014	2015	2014
		(in million Baht)		
<i>Revaluation surplus on investments</i>				
Debt securities	67	76	67	76
Equity securities	40	60	-	-
Total	107	136	67	76
<i>Revaluation deficit on investments</i>				
Debt securities	(2)	(2)	(2)	(2)
Equity securities	(1)	-	(1)	-
Total	(3)	(2)	(3)	(2)
Total revaluation surplus on investments	104	134	64	74
Less deferred income taxes	(21)	(27)	(13)	(15)
Net	83	107	51	59

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

12 Investments in subsidiaries and associate, net

12.1 Detail of investments in subsidiaries and associate

Companies	Type of Business	Percentage of ownership interest		Paid-up capital		Bank only		Allowance for impairment losses		At cost, net	
						Cost					
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		(<i>%)</i>		(<i>in million Baht</i>)							
Subsidiaries											
Phayathai Asset Management Co., Ltd.	Asset management business	100.00	100.00	1,070	1,070	3,870	3,870	(843)	(945)	3,027	2,925
Designee for ETA Contract Ltd.	Financial support business	99.50	99.50	-	-	-	-	-	-	-	-
TMB Asset Management Co., Ltd.	Fund management business	87.50	87.50	100	100	304	304	-	-	304	304
Total investment in subsidiaries, net						4,174	4,174	(843)	(945)	3,331	3,229
Associate											
Metro Designee Co., Ltd.	Financial support business	30.00	30.00	-	-	-	-	-	-	-	-
Total investment in associate						-	-	-	-	-	-
Total						4,174	4,174	(843)	(945)	3,331	3,229

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

Phayathai Assets Management Co., Ltd.
Statement of cash flows

	For the years ended 31 December	
	2015	2014
	(in million Baht)	
<i>Decrease (increase) in operating assets</i>		
Intercompany and money market items	55	(27)
Investments in receivables	6	134
Loans to customers	34	227
Properties for sale	43	7
Receivables from BAM's promissory notes	556	-
Receivables from legal Execution Department	35	39
Other assets	4	18
<i>Increase (decrease) in operating liabilities</i>		
Other payables	(2)	(10)
Accrued expenses	(3)	-
Provisions for employee benefits	(2)	(6)
Other liabilities	(15)	2
Net cash provided by operating activities	653	490
<i>Cash flows from investing activities</i>		
Proceeds from sales of available-for-sale investments	2,805	-
Purchase of available-for-sale investments	(3,458)	(510)
Net cash used in investing activities	(653)	(510)
Net decrease in cash	-	(20)
Cash at 1 January	-	20
Cash at 31 December	-	-

13 Loans to customers and accrued interest receivables, net

13.1 Classified by loan type

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Overdrafts	141,957	145,808	141,957	145,808
Loans	300,716	228,249	300,685	228,207
Bills	138,080	156,331	138,080	156,331
Others	115	58	115	58
Less deferred revenue	(92)	(86)	(92)	(86)
Loans to customers net of deferred revenue	580,776	530,360	580,745	530,318
Add accrued interest receivable	1,068	1,068	1,068	1,068
Total loans to customers net of deferred revenue add accrued interest receivable	581,844	531,428	581,813	531,386
Less allowance for doubtful accounts				
- Provision at BoT's minimum rates required	(16,078)	(12,362)	(16,054)	(12,334)
- Provision in excess of BoT's minimum rates required	(12,767)	(15,890)	(12,767)	(15,890)
Less revaluation allowance for debt restructuring	(180)	(110)	(180)	(110)
Loans to customers and accrued interest receivables, net	552,819	503,066	552,812	503,052

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

13.2 Classified by currency and residency of debtors

	Consolidated					
	2015		2014			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	542,802	5,605	548,407	498,436	5,780	504,216
US Dollars	27,510	4,011	31,521	23,726	1,178	24,904
Other currencies	758	90	848	1,149	91	1,240
Total	571,070	9,706	580,776	523,311	7,049	530,360

	Bank only					
	2015		2014			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	542,771	5,605	548,376	498,394	5,780	504,174
US Dollars	27,510	4,011	31,521	23,726	1,178	24,904
Other currencies	758	90	848	1,149	91	1,240
Total	571,039	9,706	580,745	523,269	7,049	530,318

13.3 Classified by business type and quality of loan classification

	Consolidated					Total
	2015					
	Pass	Special mention	Sub- standard <i>(in million Baht)</i>	Doubtful	Doubtful of loss	
Agriculture and mining	11,652	179	43	-	644	12,518
Manufacturing and commerce	317,238	11,354	1,065	156	14,319	344,132
Property development and construction	23,232	200	23	-	291	23,746
Infrastructure and services	66,858	855	55	-	953	68,721
Housing loans	62,922	2,096	246	207	817	66,288
Others	61,836	1,881	821	478	355	65,371
Total*	543,738	16,565	2,253	841	17,379	580,776

	Consolidated					Total
	2014					
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	
	(in million Baht)					
Agriculture and mining	6,108	247	12	-	500	6,867
Manufacturing and commerce	305,541	9,494	775	148	11,784	327,742
Property development and construction	13,389	337	34	10	678	14,448
Infrastructure and services	57,376	3,395	190	23	1,306	62,290
Housing loans	50,106	1,519	174	196	1,042	53,037
Others	63,290	1,465	639	291	291	65,976
Total*	495,810	16,457	1,824	668	15,601	530,360

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Bank only						
2015						
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Agriculture and mining	11,652	179	43	-	635	12,509
Manufacturing and commerce	317,238	11,354	1,065	156	14,319	344,132
Property development and construction	23,232	200	23	-	269	23,724
Infrastructure and services	66,858	855	55	-	953	68,721
Housing loans	62,922	2,096	246	207	817	66,288
Others	61,836	1,881	821	478	355	65,371
Total*	543,738	16,565	2,253	841	17,348	580,745

Bank only						
2014						
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
Agriculture and mining	6,108	247	12	-	491	6,858
Manufacturing and commerce	305,541	9,494	775	148	11,773	327,731
Property development and construction	13,389	337	34	10	656	14,426
Infrastructure and services	57,376	3,395	190	23	1,306	62,290
Housing loans	50,106	1,519	174	196	1,042	53,037
Others	63,290	1,465	639	291	291	65,976
Total*	495,810	16,457	1,824	668	15,559	530,318

* Loans to customers net of deferred revenue.

13.4 Classified by loan classification

The Bank and its subsidiaries have classified loans to customers and accrued interest receivables (excluding interbank and money market items) in accordance with the BoT's notifications, regarding the Classification and Provisions made by Financial Institutions, as follows:

Consolidated				
2015				
	Loans to customers and accrued interest receivables	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required	Allowance for doubtful accounts ⁽²⁾
	<i>(in million Baht)</i>		<i>(%)</i>	<i>(in million Baht)</i>
Minimum allowance as per BoT's Regulations				
Pass	544,746	441,075	1	5,027
Special mention	16,625	9,314	2	306
Sub-standard	2,253	1,114	100	1,412
Doubtful	841	525	100	564
Doubtful of loss ⁽⁴⁾	17,379	5,181	100	8,769
Total*	581,844	457,209		16,078
Provision in excess of BoT's minimum rates required				12,767 ⁽³⁾
Total				28,845

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Consolidated				
2014				
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	496,806	382,378	1	4,491
Special mention	16,529	10,143	2	297
Sub-standard	1,824	973	100	1,058
Doubtful	668	330	100	368
Doubtful of loss ⁽⁴⁾	15,601	4,397	100	6,148
Total*	<u>531,428</u>	<u>398,221</u>		<u>12,362</u>
Provision in excess of BoT's minimum rates required				<u>15,890 ⁽³⁾</u>
Total				<u>28,252</u>

Bank only				
2015				
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	544,746	441,075	1	5,027
Special mention	16,625	9,314	2	306
Sub-standard	2,253	1,114	100	1,412
Doubtful	841	525	100	564
Doubtful of loss	17,348	5,157	100	8,745
Total*	<u>581,813</u>	<u>457,185</u>		<u>16,054</u>
Provision in excess of BoT's minimum rates required				<u>12,767 ⁽³⁾</u>
Total				<u>28,821</u>

Bank only				
2014				
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts ⁽¹⁾	Minimum rates required (%)	Allowance for doubtful accounts ⁽²⁾ (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	496,806	382,377	1	4,491
Special mention	16,529	10,143	2	297
Sub-standard	1,824	973	100	1,058
Doubtful	668	330	100	368
Doubtful of loss	15,559	4,370	100	6,120
Total*	<u>531,386</u>	<u>398,193</u>		<u>12,334</u>
Provision in excess of BoT's minimum rates required				<u>15,890 ⁽³⁾</u>
Total				<u>28,224</u>

* Loans to customers net of deferred revenue add accrued interest receivables

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

- (1) Balance net of collateral: In the case of loans that are classified as pass and special mention means the principal balance net of the value of collateral, excluding land, buildings and constructions thereon, leasehold rights and machinery. In the case of loans that are classified as substandard, doubtful and doubtful of loss, it means the debt balance after deduction of the present value of future cash flows expected to be received from debt collection, or from the disposal of collateral, excluding machinery.
- (2) Allowance for doubtful accounts on loans guaranteed by Small Business Credit Guarantee Corporation according to the Portfolio Guarantee Scheme was made in accordance with the BoT's notification on supervisory guidelines on loans guaranteed in the Portfolio Guarantee Scheme by Small Business Credit Guarantee Corporation.
- (3) As at 31 December 2015, this included provision of Baht 1,545 million (2014: Baht 3,285 million) provided for non-performing loans.
- (4) Loans classified as doubtful of loss in the consolidated financial statements included the balances of the Bank and Phayathai Assets Management Co., Ltd.

13.5 Non-performing loans

NPLs per BoT's regulations refer to all sub-standard, doubtful, doubtful of loss and loss loans.

As at 31 December 2015 and 2014, the Bank and its subsidiaries' NPLs (including interbank and money market items) were summarised as follows:

	2015			
	TMB Bank Public Company Limited	Phayathai Asset Management Co., Ltd.	Elimination	Consolidated
Net NPLs (principal net of allowance for doubtful accounts)				
NPLs after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	8,176	7	-	8,183
Total loans after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	672,428	7	-	672,435
Percentage of net NPLs (%)	1.22	100.00		1.22
NPLs (principal)				
NPLs (<i>in million Baht</i>)	20,442	31	-	20,473
Total loans (<i>in million Baht</i>)	684,694	31	-	684,725
Percentage of NPLs (%)	2.99	100.00		2.99
	2014			
	TMB Bank Public Company Limited	Phayathai Asset Management Co., Ltd.	Elimination	Consolidated
Net NPLs (principal net of allowance for doubtful accounts)				
NPLs after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	7,220	37	(23)	7,234
Total loans after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	623,875	37	(23)	623,889
Percentage of net NPLs (%)	1.16	100.00		1.16

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

	2014			
	TMB Bank Public Company Limited	Phayathai Asset Management Co., Ltd.	Elimination	Consolidated
NPLs (principal)				
NPLs (<i>in million Baht</i>)	18,051	65	(23)	18,093
Total loans (<i>in million Baht</i>)	634,706	65	(23)	634,748
Percentage of NPLs (%)	2.84	100.00		2.85

On 17 March 2015, 7 September 2015 and 27 November 2015, the Bank sold non-performing loans, with principal totalling approximately Baht 300 million, Baht 800 million and Baht 300 million, respectively, to Bangkok Commercial Asset Management Company Limited (“BAM”). The selling price in excess of the carrying value of those non-performing loans was presented as a deduction from “Impairment loss on loans and debt securities” in the statement of profit or loss and other comprehensive income.

As at 31 December 2015, the Bank had loans to customers, amounting to Baht 39,876 million (2014: Baht 27,466 million) on which it ceased recognition of interest income on an accrual basis.

13.6 Troubled debt restructuring

For the years ended 31 December 2015 and 2014, the Bank and its subsidiaries entered into contracts for troubled debt restructuring, (only the account where debtor has present value loss/losses on debt structuring is presented)*, which could be summarised as follows:

	Consolidated 2015			Asset acquired	
	Number of debtors	Before restructuring (<i>in million Baht</i>)	After restructuring	Type	Fair value
Type of restructuring					
Modification of terms of payments	4,297	5,507	5,507	-	-
Combination of methods	1	8	7	Cash	7
Total	4,298	5,515	5,514		7
Term of debt restructuring agreements					
Not over 5 years	1,107	4,169	4,168		
5 - 10 years	3,136	876	876		
Over 10 years	55	470	470		
Total	4,298	5,515	5,514		

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

	Bank only		
	Number of debtors	2015 Before restructuring (in million Baht)	After restructuring
Type of restructuring			
Modification of terms of payments	4,297	5,507	5,507
Total	4,297	5,507	5,507

Term of debt restructuring agreements			
Not over 5 years	1,106	4,161	4,161
5 - 10 years	3,136	876	876
Over 10 years	55	470	470
Total	4,297	5,507	5,507

	Consolidated			Bank only		
	Number of debtors	2014 Before restructuring (in million Baht)	After restructuring	Number of debtors	Before restructuring (in million Baht)	After restructuring
Type of restructuring						
Modification of terms of payments	1,157	1,205	1,204	1,156	1,200	1,200
Total	1,157	1,205	1,204	1,156	1,200	1,200
Term of debt restructuring agreements						
Not over 5 years	884	739	738	883	734	734
5 - 10 years	266	433	433	266	433	433
Over 10 years	7	33	33	7	33	33
Total	1,157	1,205	1,204	1,156	1,200	1,200

* In July 2015, the Bank has changed the discount rates used in respect of SME debtors restructured from 1 January 2014, from the effective interest rates under the original loan agreements to the market rates at the restructuring dates. The impact as a result of such change is immaterial.

Supplemental information relating to restructuring debtors for the years ended 31 December 2015 and 2014 was as follows:

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Interest income on restructured debts, which is recognised during the year	191	90	191	87
Cash settlement by debtors	722	586	715	552
Losses on debt restructuring	70	42	70	42

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

As at 31 December 2015 and 2014, the Bank and its subsidiaries have the outstanding balances with troubled debt restructuring debtors which had been performing in accordance with debt restructuring agreements, as follows:

	Consolidated				Bank only			
	2015		2014		2015		2014	
	Number of debtors	Outstanding balance (in million Baht)	Number of debtors	Outstanding balance (in million Baht)	Number of debtors	Outstanding balance (in million Baht)	Number of debtors	Outstanding balance (in million Baht)
Troubled debt restructuring debtors	3,018	6,287	685	1,334	3,017	6,276	684	1,323

13.7 Revaluation allowance for debt restructuring

	Consolidated and Bank only	
	2015	2014
	(in million Baht)	
Beginning balance	110	68
Increase during the year	70	42
Ending balance	180	110

13.8 Loans to customers having problems with financial position and operating results

As at 31 December 2015 and 2014, the Bank and its subsidiaries had loans and accrued interest receivables due from listed companies having problems with their financial position and operating results, and set aside allowances for doubtful accounts as follows:

	Consolidated and Bank only							
	2015				2014			
	Loans and accrued interest		Allowance for doubtful accounts		Loans and accrued interest		Allowance for doubtful accounts	
	Number of debtors	Collateral (in million Baht)	Number of debtors	Collateral (in million Baht)	Number of debtors	Collateral (in million Baht)	Number of debtors	Collateral (in million Baht)
Listed companies under delisting conditions in SET	4	103	-	1	2	6	-	-

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

14 Classified assets

As at 31 December 2015 and 2014, classified assets were classified in accordance with the BoT's regulation, consisting of investments (including investments in subsidiaries and associate), loans to customers and accrued interest receivables (including interbank and money market items), properties for sale, premises and equipment and other assets as follows:

Consolidated						
2015						
	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	648,796	-	-	-	648,796
Special mention	-	16,625	-	-	-	16,625
Sub-standard	-	2,253	-	-	4	2,257
Doubtful	-	841	-	-	1	842
Doubtful of loss	874	17,379	98	440	433	19,224
Total	874	685,894	98	440	438	687,744

Consolidated						
2014						
	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	601,312	-	-	-	601,312
Special mention	-	16,529	-	-	-	16,529
Sub-standard	-	1,824	-	-	2	1,826
Doubtful	-	668	-	-	1	669
Doubtful of loss	879	15,601	401	442	328	17,651
Total	879	635,934	401	442	331	637,987

Bank only						
2015						
	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	648,796	-	-	-	648,796
Special mention	-	16,625	-	-	-	16,625
Sub-standard	-	2,253	-	-	4	2,257
Doubtful	-	841	-	-	1	842
Doubtful of loss	1,717	17,348	98	440	429	20,032
Total	1,717	685,863	98	440	434	688,552

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

Bank only						
2014						
	Investments	Loans to customers and accrued interest receivables	Properties for sale	Premises and equipment	Other assets	Total
	<i>(in million Baht)</i>					
Pass	-	601,311	-	-	-	601,311
Special mention	-	16,529	-	-	-	16,529
Sub-standard	-	1,824	-	-	2	1,826
Doubtful	-	668	-	-	1	669
Doubtful of loss	1,824	15,559	399	442	328	18,552
Total	1,824	635,891	399	442	331	638,887

15 Allowance for doubtful accounts

The movements in the allowance for doubtful accounts during the year were as follow:

Consolidated							
2015							
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss		
	<i>(in million Baht)</i>						
At 1 January	4,491	297	1,058	368	6,148	15,890	28,252
Allowance for doubtful accounts	536	9	354	196	7,726	(3,123)	5,698
Bad debt recovery	-	-	-	-	549	-	549
Bad debt written-off	-	-	-	-	(4,711)	-	(4,711)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(943)	-	(943)
At 31 December	5,027	306	1,412	564	8,769	12,767	28,845

Consolidated							
2014							
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss		
	<i>(in million Baht)</i>						
At 1 January	4,218	285	1,979	468	8,518	15,932	31,400
Allowance for doubtful accounts	273	12	(921)	(100)	4,888	(42)	4,110
Bad debt recovery	-	-	-	-	417	-	417
Bad debt written-off	-	-	-	-	(4,316)	-	(4,316)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(3,359)	-	(3,359)
At 31 December	4,491	297	1,058	368	6,148	15,890	28,252

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

Bank only						
2015						
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	required
						Total
	<i>(in million Baht)</i>					
At 1 January	4,491	297	1,058	368	6,120	15,890
Allowance for doubtful accounts	536	9	354	196	7,764	(3,123)
Bad debt recovery	-	-	-	-	515	-
Bad debt written-off	-	-	-	-	(4,711)	-
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(943)	-
At 31 December	5,027	306	1,412	564	8,745	12,767

Bank only						
2014						
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	required
						Total
	<i>(in million Baht)</i>					
At 1 January	4,218	285	1,979	468	7,461	15,932
Allowance for doubtful accounts	273	12	(921)	(100)	5,015	(42)
Bad debt recovery	-	-	-	-	348	-
Bad debt written-off	-	-	-	-	(3,779)	-
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(2,925)	-
At 31 December	4,491	297	1,058	368	6,120	15,890

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

16 Properties for sale, net

As at 31 December 2015 and 2014, changes to the properties for sale, net were as follows:

	Beginning balance	Consolidated 2015		Ending balance
		Additions	Disposals/ Decrease	
		<i>(in million Baht)</i>		
Assets foreclosed in settlement of debts				
- Immovable assets	1,767	186	(1,187)	766
Assets for sales	494	238	(193)	539
Total	2,261	424	(1,380)	1,305
Add (less) allowance for impairment losses	(401)	12	291	(98)
Net	1,860	436	(1,089)	1,207

	Beginning balance	Consolidated 2014		Ending balance
		Additions	Disposals/ Decrease	
		<i>(in million Baht)</i>		
Assets foreclosed in settlement of debts				
- Immovable assets	2,129	462	(824)	1,767
- Movable assets	24	-	(24)	-
Assets for sales	431	467	(404)	494
Total	2,584	929	(1,252)	2,261
Add (less) allowance for impairment losses	(687)	(16)	302	(401)
Net	1,897	913	(950)	1,860

	Beginning balance	Bank only 2015		Ending balance
		Additions	Disposals/ Decrease	
		<i>(in million Baht)</i>		
Assets foreclosed in settlement of debts				
- Immovable assets	1,722	186	(1,142)	766
Assets for sales	494	238	(193)	539
Total	2,216	424	(1,335)	1,305
Add (less) allowance for impairment losses	(399)	12	289	(98)
Net	1,817	436	(1,046)	1,207

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Bank only 2014			
	Beginning balance	Additions	Disposals/ Decrease	Ending balance
Assets foreclosed in settlement of debts				
- Immovable assets	2,065	462	(805)	1,722
Assets for sales	431	467	(404)	494
Total	2,496	929	(1,209)	2,216
Add (less) allowance for impairment losses	(649)	(16)	266	(399)
Net	1,847	913	(943)	1,817

The value of immovable assets acquired from debt repayment was appraised by external and internal appraisers as at 31 December 2015 and 2014 were as follows:

	Consolidated		Bank only	
	2015	2014	2015	2014
Assets foreclosed in settlement of debts				
Immovable assets				
- Appraised by external appraisers	390	1,432	390	1,389
- Appraised by internal appraisers	376	335	376	333
Total	766	1,767	766	1,722

17 Premises and equipment, net

	Consolidated 2015													
	Cost					Accumulated depreciation				Allowance for impairment losses				Net book value as at 31 December 2015
	Net book value as at 1 January 2015	Beginning balance	Purchases/ transfers in	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Loss on impairment during the year	Disposals/ written-off/ transfers out	Ending balance		
	<i>(in million Baht)</i>													
and														
Cost	2,240	2,579	-	(103)	2,476	-	-	-	(339)	(2)	2	(339)	2,137	
Incremental														
revaluation*	2,872	2,872	-	(83)	2,789	-	-	-	-	-	-	-	2,789	
Building														
Cost	2,193	4,993	248	(124)	5,117	(2,697)	(208)	75	(2,830)	(103)	(5)	7	2,186	
Incremental														
revaluation*	1,675	3,479	-	(146)	3,333	(1,804)	(68)	90	(1,782)	-	-	-	1,551	
Leasehold														
improvements	375	1,200	86	(80)	1,206	(825)	(102)	64	(863)	-	(11)	11	343	
Equipment	1,317	5,827	468	(378)	5,917	(4,510)	(476)	355	(4,631)	-	-	-	1,286	
Total	10,672	20,950	802	(914)	20,838	(9,836)	(854)	584	(10,106)	(442)	(18)	20	(440)	10,292

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Consolidated 2014													
	Cost					Accumulated depreciation				Allowance for impairment losses				Net book value as at 31 December 2014
	Net book value as at 1 January 2014	Beginning balance	Purchases/ transfers in	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Loss on impairment during the year	Disposals/ written-off/ transfers out	Ending balance	
							<i>(in million Baht)</i>							
Land														
- Cost	2,437	2,779	-	(200)	2,579	-	-	-	-	(342)	-	3	(339)	2,240
- Incremental revaluation*	2,994	2,994	-	(122)	2,872	-	-	-	-	-	-	-	-	2,872
Building														
- Cost	2,402	5,072	118	(197)	4,993	(2,567)	(203)	73	(2,697)	(103)	(3)	3	(103)	2,193
- Incremental revaluation*	1,815	3,628	-	(149)	3,479	(1,813)	(71)	80	(1,804)	-	-	-	-	1,675
Leasehold improvements	371	1,168	112	(80)	1,200	(797)	(92)	64	(825)	-	(8)	8	-	375
Equipment	1,393	5,747	415	(335)	5,827	(4,354)	(486)	330	(4,510)	-	-	-	-	1,317
Total	11,412	21,388	645	(1,083)	20,950	(9,531)	(852)	547	(9,836)	(445)	(11)	14	(442)	10,672

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 31 December 2015 amounted to Baht 3,518 million (2014: Baht 3,410 million).

Depreciation presented in the consolidated profit or loss for the years ended 31 December 2015 and 2014 amounted to Baht 854 million and Baht 852 million, respectively.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Bank only 2015													
	Cost					Accumulated depreciation				Allowance for impairment losses				Net book value as at 31 December 2015
	Net book value as at 1 January 2015	Beginning balance	Purchases/ transfers in	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Loss on impairment during the year	Disposals/ written-off/ transfers out	Ending balance	
							<i>(in million Baht)</i>							
Land														
- Cost	2,240	2,579	-	(103)	2,476	-	-	-	-	(339)	(2)	2	(339)	2,137
- Incremental revaluation*	2,872	2,872	-	(83)	2,789	-	-	-	-	-	-	-	-	2,789
Building														
- Cost	2,193	4,993	248	(124)	5,117	(2,697)	(208)	75	(2,830)	(103)	(5)	7	(101)	2,186
- Incremental revaluation*	1,675	3,479	-	(146)	3,333	(1,804)	(68)	90	(1,782)	-	-	-	-	1,551
Leasehold improvements	375	1,200	86	(80)	1,206	(825)	(102)	64	(863)	-	(11)	11	-	343
Equipment	1,291	5,720	457	(375)	5,802	(4,429)	(463)	351	(4,541)	-	-	-	-	1,261
Total	10,646	20,843	791	(911)	20,723	(9,755)	(841)	580	(10,016)	(442)	(18)	20	(440)	10,267

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Bank only 2014													
	Cost					Accumulated depreciation				Allowance for impairment losses				
	Net book value as at 1 January 2014	Beginning balance	Purchases/ transfers in	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Loss on impairment during the year	Disposals/ written-off/ transfers out	Ending balance	Net book value as at 31 December 2014
	(in million Baht)													
Land														
- Cost	2,437	2,779	-	(200)	2,579	-	-	-	-	(342)	-	3	(339)	2,240
- Incremental revaluation*	2,994	2,994	-	(122)	2,872	-	-	-	-	-	-	-	-	2,872
Building														
- Cost	2,402	5,072	118	(197)	4,993	(2,567)	(203)	73	(2,697)	(103)	(3)	3	(103)	2,193
- Incremental revaluation*	1,815	3,628	-	(149)	3,479	(1,813)	(71)	80	(1,804)	-	-	-	-	1,675
Leasehold improvements	371	1,165	112	(77)	1,200	(794)	(92)	61	(825)	-	(8)	8	-	375
Equipment	1,364	5,635	407	(322)	5,720	(4,271)	(477)	319	(4,429)	-	-	-	-	1,291
Total	11,383	21,273	637	(1,067)	20,843	(9,445)	(843)	533	(9,755)	(445)	(11)	14	(442)	10,646

* The Bank's revaluation has been performed in 2012.

The gross amount of the Bank only's fully depreciated premises and equipment that were still in use as at 31 December 2015 amounted to Baht 3,460 million (2014: Baht 3,357 million).

Depreciation presented in the Bank only's profit or loss for the years ended 31 December 2015 and 2014 amounted to Baht 841 million and Baht 843 million, respectively.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

18 Goodwill and other intangible assets, net

As at 31 December 2015 and 2014, changes in goodwill and other intangible assets were as follows:

	Consolidated										
	2015										
	Cost					Accumulated amortisation					
	Net book value as at 1 January 2015	Beginning Balance	Additions	Written-off	Transfers in/ (out)	Ending balance	Beginning Balance	Amortisation during the year	Accumulated amortisation on transfer out	Ending balance	Net book value as at 31 December 2015
	(in million Baht)										
Goodwill	60	60	-	-	-	60	-	-	-	-	60
Computer software	799	4,037	41	(9)	341	4,410	(3,238)	(304)	6	(3,536)	874
Computer software under development	144	144	518	-	(357)	305	-	-	-	-	305
Total	1,003	4,241	559	(9)	(16)	4,775	(3,238)	(304)	6	(3,536)	1,239

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Consolidated 2014										
	Net book value as at 1 January 2014	Cost					Accumulated amortisation				Net book value as at 31 December 2014
		Beginning Balance	Additions	Written-off	Transfers in/ (out)	Ending balance <i>(in million Baht)</i>	Beginning Balance	Amortisation during the year	Accumulated amortization on transfer out	Ending balance	
Goodwill	60	60	-	-	-	60	-	-	-	-	60
Computer software	717	3,712	30	(38)	333	4,037	(2,995)	(281)	38	(3,238)	799
Computer software under development	138	138	340	-	(334)	144	-	-	-	-	144
Total	915	3,910	370	(38)	(1)	4,241	(2,995)	(281)	38	(3,238)	1,003

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2015 amounted to Baht 2,823 million (2014: Baht 2,630 million).

Amortisation presented in the consolidated profit or loss for the years ended 31 December 2015 and 2014 amounted to Baht 304 million and Baht 281 million, respectively.

	Bank only 2015										
	Cost					Accumulated amortisation					
	Net book value as at 1 January 2015	Beginning Balance	Additions	Written-off	Transfers in/ (out)	Ending balance <i>(in million Baht)</i>	Beginning Balance	Amortisation during the year	Accumulated amortisation on transfer out	Ending balance	Net book value as at 31 December 2015
Computer software	794	3,975	38	(8)	341	4,346	(3,181)	(302)	5	(3,478)	868
Computer software under development	144	144	519	-	(357)	306	-	-	-	-	306
Total	938	4,119	557	(8)	(16)	4,652	(3,181)	(302)	5	(3,478)	1,174

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	Net book value as at 1 January 2014	Cost					Accumulated amortisation				Net book value as at 31 December 2014
		Beginning Balance	Additions	Written-off	Transfers in/ (out)	Ending balance	Beginning Balance	Amortisation during the year	Accumulated amortization on transfer out	Ending balance	
						(in million Baht)					
Computer software	712	3,614	28	-	333	3,975	(2,902)	(279)	-	(3,181)	794
Computer software under development	137	137	340	-	(333)	144	-	-	-	-	144
Total	849	3,751	368	-	-	4,119	(2,902)	(279)	-	(3,181)	938

The gross amount of the Bank only's fully amortised intangible assets that were still in use as at 31 December 2015 amounted to Baht 2,771 million (2014: Baht 2,577 million).

Amortisation presented in the Bank only's profit or loss for the years ended 31 December 2015 and 2014 amounted to Baht 302 million and Baht 279 million, respectively.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

19 Deferred tax and income tax expense

19.1 Deferred tax

Movements in deferred tax assets and liabilities during the years ended 31 December 2015 and 2014 were as follows:

	At 1 January 2015	Consolidated (Charged) / Credited to:			At 31 December 2015
		Profit or loss (note 19.2) (in million Baht)	Other compre- hensive income	Retained earnings	
Deferred tax assets					
Investments	176	(2)	-	-	174
Loans to customers and accrued interest receivables	690	(61)	-	-	629
Properties for sale	85	(59)	-	-	26
Premises and equipment	100	-	-	-	100
Provisions for obligations on transfers of non-performing assets	1,200	-	-	-	1,200
Provisions for employee benefits	306	11	(19)	-	298
Provisions for other liabilities	109	1	-	-	110
Other payables and other liabilities	260	34	-	-	294
Others	124	22	-	12	158
Total	3,050	(54)	(19)	12	2,989
Deferred tax liabilities					
Investments	27	-	(6)	-	21
Premises and equipment	939	(29)	(10)	-	900
Others	19	(2)	6	-	23
Total	985	(31)	(10)	-	944
Net	2,065	(23)	(9)	12	2,045

	At 1 January 2014	Consolidated (Charged) / Credited to:			At 31 December 2014
		Profit or loss (note 19.2) (in million Baht)	Other comprehensive income		
Deferred tax assets					
Investments	174	2	-	-	176
Loans to customers and accrued interest receivables	617	73	-	-	690
Properties for sale	147	(62)	-	-	85
Premises and equipment	100	-	-	-	100
Provisions for obligations on transfers of non-performing assets	1,200	-	-	-	1,200
Provisions for employee benefits	285	21	-	-	306
Provisions for other liabilities	109	-	-	-	109
Other payables and other liabilities	281	(21)	-	-	260
Unused tax losses	456	(456)	-	-	-
Others	103	21	-	-	124
Total	3,472	(422)	-	-	3,050

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	At 1 January 2014	Consolidated (Charged) / Credited to:		At 31 December 2014
		Profit or loss (note 19.2) (in million Baht)	Other comprehensive income	
Deferred tax liabilities				
Investments	14	-	13	27
Premises and equipment	981	(29)	(13)	939
Others	28	(9)	-	19
Total	1,023	(38)	-	985
Net	2,449	(384)	-	2,065

	At 1 January 2015	Bank only (Charged) / Credited to:			At 31 December 2015
		Profit or loss (note 19.2) (in million Baht)	Other compre- hensive income	Retained earnings	
Deferred tax assets					
Investments	176	(2)	-	-	174
Loans to customers and accrued interest receivables	677	(61)	-	-	616
Properties for sale	84	(58)	-	-	26
Premises and equipment	100	-	-	-	100
Provisions for obligations on transfers of non-performing assets	1,200	-	-	-	1,200
Provisions for employee benefits	303	10	(19)	-	294
Provisions for other liabilities	105	3	-	-	108
Other payables and other liabilities	260	34	-	-	294
Others	124	19	-	12	155
Total	3,029	(55)	(19)	12	2,967
Deferred tax liabilities					
Investments	15	-	(2)	-	13
Premises and equipment	937	(28)	(10)	-	899
Others	19	(2)	6	-	23
Total	971	(30)	(6)	-	935
Net	2,058	(25)	(13)	12	2,032

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

	At 1 January 2014	Bank only (Charged) / Credited to:		At 31 December 2014
		Profit or loss (note 19.2) (in million Baht)	Other comprehensive income	
Deferred tax assets				
Investments	174	2	-	176
Loans to customers and accrued interest receivables	606	71	-	677
Properties for sale	139	(55)	-	84
Premises and equipment	100	-	-	100
Provisions for obligations on transfers of non-performing assets	1,200	-	-	1,200
Provisions for employee benefits	280	23	-	303
Provisions for other liabilities	105	-	-	105
Other payables and other liabilities	281	(21)	-	260
Unused tax losses	414	(414)	-	-
Others	103	21	-	124
Total	3,402	(373)	-	3,029
Deferred tax liabilities				
Investments	11	-	4	15
Premises and equipment	979	(30)	(12)	937
Others	28	(9)	-	19
Total	1,018	(39)	(8)	971
Net	2,384	(334)	8	2,058

As at 31 December 2015 and 2014, the Bank had tax-deductible temporary differences in relation to investments in subsidiaries totalling Baht 843 million and Baht 945 million, respectively, for which deferred tax assets have not yet been recognised because certain recognition criteria were not met.

As at 31 December 2015 and 2014, the Bank and its subsidiaries have tax-deductible temporary differences in respect of loans to customers and accrued interest receivables, for which deferred tax assets have not been recognised since it is uncertain as to whether the Bank and its subsidiaries would be able to utilise such temporary differences.

19.2 Income tax expenses

Income tax recognised in profit or loss

	Note	Consolidated		Bank only	
		2015	2014	2015	2014
		(in million Baht)			
Current tax expense					
Current year		2,141	882	2,073	765
Over provided in prior year		(11)	(75)	(11)	(75)
		2,130	807	2,062	690
Deferred tax expense					
Movements in temporary differences	19.1	23	384	25	334
		23	384	25	334
Total		2,153	1,191	2,087	1,024

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Income tax recognised in other comprehensive income

	Consolidated					
	Before tax	2015 Tax (expense) benefit	Net of tax (in million Baht)	Before tax	2014 Tax (expense) benefit	Net of tax
Investments	(30)	6	(24)	61	(12)	49
Premises and equipment	(49)	10	(39)	(60)	12	(48)
Provisions for employee benefits	95	(19)	76	-	-	-
Others	30	(6)	24	-	-	-
Total	46	(9)	37	1	-	1

	Bank only					
	Before tax	2015 Tax (expense) benefit	Net of tax (in million Baht)	Before tax	2014 Tax (expense) benefit	Net of tax
Investments	(10)	2	(8)	20	(4)	16
Premises and equipment	(49)	10	(39)	(60)	12	(48)
Provisions for employee benefits	95	(19)	76	-	-	-
Others	30	(6)	24	-	-	-
Total	66	(13)	53	(40)	8	(32)

Reconciliation of effective tax rate

	Consolidated			
	2015 Rate (%)	2015 (in million Baht)	2014 Rate (%)	2014 (in million Baht)
Profit before income tax expense		11,504		10,742
Income tax using the Thai corporation tax rate	20	2,301	20	2,148
Deferred tax expense which previously unrecognized deductible temporary difference had been met the recognition criteria and utilised during the year	(1)	(156)	(9)	(984)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	-	(7)	1	102
Unutilised deferred tax	-	26	-	-
Over provided in prior years	-	(11)	(1)	(75)
Total	19	2,153	11	1,191

	Bank only			
	2015 Rate (%)	2015 (in million Baht)	2014 Rate (%)	2014 (in million Baht)
Profit before income tax expense		11,271		10,467
Income tax using the Thai corporation tax rate	20	2,254	20	2,093
Deferred tax expense which previously unrecognized deductible temporary difference had been met the recognition criteria and utilised during the year	(1)	(176)	(9)	(989)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	-	(6)	-	(5)
Unutilised deferred tax	-	26	-	-
Over provided in prior years	-	(11)	(1)	(75)
Total	19	2,087	10	1,024

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Income tax reduction

Royal Decree No. 577 B.E. 2557 dated 10 November 2014 grants the reduction to 20% of net taxable profit for the accounting period 2015 which begins on or after 1 January 2015.

On 22 January 2016, The National Legislative Assembly has approved a reduction of the corporate income tax rate from 30% to 20% of net taxable profit for the accounting period which begins on or after 1 January 2016.

The Bank and its subsidiaries have applied the tax rate of 20% in measuring deferred tax assets and liabilities as at 31 December 2015 and 2014.

20 Other receivables, net

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Receivables on sales of investments	5,425	5,578	5,425	5,578
Promissory notes from transfer of non-performing assets	639	2,241	535	1,580
TAMC's promissory notes and interest receivable	4,398	4,398	4,398	4,398
Other receivables	1,038	867	878	743
Total	11,500	13,084	11,236	12,299
Less allowance for impairment losses	(175)	(111)	(170)	(111)
Net	11,325	12,973	11,066	12,188

21 Other assets, net

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Accrued income	1,170	1,360	1,120	1,249
Collateral on derivative transactions	1,664	497	1,664	497
Suspense account - debtors	923	859	922	859
Suspense account between head office and branches	43	130	43	130
Others	961	943	936	909
Total	4,761	3,789	4,685	3,644
Less allowance for impairment losses	(265)	(212)	(265)	(212)
Net	4,496	3,577	4,420	3,432

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

22 Deposits

22.1 Classified by type of deposits

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Current	65,347	51,497	65,358	51,511
Savings	409,120	346,104	409,145	346,185
Term	170,713	174,688	170,713	174,688
Total	645,180	572,289	645,216	572,384
Less prepaid interest expense	(486)	(664)	(486)	(664)
Total	644,694	571,625	644,730	571,720

22.2 Classified by currency and residency of depositors

Consolidated						
	2015		2014			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	636,273	5,709	641,982	564,884	5,290	570,174
US Dollar	2,195	297	2,492	1,175	152	1,327
Other currencies	199	21	220	109	15	124
Total	638,667	6,027	644,694	566,168	5,457	571,625

Bank only						
	2015		2014			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	636,309	5,709	642,018	564,979	5,290	570,269
US Dollar	2,195	297	2,492	1,175	152	1,327
Other currencies	199	21	220	109	15	124
Total	638,703	6,027	644,730	566,263	5,457	571,720

23 Interbank and money market items (liabilities)

Consolidated and Bank only						
	2015		2014			
	At call	Term	Total	At call	Term	Total
	<i>(in million Baht)</i>					
Domestic						
Bank of Thailand and Financial Institutions						
Development Fund	-	3,837	3,837	-	4,957	4,957
Commercial banks	109	16,570	16,679	135	36,150	36,285
Specialised financial institutions	17	5,575	5,592	1,049	19,775	20,824
Other financial institutions	6,578	74	6,652	4,881	70	4,951
Total domestic	6,704	26,056	32,760	6,065	60,952	67,017

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

	Consolidated and Bank only					
	At call	2015 Term	Total (in million Baht)	At call	2014 Term	Total
Foreign						
US Dollar	1,249	-	1,249	351	3,296	3,647
Other currencies	2,207	-	2,207	2,052	-	2,052
Total foreign	3,456	-	3,456	2,403	3,296	5,699
Total domestic and foreign, net	10,160	26,056	36,216	8,468	64,248	72,716

24 Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as at 31 December 2015 and 2014 were as follows:

	Consolidated and Bank only	
	2015 (in million Baht)	2014
Debt issued	299	183
Total	299	183

Proportion of transactions classified by the contract parties based on the amount of the contract as at 31 December 2015 and 2014 were as follows:

	Consolidated and Bank only	
	2015 (%)	2014
Contract parties		
Financial institutions	100.00	100.00
Total	100.00	100.00

25 Debts issued and borrowings, net

	Consolidated and Bank only							
	Interest rates		Maturities	2015			2014	
	as at 31 December 2015 (%)			Domestic	Foreign	Total (in million Baht)	Domestic	Foreign
Subordinated debentures ⁽¹⁾	4.50 and 5.50	2017 ⁽²⁾ and 2019 ⁽²⁾	25,350	-	25,350	33,350	-	33,350
Senior debentures	5.50	2018	-	3,327	3,327	-	-	-
Bills of exchange	2.15 - 4.50	2016	15	-	15	724	-	724
Other borrowings	0.00 - 2.00	2016 - 2031	71	1,597	1,668	131	2,220	2,351
Total			25,436	4,924	30,360	34,205	2,220	36,425
Less prepaid interest expenses			(177)	-	(177)	(176)	-	(176)
Net			25,259	4,924	30,183	34,029	2,220	36,249

⁽¹⁾ Counted as a part of Tier 2 capital, which is determined under the conditions as specified in the BoT's Notification (Note 7)

⁽²⁾ The years in which call option exercise periods start

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

25.1 Subordinated debentures

- 25.1.1 On 2 April 2010, the Bank issued the Subordinated Debenture No.1/2553, amounting to Baht 8,000 million, which has a 10-year maturity period and carries a fixed interest rate of 4.70% per annum for the first 5 years and 6.00% per annum for the sixth to the tenth years. Interest is payable quarterly in January, April, July and October of every year. The Bank can early redeem the Subordinated Debenture No.1/2553 after 5 years from the issue date or according to certain specified conditions.

On 2 April 2015, the Bank early redeemed its entire subordinated debenture No. 1/2553, with a principal of Baht 8,000 million, together with interest thereon, since the Bank issued this debenture for five years which meet criteria to early redeem and therefore no longer qualified as Tier 2 capital of the Bank. Such early redemption has already been approved by the Bank of Thailand.

- 25.1.2 On 18 May 2012, the Bank issued the Subordinated Debenture No.1/2555, amounting to Baht 9,400 million, which has a 10-year maturity period and carries a fixed interest rate of 4.50% per annum, payable annually in advance on 18 May of every year with the exception of the first interest payment, which was made on 25 May 2012. The Bank can early redeem the Subordinated Debenture No.1/2555 under each of the following circumstances:

1. On or after the fifth anniversary of the issue date.
2. The Bank can show that the interest on the debenture could not be treated as tax-deductible expenses.
3. The Bank of Thailand issues additional regulations which allow the Bank to early redeem the debenture.

- 25.1.3 On 25 May 2012, the Bank issued the Subordinated Debenture No.2/2555, amounting to Baht 950 million, which has a 10-year maturity period and carries a fixed interest rate of 4.50% per annum, payable annually in advance on 25 May of every year with the exception of the first interest payment, which was made on 1 June 2012. The Bank can early redeem the Subordinated Debenture No.2/2555 under each of the following circumstances:

1. On or after the fifth anniversary of the issue date.
2. The Bank can show that the interest on the debenture could not be treated as tax-deductible expenses.
3. The Bank of Thailand issues additional regulations which allow the Bank to early redeem the debenture.

- 25.1.4 On 29 August 2014, the Bank issued the Subordinated Debenture No.1/2557 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 15,000 million, which has a 10-year maturity period and carries a fixed interest rate of 5.50% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the Subordinated Notes No.1/2557 after 5 years from the issue date or according to certain specified conditions. The Bank has to get The Bank of Thailand's approval before early redemption of the Subordinated Notes.

25.2 Senior debentures

On 9 March 2015, the Bank issued the unsecured senior debentures with the bondholder representatives offered to offshore investors for a total amount of CNY 600 million, which has a 3-year maturity carrying a fixed interest rate of 5.50% per annum, payable semi-annually in March and September of every year. The debentures have been issued under the Bank's Euro Medium Term Note Programme.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

25.3 Other Borrowings

Borrowings with specific uses (other borrowings) as at 31 December 2015 and 2014 were as follows:

Borrowings from	Objectives of borrowings	Consolidated and Bank only			
		2015	Baht equivalent	2014	Baht equivalent
		Outstanding balances	(in million Baht)	Outstanding balances	(in million Baht)
Energy Conservation Promotion Fund	For enterprises investing for energy conservation	Baht 51 million	51	Baht 110 million	110
National Science and Technology Development Agency	For enterprises involving in research and development activities	Baht 20 million	20	Baht 21 million	21
Nordic Investment Bank (NIB)	For joint ventures with the Nordic countries and businesses using Nordic machinery/equipment	USD 7 million	259	USD 12 million	408
Japan Bank for International Cooperation (JBIC)	For equity investment & on-lending to non-SET listed enterprises and non-environmental impact having a joint-venture with Japanese or Japanese connection, or Tsunami adversely affected entrepreneurs having Japanese connection	USD 33 million	1,203	USD 50 million	1,648
KfW Bankengruppe (KfW)	For small industry businesses	EUR 3 million	135	EUR 4 million	164
Total			1,668		2,351

26 Provision for employee benefits

26.1 Defined contribution plan

The Bank, its subsidiaries and their employees have jointly established provident fund schemes under the Provident Fund Act B.E. 2530. The employees contribute to the funds at rates ranging from 2 - 10% of their basic salaries and the Bank and its subsidiaries contribute at rates ranging from 5 - 10%, depending on the number of years of service of each employee. The funds will be paid to the employees upon death, termination or dissolution of the business, in accordance with the rules of the funds. The fund assets are held separately from those of the Bank and its subsidiaries, under the management of the fund manager.

For the years ended 31 December 2015 and 2014, the Bank and its subsidiaries contributed Baht 386 million and Baht 372 million, respectively to the funds (Bank only: Baht 378 million and Baht 364 million, respectively).

26.2 Defined benefit plans

(a) Detail of defined benefit plans

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Post-employment benefit plans	1,479	1,520	1,458	1,498
Other long-term employee benefit plans	14	15	14	15
Total	1,493	1,535	1,472	1,513

(b) Movement in post-employment benefit obligations

Actuarial gains recognised in other comprehensive income arising from:

(c) Actuarial assumptions of post-employment benefit obligations

	Consolidated		Bank only	
	2015	2014	2015	2014
		(%)		
Discount rate	2.86, 3.15	3.28, 3.73, 3.95	2.86	3.73
Future salary growth	5.00, 5.30	5.00, 5.50	5.30	5.00
Staff turnover rates	0.00 - 30.00	0.00 - 18.00	0.00 - 30.00	0.00 - 18.00

82

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

(d) Sensitivity analysis of post-employment benefit obligations

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

Consolidated				
2015				
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) (in million Baht)	Change (-) in assumption	Post-employment benefit obligations increase (decrease) (in million Baht)
Discount rate	+ 1%	(138)	- 1%	159
Future salary growth	+ 1%	146	- 1%	(129)
Future mortality	+ 1 year	12	- 1 year	(12)
Bank only				
2015				
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) (in million Baht)	Change (-) in assumption	Post-employment benefit obligations increase (decrease) (in million Baht)
Discount rate	+ 1%	(136)	- 1%	157
Future salary growth	+ 1%	143	- 1%	(127)
Future mortality	+ 1 year	12	- 1 year	(12)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

27 Provision for other liabilities

The movement in provision for other liabilities during the year were as follows:

Consolidated				
	Commitment from letters of guarantee issued, avals and other guarantees	Obligation for litigation cases (Note 35.2) (in million Baht)	Others	Total
At 1 January 2014	412	63	64	539
Provisions made	27	1	43	71
Provisions used	-	(4)	-	(4)
Paid during the year	-	(12)	(59)	(71)
At 31 December 2014 and 1 January 2015	439	48	48	535
Provisions made	18	-	30	48
Provisions used	-	(27)	-	(27)
Paid during the year	-	(2)	(12)	(14)
At 31 December 2015	457	19	66	542

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

	Bank only			
	Commitment from letters of guarantee issued, avals and other guarantees	Obligation for litigation cases (Note 35.2) (in million Baht)	Others	Total
At 1 January 2014	412	54	59	525
Provisions made	27	1	43	71
Provisions used	-	-	-	-
Paid during the year	-	(12)	(54)	(66)
At 31 December 2014 and 1 January 2015	439	43	48	530
Provisions made	18	-	30	48
Provisions used	-	(22)	-	(22)
Paid during the year	-	(2)	(12)	(14)
At 31 December 2015	457	19	66	542

28 Other payables

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Payables on purchases of investments	6,005	4,780	6,005	4,780
Others	983	857	979	850
Total	6,988	5,637	6,984	5,630

29 Other liabilities

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Accrued expenses	4,683	3,872	4,633	3,722
Accrued interest expenses	1,084	1,156	1,084	1,156
Deposits and guarantees received	283	716	282	702
Collateral on derivative transactions	185	178	185	178
Suspense accounts - creditors	1,916	2,293	1,910	2,285
Others	668	673	612	631
Total	8,819	8,888	8,706	8,674

30 Share-based payments - TMB Performance Share Bonus

30.1 Information of TMB Performance Share Bonus Scheme

On 24 June 2010, the Extraordinary General Meeting of Shareholders No.1/2553 approved the TMB Performance Share Bonus 2010 Project (TMB PSBP 2010 scheme) which will offer newly issued ordinary shares of the Bank to its employees (including employees who hold a position of director of the Bank) who have qualifications under TMB PSBP 2010. The employees under TMB PSBP 2010 shall be entitled to subscribe for the newly issued shares according to the conditions specified in TMB PSBP 2010 with mandatory participation of top management but optional participation of staff at other levels.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Term of continuing scheme:	5 years starting from the first offering date.
Number of ordinary shares to be offered:	Not exceeding the total of 400,000,000 newly issued ordinary shares with the par value of Baht 0.95 each, which will be offered pursuant to the continuing scheme.
Offering price per share:	The offering price per share to be offered to the employees under TMB PSBP 2010 is equivalent to the average closing price of ordinary shares of the Bank on the Stock Exchange of Thailand (“SET”) on each trading day for the period of 90 calendar days prior to each offering date of the newly issued shares. The offering price may be lower than 90% of the market price as prescribed in the notification of the Securities and Exchange Commission relating to the calculation of the offering price and the determination of the offering price for issuance of the newly issued shares. In the case that the calculation of the offering price in any offering is lower than the par value of the ordinary shares of the Bank, the Bank is required to offer newly issued shares to the employees under TMB PSBP 2010 Project at the price equivalent to the par value of the ordinary shares of the Bank.
Condition of subscription for the newly issued shares:	The employees under TMB PSBP 2010 who will subscribe for the newly issued shares shall be employees of the Bank as of the subscription date of such newly issued shares (the rights for employees who are retired pursuant to the Bank’s regulation or death are still retained).

For the years ended 31 December 2015 and 2014, the Bank recorded expenses in relation to share-based payments of Baht 93 million and Baht 155 million, respectively.

30.2 The offering of new ordinary shares

The offering of new ordinary shares	Par value	Offering Price	The offering of new ordinary shares	Ordinary shares issued to employees ⁽¹⁾	Ordinary shares not to be issued	Balance of new ordinary shares unissued as at 31 December 2015
	(Baht/share)			(shares)		
The first offering, 2011	0.95	2.25	68,393,400	(61,556,286)	(6,837,114)	-
The second offering, 2012	0.95	1.67	101,795,300	(88,262,936)	(13,532,364)	-
The third offering, 2013	0.95	2.28	78,634,700	(46,923,995)	(11,847,785)	19,862,920
The fourth offering, 2014	0.95	2.30	85,191,700	(24,017,919)	(17,021,094)	44,152,687
The fifth offering, 2015	0.95	3.04	53,599,400	-	(4,028,100)	49,571,300
Total			387,614,500	(220,761,136)	(53,266,457)	113,586,907

⁽¹⁾ The shares will be gradually issued on an annual basis over three years since the offering of such ordinary shares.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

30.3 Reconciliation of issued and paid-up ordinary share capital, share premium and other reserve - share-based payments

Consolidated and Bank only				
2015				
	Issued and paid-up ordinary share capital (No. of shares)	(in Baht)	Share premium (in Baht)	Other reserve - share-based payments
At 1 January	43,678,764,288	41,494,826,074	157,689,646	265,835,782
Issued ordinary shares to employees	70,735,327	67,198,561	79,053,115	(146,251,676)
Expenses in relation to issuance of ordinary shares to employees	-	-	(561,354)	-
Expenses in relation to share-based payments	-	-	-	93,066,338
At 31 December	43,749,499,615	41,562,024,635	236,181,407	212,650,444

Consolidated and Bank only				
2014				
	Issued and paid-up ordinary share capital (No. of shares)	(in Baht)	Share premium (in Baht)	Other reserve - share-based payments
At 1 January	43,606,322,266	41,426,006,153	81,196,245	256,594,958
Issued ordinary shares to employees	72,442,022	68,819,921	77,069,887	(145,889,808)
Expenses in relation to issuance of ordinary shares to employees	-	-	(576,486)	-
Expenses in relation to share-based payments	-	-	-	155,130,632
At 31 December	43,678,764,288	41,494,826,074	157,689,646	265,835,782

31 Revaluation surplus on assets

This represents surplus arising from revaluation of land and buildings. The revaluation surplus can neither be offset against deficit nor used for dividend distribution.

The movements in revaluation surplus on assets during the years were as follows:

Consolidated and Bank only		
	2015	2014
	(in million Baht)	
At 1 January	4,686	4,898
Amortised during the year	(68)	(71)
Derecognised during the year	(73)	(81)
Transferred out during the year	(49)	(60)
Balance - end of the year	4,496	4,686
Less deferred income tax	(899)	(937)
At 31 December, net of deferred income tax	3,597	3,749

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

32 Legal reserve

Pursuant to section 116 of the Public Limited Company Act B.E. 2535 and under the Bank's Articles of Association, the Bank is required to set aside a statutory reserve at least 5 percent of its net earnings after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

33 Appropriation of profit and dividend payment

(a) On 10 April 2015, the 2015 Annual General Meeting of the Bank's shareholders passed resolutions approving the appropriation of the 2014 operating profit and dividend payment as follows:

- (1) Appropriation of net profit of Baht 480 million to the legal reserve.
- (2) Payment of a dividend of Baht 0.06 per share from the 2014 operating profit to the shareholders.

The Bank paid such dividend to its shareholders on 7 May 2015.

(b) On 11 April 2014, the 2014 Annual General Meeting of the Bank's shareholders passed resolutions approving the appropriation of the 2013 operating profit and dividend payment as follows:

- (1) Appropriation of net profit of Baht 290 million to the legal reserve.
- (2) Payment of a dividend of Baht 0.04 per share from the 2013 operating profit to the shareholders.

The Bank paid such dividend to its shareholders on 8 May 2014.

34 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 31 December 2015 and 2014 were as follow:

	Consolidated and Bank only	
	2015	2014
	<i>(in million Baht)</i>	
Investments in securities		
- Pledged as collateral with the courts	-	13
- Pledged as security for daily liquidity	-	3,437
- Pledged as collateral against repurchase transactions	3,987	26,705
Total	3,987	30,155

35 Commitments and contingent liabilities

35.1 Commitments

	Consolidated and Bank only	
	2015	2014
	<i>(in million Baht)</i>	
Avals to bills	1,880	543
Guarantees of loans	3	3
Liability under unmatured import bills	2,568	1,855
Letters of credit	33,656	28,131
Other contingencies		
- Other guarantees	60,775	40,428
- Amount of unused bank overdrafts	94,036	82,935
- Committed line	29,954	31,081
- Others	568	624
Total	223,440	185,600

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

As at 31 December 2015, the Bank had no commitments from providing other guarantees to listed companies, which meet criteria for delisting conditions from the Stock Exchange of Thailand (2014: Baht 11 million).

35.2 Litigation

- (a) As at 31 December 2015 and 2014, the Bank and its subsidiaries were claimed pursuant to obligations under the letters of guarantee and other claims for 92 cases and 106 cases in the approximate dispute amounts of Baht 11,012 million and Baht 11,705 million, respectively (Bank only: claims for 85 cases and 97 cases in the approximate dispute amounts of Baht 10,462 million and Baht 10,872 million, respectively). The said claims were made against the Bank and its subsidiaries for the approximate liability amounts of Baht 663 million ⁽¹⁾ and Baht 1,421 million ⁽¹⁾, respectively (Bank only: Baht 635 million ⁽¹⁾ and Baht 1,350 million ⁽¹⁾, respectively).
- (b) As at 31 December 2015 and 2014, the Bank and its subsidiaries have recognised provisions for possible losses from the litigation cases totalling Baht 19 million and Baht 48 million, respectively (Bank only: Baht 19 million and Baht 43 million, respectively). The management considers that the provision established for such potential losses due to the said litigation cases is adequate.
- (c) In addition, the Bank was claimed in another lawsuit with the sum of Baht 140,261 million due to the purported issuance of a letter of guarantee with a credit limit of Baht 200 million. The Court of First Instance and the Appeals Court dismissed the case. At present, the plaintiff is in the process of filing a petition with the Supreme Court. The management was advised that there is insufficient supporting ground for filing the petition with the Supreme Court and it is unlikely that the plaintiff will win the case; the management believes that the Bank will not be liable in this case.

⁽¹⁾ Excluding the liabilities of the Bank as of 31 December 2015 and 2014 of Baht 2,124 million and Baht 1,761 million, respectively, which the Court of First Instance and the Appeals Court dismissed the cases or rendered the judgement to decrease the Bank's liabilities.

35.3 Non-cancellable operating lease commitments

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Within one year	434	383	424	370
After one year but within five years	561	758	559	749
Total	995	1,141	983	1,119

36 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Definitions and characteristics of relationships

Related parties are as follows:

1. Major shareholders are the shareholders who own over 10% of the Bank's paid-up share capital.
2. Entities with joint control or significant influence over the entity are
 - 2.1 Related companies of major shareholders
 - 2.2 Entities in which related companies of major shareholders hold over 10% of paid-up share capital
 - 2.3 Entities in which the Bank holds over 10% of paid-up share capital (excluding subsidiaries and associate)
3. Subsidiaries
4. Associate
5. Key management personnel of the Bank are directors, management personnel at the level 'Head of' or executive vice president and above, and related management personnel of Accounting or Finance.
6. Other related parties are
 - 6.1 Close family members of key management personnel
 - 6.2 Entities in which key management personnel and their close family members hold over 10% of paid-up share capital
 - 6.3 Entities of which key management personnel and their close family members are directors exercising control or having significant influence

The additional information on investments in subsidiaries and associate is disclosed in Note 12.

Relationships with key management and other related parties were as follows:

Name of entity/ Personnel	Country of incorporation/ nationality	Nature of relationship
Key management personnel	Thailand and other counties	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank and its subsidiaries
Ministry of Finance	Thailand	The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
ING Bank N.V.	The Netherlands	The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
Entities whose shares have been owned or have been controlled by the Ministry of Finance	Thailand	Related through the major shareholder of the Bank, owning over 10% of the Bank's paid-up share capital
Phayathai Asset Management Co., Ltd.	Thailand	Subsidiary, 100% shareholding, more than 50% of directors are representatives of the Bank

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Name of entity/ Personnel	Country of incorporation/ nationality	Nature of relationship
Designee for ETA Contract Ltd.	Thailand	Subsidiary, 99.5% shareholding, more than 50% of directors are representatives of the Bank
TMB Asset Management Co., Ltd.	Thailand	Subsidiary, 87.5% shareholding, more than 50% of directors are representatives of the Bank
Metro Designee Co., Ltd.	Thailand	Associate, 30% shareholding, less than 50% of directors are representatives from the Bank

The pricing policies for particular types of transactions were explained further below:

Transactions

Interest rates of loans

Pricing policies

Based on market rate and the collateral consideration process, the same as the Bank's normal course of business, except for the interest rates of staff welfare loans which are in accordance with the Bank's regulation.

Fee and service income

Registrar and related services, money transfer services for unit holders, agents and support services for funds managed by its subsidiary is charged by the Bank at the rate based on conditions specified in contracts negotiated in the normal course of business, taking into account the size of funds and the purchase and sale volumes of investment units

Interest rate on deposits and borrowings

Based on market rate

Fee and services income for other types of services

Based on market price

Branch office rental and related service

Based on market rate

Sale of non-performing assets to a subsidiary

Based on market price

36.1 Related parties transactions with key management and other related parties

Significant related parties transactions for the years ended 31 December 2015 and 2014 with key management and other related parties were as follows:

	Consolidated 2015						Impairment loss on loans and debt securities (reversal of)
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	
	(in million Baht)						
1. Major shareholders	155	2	-	-	-	10	-
2. Entities with joint control or significant influence over the entity	390	614	31	-	35	255	(9)
3. Subsidiaries	-	-	-	-	-	-	-
4. Associate	-	-	-	-	-	-	-
5. Key management personnel of the Bank	1	3	-	-	-	-	-
6. Other related parties	1	5	-	-	-	39	-

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

Consolidated
2014

	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Impairment loss on loans and debt securities (reversal of)
	<i>(in million Baht)</i>						
1. Major shareholders	139	1	-	-	-	11	-
2. Entities with joint control or significant influence over the entity	381	505	24	-	44	241	14
3. Subsidiaries	-	-	-	-	-	-	-
4. Associate	-	-	-	-	-	-	-
5. Key management personnel of the Bank	1	4	-	-	-	-	-
6. Other related parties	-	4	-	-	-	16	-

Bank only
2015

	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Impairment loss on loans and debt securities (reversal of)
	<i>(in million Baht)</i>						
1. Major shareholders	155	2	-	-	-	10	-
2. Entities with joint control or significant influence over the entity	382	614	31	-	35	255	(9)
3. Subsidiaries	-	-	1,158	-	-	-	-
4. Associate	-	-	-	-	-	-	-
5. Key management personnel of the Bank	1	3	-	-	-	-	-
6. Other related parties	1	5	-	-	-	39	-

Bank only
2014

	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Impairment loss on loans and debt securities (reversal of)
	<i>(in million Baht)</i>						
1. Major shareholders	139	1	-	-	-	11	-
2. Entities with joint control or significant influence over the entity	372	505	24	-	44	241	14
3. Subsidiaries	-	-	662	-	-	-	-
4. Associate	-	-	-	-	-	-	-
5. Key management personnel of the Bank	1	4	-	-	-	-	-
6. Other related parties	-	4	-	-	-	16	-

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

36.2 Outstanding balances with related parties

As at 31 December 2015 and 2014, significant outstanding balances with related persons or parties were as follows:

36.2.1 Significant balances between the Bank and its subsidiaries and their major shareholders as at 31 December 2015 and 2014 were as follows:

	Consolidated and Bank only	
	2015	2014
	<i>(in million Baht)</i>	
Loans to customers and accrued interest receivables, net		
Ministry of Finance	6,548	6,553
Deposits (including interbank and money market items - liabilities)		
ING Bank N.V.	286	326
Debts issued and borrowings (including interbank and money market items - liabilities)		
ING Bank N.V.	-	1,648
Contingencies – Derivatives ⁽¹⁾		
ING Bank N.V.	1,773	600
⁽¹⁾ Presented in notional amount		
Other contingencies		
ING Bank N.V.	18	16
Other liabilities		
ING Bank N.V.	-	1

36.2.2 Significant balances between the Bank and its subsidiaries and other entities with joint control or significant influence over the entities as at 31 December 2015 and 2014 were as follows:

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Investment in debt securities				
Entities whose shares are owned or controlled by the Ministry of Finance	-	15	-	15
Interbank and money market items - assets and loans to customers and accrued interest receivables				
Entities whose shares are owned or controlled by the Ministry of Finance	19,605	27,021	19,198	26,743
Thai Charoenpol Industry Co., Ltd.	3	3	3	3
Total	19,608	27,024	19,201	26,746
Allowance for doubtful accounts				
Entities whose shares are owned or controlled by the Ministry of Finance	62	72	62	72
Thai Charoenpol Industry Co., Ltd.	2	2	2	2
Total	64	74	64	74

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Other receivables				
Entities whose shares are owned or controlled by the Ministry of Finance	4,398	4,398	4,398	4,398
Other assets				
Entities whose shares are owned or controlled by the Ministry of Finance	286	285	286	285
Deposits (including interbank and money market items - liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance	11,886	15,635	11,886	15,635
TMB Property Development Co., Ltd.	4	4	4	4
Total	11,890	15,639	11,890	15,639
Debts issued and borrowings (including interbank and money market items - liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance	5,575	30,725	5,575	30,725
Provisions for obligation on transfers of non-performing assets				
Entities whose shares are owned or controlled by the Ministry of Finance	5,998	5,998	5,998	5,998
Other liabilities				
Entities whose shares are owned or controlled by the Ministry of Finance	9	29	9	29
Contingencies - derivatives ⁽¹⁾				
Entities whose shares are owned or controlled by the Ministry of Finance	130,302	141,128	130,302	141,128
⁽¹⁾ Presented in notional amount				
Other contingencies				
Entities whose shares are owned or controlled by the Ministry of Finance	1,261	626	1,261	626

36.2.3 Significant balances between the Bank and its subsidiaries and associate as at 31 December 2015 and 2014 were as follows:

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Other assets				
Phayathai Asset Management Co., Ltd.	-	-	1	3
TMB Asset Management Co., Ltd.	-	-	69	57
Total	-	-	70	60
Deposits				
Phayathai Asset Management Co., Ltd.	-	-	6	61
TMB Asset Management Co., Ltd.	-	-	30	34
Total	-	-	36	95

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Other liabilities				
Phayathai Asset Management Co., Ltd.	-	-	-	4
TMB Asset Management Co., Ltd.	-	-	-	31
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>

36.2.4 Significant balances between the Bank and its subsidiaries, and their key management personnel as at 31 December 2015 and 2014 were as follows:

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Loans to customers and accrued interest receivables, net	22	12	21	11
Welfare loans	52	44	52	44
Deposits	177	194	171	186
Allowance for doubtful accounts	1	1	1	1

36.2.5 Significant balances between the Bank and its subsidiaries, and other related parties as at 31 December 2015 and 2014 were as follows:

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Loans to customers and accrued interest receivables, net	31	3	31	3
Deposits	220	184	220	184
Other liabilities	2	1	2	1

36.3 Senior management personnel compensation

For the years ended 31 December 2015 and 2014, senior management personnel compensation, included in profit or loss, was classified as follows:

	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Short-term employee benefits - directors	42	38	41	37
Short-term employee benefits - management	780	663	751	624
Post-employment benefits	48	48	44	42
Termination benefit	3	3	-	-
Share-based payments (performance share bonus)	92	136	92	136
Total	<u>965</u>	<u>888</u>	<u>928</u>	<u>839</u>

Senior management personnel of the Bank are directors, management personnel at the level 'Head of' or executive vice president and above, and related management personnel of Accounting or Finance. Senior managements of the subsidiaries are those at the level of director and executive officer upwards.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

36.4 Other benefits payable to the senior management personnel

The Bank's senior management personnel do not receive other benefits both in terms of monetary and non-monetary items, except for the benefits that are normally received as mentioned in Note 36.3 such as monthly director remuneration, meeting allowance, salary and bonus. Directors who are the Bank's executives and the representative directors who are the executives of ING Bank N.V. shall not receive director remuneration as per the criteria of the Bank and ING Bank N.V. Nevertheless, directors with permanent residence abroad can reimburse travelling and accommodation expenses in connection with the operation of the Bank's business as actually incurred. Foreign executives are eligible for additional benefits, which are housing allowances, including utilities, telephone and home trip expenses in accordance with the established criteria.

37 Segment information

For management purposes, the Bank's businesses are divided into the following core segments, based on customer segmentation:

1. Commercial Banking

1.1 Wholesale Banking: These are corporate customers and owner operators with annual revenues of Baht 500 million and over. The main products and services are corporate loans, letters of guarantee, deposits, trade finance, supply chain solution and financial management, syndicated loans, and investment banking.

1.2 Small and Medium Enterprise: These are corporate customers and owner operators with annual revenues of less than Baht 500 million. The main products and services are corporate loans, letters of guarantee, deposits, trade finance, supply chain solution and financial management.

2. Retail Banking: This represents individual persons. The main products and services are deposits, housing and personal loans, cards services, bancassurance and mutual funds, and foreign currency services.

The Bank evaluates segment performance based on profit from operation, using the same accounting policies as those used in its preparation of the financial statements.

The inter-segment transfer pricing policy is to set prices with reference to market rates. Direct operating expenses are recorded as expenses for each operating segment and certain expenses are allocated to each operating segments based on relevant variables e.g. number of transactions, asset based and liabilities base, etc.

The operating segment information, as reported below, is reported in a manner consistent with the Bank's internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to make decisions on the allocation of resources to the operating segments and assess their performance. The Chief Operating Decision Maker has been identified as the Chief Executive Committee.

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

Information about reportable segments:

For the year ended
31 December 2015

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	14,888	6,479	1,862	-	23,229
Other operating income	4,402	4,736	989	(45)	10,082
Total operating income	19,290	11,215	2,851	(45)	33,311
Operating expenses	(7,523)	(8,151)	(746)	45	(16,375)
Profits from operation	11,767	3,064	2,105	-	16,936
Other income (expenses), net					(6)
Provision for doubtful accounts on loans and loan - related transactions					(5,426)
Profit before income tax expense					11,504
Income tax expense					(2,153)
Profit for the year					9,351
Depreciation and amortisation	130	674	374	-	1,178
Source of operating income breakdown by operating segments					
Third party	27,206	3,281	2,824	-	33,311
Inter - segment	(7,916)	7,934	27	(45)	-
Total operating income	19,290	11,215	2,851	(45)	33,311

For the year ended
31 December 2014

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	13,569	6,258	2,079	-	21,906
Other operating income	3,139	4,076	679	(32)	7,862
Total operating income	16,708	10,334	2,758	(32)	29,768
Operating expenses	(7,183)	(7,827)	(643)	32	(15,621)
Profits from operation	9,525	2,507	2,115	-	14,147
Other income (expenses), net					7
Provision for doubtful accounts on loans and loan-related transactions					(3,412)
Profit before income tax expense					10,742
Income tax expense					(1,191)
Profit for the year					9,551
Depreciation and amortisation	132	677	405	-	1,214
Source of operating income breakdown by operating segments					
Third party	24,972	1,577	3,219	-	29,768
Inter - segment	(8,264)	8,757	(461)	(32)	-
Total operating income	16,708	10,334	2,758	(32)	29,768

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

Reconciliation of reportable segment profit or loss

For the year ended
31 December 2015

	Net interest income	Non- interest income	Consolidated Operating expenses (in million Baht)	Other income (expenses)	Impairment loss on loans and debt securities
Segment reporting	23,229	10,082	(16,375)	(6)	(5,426)
Bad debts, doubtful accounts and impairment losses	-	100	(47)	-	(53)
Others	(9)	48	(45)	6	-
Consolidated financial statements	23,220	10,230	(16,467)	-	(5,479)

For the year ended
31 December 2014

	Net interest income	Non- interest income	Consolidated Operating expenses (in million Baht)	Other income (expenses)	Impairment loss on loans and debt securities
Segment reporting	21,906	7,862	(15,621)	7	(3,412)
Bad debts, doubtful accounts and impairment losses	-	80	(55)	-	(25)
Others	(311)	416	(98)	(7)	-
Consolidated financial statements	21,595	8,358	(15,774)	-	(3,437)

	Commercial banking	Retail banking	Consolidated 2015 Other segments (in million Baht)	Elimination	Total
Assets	610,984	106,068	125,293	(3,408)	838,937
Liabilities and equity	236,224	433,889	172,232	(3,408)	838,937

	Commercial banking	Retail banking	Consolidated 2014 Other segments (in million Baht)	Elimination	Total
Assets	570,299	88,501	153,759	(3,377)	809,182
Liabilities and equity	253,031	374,523	185,005	(3,377)	809,182

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

38 The financial position and results of operations classified by domestic and foreign business

38.1 As at 31 December 2015 and 2014, the financial position classified by domestic and foreign business was as follows:

	Consolidated					
	Domestic business	2015 Foreign business			2014 Foreign business	Total
			Total	Domestic business		
			(in million Baht)			
Total assets	838,248	689	838,937	808,545	637	809,182
Interbank and money market items, net (assets)	115,219	539	115,758	112,624	473	113,097
Investments, net	98,260	-	98,260	110,859	-	110,859
Loans to customers and accrued interest receivables, net	552,727	92	552,819	502,975	91	503,066
Deposits	644,561	133	644,694	571,461	164	571,625
Interbank and money market items (liabilities)	36,118	98	36,216	69,351	3,366	72,717
Debts issued and borrowings, net	25,653	4,530	30,183	34,601	1,648	36,249

38.2 The results of operations classified by domestic and foreign business for the years ended 31 December 2015 and 2014 were as follows:

<i>For the years ended 31 December</i>	Consolidated							
	2015			2014				Total
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	
				<i>(in million Baht)</i>				
Interest income	36,425	181	(176)	36,430	35,843	34	(29)	35,848
Interest expense	13,212	174	(176)	13,210	14,259	23	(29)	14,253
Net interest income	23,213	7	-	23,220	21,584	11	-	21,595
Net fees and service income	7,821	-	-	7,821	5,727	7	-	5,734
Other operating income	2,408	1	-	2,409	2,624	-	-	2,624
Other operating expenses	16,458	9	-	16,467	15,760	14	-	15,774
Impairment loss on loans and debt securities	5,479	-	-	5,479	3,437	-	-	3,437
Profit from operations before income tax expenses	<u>11,505</u>	<u>(1)</u>	<u>-</u>	<u>11,504</u>	<u>10,738</u>	<u>4</u>	<u>-</u>	<u>10,742</u>

39 Interest income

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Interbank and money market items	2,037	2,229	2,020	2,211
Investments and trading transactions	274	289	274	289
Investments in debt securities	2,148	2,658	2,148	2,658
Loans to customers	31,588	30,210	31,567	30,086
Others	383	462	384	451
Total	<u>36,430</u>	<u>35,848</u>	<u>36,393</u>	<u>35,695</u>

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

40 Interest expenses

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Deposits	8,163	9,141	8,163	9,141
Interbank and money market items	882	1,054	882	1,054
Contribution to Deposits Protection Agency and BoT	2,829	2,669	2,829	2,669
Debt issued				
- Subordinated debentures	1,260	1,218	1,260	1,218
- Others	47	94	47	94
Borrowings	26	72	26	72
Others	3	5	3	5
Total	13,210	14,253	13,210	14,253

41 Net fees and service income

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Fees and service income				
- Acceptance, avals and guarantees	544	394	544	394
- Credit card and ATM	2,340	2,402	2,340	2,402
- Funds and Bancassurance	4,355	3,109	3,688	2,544
- Others	2,473	1,969	2,517	2,001
Total	9,712	7,874	9,089	7,341
Fees and service expenses				
- Credit card and ATM	(1,348)	(1,357)	(1,348)	(1,357)
- Others	(543)	(783)	(432)	(692)
Total	(1,891)	(2,140)	(1,780)	(2,049)
Net	7,821	5,734	7,309	5,292

42 Gains on trading and foreign exchange transactions, net

<i>For the years ended 31 December</i>	Consolidated and Bank only	
	2015	2014
	<i>(in million Baht)</i>	
Gains on tradings and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	1,573	1,542
- Derivatives on interest rates	15	339
- Derivatives on commodity	-	1
- Debt securities	113	110
Total	1,701	1,992

TMB Bank Public Company Limited and its Subsidiaries
Notes to the financial statements

43 Loss on financial liabilities designated at fair value through profit or loss, net

Loss on financial liabilities designated at fair value through profit or loss for the years ended 31 December 2015 and 2014 were as follows:

<i>For the years ended 31 December</i>	Consolidated and Bank only	
	2015	2014
	<i>(in million Baht)</i>	
Net change in fair value	(16)	(34)
Net loss on financial liabilities transferred	-	(17)
Loss on financial liabilities designated at fair value through profit or loss, net	(16)	(51)

44 Gains on investments, net

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Gains on sales				
- Available-for-sale investments	178	186	95	186
- General investments	5	4	5	4
Total	183	190	100	190
Reversal of (losses on) impairment				
- General investments	(2)	3	(2)	3
- Investments in subsidiaries	-	-	102	357
Total	(2)	3	100	360
Net	181	193	200	550

45 Other operating expenses

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Marketing and business promotion expenses	1,296	1,247	1,206	1,165
Communication expenses	401	373	400	371
Amortisation of intangible assets	304	281	302	279
Losses on impairment of properties foreclosed and other assets	118	103	114	106
Others	1,726	1,483	1,698	1,439
Total	3,845	3,487	3,720	3,360

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

46 Impairment loss of loans and debt securities

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2015	2014	2015	2014
	<i>(in million Baht)</i>			
Bad debts and doubtful accounts				
- Interbank and money market items	175	4	175	4
- Loans to customers	5,233 ⁽¹⁾	3,390	5,271 ⁽¹⁾	3,754
Allowance for debt restructuring on loans to customers	71	43	71	43
Total	5,479	3,437	5,517	3,801

⁽¹⁾ The selling price in excess of the carrying value of NPLs sale (see in Note 13.5) of Baht 465 million was presented as a deduction from this item.

47 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2015 and 2014 were based on the profit for the years attributable to equity holders of the Bank and the number of ordinary shares outstanding during the years as follows:

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2015	2014	2015	2014
Profit for the years attributable to equity holders of the Bank <i>(in million Baht)</i>	<u>9,333</u>	<u>9,539</u>	<u>9,184</u>	<u>9,443</u>
Weighted average number of ordinary shares outstanding <i>(in million shares)</i>	<u>43,730</u>	<u>43,659</u>	<u>43,730</u>	<u>43,659</u>
Basic earnings per share <i>(in Baht)</i>	<u>0.2134</u>	<u>0.2185</u>	<u>0.2100</u>	<u>0.2163</u>

Diluted earnings per share

The calculations of diluted earnings per share for the years ended 31 December 2015 and 2014 were based on the profit for the years attributable to equity holders of the Bank and the number of ordinary shares outstanding during the years after adjusting for the effects of all dilutive potential ordinary shares as follows:

<i>For the years ended 31 December</i>	Consolidated		Bank only	
	2015	2014	2015	2014
Profit for the years attributable to equity holders of the Bank <i>(in million Baht)</i>	<u>9,333</u>	<u>9,539</u>	<u>9,184</u>	<u>9,443</u>
Weighted average number of ordinary shares outstanding <i>(in million shares)</i>	<u>43,730</u>	<u>43,659</u>	<u>43,730</u>	<u>43,659</u>
Effect of dilutive potential ordinary shares from TMB PSBP 2010 Scheme <i>(in million shares)</i>	<u>127</u>	<u>161</u>	<u>127</u>	<u>161</u>
Weighted average number of diluted ordinary shares outstanding <i>(in million shares)</i>	<u>43,857</u>	<u>43,820</u>	<u>43,857</u>	<u>43,820</u>
Diluted earnings per share <i>(in Baht)</i>	<u>0.2128</u>	<u>0.2177</u>	<u>0.2094</u>	<u>0.2155</u>

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

48 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Bank and its subsidiaries' operations, which become effective for annual financial periods beginning on or after 1 January 2016, are set out below. The Bank and its subsidiaries do not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2015)	Borrowing Costs
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2015)	Separate Financial Statements
TAS 28 (revised 2015)	Investments in Associates and Joint Ventures
TAS 33 (revised 2015)	Earnings Per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TFRS 2 (revised 2015)	Share-based Payment
TFRS 3 (revised 2015)	Business Combinations
TFRS 5 (revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2015)	Operating Segments
TFRS 10 (revised 2015)	Consolidated Financial Statements
TFRS 12 (revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2015)	Fair Value Measurement
TSIC 15 (revised 2015)	Operating Leases - Incentives
TSIC 27 (revised 2015)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 32 (revised 2015)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2015)	Determining Whether an Arrangement Contains a Lease
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2015)	Customer Loyalty Programmes
TFRIC 14 (revised 2015)	TAS 19 (revised 2015) <i>Employee Benefits</i> - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 18 (revised 2015)	Transfers of Assets from Customers

The Bank and its subsidiaries have made a preliminary assessment of the potential initial impact on the consolidated and the Bank only financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

49 Events after the reporting period

On 17 February 2016, the Board of Directors of the Bank passed a resolution to propose for consideration and approval in the Annual General Meeting of Shareholders, including, the payment of a dividend of Baht 0.06 per share to the Bank's ordinary shareholders from its 2015 operating results or a total of Baht 2,625 million (Such dividend amount is calculated on the number of issued and paid-up share capital as at 31 December 2015, which has yet to include the number of ordinary shares that will be issued in April 2016 under the TMB Performance Shares Bonus 2010 Project to employees, who were offered in 2013, 2014 and 2015 and are still the employees of the Bank as of the subscription date of such newly issued shares). Such dividend will be paid and recorded after it is approved by the resolution of the Annual General Meeting of the Bank's shareholders.