

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

Interim financial statements
for the three-month and six-month periods ended
30 June 2017
and
Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of TMB Bank Public Company Limited

Audit Report

Opinion

I have audited the interim 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 30 June 2017, the consolidated and the Bank only statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying interim consolidated and the Bank only financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 30 June 2017 and their financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

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

Key Audit Matters

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

Allowance for doubtful accounts on loans to customers	
For disclosures related to credit risk of loans to customers and allowance for doubtful accounts, refer to notes 13 and 15.	
The key audit matter	How the matter was addressed in the audit
As at 30 June 2017, loans to customers recorded in the interim consolidated and the Bank only financial statements amounted to Baht 616.82 billion and Baht 616.78 billion (approximately 73.38% and 73.46% of total assets), against which allowances for doubtful accounts of Baht 25.20 billion and Baht 25.16 billion, respectively, were provided. The estimation of the allowance involves judgements over both the timing of recognition and the estimation of the amount of the allowance of certain loans and portfolios of loans to customers. The allowance is determined based on the key factors such as historical loss data, expected loss data, credit risk, collateral, economic conditions and management experience. Accordingly it is considered a Key Audit Matter. Management has established a control framework over the impairment process which includes governance procedures, management review and approval, and controls to ensure the integrity of data used in the process and compliance with relevant regulations. Within this framework: ▪ Individual assessments are made by management of credit scoring and classification. Collateral valuation estimates are also used in determining allowances. ▪ The allowances are assessed on a portfolio basis for certain portfolios with similar risk characteristics. Model methodologies and assumptions such as customer behavior are selected, approved, and applied to the underlying data.	In planning my audit procedures, I performed a risk assessment by considering internal and external factors which could affect the performance of individual customers, industry sectors or customer segments, or which could influence the judgments and estimates. My audit procedures included testing the design and operating effectiveness of selected controls surrounding the credit and impairment process. Credit review procedures were performed for a sample of loans, including a detailed review of the individual credit file and other relevant information, from which I formed my own independent assessment. My sample included individually large exposures, loans subject to restructuring and reschedule as well as a selection of loans identified in our risk assessment. Model assumptions and methodologies were tested, where appropriate, including involvement of my own credit risk specialists, reconciliation of data to underlying systems and back-testing results.

Valuation of financial instruments in the statements of financial position	
For disclosures related to financial instruments and fair values, refer to note 6.	
The key audit matter	How the matter was addressed in the audit
As at 30 June 2017, financial assets measured at fair value in the interim consolidated and the Bank only financial statements amounted to Baht 50.39 billion and Baht 47.28 billion, respectively. Financial liabilities measured at fair value in the interim consolidated and the Bank only financial statements amounted to Baht 7.99 billion and Baht 7.99 billion, respectively. The entire amount is classified as “level 2” in the fair value hierarchy. Therefore, judgment is applied in the estimation of the fair value. The use of different valuation techniques and assumptions could produce different estimates of fair value.	For financial instruments, I checked for a selection that pricing inputs used were externally sourced and were correctly input into pricing models. I used my own valuation specialists to assess that the models were appropriate and they valued a selection of the Group and the Bank’s debt securities and derivative positions independently and compared their valuation to the Group and the Bank’s valuation.

Responsibilities of Management and Those Charged with Governance for the Interim Consolidated and the Bank only Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group’s and the Bank’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Interim Consolidated and the Bank only Financial Statements

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

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

- Identify and assess the risks of material misstatement of the interim consolidated and the Bank only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the interim consolidated and the Bank only financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim consolidated and the Bank only financial statements, including the disclosures, and whether the interim consolidated and the Bank only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

Review Report

I have also reviewed the accompanying interim consolidated and the Bank only statements of profit or loss and other comprehensive income for the three-month period ended 30 June 2017 of the Group and the Bank only, respectively. Management is responsible for the preparation and presentation of these interim consolidated and the Bank only statements of profit or loss and other comprehensive income in accordance with Thai Financial Reporting Standards. My responsibility is to express a conclusion on these interim consolidated and the Bank only statements of profit or loss and other comprehensive income based on my review.

Scope of Review

I conducted my review in accordance with the Thai Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim consolidated and the Bank only statements of profit or loss and other comprehensive income for the three-month period ended 30 June 2017 are not prepared, in all material respects, in accordance with Thai Financial Reporting Standards.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
23 August 2017

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

Assets	Note	Consolidated		Bank only	
		30 June	31 December	30 June	31 December
		2017	2016	2017	2016
		(Restated) *		(Restated) *	
(in thousand Baht)					
Cash		12,847,523	16,530,908	12,847,255	16,530,044
Interbank and money market items, net	9, 36.2	104,312,704	113,857,825	103,235,500	112,924,852
Claims on securities		18,065,000	13,114,600	18,065,000	13,114,600
Derivative assets	10	8,212,769	10,460,367	8,212,769	10,460,367
Investments, net	11, 36.2	63,000,285	62,985,265	59,895,829	59,960,002
Investments in subsidiaries, net	12	-	-	3,429,421	3,429,421
Loans to customers and accrued interest receivables, net	13, 36.2				
Loans to customers		616,824,671	593,509,981	616,776,630	593,461,910
Accrued interest receivables		919,475	914,973	919,475	914,973
Total loans to customers and accrued interest receivables		617,744,146	594,424,954	617,696,105	594,376,883
Less deferred revenue		(65,187)	(68,642)	(65,187)	(68,642)
Less allowance for doubtful accounts	13.4, 15, 36.2	(25,195,226)	(24,910,906)	(25,164,906)	(24,880,555)
Less revaluation allowance for debt restructuring	13.7	(215,141)	(177,350)	(215,141)	(177,350)
Total loans to customers and accrued interest receivables, net		592,268,592	569,268,056	592,250,871	569,250,336
Customers' liabilities under acceptances		7,645	4,910	7,645	4,910
Properties for sale, net	16	1,575,350	1,506,050	1,575,350	1,506,050
Premises and equipment, net	17	11,893,508	12,383,373	11,866,003	12,354,385
Goodwill and other intangible assets, net	18	1,826,433	1,704,048	1,763,579	1,640,913
Deferred tax assets	19	764,614	774,854	756,343	760,716
Other receivables, net	20, 36.2	21,345,106	2,261,630	21,290,036	2,151,854
Other assets, net	21, 36.2	4,446,035	5,583,812	4,464,386	5,518,852
Total assets		840,565,564	810,435,698	839,659,987	809,607,302

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

* Refer to note 3

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

Liabilities and equity	Note	Consolidated		Bank only	
		30 June	31 December	30 June	31 December
		2017	2016	2017	2016
		(Restated) *		(Restated) *	
(in thousand Baht)					
Liabilities					
Deposits	22, 36.2	601,428,850	598,948,198	601,526,133	599,021,383
Interbank and money market items	23, 36.2	54,817,426	45,417,479	54,817,426	45,417,479
Liabilities payable on demand		5,297,303	4,032,188	5,297,303	4,032,188
Liabilities to deliver security		18,065,000	13,114,600	18,065,000	13,114,600
Financial liabilities designated at fair value through profit or loss	24	377,288	361,634	377,288	361,634
Derivative liabilities	10	7,859,771	10,728,155	7,859,771	10,728,155
Debts issued and borrowings, net	25, 36.2	34,097,008	39,874,305	34,097,008	39,874,305
Bank's liabilities under acceptances		7,645	4,910	7,645	4,910
Provisions for obligations on transfers of non-performing assets	8, 36.2	1,656,709	1,656,709	1,656,553	1,656,553
Provisions for employee benefits	26	1,215,285	1,453,099	1,187,223	1,424,722
Provisions for other liabilities	27	610,757	701,088	610,726	701,058
Deferred revenue	28	19,582,479	217,981	19,582,479	217,981
Other liabilities	29, 36.2	9,672,789	10,077,546	9,558,840	9,981,898
Total liabilities		754,688,310	726,587,892	754,643,395	726,536,866
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					
43,839,858,871 ordinary shares of Baht 0.95 each					
(31 December 2016: 43,807,370,307 ordinary shares of Baht 0.95 each)	30	41,647,866	41,617,002	41,647,866	41,617,002
Premium on share capital	30	378,931	325,406	378,931	325,406
Other reserves		5,164,682	5,277,866	5,164,068	5,277,590
Retained earnings					
Appropriated					
Legal reserve	32, 33	2,120,000	2,120,000	2,120,000	2,120,000
Unappropriated		36,436,564	34,382,496	35,705,727	33,730,438
Equity attributable to equity holders of the Bank		85,748,043	83,722,770	85,016,592	83,070,436
Non-controlling interest		129,211	125,036	-	-
Total equity		85,877,254	83,847,806	85,016,592	83,070,436
Total liabilities and equity		840,565,564	810,435,698	839,659,987	809,607,302

Mr. Boontuck Wungcharoen
Chief Executive Officer

Mr. Rungson Sriworasat
Chairman of the Board

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

* Refer to note 3

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

	<i>Note</i>	Consolidated		Bank only	
		Three-month period ended		Three-month period ended	
		30 June		30 June	
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Interest income	36.1, 39	8,687,337	8,971,707	8,668,053	8,962,964
Interest expenses	36.1, 40	2,489,391	2,798,677	2,489,533	2,798,728
Net interest income		6,197,946	6,173,030	6,178,520	6,164,236
Fees and service income	36.1, 41	3,505,902	2,453,291	3,204,847	2,290,033
Fees and service expenses	36.1, 41	678,742	538,047	614,605	509,875
Net fees and service income		2,827,160	1,915,244	2,590,242	1,780,158
Gains on trading and foreign exchange transactions, net	42	195,382	270,421	195,382	270,421
Losses on financial liabilities designated at fair value through profit or loss, net	43	(8,827)	(4,416)	(8,827)	(4,416)
Gains on investments, net	44	47,202	2,850	47,202	2,376
Other operating income	36.1	248,242	158,580	367,450	150,324
Total operating income		9,507,105	8,515,709	9,369,969	8,363,099
Other operating expenses					
Employee expenses	36.3	2,185,640	1,916,932	2,125,267	1,858,237
Directors' remuneration	36.3	21,235	19,938	21,145	19,848
Premises and equipment expenses		826,224	802,861	810,645	787,065
Taxes and duties		325,722	321,983	325,101	321,694
Others	36.1, 45	1,006,314	977,576	975,720	962,232
Total other operating expenses		4,365,135	4,039,290	4,257,878	3,949,076
Impairment loss on loans and debt securities	36.1, 46	2,281,506	1,998,199	2,283,460	2,002,617
Profit from operations before income tax		2,860,464	2,478,220	2,828,631	2,411,406
Income tax	19	517,747	324,841	492,042	311,258
Profit for the period		2,342,717	2,153,379	2,336,589	2,100,148
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Gains (losses) on remeasuring available-for-sale investments		35,986	(4,776)	35,437	(21,902)
Gains (losses) arising from translating the financial statements of foreign operations		(10,103)	10,125	(10,103)	10,125
Income tax relating to items that will be reclassified subsequently to profit or loss	19	(5,177)	(1,070)	(5,067)	2,355
		20,706	4,279	20,267	(9,422)
Items that will not be reclassified subsequently to profit or loss					
Change in revaluation surplus on assets		(5,286)	(4,097)	(5,286)	(4,097)
Actuarial gains on post-employment benefit plan	26	108,433	89,069	105,561	91,464
Income tax relating to items that will not be reclassified subsequently to profit or loss	19	(20,629)	(16,994)	(20,055)	(17,473)
		82,518	67,978	80,220	69,894
Total other comprehensive income for the period,					
net of income tax		103,224	72,257	100,487	60,472
Total comprehensive income for the period		2,445,941	2,225,636	2,437,076	2,160,620

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 (Unaudited)

	Consolidated		Bank only	
	Three-month period ended		Three-month period ended	
	30 June		30 June	
<i>Note</i>	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Profit attributable to:				
Equity holders of the Bank	2,329,539	2,150,545	2,336,589	2,100,148
Non-controlling interest	13,178	2,834	-	-
Profit for the period	2,342,717	2,153,379	2,336,589	2,100,148
Total comprehensive income attributable to:				
Equity holders of the Bank	2,432,476	2,223,042	2,437,076	2,160,620
Non-controlling interest	13,465	2,594	-	-
Total comprehensive income for the period	2,445,941	2,225,636	2,437,076	2,160,620
Earnings per share				
Basic earnings per share <i>(in Baht)</i>	0.0531	0.0491	0.0533	0.0479
Diluted earnings per share <i>(in Baht)</i>	0.0531	0.0490	0.0533	0.0479

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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

	<i>Note</i>	Consolidated		Bank only	
		Six-month period ended		Six-month period ended	
		30 June		30 June	
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Interest income	36.1, 39	17,247,389	18,058,856	17,210,042	18,043,885
Interest expenses	36.1, 40	4,889,897	5,957,240	4,890,039	5,957,291
Net interest income		12,357,492	12,101,616	12,320,003	12,086,594
Fees and service income	36.1, 41	6,169,411	4,778,862	5,624,319	4,433,970
Fees and service expenses	36.1, 41	1,308,588	1,021,241	1,184,003	969,793
Net fees and service income		4,860,823	3,757,621	4,440,316	3,464,177
Gains on trading and foreign exchange transactions, net	42	582,829	744,269	582,829	744,269
Losses on financial liabilities designated at fair value through profit or loss, net	43	(15,654)	(22,485)	(15,654)	(22,485)
Gains on investments, net	44	48,560	72,746	48,560	72,123
Other operating income	36.1	571,038	269,636	675,273	255,586
Total operating income		18,405,088	16,923,403	18,051,327	16,600,264
Other operating expenses					
Employee expenses	36.3	4,225,857	3,901,429	4,104,450	3,785,106
Directors' remuneration	36.3	28,845	26,445	28,665	26,265
Premises and equipment expenses		1,640,943	1,496,023	1,610,123	1,464,760
Taxes and duties		624,050	635,632	623,081	635,192
Others	36.1, 45	1,949,572	1,890,408	1,892,231	1,829,076
Total other operating expenses		8,469,267	7,949,937	8,258,550	7,740,399
Impairment loss on loans and debt securities	36.1, 46	4,522,783	3,875,031	4,526,925	3,876,809
Profit from operations before income tax		5,413,038	5,098,435	5,265,852	4,983,056
Income tax	19	965,245	848,415	916,640	825,092
Profit for the period		4,447,793	4,250,020	4,349,212	4,157,964
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Gains (losses) on remeasuring available-for-sale investments		84,081	9,496	83,659	(28,472)
Losses arising from translating the financial statements of foreign operations		(30,310)	(16)	(30,310)	(16)
Income tax relating to items that will be reclassified subsequently to profit or loss	19	(10,754)	(1,896)	(10,670)	5,698
		43,017	7,584	42,679	(22,790)
Items that will not be reclassified subsequently to profit or loss					
Change in revaluation surplus on assets		(12,973)	2,104,292	(12,973)	2,104,292
Actuarial gains on post-employment benefit plan	26	223,911	89,069	221,039	91,464
Income tax relating to items that will not be reclassified subsequently to profit or loss	19	(42,187)	(438,672)	(41,613)	(439,151)
		168,751	1,754,689	166,453	1,756,605
Total other comprehensive income for the period, net of income tax		211,768	1,762,273	209,132	1,733,815
Total comprehensive income for the period		4,659,561	6,012,293	4,558,344	5,891,779

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	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
<i>Note</i>	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Profit attributable to:				
Equity holders of the Bank	4,425,980	4,242,707	4,349,212	4,157,964
Non-controlling interest	21,813	7,313	-	-
Profit for the period	4,447,793	4,250,020	4,349,212	4,157,964
Total comprehensive income attributable to:				
Equity holders of the Bank	4,637,461	6,005,220	4,558,344	5,891,779
Non-controlling interest	22,100	7,073	-	-
Total comprehensive income for the period	4,659,561	6,012,293	4,558,344	5,891,779
Earnings per share				
Basic earnings per share <i>(in Baht)</i>	0.1010	0.0969	0.0992	0.0950
Diluted earnings per share <i>(in Baht)</i>	0.1009	0.0967	0.0992	0.0948

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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					
		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	Total other reserve	Legal reserve	Unappropriated	Equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Note													
(in thousand Baht)													
Six-month period ended 30 June 2016													
Balance at 1 January 2016		41,562,025	236,181	212,651	3,596,433	82,615	67,991	3,959,690	1,710,000	29,023,338	76,491,234	107,129	76,598,363
Comprehensive income for the period													
Profit for the period		-	-	-	-	-	-	-	-	4,242,707	4,242,707	7,313	4,250,020
Other comprehensive income		-	-	-	1,683,434	7,596	(13)	1,691,017	-	71,496	1,762,513	(240)	1,762,273
Total comprehensive income for the period		-	-	-	1,683,434	7,596	(13)	1,691,017	-	4,314,203	6,005,220	7,073	6,012,293
Contributions by and distribution to owners													
of the bank													
Expenses in relation to share-based payments	30.1, 30.3	-	-	33,758	-	-	-	33,758	-	-	33,758	-	33,758
Issue of ordinary shares to employees	30.3	54,977	89,766	(144,743)	-	-	-	(144,743)	-	-	-	-	-
Expenses in relation to issuance of ordinary shares to employees	30.3	-	(541)	-	-	-	-	-	-	-	(541)	-	(541)
Dividend paid	33	-	-	-	-	-	-	-	-	(2,628,305)	(2,628,305)	-	(2,628,305)
Total contributions by and distribution to owners of the bank													
		54,977	89,225	(110,985)	-	-	-	(110,985)	-	(2,628,305)	(2,595,088)	-	(2,595,088)
Transfer to retained earnings		-	-	-	(44,873)	-	-	(44,873)	-	44,873	-	-	-
Balance at 30 June 2016		41,617,002	325,406	101,666	5,234,994	90,211	67,978	5,494,849	1,710,000	30,754,109	79,901,366	114,202	80,015,568
Six-month period ended 30 June 2017													
Balance at 1 January 2017		41,617,002	325,406	105,377	5,160,194	(55,683)	67,978	5,277,866	2,120,000	34,382,496	83,722,770	125,036	83,847,806
Comprehensive income for the period													
Profit for the period		-	-	-	-	-	-	-	-	4,425,980	4,425,980	21,813	4,447,793
Other comprehensive income		-	-	-	(10,378)	67,265	(24,248)	32,639	-	178,842	211,481	287	211,768
Total comprehensive income for the period		-	-	-	(10,378)	67,265	(24,248)	32,639	-	4,604,822	4,637,461	22,100	4,659,561
Contributions by and distribution to owners													
of the bank													
Expenses in relation to share-based payments	30.1, 30.3	-	-	11,292	-	-	-	11,292	-	-	11,292	-	11,292
Issue of ordinary shares to employees	30.3	30,864	54,037	(84,901)	-	-	-	(84,901)	-	-	-	-	-
Expenses in relation to issuance of ordinary shares to employees	30.3	-	(512)	-	-	-	-	-	-	-	(512)	-	(512)
Dividend paid	33	-	-	-	-	-	-	-	-	(2,622,968)	(2,622,968)	(17,925)	(2,640,893)
Total contributions by and distribution to owners of the bank													
		30,864	53,525	(73,609)	-	-	-	(73,609)	-	(2,622,968)	(2,612,188)	(17,925)	(2,630,113)
Transfer to retained earnings		-	-	-	(72,214)	-	-	(72,214)	-	72,214	-	-	-
Balance at 30 June 2017		41,647,866	378,931	31,768	5,077,602	11,582	43,730	5,164,682	2,120,000	36,436,564	85,748,043	129,211	85,877,254

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				
	Note	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	Total other reserve	Legal reserve	Unappropriated	Total equity
(in thousand Baht)											
Six-month period ended 30 June 2016											
Balance at 1 January 2016		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
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	-	-	4,157,964	4,157,964
Other comprehensive income		-	-	-	1,683,434	(22,777)	(13)	1,660,644	-	73,171	1,733,815
Total comprehensive income for the period		-	-	-	1,683,434	(22,777)	(13)	1,660,644	-	4,231,135	5,891,779
Contributions by and distribution to owners of the bank											
Expenses in relation to share-based payments	30.1, 30.3	-	-	33,758	-	-	-	33,758	-	-	33,758
Issue of ordinary shares to employees	30.3	54,977	89,766	(144,743)	-	-	-	(144,743)	-	-	-
Expenses in relation to issuance of ordinary shares to employees	30.3	-	(541)	-	-	-	-	-	-	-	(541)
Dividend paid	33	-	-	-	-	-	-	-	-	(2,628,305)	(2,628,305)
Total contributions by and distribution to owners of the bank		54,977	89,225	(110,985)	-	-	-	(110,985)	-	(2,628,305)	(2,595,088)
Transfer to retained earnings		-	-	-	(44,873)	-	-	(44,873)	-	44,873	-
Balance at 30 June 2016		41,617,002	325,406	101,666	5,234,994	27,906	67,978	5,432,544	1,710,000	30,208,968	79,293,920
Six-month period ended 30 June 2017											
Balance at 1 January 2017		41,617,002	325,406	105,377	5,160,194	(55,959)	67,978	5,277,590	2,120,000	33,730,438	83,070,436
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	-	-	4,349,212	4,349,212
Other comprehensive income		-	-	-	(10,378)	66,927	(24,248)	32,301	-	176,831	209,132
Total comprehensive income for the period		-	-	-	(10,378)	66,927	(24,248)	32,301	-	4,526,043	4,558,344
Contributions by and distribution to owners of the bank											
Expenses in relation to share-based payments	30.1, 30.3	-	-	11,292	-	-	-	11,292	-	-	11,292
Issue of ordinary shares to employees	30.3	30,864	54,037	(84,901)	-	-	-	(84,901)	-	-	-
Expenses in relation to issuance of ordinary shares to employees	30.3	-	(512)	-	-	-	-	-	-	-	(512)
Dividend paid	33	-	-	-	-	-	-	-	-	(2,622,968)	(2,622,968)
Total contributions by and distribution to owners of the bank		30,864	53,525	(73,609)	-	-	-	(73,609)	-	(2,622,968)	(2,612,188)
Transfer to retained earnings		-	-	-	(72,214)	-	-	(72,214)	-	72,214	-
Balance at 30 June 2017		41,647,866	378,931	31,768	5,077,602	10,968	43,730	5,164,068	2,120,000	35,705,727	85,016,592

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	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
<i>Note</i>	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit from operations before income tax expense	5,413,038	5,098,435	5,265,852	4,983,056
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>				
Depreciation and amortisation	658,394	604,916	651,977	597,367
Impairment loss on loans and debt securities	4,522,783	3,875,031	4,526,925	3,876,809
Impairment loss on premises and equipment (reversal of)	14,646	(65,496)	14,646	(65,496)
Impairment loss on properties for sale and other assets	56,356	9,048	53,409	10,502
Provisions for employee benefits and other liabilities	4,680	249,190	2,123	246,649
Impairment losses on investment (reversal of)	(21,780)	5,147	(21,780)	5,147
Losses on revaluation of trading investments	2,692	7,627	2,692	7,627
Gains on disposal of premises and equipment	(34,947)	(12,528)	(34,654)	(10,549)
Gains on disposal of investments	(26,780)	(77,893)	(26,780)	(77,270)
Unrealised losses on remeasurement of financial liabilities designated at fair value through profit or loss	15,654	22,485	15,654	22,485
Unrealised losses (gains) on exchange on borrowings and derivatives	(1,274,104)	21,349	(1,274,104)	21,349
Expenses in relation to share-based payments	11,292	33,758	11,292	33,758
Net interest income	(12,357,492)	(12,101,616)	(12,320,003)	(12,086,594)
Dividend income	(25,925)	(28,674)	(151,400)	(28,674)
Interest received	16,631,948	17,311,081	16,639,415	17,294,690
Interest paid	(4,166,540)	(5,346,817)	(4,166,682)	(5,346,867)
Income tax paid	(560,281)	(1,113,292)	(510,438)	(1,090,002)
Profit from operations before changes in operating assets and liabilities	8,863,634	8,491,751	8,678,144	8,393,987
<i>Decrease (increase) in operating assets</i>				
Interbank and money market items	9,527,530	9,284,556	9,672,032	9,387,307
Trading investments	8,159,591	(19,544,783)	8,159,591	(19,544,783)
Loans to customers	(27,532,901)	(15,107,426)	(27,537,044)	(15,098,547)
Properties for sale	350,318	72,887	350,318	72,887
Other receivables	(19,429,463)	(278,124)	(19,484,169)	(385,547)
Other accrued income	93,549	110,195	(12,749)	60,460
Other assets	933,128	590,400	954,918	614,923
<i>Increase (decrease) in operating liabilities</i>				
Deposits	2,435,175	(3,458,382)	2,459,272	(3,454,238)
Interbank and money market items	9,399,947	(19,530,279)	9,399,947	(19,530,279)
Liabilities payable on demand	1,265,115	1,327,415	1,265,115	1,327,415
Financial liabilities designated at fair value through profit or loss	-	50,000	-	50,000
Short-term debts issued and borrowings	(378,834)	(16,011)	(378,834)	(16,011)
Provisions for employee benefits	(106,466)	(100,475)	(106,466)	(100,475)
Provisions for other liabilities	(8,526)	(11,100)	(8,526)	(11,100)
Account payables	(160,822)	(349,537)	(160,902)	(349,427)
Other accrued expenses	(168,209)	(1,046,105)	(225,033)	(1,085,330)
Deferred revenue	19,364,498	204	19,364,498	204
Other liabilities	(481,733)	(101,109)	(445,290)	(47,417)
Net cash provided by (used in) operating activities	12,125,531	(39,615,923)	11,944,822	(39,715,971)

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	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
Note	2017	2016	2017	2016
	(in thousand Baht)			
Cash flows from investing activities				
Interest received	706,906	835,235	684,222	835,031
Dividend received	25,925	28,674	151,400	28,674
Purchase of available-for-sale investments	(28,150,266)	(20,848,076)	(25,052,937)	(20,632,076)
Proceeds from sales of available-for-sale investments	15,482,088	43,522,460	12,440,988	43,403,460
Purchase of held to maturity debt securities	-	(8,058,246)	-	(8,058,246)
Proceeds from redemption of matured held to maturity debt securities	4,550,732	12,762,474	4,550,732	12,762,474
Proceeds from sales of general investments	66,292	61,250	66,292	61,250
Purchase of premises and equipment	(145,064)	(346,494)	(141,107)	(340,667)
Purchase of leasehold rights	(556)	(1,395)	(556)	(1,395)
Purchase of intangible assets	(251,075)	(366,882)	(250,207)	(366,547)
Proceeds from disposals of premises and equipment	60,376	215,983	59,911	213,528
Net cash provided by (used in) investing activities	(7,654,642)	27,804,983	(7,491,262)	27,905,486
Cash flows from financing activities				
Repayments of long-term debts issued and borrowings	(6,166)	(394,744)	(6,166)	(394,744)
Interest paid on long-term debts issued and borrowings	(556,393)	(828,285)	(556,393)	(828,285)
Cash receipts on debentures issued	5,430,000	10,542,300	5,430,000	10,542,300
Cash paid for redemption of subordinated debenture	(10,350,000)	-	(10,350,000)	-
Expenses in relation to issuance of ordinary shares to employees	(512)	(541)	(512)	(541)
Dividends paid to equity holders of the Bank	(2,622,968)	(2,628,305)	(2,622,968)	(2,628,305)
Dividends paid to non-controlling interest	(17,925)	-	-	-
Net cash provided by (used in) financing activities	(8,123,964)	6,690,425	(8,106,039)	6,690,425
Change in translation adjustments of foreign operations	(30,310)	(16)	(30,310)	(16)
Net decrease in cash	(3,683,385)	(5,120,531)	(3,682,789)	(5,120,076)
Cash at 1 January	16,530,908	17,290,402	16,530,044	17,289,833
Cash at 30 June	12,847,523	12,169,871	12,847,255	12,169,757
Supplementary disclosures of cash flow information				
Non-cash transactions:				
Issuance of ordinary shares to employees	84,901	144,743	84,901	144,743
Change in remeasuring available-for-sale investments	84,081	9,496	83,659	(28,472)
Change in revaluation surplus on assets and transferred revaluation surplus on assets directly to retained earnings	(103,241)	2,048,201	(103,241)	2,048,201
Actuarial gains on post-employment benefit plan	223,911	89,069	221,039	91,464
Change in translation adjustments of foreign operations	(30,310)	(16)	(30,310)	(16)
Increase in properties for sale due to debts settlement	20,603	2,650	20,603	2,650
Transfer of premises and equipment to properties for sale	73,231	40,047	73,231	40,047
Transfer of other receivables to properties for sale	343,747	-	343,747	-
Reversal of provisions for obligation on transfers of non-performing assets net off written off the promissory note	8	-	-	4,341,000

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

TMB Bank Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

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Notes to the interim financial statements
For the six-month period ended 30 June 2017
For the three-month period ended 30 June 2017 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim 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 23 August 2017.

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 as at 30 June 2017 and 31 December 2016 are given in note 12.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared in accordance with Thai Accounting Standard (“TAS”) No. 34 (revised 2016) *Interim Financial Reporting*; 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 TFRSs effective for annual accounting periods beginning on or after 1 January 2017. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Bank and its subsidiaries.

(b) Basis of measurement

The interim 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 interim financial statements

For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

(c) Functional and presentation currency

The interim 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 interim financial statements in conformity with TFRSs 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 Changes in accounting policies

In June 2017, the Bank changed its accounting policy for the recognition of the purchase and sale of investments in debt securities from the trade date to the settlement date basis for management purposes.

In accordance with Thai Accounting Standard ("TAS") No. 8 (revised 2016), *Accounting policies, changes in accounting estimates and errors*, this change in accounting policy has been applied retrospectively to the interim consolidated and the Bank only's financial statements for all periods presented with the following impact were as follows:

	Consolidated and Bank only	
	31 December 2016	1 January 2016
	<i>(in million Baht)</i>	
Statement of financial position		
Increase (decrease) in investments, net	869	(580)
Decrease in other receivables, net	(11,433)	(5,425)
Decrease in other payables	(10,564)	(6,005)

TMB Bank Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

A third statement of financial position was not presented on the basis that the financial effect was not considered by management to be material; the decrease of assets and liabilities in the consolidated and the Bank only statement of financial position as at 1 January 2016 was approximately 1% of total assets.

In addition, in June 2017, the Bank changed the method used to calculate cost of investments in debt securities that have been sold or held from the first-in, first-out method to the weighted average method for management purposes. However, the Bank did not restate the prior years' financial statements because the impact as a result of such change was not considered by management to be material.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these interim 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”).

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.

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 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 (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.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

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.

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 subsidiaries' financial statements are prepared using the same significant accounting policies as the Bank.

Non-controlling interests

At the acquisition date, the Bank measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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.

(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.

TMB Bank Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity investments are recognised in other comprehensive income.

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.

(e) Investments

Investments in subsidiaries

Investments in subsidiaries 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.

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).

TMB Bank Public Company Limited and its Subsidiaries

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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 in debt securities are recorded on settlement dates.

Purchases and sales of investments in equity securities are recorded on trade dates.

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

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(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.

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(i) *Troubled debt restructuring*

Foreclosed assets transferred as a result of troubled debt restructuring are recorded at the net realisable value of the assets, 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 fair value less estimated direct cost to sell, 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 premises 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.

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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.

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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.

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" 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) *Operating lease*

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.

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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

Average at 5 years

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

(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, the reversal is recognised in profit or loss.

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An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods 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.

(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.

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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.

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.

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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).

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.

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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 and conditions in the contract. Fee received in advance is recorded as “Deferred revenue” in the statements of financial position and recognised as revenue when services are rendered. In case that the Bank and its subsidiaries provide 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 amount is recorded as “Deferred revenue” in the statements of financial position and it will be recognised as revenue in profit or loss when the customers redeem the award points.

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.

(w) Income tax

Income tax expense for the period 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 period, 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.

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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.

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 period, 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.

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5 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 Non-Financial Risk Committee (NFRC), the Asset and Liability Management Committee (ALCO) and the Portfolio Monitoring Committee (PoMoCo).

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.

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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.

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.

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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 the 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 the 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 together with the movement of interest rate of rate sensitive assets and liabilities that will have negative impact to the Bank's and its subsidiaries' operating results, cash flows and economic value.

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.

As at 30 June 2017 and 31 December 2016, financial assets and liabilities classified by types of interest rates were as follows:

	Consolidated 30 June 2017			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	12,848	12,848
Interbank and money market items net of deferred revenue	33,061	64,801	6,459	104,321
Investments, net	5,994	56,598	408	63,000
Loans to customers net of deferred revenue	301,646	307,900	7,213	616,759
Other financial assets	1,227	-	23,660	24,887
Total financial assets	341,928	429,299	50,588	821,815
<i>Financial liabilities</i>				
Deposits	479,768	101,088	20,573	601,429
Interbank and money market items	6,362	46,478	1,977	54,817
Liabilities payable on demand	-	-	5,297	5,297
Financial liabilities designated at fair value through profit or loss	295	-	-	295
Debts issued and borrowings	344	33,738	15	34,097
Other financial liabilities	883	-	8,813	9,696
Total financial liabilities	487,652	181,304	36,675	705,631

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	Floating interest rate	Consolidated 31 December 2016		Total
		Fixed interest rate	Non-interest bearing	
		<i>(in million Baht)</i>		
Financial assets				
Cash	-	-	16,531	16,531
Interbank and money market items net of deferred revenue	23,630	82,253	7,966	113,849
Investments, net	4,496	58,051	438	62,985
Loans to customers net of deferred revenue	313,883	272,060	7,498	593,441
Other financial assets	2,619	473	4,228	7,320
Total financial assets	344,628	412,837	36,661	794,126
Financial liabilities				
Deposits	461,279	114,835	22,834	598,948
Interbank and money market items	8,760	34,222	2,435	45,417
Liabilities payable on demand	-	-	4,032	4,032
Financial liabilities designated at fair value through profit or loss	293	-	-	293
Debt issued and borrowings	726	39,131	17	39,874
Other financial liabilities	629	-	9,449	10,078
Total financial liabilities	471,687	188,188	38,767	698,642

	Floating interest rate	Bank only 30 June 2017		Total
		Fixed interest rate	Non-interest bearing	
		<i>(in million Baht)</i>		
Financial assets				
Cash	-	-	12,847	12,847
Interbank and money market items net of deferred revenue	32,948	63,842	6,459	103,249
Investments, net	5,994	53,494	408	59,896
Investment in subsidiaries, net	-	-	3,429	3,429
Loans to customers net of deferred revenue	301,598	307,900	7,213	616,711
Other financial assets	1,227	-	23,633	24,860
Total financial assets	341,767	425,236	53,989	820,992
Financial liabilities				
Deposits	479,853	101,088	20,585	601,526
Interbank and money market items	6,362	46,478	1,977	54,817
Liabilities payable on demand	-	-	5,297	5,297
Financial liabilities designated at fair value through profit or loss	295	-	-	295
Debts issued and borrowings	344	33,738	15	34,097
Other financial liabilities	883	-	8,676	9,559
Total financial liabilities	487,737	181,304	36,550	705,591

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For the three-month period ended 30 June 2017 (Unaudited)

	Bank only 31 December 2016			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in million Baht)			
Financial assets				
Cash	-	-	16,530	16,530
Interbank and money market items net of deferred revenue	23,619	81,336	7,966	112,921
Investments, net	4,496	55,026	438	59,960
Investment in subsidiaries, net	-	-	3,429	3,429
Loans to customers net of deferred revenue	313,835	272,060	7,498	593,393
Other financial assets	2,598	473	4,081	7,152
Total financial assets	344,548	408,895	39,942	793,385
Financial liabilities				
Deposits	461,340	114,835	22,846	599,021
Interbank and money market items	8,760	34,222	2,435	45,417
Liabilities payable on demand	-	-	4,032	4,032
Financial liabilities designated at fair value through profit or loss	293	-	-	293
Debt issued and borrowings	726	39,131	17	39,874
Other financial liabilities	629	-	9,353	9,982
Total financial liabilities	471,748	188,188	38,683	698,619

As at 30 June 2017 and 31 December 2016, significant financial assets and liabilities classified by interest repricing periods are as follows:

	Consolidated 30 June 2017					
	Repricing periods			Non-	Non-	
	Within 3 months	Over 3 months to 1 year	Over 1 year	performing assets	interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	-	-	-	-	12,848	12,848
Interbank and money market items net of deferred revenue	96,619	1,243	-	-	6,459	104,321
Investments, net	10,565	22,566	29,461	-	408	63,000
Loans to customers net of deferred revenue	416,554	53,558	121,226	18,208	7,213	616,759
Other financial assets	1,227	-	-	-	23,660	24,887
Total financial assets	524,965	77,367	150,687	18,208	50,588	821,815
Financial liabilities						
Deposits	524,206	51,919	4,731	-	20,573	601,429
Interbank and money market items	50,370	1,510	960	-	1,977	54,817
Liabilities payable on demand	-	-	-	-	5,297	5,297
Financial liabilities designated at fair value through profit or loss	295	-	-	-	-	295
Debts issued and borrowings	68	3,302	30,712	-	15	34,097
Other financial liabilities	883	-	-	-	8,813	9,696
Total financial liabilities	575,822	56,731	36,403	-	36,675	705,631

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	Consolidated					
	31 December 2016					
	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	-	-	-	-	16,531	16,531
Interbank and money market items net of						
deferred revenue	104,283	1,600	-	-	7,966	113,849
Investments, net	18,446	8,997	35,104	-	438	62,985
Loans to customers net of						
deferred revenue	391,869	74,188	102,281	17,605	7,498	593,441
Other financial assets	3,015	77	-	-	4,228	7,320
Total financial assets	517,613	84,862	137,385	17,605	36,661	794,126
Financial liabilities						
Deposits	510,128	59,889	6,097	-	22,834	598,948
Interbank and money market items	38,125	3,700	1,157	-	2,435	45,417
Liabilities payable on demand	-	-	-	-	4,032	4,032
Financial liabilities designated at						
fair value through profit or loss	293	-	-	-	-	293
Debt issued and borrowings	141	10,794	28,922	-	17	39,874
Other financial liabilities	629	-	-	-	9,449	10,078
Total financial liabilities	549,316	74,383	36,176	-	38,767	698,642
	Bank only					
	30 June 2017					
	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	-	-	-	-	12,847	12,847
Interbank and money market items net of						
deferred revenue	96,271	519	-	-	6,459	103,249
Investments, net	9,041	20,986	29,461	-	408	59,896
Investments in subsidiaries, net	-	-	-	-	3,429	3,429
Loans to customers net						
deferred revenue	416,554	53,558	121,226	18,160	7,213	616,711
Other financial assets	1,227	-	-	-	23,633	24,860
Total financial assets	523,093	75,063	150,687	18,160	53,989	820,992
Financial liabilities						
Deposits	524,291	51,919	4,731	-	20,585	601,526
Interbank and money market items	50,370	1,510	960	-	1,977	54,817
Liabilities payable on demand	-	-	-	-	5,297	5,297
Financial liabilities designated at						
fair value through profit or loss	295	-	-	-	-	295
Debts issued and borrowings	68	3,302	30,712	-	15	34,097
Other financial liabilities	883	-	-	-	8,676	9,559
Total financial liabilities	575,907	56,731	36,403	-	36,550	705,591

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	Bank only					
	31 December 2016					
	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	-	-	-	-	16,530	16,530
Interbank and money market items net of deferred revenue	104,104	851	-	-	7,966	112,921
Investments, net	16,933	7,485	35,104	-	438	59,960
Investments in subsidiaries, net	-	-	-	-	3,429	3,429
Loans to customers net of deferred revenue	391,869	74,188	102,281	17,557	7,498	593,393
Other financial assets	2,994	77	-	-	4,081	7,152
Total financial assets	515,900	82,601	137,385	17,557	39,942	793,385
Financial liabilities						
Deposits	510,189	59,889	6,097	-	22,846	599,021
Interbank and money market items	38,125	3,700	1,157	-	2,435	45,417
Liabilities payable on demand	-	-	-	-	4,032	4,032
Financial liabilities designated at fair value through profit or loss	293	-	-	-	-	293
Debt issued and borrowings	141	10,794	28,922	-	17	39,874
Other financial liabilities	629	-	-	-	9,353	9,982
Total financial liabilities	549,377	74,383	36,176	-	38,683	698,619

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

	Consolidated					
	30 June 2017			31 December 2016		
	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	105,118	842	1.60	109,135	1,746	1.60
Investments in debt securities	64,665	682	2.11	79,133	1,636	2.07
Loans to customers net from deferred revenue	601,114	15,697	5.22	587,280	32,086	5.46
Total	770,897	17,221		775,548	35,468	
Interest-bearing financial liabilities						
Deposits	569,935	3,800	1.33	600,702	9,088	1.51
Interbank and money market items	54,673	336	1.23	31,953	336	1.05
Debt issued and borrowings	37,988	753	3.96	37,764	1,444	3.82
Total	662,596	4,889		670,419	10,868	

⁽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

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	Bank only					
	30 June 2017			31 December 2016		
	Average balance (in million Baht)	Interest ⁽¹⁾	Average interest rate (% per annum)	Average balance (in million Baht)	Interest ⁽¹⁾	Average interest rate (% per annum)
<i>Interest-bearing financial assets</i>						
Interbank and money market items	104,050	835	1.61	108,227	1,731	1.60
Investments in debt securities	61,618	659	2.14	78,880	1,635	2.07
Loans to customers net from deferred revenue	601,066	15,690	5.22	587,234	32,069	5.46
Total	766,734	17,184		774,341	35,435	
<i>Interest-bearing financial liabilities</i>						
Deposits	569,997	3,800	1.33	600,730	9,088	1.51
Interbank and money market items	54,673	336	1.23	31,953	336	1.05
Debt issued and borrowings	37,988	753	3.96	37,764	1,444	3.82
Total	662,658	4,889		670,447	10,868	

⁽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.

In addition to the financial assets and liabilities denominated in foreign currencies already disclosed in the relevant notes to the financial statements. As at 30 June 2017 and 31 December 2016, the Bank's net foreign currency positions categorised by major foreign currencies were as follows:

	Bank only					
	30 June 2017			31 December 2016		
	USD	Euro ^(*)	Other currencies ^(*) (in USD million)	USD	Euro ^(*)	Other currencies ^(*)
Spot	394	14	(74)	451	15	(74)
Forward	(358)	(17)	67	(465)	(16)	76
Net position	36	(3)	(7)	(14)	(1)	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 Asset and Liability Management Committee (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.

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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 the 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.

Risk indicators are used as tools to measure and monitor liquidity risk. These comprise financial ratios such as Loans to Deposits Ratio (LDR), Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR), as well as cash flow models incorporating Contractual Liquidity Gap and Behavioral Liquidity Gap. Aside from this, the Bank has its own internal ratio to monitor liquid assets for net cash flow in normal situation called Marketable Liquid Asset Ratio (MLAR). 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 30 June 2017, the loans to deposits ratio of the Bank was 103.4% (31 December 2016: 99.5%).

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The significant financial assets and liabilities classified by remaining periods to maturity, counted from the date of statements of financial position, as at 30 June 2017 and 31 December 2016 were summarised as follows:

	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Consolidated 30 June 2017 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>							
Cash	12,848	-	-	-	-	-	12,848
Interbank and money market items net of deferred revenue	7,262	95,817	1,129	113	-	-	104,321
Investments, net							
Trading securities and general investments	-	198	598	1,177	78	405 ⁽²⁾	2,456
Available-for-sale securities	-	1,524	26,847	11,839	-	3 ⁽²⁾	40,213
Held-to-maturity debt securities	-	-	1,212	15,147	3,972	-	20,331
Loans to customers net of deferred revenue	122,402	126,841	99,910	120,437	128,961	18,208 ⁽³⁾	616,759
Other financial assets	912	10,994	10,045	-	572	2,364	24,887
Total financial assets	143,424	235,374	139,741	148,713	133,583	20,980	821,815
<i>Financial liabilities</i>							
Deposits	500,140	44,547	51,949	4,793	-	-	601,429
Interbank and money market items	8,339	44,007	1,511	938	22	-	54,817
Liabilities payable on demand	5,297	-	-	-	-	-	5,297
Financial liabilities designated at fair value through profit or loss	-	-	-	-	295	-	295
Debt issued and borrowings	5	65	3,306	25,229	5,492	-	34,097
Other financial liabilities	1,381	998	-	-	606	6,711	9,696
Total financial liabilities	515,162	89,617	56,766	30,960	6,415	6,711	705,631
Net liquidity gap	(371,738)	145,757	82,975	117,753	127,168	14,269	116,184
Net cash flow on derivatives	-	170	213	164	22	-	569

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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For the three-month period ended 30 June 2017 (Unaudited)

	Consolidated 31 December 2016						
	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	16,531	-	-	-	-	-	16,531
Interbank and money market items net of deferred revenue	9,102	103,147	1,122	478	-	-	113,849
Investments, net							
Trading securities and general investments	-	10	3,128	3,714	3,362	435 ⁽²⁾	10,649
Available-for-sale securities	-	3,737	3,752	19,568	320	3 ⁽²⁾	27,380
Held-to-maturity debt securities	-	-	5,245	15,715	3,996	-	24,956
Loans to customers net of deferred revenue	115,955	124,421	105,157	116,453	113,850	17,605 ⁽³⁾	593,441
Other financial assets	1,493	1,847	417	366	630	2,567	7,320
Total financial assets	143,081	233,162	118,821	156,294	122,158	20,610	794,126
Financial liabilities							
Deposits	483,984	48,726	60,122	6,116	-	-	598,948
Interbank and money market items	9,762	30,798	3,700	1,148	9	-	45,417
Liabilities payable on demand	4,032	-	-	-	-	-	4,032
Financial liabilities designated at fair value through profit or loss	-	-	-	-	293	-	293
Debt issued and borrowings	6	72	10,862	28,871	63	-	39,874
Other financial liabilities	1,450	775	-	-	627	7,226	10,078
Total financial liabilities	499,234	80,371	74,684	36,135	992	7,226	698,642
Net liquidity gap	(356,153)	152,791	44,137	120,159	121,166	13,384	95,484
Net cash flow on derivatives	-	346	(62)	(603)	165	-	(154)

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Bank only 30 June 2017 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	12,847	-	-	-	-	-	12,847
Interbank and money market items net of deferred revenue	7,149	95,581	406	113	-	-	103,249
Investments, net							
Trading securities and general investments	-	198	598	1,177	78	405 ⁽²⁾	2,456
Available-for-sale securities	-	-	25,268	11,838	-	3 ⁽²⁾	37,109
Held-to-maturity debt securities	-	-	1,212	15,147	3,972	-	20,331
Investments in subsidiaries, net	-	-	-	-	-	3,429 ⁽²⁾	3,429
Loans to customers net of deferred revenue	122,402	126,841	99,910	120,437	128,961	18,160 ⁽³⁾	616,711
Other financial assets	912	10,994	10,045	-	572	2,337	24,860
Total financial assets	143,310	233,614	137,439	148,712	133,583	24,334	820,992
Financial liabilities							
Deposits	500,237	44,547	51,949	4,793	-	-	601,526
Interbank and money market items	8,339	44,007	1,511	938	22	-	54,817
Liabilities payable on demand	5,297	-	-	-	-	-	5,297
Financial liabilities designated at fair value through profit or loss	-	-	-	-	295	-	295
Debt issued and borrowings	5	65	3,306	25,229	5,492	-	34,097
Other financial liabilities	1,381	988	-	-	606	6,584	9,559
Total financial liabilities	515,259	89,607	56,766	30,960	6,415	6,584	705,591
Net liquidity gap	(371,949)	144,007	80,673	117,752	127,168	17,750	115,401
Net cash flow on derivatives	-	170	213	164	22	-	569

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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				Bank only 31 December 2016			
	At call ⁽¹⁾	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>							
Cash	16,530	-	-	-	-	-	16,530
Interbank and money market items net of deferred revenue	9,091	102,979	373	478	-	-	112,921
Investments, net							
Trading securities and general investments	-	10	3,128	3,714	3,362	435 ⁽²⁾	10,649
Available-for-sale securities	-	2,224	2,240	19,568	320	3 ⁽²⁾	24,355
Held-to-maturity debt securities	-	-	5,245	15,715	3,996	-	24,956
Investments in subsidiaries, net	-	-	-	-	-	3,429 ⁽²⁾	3,429
Loans to customers net of deferred revenue	115,955	124,421	105,157	116,453	113,850	17,557 ⁽³⁾	593,393
Other financial assets	1,493	1,847	396	366	630	2,420	7,152
Total financial assets	143,069	231,481	116,539	156,294	122,158	23,844	793,385
<i>Financial liabilities</i>							
Deposits	484,057	48,726	60,122	6,116	-	-	599,021
Interbank and money market items	9,762	30,798	3,700	1,148	9	-	45,417
Liabilities payable on demand	4,032	-	-	-	-	-	4,032
Financial liabilities designated at fair value through profit or loss	-	-	-	-	293	-	293
Debt issued and borrowings	6	72	10,862	28,871	63	-	39,874
Other financial liabilities	1,450	753	-	-	627	7,152	9,982
Total financial liabilities	499,307	80,349	74,684	36,135	992	7,152	698,619
Net liquidity gap	(356,238)	151,132	41,855	120,159	121,166	16,692	94,766
Net cash flow on derivatives	-	346	(62)	(603)	165	-	(154)

⁽¹⁾ Including transactions with 1-day term.

⁽²⁾ Investment in equity securities.

⁽³⁾ Non-performing loans.

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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 30 June 2017 and 31 December 2016 were as follows:

	Consolidated			
	30 June 2017		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Derivatives assets	8,213	8,352	10,460	10,567
Investments, net	63,000	63,672	62,985	63,608
Total financial assets	71,213	72,024	73,445	74,175
<i>Financial liabilities</i>				
Deposits	601,429	601,445	598,948	598,987
Derivatives liabilities	7,860	7,939	10,728	10,995
Debts issued and borrowings	34,097	35,223	39,874	40,982
Total financial liabilities	643,386	644,607	649,550	650,964

	Bank only			
	30 June 2017		31 December 2016	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Derivatives assets	8,213	8,352	10,460	10,567
Investments, net	59,896	60,568	59,960	60,583
Total financial assets	68,109	68,920	70,420	71,150
<i>Financial liabilities</i>				
Deposits	601,526	601,542	599,021	599,060
Derivatives liabilities	7,860	7,939	10,728	10,995
Debts issued and borrowings	34,097	35,223	39,874	40,982
Total financial liabilities	643,483	644,704	649,623	651,037

The following methods and assumptions were used by the Bank and its subsidiaries 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.

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- Claims on securities:

The fair value is approximated based on its carrying value.

- Investments:

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, net:

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 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 the market interest rate at the reporting dates, in cases where there is no active market, and the market value, in cases where there is an active market.

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- Other financial liabilities:

The fair value is approximated based on its carrying value.

- 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, fair values 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 observable market data (unobservable inputs).

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 and Level 2 of the fair value hierarchy during the six-month period ended 30 June 2017 and the year ended 31 December 2016.

6.1.1 Financial assets and liabilities measured 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.

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The following table analyses financial assets and liabilities measured 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			Total
	Level 1	Level 2 (in million Baht)	Level 3	
30 June 2017				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	4,655	-	4,655
- Interest rate related	-	3,468	-	3,468
Investments				
- Trading investments	-	2,051	-	2,051
- Available-for-sale investments	-	40,213	-	40,213
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	377	-	377
Derivatives (trading book)				
- Foreign currency related	-	4,087	-	4,087
- Interest rate related	-	3,522	-	3,522
31 December 2016				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	6,682	-	6,682
- Interest rate related	-	3,763	-	3,763
Investments				
- Trading investments	-	10,214	-	10,214
- Available-for-sale investments	-	27,380	-	27,380
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	362	-	362
Derivatives (trading book)				
- Foreign currency related	-	6,224	-	6,224
- Interest rate related	-	3,927	-	3,927

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	Bank only Fair value			Total
	Level 1	Level 2	Level 3	
	(in million Baht)			
30 June 2017				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	4,655	-	4,655
- Interest rate related	-	3,468	-	3,468
Investments				
- Trading investments	-	2,051	-	2,051
- Available-for-sale investments	-	37,109	-	37,109
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	377	-	377
Derivatives (trading book)				
- Foreign currency related	-	4,087	-	4,087
- Interest rate related	-	3,522	-	3,522
31 December 2016				
<i>Financial assets</i>				
Derivatives (trading book)				
- Foreign currency related	-	6,682	-	6,682
- Interest rate related	-	3,763	-	3,763
Investments				
- Trading investments	-	10,214	-	10,214
- Available-for-sale investments	-	24,355	-	24,355
<i>Financial liabilities</i>				
Financial liabilities designated at fair value through profit or loss	-	362	-	362
Derivatives (trading book)				
- Foreign currency related	-	6,224	-	6,224
- Interest rate related	-	3,927	-	3,927

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6.1.2 Financial assets and liabilities not measured at fair value

The following table shows financial assets and liabilities not measured at fair value at the reporting date. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

	Carrying amount	Consolidated Fair value			Total
		Level 1	Level 2 (in million Baht)	Level 3	
30 June 2017					
Financial assets					
Derivatives (banking book)	90	-	229	-	229
Investments					
- Held-to-maturity debt securities	20,331	-	20,716	-	20,716
- General investments	405	-	-	692	692
Financial liabilities					
Deposits	601,429	-	601,445	-	601,445
Derivatives (banking book)	251	-	330	-	330
Debts issued and borrowings	34,097	-	35,223	-	35,223
31 December 2016					
Financial assets					
Derivatives (banking book)	15	-	122	-	122
Investments					
- Held-to-maturity debt securities	24,956	-	25,309	-	25,309
- General investments	435	-	-	705	705
Financial liabilities					
Deposits	598,948	-	598,987	-	598,987
Derivatives (banking book)	577	-	844	-	844
Debts issued and borrowings	39,874	-	40,982	-	40,982

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	Carrying amount	Bank only Fair value			Total
		Level 1	Level 2 (in million Baht)	Level 3	
30 June 2017					
Financial assets					
Derivatives (banking book)	90	-	229	-	229
Investments					
- Held-to-maturity debt securities	20,331	-	20,716	-	20,716
- General investments	405	-	-	692	692
Financial liabilities					
Deposits	601,526	-	601,542	-	601,542
Derivatives (banking book)	251	-	330	-	330
Debts issued and borrowings	34,097	-	35,223	-	35,223
31 December 2016					
Financial assets					
Derivatives (banking book)	15	-	122	-	122
Investments					
- Held-to-maturity debt securities	24,956	-	25,309	-	25,309
- General investments	435	-	-	705	705
Financial liabilities					
Deposits	599,021	-	599,060	-	599,060
Derivatives (banking book)	577	-	844	-	844
Debts issued and borrowings	39,874	-	40,982	-	40,982

6.2 Non-financial assets measured 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
			(in million Baht)		
30 June 2017					
Non-financial assets					
Premises, net	10,091	-	-	10,091	10,091
31 December 2016					
Non-financial assets					
Premises, net	10,292	-	-	10,292	10,292

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.

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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	
	Six-month period ended 30 June 2017	Year ended 31 December 2016
	<i>(in million Baht)</i>	
Beginning balance	10,292	8,663
Acquisitions	28	271
Incremental revaluation	-	2,112
Adjustments from revaluation	-	(19)
Transferred to property for sale	(73)	(524)
Depreciation	(156)	(301)
Reversal on impairment during the period/year	-	90
Ending balance	10,091	10,292

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 30 June 2017 and 31 December 2016, the consolidated supervision and the Bank only's total capital funds could be categorised as follows:

	Consolidated supervision	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Tier 1 Capital		
Common Equity Tier 1 Capital (CET1)		
Paid-up share capital	41,648	41,617
Share premium	379	325
Legal reserve	2,120	2,120
Net profits after appropriation	31,759	29,315
Other comprehensive income	5,004	5,046
Capital adjustment items on CET1	(53)	(68)
Capital deduction items on CET1	(3,521)	(3,114)
Total Common Equity Tier 1 Capital	77,336	75,241

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		Consolidated supervision	
		30 June 2017	31 December 2016
		<i>(in million Baht)</i>	
Additional Tier 1 Capital			
Transactions under subsidiary companies only for non-controlling interest and outside the scope that countable as Tier 1 of financial instruments of consolidated financial institutions		62	50
Total Tier 1 Capital		77,398	75,291
Tier 2 Capital			
Allowance for classified assets of “pass” category		5,720	5,878
Subordinated debentures		20,430	25,350
Transactions under subsidiary companies only for non-controlling interest and outside the scope that is countable as Tier 2 of consolidated financial institutions		14	12
Total Tier 2 Capital		26,164	31,240
Total Capital funds		103,562	106,531
Total Risk-Weighted Assets		620,291	583,755

	The BoT's regulation minimum requirement*	30 June 2017	The BoT's regulation minimum requirement* (%)	31 December 2016
Capital Adequacy Ratio/Total Risk-Weighted Asset	9.75	16.70	9.125	18.25
Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.25	12.48	6.625	12.90
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	5.75	12.47	5.125	12.89

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	Bank only	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 capital (CET1)		
Paid-up share capital	41,648	41,617
Share premium	379	325
Legal reserve	2,120	2,120
Net profits after appropriation	31,107	28,853
Other comprehensive income	5,003	5,046
Capital adjustment items on CET1	(53)	(68)
Capital deduction items on CET1	(3,450)	(3,038)
Total Common Equity Tier 1 Capital	76,754	74,855
Tier 2 capital		
Allowance for classified assets of “pass” category	5,720	5,878
Subordinated debentures	20,430	25,350
Total Tier 2 Capital	26,150	31,228
Total Capital funds	102,904	106,083
Total Risk-Weighted Assets	621,266	584,722

	The BoT's regulation minimum requirement*	30 June 2017	The BoT's regulation minimum requirement*	31 December 2016
			(%)	
Capital Adequacy Ratio/Total Risk-Weighted Asset	9.75	16.56	9.125	18.14
Tier 1 Capital Ratio/Total Risk-Weighted Asset	7.25	12.35	6.625	12.80
Common Equity Tier 1 Capital Ratio/Total Risk-Weighted Asset	5.75	12.35	5.125	12.80

* Includes capital conservation buffer as required by the BoT commencing 1 January 2016.

According to Bank of Thailand'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 30 June 2017 and 31 December 2016, 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 30 June 2017 through the Bank's website at www.tmbbank.com within October 2017.

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.

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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 30 June 2017 and 31 December 2016, 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 summarised 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.

On 25 February 2016, the Supreme Court confirmed the Appeal Court’s verdict to dismiss the case. Therefore, TAMC is eligible to adjust the transfer price of non-performing loans down by Baht 4,341 million. Accordingly, the Bank has written off the promissory note and reversed the related provision, amounting to Baht 4,341 million, as the case was finalised.

- (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, presented as a part of “Other receivables”, 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.

On 20 July 2017, the Supreme Court upheld the verdict of the Court of First Instance and the Appeal Court, and judged in favour of TAMC. Therefore, TAMC is eligible to adjust the transfer price down by Baht 56 million and not liable for interest on that portion.

As at 30 June 2017, the Bank had outstanding other receivables and accrued interest receivables amounting to Baht 56 million and Baht 282 million, respectively, totaling Baht 338 million, of which provisions were fully provided (*31 December 2016: Baht 338 million*). Such amounts are included under the caption of “Provisions for obligation on transfers of non-performing assets” in the statement of financial position.

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The provision of loss sharing of Baht 1,317 million and the promissory notes and accrued interest in dispute on transfer pricing of Baht 338 million will be settled in the third quarter of 2017.

9 Interbank and money market items, net (assets)

	30 June 2017			31 December 2016		
	At call	Term	Total (in million Baht)	At call	Term	Total
Consolidated						
Domestic						
Bank of Thailand and Financial Institutions Development Fund	4,768	62,245	67,013	6,083	64,855	70,938
Commercial banks	113	9,252	9,365	11	12,297	12,308
Specialised financial institutions	-	6,201	6,201	20	4,001	4,021
Other financial institutions	1	15,853	15,854	1	20,419	20,420
Total	4,882	93,551	98,433	6,115	101,572	107,687
Add accrued interest receivable	-	38	38	-	46	46
Less allowance for doubtful accounts	-	(34)	(34)	-	(38)	(38)
Total domestic, net	4,882	93,555	98,437	6,115	101,580	107,695
Foreign						
US Dollar	1,193	3,496	4,689	1,789	3,176	4,965
Japanese Yen	233	14	247	226	-	226
Euro	66	-	66	237	-	237
Other currencies	888	-	888	735	-	735
Total	2,380	3,510	5,890	2,987	3,176	6,163
Add accrued interest receivable	-	6	6	-	9	9
Less deferred revenues	-	(2)	(2)	-	(1)	(1)
allowance for doubtful accounts	-	(18)	(18)	-	(8)	(8)
Total foreign, net	2,380	3,496	5,876	2,987	3,176	6,163
Total domestic and foreign, net	7,262	97,051	104,313	9,102	104,756	113,858

	30 June 2017			31 December 2016		
	At call	Term	Total (in million Baht)	At call	Term	Total
Bank only						
Domestic						
Bank of Thailand and Financial Institutions Development Fund	4,768	62,245	67,013	6,083	64,855	70,938
Commercial banks	-	8,293	8,293	-	11,380	11,380
Specialised financial institutions	-	6,201	6,201	20	4,001	4,021
Other financial institutions	1	15,853	15,854	1	20,419	20,420
Total	4,769	92,592	97,361	6,104	100,655	106,759
Add accrued interest receivable	-	33	33	-	41	41
Less allowance for doubtful accounts	-	(34)	(34)	-	(38)	(38)
Total domestic, net	4,769	92,591	97,360	6,104	100,658	106,762

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	Bank only					
	30 June 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
	(in million Baht)					
Foreign						
US Dollar	1,193	3,496	4,689	1,789	3,176	4,965
Japanese Yen	233	14	247	226	-	226
Euro	66	-	66	237	-	237
Other currencies	888	-	888	735	-	735
Total	2,380	3,510	5,890	2,987	3,176	6,163
Add accrued interest receivable	-	6	6	-	9	9
Less deferred revenues	-	(2)	(2)	-	(1)	(1)
allowance for doubtful accounts	-	(18)	(18)	-	(8)	(8)
Total foreign, net	2,380	3,496	5,876	2,987	3,176	6,163
Total domestic and foreign, net	7,149	96,087	103,236	9,091	103,834	112,925

10 Derivatives

As at 30 June 2017 and 31 December 2016, 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					
	30 June 2017			31 December 2016		
	Fair value/Readjustment based on an accrual basis		Notional amount	Fair value/Readjustment based on an accrual basis		Notional amount
	Assets	Liabilities		Assets	Liabilities	
	(in million Baht)					
Foreign currency related						
- Trading Book	4,655	4,087	539,836	6,682	6,224	552,616
- Banking Book ⁽¹⁾	115	251	15,204	42	578	21,767
Interest rate related						
- Trading Book	3,468	3,522	684,923	3,763	3,927	754,277
- Banking Book ⁽¹⁾	98	141	22,124	96	134	20,749
Total	8,336	8,001	1,262,087	10,583	10,863	1,349,409

⁽¹⁾ Readjustment made on an accrual basis at the end of period/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 30 June 2017, accrued interest receivable and interest paid in advance amounting to Baht 123 million (31 December 2016: Baht 123 million) are presented as a part of "Other assets" and accrued interest payable and interest received in advance amounting to Baht 141 million (31 December 2016: Baht 135 million) are presented as a part of "Other liabilities" in the consolidated and Bank only financial statements.

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As at 30 June 2017 and 31 December 2016, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	Consolidated and Bank only	
	30 June 2017	31 December 2016
	(%)	
Counterparties		
Financial institutions	78.02	81.26
Other parties	21.98	18.74
Total	100.00	100.00

11 Investments, net

11.1 Classified by type of investments

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Trading securities - Fair value				
Government and state enterprise securities	2,051	10,214	2,051	10,214
Total	2,051	10,214	2,051	10,214
Available-for-sale securities - Fair value				
Government and state enterprise securities	40,210	27,377	37,106	24,352
Domestic marketable equity securities	3	3	3	3
Total	40,213	27,380	37,109	24,355
Held-to-maturity debt securities - Cost/Amortised cost				
Government and state enterprise securities	20,331	24,956	20,331	24,956
Total	20,331	24,956	20,331	24,956
General investments - Cost				
Domestic non-marketable equity securities	1,167	1,219	1,167	1,219
Foreign non-marketable equity securities	35	35	35	35
Total	1,202	1,254	1,202	1,254
Less allowance for impairment	(797)	(819)	(797)	(819)
Net	405	435	405	435
Total investments, net	63,000	62,985	59,896	59,960

As at 30 June 2017, the Bank had purchase and sell of investment in debt securities with net sell amounting to Baht 1,315 million (31 December 2016: net sell amounting to Baht 869 million), of which the settlement dates have not been due.

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

As at 30 June 2017 and 31 December 2016, 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	
	30 June	31 December
	2017	2016
	<i>(in million Baht)</i>	
Property development and construction	34	34
Public utilities and services	14	14
Mutual funds and financial services	62	23
Others	11	11
Total	121	82
<i>Less allowance for impairment</i>	<i>(41)</i>	<i>(41)</i>
Investments, net	80	41

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 others counterparties. Fund management is provided to mutual funds and private funds from which the Bank and its subsidiaries earns is management fees.

As at 30 June 2017 and 31 December 2016, the Bank and its subsidiaries did not have significant risks and transactions relating to structured entities to disclose in the financial statements.

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

As at 30 June 2017 and 31 December 2016, the Bank and its subsidiaries 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							
	30 June 2017				31 December 2016			
	No. of Com- panies	Cost value/ book value	Fair value	Allowance for impairment	No. of Com- panies	Cost value/ book value	Fair value	Allowance for impairment
		(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	730	-	(730)	12	740	-	(740)
Total	13	792	-	(792)	14	802	-	(802)

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

As at 30 June 2017 and 31 December 2016, revaluation surplus (deficit) on investments could be summarised as follows:

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	(in million Baht)			
Revaluation surplus on investments				
Debt securities	18	-	18	-
Equity securities	1	-	-	-
Total	19	-	18	-
Revaluation deficit on investments				
Debt securities	(3)	(69)	(3)	(69)
Equity securities	(1)	(1)	(1)	(1)
Total	(4)	(70)	(4)	(70)
Total revaluation surplus (deficit) on investments	15	(70)	14	(70)
Add (less) deferred tax	(3)	14	(3)	14
Net	12	(56)	11	(56)

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12 Investments in subsidiaries, net

12.1 Detail of investments in subsidiaries

Companies	Type of business	Bank only											
		Percentage of ownership interest		Paid-up capital		Cost		Allowance for impairment		At cost, net		Dividend income	
		30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	Six-month period ended	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	30 June
		(%)		(in million Baht)									
Subsidiaries													
Phayathai Asset Management Co., Ltd.	Asset management business	100.00	100.00	1,070	1,070	3,870	3,870	(745)	(745)	3,125	3,125	-	-
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	125	-
Total						4,174	4,174	(745)	(745)	3,429	3,429	125	-

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12.2 Disclosure of the statement of cash flows of the asset management company

In accordance with the BoT's notification number Sor Nor Sor (01) Wor 3258/2543 dated 27 November 2000, relating to the regulations of the Asset Management Company ("AMC"), the Bank is required to disclose the statements of cash flows of the AMC in the notes to the financial statements. The statements of cash flows of Phayathai Assets Management Co., Ltd., the subsidiary, were as follows:

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

	Six-month periods ended 30 June	
	2017	2016
	(in million Baht)	
Cash flows from operating activities		
Profit from operations before income tax	39	12
Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities		
Impairment loss on loans and debt securities (reversal)	(1)	7
Impairment loss on properties for sale and other assets (reversal of)	3	(1)
Gains on disposal of investments	-	(1)
Net interest income	(38)	(24)
Interest received	16	24
Income tax paid	(3)	(8)
Profit from operations before changes in operating assets and liabilities	16	9
Decrease (increase) in operating assets		
Intercompany and money market items	5	(1)
Investments in receivables	1	-
Loans to customers	-	(18)
Receivables from legal Execution Department	15	29
Receivables from BAM's promissory notes	20	84
Other assets	(3)	-
Increase (decrease) in operating liabilities		
Other payables	-	(4)
Accrued expenses	1	(1)
Other liabilities	1	(1)
Net cash provided by operating activities	56	97
Cash flows from investing activities		
Purchase of available-for-sale investments	(3,097)	(216)
Proceeds from sales of available-for-sale investments	3,041	119
Net cash used in investing activities	(56)	(97)
Net increase (decrease) in cash	-	-
Cash at 1 January	-	-
Cash at 30 June	-	-
Supplementary disclosures of cash flow information		
Non-cash transactions:		
Change in remeasuring available-for-sale investments	-	38

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13 Loans to customers and accrued interest receivables, net

13.1 Classified by loan type

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Overdrafts	121,081	125,848	121,081	125,848
Loans	353,218	334,952	353,170	334,904
Bills	142,507	132,587	142,507	132,587
Others	18	123	18	123
Less deferred revenue	(65)	(69)	(65)	(69)
Loans to customers net of deferred revenue	616,759	593,441	616,711	593,393
Add accrued interest receivables	920	915	920	915
Total loans to customers net of deferred revenue and accrued interest receivables	617,679	594,356	617,631	594,308
Less allowance for doubtful accounts				
- Provision at BoT's minimum rates required	(15,149)	(14,659)	(15,119)	(14,629)
- Provision in excess of BoT's minimum rates required	(10,046)	(10,252)	(10,046)	(10,252)
Less revaluation allowance for debt restructuring	(215)	(177)	(215)	(177)
Loans to customers and accrued interest receivables, net	592,269	569,268	592,251	569,250

13.2 Classified by currency and residency of debtors

	Consolidated					
	30 June 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	588,421	3,358	591,779	561,568	3,617	565,185
US Dollars	21,508	2,446	23,954	24,460	2,674	27,134
Other currencies	965	61	1,026	1,050	72	1,122
Total*	610,894	5,865	616,759	587,078	6,363	593,441

	Bank only					
	30 June 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	588,373	3,358	591,731	561,520	3,617	565,137
US Dollars	21,508	2,446	23,954	24,460	2,674	27,134
Other currencies	965	61	1,026	1,050	72	1,122
Total*	610,846	5,865	616,711	587,030	6,363	593,393

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13.3 Classified by business type and quality of loan classification

	Consolidated 30 June 2017					Total
	Pass	Special mention	Sub- standard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	8,472	199	17	-	296	8,984
Manufacturing and commerce	308,913	15,328	802	103	13,151	338,297
Property development and construction	19,598	756	14	-	260	20,628
Infrastructure and services	60,240	1,168	89	3	794	62,294
Housing loans	113,306	2,585	428	408	820	117,547
Others	66,151	1,835	785	71	167	69,009
Total*	576,680	21,871	2,135	585	15,488	616,759

	Consolidated 31 December 2016					Total
	Pass	Special mention	Sub- standard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	9,863	192	-	-	511	10,566
Manufacturing and commerce	303,616	13,218	683	886	11,807	330,210
Property development and construction	21,692	316	4	-	264	22,276
Infrastructure and services	58,402	1,023	12	8	644	60,089
Housing loans	97,765	2,191	280	307	791	101,334
Others	65,694	1,864	818	393	197	68,966
Total*	557,032	18,804	1,797	1,594	14,214	593,441

	Bank only 30 June 2017					Total
	Pass	Special mention	Sub- standard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	8,472	199	17	-	287	8,975
Manufacturing and commerce	308,913	15,328	802	103	13,151	338,297
Property development and construction	19,598	756	14	-	238	20,606
Infrastructure and services	60,240	1,168	89	3	777	62,277
Housing loans	113,306	2,585	428	408	820	117,547
Others	66,151	1,835	785	71	167	69,009
Total*	576,680	21,871	2,135	585	15,440	616,711

	Bank only 31 December 2016					Total
	Pass	Special mention	Sub- standard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	9,863	192	-	-	503	10,558
Manufacturing and commerce	303,616	13,218	683	886	11,807	330,210
Property development and construction	21,692	316	4	-	242	22,254
Infrastructure and services	58,402	1,023	12	8	626	60,071
Housing loans	97,765	2,191	280	307	791	101,334
Others	65,694	1,864	818	393	197	68,966
Total*	557,032	18,804	1,797	1,594	14,166	593,393

* Loans to customers net of deferred revenue.

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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				
30 June 2017				
	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	577,532	498,300	1	5,509
Special mention	21,939	12,844	2	409
Sub-standard	2,135	1,006	100	1,299
Doubtful	585	190	100	215
Doubtful of loss	15,488	4,895	100	7,717
Total*	<u>617,679</u>	<u>517,235</u>		<u>15,149</u>
Provision in excess of BoT's minimum rates required				<u>10,046 ⁽³⁾</u>
Total				<u>25,195</u>

Consolidated				
31 December 2016				
	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	557,886	472,869	1	5,288
Special mention	18,865	10,220	2	340
Sub-standard	1,797	1,117	100	1,251
Doubtful	1,594	927	100	1,049
Doubtful of loss	14,214	4,408	100	6,731
Total*	<u>594,356</u>	<u>489,541</u>		<u>14,659</u>
Provision in excess of BoT's minimum rates required				<u>10,252 ⁽³⁾</u>
Total				<u>24,911</u>

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Bank only				
30 June 2017				
	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	577,532	498,300	1	5,509
Special mention	21,939	12,844	2	409
Sub-standard	2,135	1,006	100	1,299
Doubtful	585	190	100	215
Doubtful of loss	15,440	4,865	100	7,687
Total*	<u>617,631</u>	<u>517,205</u>		<u>15,119</u>
Provision in excess of BoT's minimum rates required				<u>10,046 ⁽³⁾</u>
Total				<u>25,165</u>

Bank only				
31 December 2016				
	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	557,886	472,869	1	5,288
Special mention	18,865	10,220	2	340
Sub-standard	1,797	1,117	100	1,251
Doubtful	1,594	927	100	1,049
Doubtful of loss	14,166	4,378	100	6,701
Total*	<u>594,308</u>	<u>489,511</u>		<u>14,629</u>
Provision in excess of BoT's minimum rates required				<u>10,252 ⁽³⁾</u>
Total				<u>24,881</u>

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

⁽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 Bank of Thailand's notification on supervisory guidelines on loans guaranteed in the Portfolio Guarantee Scheme by Small Business Credit Guarantee Corporation.

⁽³⁾ As at 30 June 2017, this included provision of Baht 1,153 million (31 December 2016: Baht 1,262 million) provided for non-performing loans.

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13.5 Non-performing loans

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

As at 30 June 2017 and 31 December 2016, the Bank and its subsidiaries' NPLs (including interbank and money market items) were summarised as follows:

	30 June 2017			
	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>)	7,800	18	-	7,818
Total loans after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	700,821	18	-	700,839
Percentage of net NPLs (%)	1.11	100.00		1.12
NPLs (principal)				
NPLs (<i>in million Baht</i>)	18,160	48	-	18,208
Total loans (<i>in million Baht</i>)	711,181	48	-	711,229
Percentage of NPLs (%)	2.55	100.00		2.56
	31 December 2016			
	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>)	7,292	18	-	7,310
Total loans after allowance for doubtful accounts on NPLs (<i>in million Baht</i>)	685,471	18	-	685,489
Percentage of net NPLs (%)	1.06	100.00		1.07
NPLs (principal)				
NPLs (<i>in million Baht</i>)	17,557	48	-	17,605
Total loans (<i>in million Baht</i>)	695,736	48	-	695,784
Percentage of NPLs (%)	2.52	100.00		2.53

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For the six-month period ended 30 June 2017 and 2016, the Bank sold non-performing loans, with principal totaling approximately Baht 300 million and Baht 200 million, respectively, to Asset Management Company. 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 30 June 2017, the Bank had loans to customers, amounting to Baht 47,117 million (*31 December 2016: Baht 41,635 million*) on which it ceased recognition of interest income on an accrual basis.

13.6 Troubled debt restructuring

During the six-month periods ended 30 June 2017 and 2016, 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 and Bank only				
Six-month period ended 30 June 2017				
Type of restructuring	Number of debtors	Before restructuring (in million Baht)	After restructuring	Asset acquired Fair value (in million Baht)
Modification of terms of payments	2,879	3,335	3,335	-
Total	2,879	3,335	3,335	-
Term of debt restructuring agreements				
Not over 5 years	626	1,492	1,492	
5 - 10 years	2,067	465	465	
Over 10 years	186	1,378	1,378	
Total	2,879	3,335	3,335	
Consolidated and Bank only				
Six-month period ended 30 June 2016				
Type of restructuring	Number of debtors	Before restructuring (in million Baht)	After restructuring	Asset acquired Fair value (in million Baht)
Modification of terms of payments	2,674	1,507	1,507	-
Total	2,674	1,507	1,507	-
Term of debt restructuring agreements				
Not over 5 years	540	1,079	1,079	
5 - 10 years	2,121	381	381	
Over 10 years	13	47	47	
Total	2,674	1,507	1,507	

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Supplemental information relating to restructuring debtors for the six-month periods ended 30 June 2017 and 2016 was as follows:

	Consolidated and Bank only	
	Six-month periods ended 30 June	
	2017	2016
	<i>(in million Baht)</i>	
Interest income on restructured debts, which is recognised during the periods	139	137
Cash settlement by debtors	360	1,045
Losses on (reversal of) debt restructuring	38	(34)

As at 30 June 2017 and 31 December 2016, 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			
	30 June 2017		31 December 2016		30 June 2017		31 December 2016	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
		<i>(in million Baht)</i>		<i>(in million Baht)</i>		<i>(in million Baht)</i>		<i>(in million Baht)</i>
Troubled debt restructuring debtors	6,011	8,172	5,358	8,062	6,010	8,161	5,357	8,051

13.7 Revaluation allowance for debt restructuring

	Consolidated and Bank only	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Beginning balance	177	180
Increase (decrease) during the period/year	38	(3)
Ending balance	215	177

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

As at 30 June 2017 and 31 December 2016, 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							
	30 June 2017				31 December 2016			
	Number of debtors	Loans and accrued interest receivables	Collateral	Allowance for doubtful accounts	Number of debtors	Loans and accrued interest receivables	Collateral	Allowance for doubtful accounts
		<i>(in million Baht)</i>				<i>(in million Baht)</i>		
Listed companies under delisting conditions in SET	4	12	10	-	5	43	10	1

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14 Classified assets

As at 30 June 2017 and 31 December 2016, classified assets were classified in accordance with the BoT's regulation, consisting of investments (including investments in subsidiaries), 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						
30 June 2017						
	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	672,041	-	-	-	672,041
Special mention	-	21,939	-	-	-	21,939
Sub-standard	-	2,135	-	-	8	2,143
Doubtful	-	585	-	-	1	586
Doubtful of loss	856	15,488	58	303	411	17,116
Total	856	712,188	58	303	420	713,825

Consolidated						
31 December 2016						
	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	660,279	-	-	-	660,279
Special mention	-	18,865	-	-	-	18,865
Sub-standard	-	1,797	-	-	3	1,800
Doubtful	-	1,594	-	-	4	1,598
Doubtful of loss	952	14,214	66	307	388	15,927
Total	952	696,749	66	307	395	698,469

Bank only						
30 June 2017						
	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	672,041	-	-	-	672,041
Special mention	-	21,939	-	-	-	21,939
Sub-standard	-	2,135	-	-	8	2,143
Doubtful	-	585	-	-	1	586
Doubtful of loss	1,601	15,440	58	303	410	17,812
Total	1,601	712,140	58	303	419	714,521

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Bank only 31 December 2016

	Investments	Loans to customers and accrued interest receivables	Properties for sale (in million Baht)	Premises and equipment	Other assets	Total
Pass	-	660,279	-	-	-	660,279
Special mention	-	18,865	-	-	-	18,865
Sub-standard	-	1,797	-	-	3	1,800
Doubtful	-	1,594	-	-	4	1,598
Doubtful of loss	1,697	14,166	66	307	386	16,622
Total	1,697	696,701	66	307	393	699,164

15 Allowance for doubtful accounts

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

Consolidated Six-month period ended 30 June 2017

	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		
	(in million Baht)						
Beginning balance	5,288	340	1,251	1,049	6,731	10,252	24,911
Allowance for doubtful accounts	221	69	48	(834)	5,232	(206)	4,530
Bad debt recovery	-	-	-	-	402	-	402
Bad debt written-off	-	-	-	-	(4,508)	-	(4,508)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(140)	-	(140)
Ending balance	5,509	409	1,299	215	7,717	10,046	25,195

Consolidated Year ended 31 December 2016

	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		
	(in million Baht)						
Beginning balance	5,027	306	1,412	564	8,769	12,767	28,845
Allowance for doubtful accounts	261	34	(161)	485	11,019	(2,515)	9,123
Bad debt recovery	-	-	-	-	705	-	705
Bad debt written-off	-	-	-	-	(12,923)	-	(12,923)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(839)	-	(839)
Ending balance	5,288	340	1,251	1,049	6,731	10,252	24,911

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For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

Bank only							
Six-month period ended 30 June 2017							
	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>						
Beginning balance	5,288	340	1,251	1,049	6,701	10,252	24,881
Allowance for doubtful accounts	221	69	48	(834)	5,236	(206)	4,534
Bad debt recovery	-	-	-	-	398	-	398
Bad debt written-off	-	-	-	-	(4,508)	-	(4,508)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(140)	-	(140)
Ending balance	5,509	409	1,299	215	7,687	10,046	25,165

Bank only							
Year ended 31 December 2016							
	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>						
Beginning balance	5,027	306	1,412	564	8,745	12,767	28,821
Allowance for doubtful accounts	261	34	(161)	485	11,035	(2,515)	9,139
Bad debt recovery	-	-	-	-	683	-	683
Bad debt written-off	-	-	-	-	(12,923)	-	(12,923)
Allowance for doubtful accounts of the disposed debt	-	-	-	-	(839)	-	(839)
Ending balance	5,288	340	1,251	1,049	6,701	10,252	24,881

16 Properties for sale, net

As at 30 June 2017 and 31 December 2016, changes to the properties for sale, net were as follows:

Consolidated and Bank only				
30 June 2017				
	Beginning balance	Additions	Disposals/ Decrease	Ending balance
	<i>(in million Baht)</i>			
Assets foreclosed in settlement of debts				
- Immovable assets	1,170	519	(385)	1,304
Assets for sales	402	73	(146)	329
Total	1,572	592	(531)	1,633
Add (less) allowance for impairment losses	(66)	2	6	(58)
Net	1,506	594	(525)	1,575

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For the three-month period ended 30 June 2017 (Unaudited)

	Beginning balance	Consolidated and Bank only 31 December 2016		Ending balance
		Additions	Disposals/ Decrease	
		<i>(in million Baht)</i>		
Assets foreclosed in settlement of debts				
- Immovable assets	766	540	(136)	1,170
Assets for sales	539	318	(455)	402
Total	1,305	858	(591)	1,572
Add (less) allowance for impairment losses	(98)	12	20	(66)
Net	1,207	870	(571)	1,506

The value of immovable assets acquired from debt repayment was appraised by external and internal appraisers as at 30 June 2017 and 31 December 2016 were as follows:

	Consolidated and Bank only	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Assets foreclosed in settlement of debts		
Immovable assets		
- Appraised by external appraisers	925	743
- Appraised by internal appraisers	379	427
Total	1,304	1,170

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17 Premises and equipment, net

As at 30 June 2017 and 31 December 2016, changes in premises and equipment were as follows:

	Cost					Consolidated 30 June 2017 Accumulated depreciation				Allowance for impairment				Net book value as at 30 June 2017
	Net book value as at 1 January 2017	Beginning balance	Increase/ transfers in	Disposals/ written-off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written-off/ transfers out/ adjustments from revaluation	Ending balance	Beginning balance	Reversal of (loss on) impairment during the period	Disposals/ written-off/ transfers out	Ending balance	
							<i>(in million Baht)</i>							
Land														
- Cost	1,979	2,241	-	(12)	2,229	-	-	-	-	(262)	-	-	(262)	1,967
- Incremental revaluation*	4,224	4,224	-	(27)	4,197	-	-	-	-	-	-	-	-	4,197
Building														
- Cost	2,013	5,039	28	(35)	5,032	(2,981)	(109)	22	(3,068)	(45)	-	4	(41)	1,923
- Incremental revaluation*	2,076	3,928	-	(51)	3,877	(1,852)	(47)	26	(1,873)	-	-	-	-	2,004
Leasehold improvements	377	1,308	47	(52)	1,303	(931)	(61)	36	(956)	-	(14)	14	-	347
Equipment	1,714	6,403	58	(150)	6,311	(4,689)	(256)	90	(4,855)	-	-	-	-	1,456
Total	12,383	23,143	133	(327)	22,949	(10,453)	(473)	174	(10,752)	(307)	(14)	18	(303)	11,894

* The Bank's revaluation has been performed in 2016.

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	Cost					Consolidated 31 December 2016 Accumulated depreciation				Allowance for impairment losses				Net book value as at 31 December 2016
	Net book value as at 1 January 2016	Beginning balance	Increase/ transfers in	Disposals/ written-off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written-off/ transfers out/ adjustments from revaluation	Ending balance	Beginning balance	Reversal of (loss on) impairment during the year	Disposals/ written-off/ transfers out	Ending balance	
							(in million Baht)							
Land														
- Cost	2,137	2,476	-	(235)	2,241	-	-	-	-	(339)	56	21	(262)	1,979
- Incremental revaluation*	2,789	2,789	1,483	(48)	4,224	-	-	-	-	-	-	-	-	4,224
Building														
- Cost	2,186	5,117	271	(349)	5,039	(2,830)	(212)	61	(2,981)	(101)	34	22	(45)	2,013
- Incremental revaluation*	1,551	3,333	629	(34)	3,928	(1,782)	(89)	19	(1,852)	-	-	-	-	2,076
Leasehold improvements	343	1,206	171	(69)	1,308	(863)	(119)	51	(931)	-	(13)	13	-	377
Equipment	1,286	5,917	904	(418)	6,403	(4,631)	(466)	408	(4,689)	-	-	-	-	1,714
Total	10,292	20,838	3,458	(1,153)	23,143	(10,106)	(886)	539	(10,453)	(440)	77	56	(307)	12,383

* The Bank's revaluation has been performed in 2016.

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 30 June 2017 amounted to Baht 3,553 million (31 December 2016: Baht 3,511 million).

Depreciation presented in the consolidated profit or loss for the six-month periods ended 30 June 2017 and 2016 amounted to Baht 473 million and Baht 425 million, respectively.

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	Bank only 30 June 2017													
	Cost					Accumulated depreciation				Allowance for impairment losses				
	Net book value as at 1 January 2017	Beginning balance	Increase/transfers in	Disposals/written-off/transfers out	Ending balance	Beginning balance	Depreciation from revaluation	Disposals/written-off/transfers out/adjustments	Ending balance	Beginning balance	Reversal of (loss on) impairment during the period	Disposals/written-off/transfers out	Ending balance	Net book value as at 30 June 2017
	<i>(in million Baht)</i>													
Land														
- Cost	1,979	2,241	-	(12)	2,229	-	-	-	-	(262)	-	-	(262)	1,967
- Incremental revaluation*	4,224	4,224	-	(27)	4,197	-	-	-	-	-	-	-	-	4,197
Building														
- Cost	2,013	5,039	28	(35)	5,032	(2,981)	(109)	22	(3,068)	(45)	-	4	(41)	1,923
- Incremental revaluation*	2,076	3,928	-	(51)	3,877	(1,852)	(47)	26	(1,873)	-	-	-	-	2,004
Leasehold improvements	377	1,308	47	(52)	1,303	(931)	(61)	36	(956)	-	(14)	14	-	347
Equipment	1,685	6,284	55	(147)	6,192	(4,599)	(251)	86	(4,764)	-	-	-	-	1,428
Total	12,354	23,024	130	(324)	22,830	(10,363)	(468)	170	(10,661)	(307)	(14)	18	(303)	11,866

* The Bank's revaluation has been performed in 2016.

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	Cost					Bank only 31 December 2016 Accumulated depreciation				Allowance for impairment losses				
	Net book value as at 1 January 2016	Beginning balance	Increase/ transfers in	Disposals/ written-off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written-off/ transfers out/ adjustments from revaluation	Ending balance	Beginning balance	Reversal of (loss on) impairment during the year	Disposals/ written-off/ transfers out	Ending balance	Net book value as at 31 December 2016
							<i>(in million Baht)</i>							
Land														
- Cost	2,137	2,476	-	(235)	2,241	-	-	-	-	(339)	56	21	(262)	1,979
- Incremental revaluation*	2,789	2,789	1,483	(48)	4,224	-	-	-	-	-	-	-	-	4,224
Building														
- Cost	2,186	5,117	271	(349)	5,039	(2,830)	(212)	61	(2,981)	(101)	34	22	(45)	2,013
- Incremental revaluation*	1,551	3,333	629	(34)	3,928	(1,782)	(89)	19	(1,852)	-	-	-	-	2,076
Leasehold improvements	343	1,206	171	(69)	1,308	(863)	(119)	51	(931)	-	(13)	13	-	377
Equipment	1,261	5,802	887	(405)	6,284	(4,541)	(455)	397	(4,599)	-	-	-	-	1,685
Total	10,267	20,723	3,441	(1,140)	23,024	(10,016)	(875)	528	(10,363)	(440)	77	56	(307)	12,354

* The Bank's revaluation has been performed in 2016.

The gross amount of the Bank only's fully depreciated premises and equipment that were still in use as at 30 June 2017 amounted to Baht 3,486 million (31 December 2016: Baht 3,444 million).

Depreciation presented in the Bank only's profit or loss for the six-month periods ended 30 June 2017 and 2016 amounted to Baht 468 million and Baht 419 million, respectively.

In March 2016, the Bank had the land and buildings re-appraised by independent valuers, in accordance with the BoT regulations. The surplus from revaluation was credited to other reserves under the heading "Revaluation surplus on assets" totalling Baht 2,112 million, and reversing allowance for impairment of assets in the statement of profit or loss and other comprehensive income amounting to Baht 68 million. The Bank of Thailand approved the incremental revaluation amount to be included as part of Common Equity Tier 1 Capital, with effect from 11 May 2016.

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18 Goodwill and other intangible assets, net

As at 30 June 2017 and 31 December 2016, changes in goodwill and other intangible assets were as follows:

	Net book value as at 1 January 2017	Cost					Accumulated amortisation				Net book value as at 30 June 2017
		Beginning Balance	Additions	Written-off	Transfers in/ (out)	Ending balance	Beginning Balance	Amortisation during the period	Accumulated amortisation on transfer out	Ending balance	
						(in million Baht)					
Goodwill	60	60	-	-	-	60	-	-	-	-	60
Computer software	1,200	5,085	12	-	306	5,403	(3,885)	(178)	(3)	(4,066)	1,337
Computer software under development	444	444	239	-	(254)	429	-	-	-	-	429
Total	1,704	5,589	251	-	52	5,892	(3,885)	(178)	(3)	(4,066)	1,826

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	Consolidated 31 December 2016										
	Cost					Accumulated amortisation					
	Net book value as at 1 January 2016	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 2016
Goodwill	60	60	-	-	-	60	-	-	-	-	60
Computer software	874	4,410	165	-	510	5,085	(3,536)	(349)	-	(3,885)	1,200
Computer software under development	305	305	811	-	(672)	444	-	-	-	-	444
Total	1,239	4,775	976	-	(162)	5,589	(3,536)	(349)	-	(3,885)	1,704

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 30 June 2017 amounted to Baht 3,151 million (31 December 2016: Baht 3,055 million).

Amortisation presented in the consolidated profit or loss for the six-month periods ended 30 June 2017 and 2016 amounted to Baht 178 million and Baht 170 million, respectively.

	Bank only 30 June 2017										
	Cost					Accumulated amortisation					
	Net book value as at 1 January 2017	Beginning Balance	Additions	Written-off	Transfers in/ (out)	Ending balance <i>(in million Baht)</i>	Beginning Balance	Amortisation during the period	Accumulated amortisation on transfer out	Ending balance	Net book value as at 30 June 2017
Computer software	1,196	5,019	11	-	306	5,336	(3,823)	(176)	(3)	(4,002)	1,334
Computer software under development	445	445	239	-	(254)	430	-	-	-	-	430
Total	1,641	5,464	250	-	52	5,766	(3,823)	(176)	(3)	(4,002)	1,764

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	Net book value as at 1 January 2016	Beginning Balance	Additions	Cost		Bank only 31 December 2016		Accumulated amortisation			Net book value as at 31 December 2016
				Written-off	Transfers in/ (out)	Ending balance (in million Baht)	Beginning Balance	Amortisation during the year	Accumulated amortisation on transfer out	Ending balance	
Computer software	868	4,346	163	-	510	5,019	(3,478)	(345)	-	(3,823)	1,196
Computer software under development	306	306	811	-	(672)	445	-	-	-	-	445
Total	1,174	4,652	974	-	(162)	5,464	(3,478)	(345)	-	(3,823)	1,641

The gross amount of the Bank only's fully amortised intangible assets that were still in use as at 30 June 2017 amounted to Baht 3,094 million (*31 December 2016: Baht 2,999 million*).

Amortisation presented in the Bank only's profit or loss for the six-month periods ended 30 June 2017 and 2016 amounted to Baht 176 million and Baht 168 million, respectively.

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19 Deferred tax and income tax

19.1 Deferred tax

Movements in deferred tax assets and liabilities during the six-month periods ended 30 June 2017 and 2016 were as follows:

	At 1 January 2017	Consolidated (Charged) / Credited to:		At 30 June 2017
		Profit or loss (note 19.2) (in million Baht)	Other comprehensive income	
Deferred tax assets				
Investments	189	(4)	(14)	171
Loans to customer and accrued interest receivables	680	62	-	742
Properties for sale	23	(4)	-	19
Premises and equipment	66	(1)	-	65
Provisions for obligations on transfers of non-performing assets	332	-	-	332
Provisions for employee benefits	290	(2)	(44)	244
Provisions for other liabilities	142	(19)	-	123
Deferred revenue and other liabilities	256	(63)	-	193
Others	112	54	-	166
Total	2,090	23	(58)	2,055
Deferred tax liabilities				
Investments	-	-	3	3
Premises and equipment	1,291	(18)	(2)	1,271
Others	24	(2)	(6)	16
Total	1,315	(20)	(5)	1,290
Net	775	43	(53)	765

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For the three-month period ended 30 June 2017 (Unaudited)

		Consolidated (Charged) / Credited to:		
	At 1 January 2016	Profit or loss (note 19.2) (in million Baht)	Other comprehensive income	At 30 June 2016
Deferred tax assets				
Investments	174	3	-	177
Loans to customer and accrued interest receivables	629	493	-	1,122
Properties for sale	26	2	-	28
Premises and equipment	100	(25)	-	75
Provisions for obligations on transfers of non-performing assets	1,200	(868)	-	332
Provisions for employee benefits	298	2	(18)	282
Provisions for other liabilities	110	26	-	136
Deferred revenue and other liabilities	294	(167)	-	127
Others	158	(22)	-	136
Total	2,989	(556)	(18)	2,415
Deferred tax liabilities				
Investments	21	-	2	23
Premises and equipment	900	(11)	421	1,310
Others	23	(2)	-	21
Total	944	(13)	423	1,354
Net	2,045	(543)	(441)	1,061

		Bank only (Charged) / Credited to:		
	At 1 January 2017	Profit or loss	Other comprehensive income	At 30 June 2017
		(note 19.2) (in million Baht)		
Deferred tax assets				
Investments	189	(4)	(14)	171
Loans to customers and accrued interest receivables	667	62	-	729
Properties for sale	23	(4)	-	19
Premises and equipment	66	(1)	-	65
Provisions for obligations on transfers of non-performing assets	332	-	-	332
Provisions for employee benefits	285	(4)	(44)	237
Provisions for other liabilities	140	(18)	-	122
Deferred revenue and other liabilities	256	(63)	-	193
Others	117	60	-	177
Total	2,075	28	(58)	2,045

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	At 1 January 2017	Bank only (Charged) / Credited to:		At 30 June 2017
		Profit or loss	Other comprehensive income	
		(note 19.2) (in million Baht)		
Deferred tax liabilities				
Investments	-	-	3	3
Premises and equipment	1,290	(18)	(2)	1,270
Others	24	(2)	(6)	16
Total	1,314	(20)	(5)	1,289
Net	761	48	(53)	756

	At 1 January 2016	Bank only (Charged) / Credited to:		At 30 June 2016
		Profit or loss	Other comprehensive income	
		(note 19.2) (in million Baht)		
Deferred tax assets				
Investments	174	3	-	177
Loans to customers and accrued interest receivables	616	493	-	1,109
Properties for sale	26	2	-	28
Premises and equipment	100	(25)	-	75
Provisions for obligations on transfers of non-performing assets	1,200	(868)	-	332
Provisions for employee benefits	294	-	(18)	276
Provisions for other liabilities	108	28	-	136
Deferred revenue and other liabilities	294	(167)	-	127
Others	155	(15)	-	140
Total	2,967	(549)	(18)	2,400

Deferred tax liabilities				
Investments	13	-	(6)	7
Premises and equipment	899	(11)	421	1,309
Others	23	(2)	-	21
Total	935	(13)	415	1,337
Net	2,032	(536)	(433)	1,063

As at 30 June 2017 and 31 December 2016, the Bank had tax-deductible temporary differences in relation to investments in subsidiaries totalling Baht 745 million, for which deferred tax assets have not yet been recognised because certain recognition criteria were not met.

As at 30 June 2017 and 31 December 2016, 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.

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19.2 Income tax

Income tax recognised in profit or loss

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Current tax				
Current period	689	309	668	302
Over provided in prior year	(8)	(13)	(8)	(13)
	681	296	660	289
Deferred tax				
Movements in temporary differences	(163)	28	(168)	22
	(163)	28	(168)	22
Total	518	324	492	311

<i>Six-month periods ended 30 June</i>	<i>Note</i>	Consolidated		Bank only	
		2017	2016	2017	2016
		<i>(in million Baht)</i>			
Current tax					
Current period		1,031	318	988	302
Over provided in prior year		(23)	(13)	(23)	(13)
		1,008	305	965	289
Deferred tax					
Movements in temporary differences	19.1	(43)	543	(48)	536
		(43)	543	(48)	536
Total		965	848	917	825

Income tax recognised in other comprehensive income

<i>Three-month periods ended 30 June</i>	Consolidated					
	Before tax	2017 Tax (expense) benefit	Net of tax	Before tax	2016 Tax (expense) benefit	Net of tax
	<i>(in million Baht)</i>					
Investments	36	(7)	29	(5)	1	(4)
Premises and equipment	(5)	1	(4)	(4)	1	(3)
Provisions for employee benefits	109	(22)	87	89	(18)	71
Others	(10)	2	(8)	10	(2)	8
Total	130	(26)	104	90	(18)	72

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<i>Three-month periods ended 30 June</i>	Bank only					
		2017			2016	
	Before	Tax	Net of	Before	Tax	Net of
	tax	(expense) benefit	tax	tax	(expense) benefit	tax
			<i>(in million Baht)</i>			
Investments	36	(7)	29	(21)	4	(17)
Premises and equipment	(5)	1	(4)	(4)	1	(3)
Provisions for employee benefits	106	(22)	84	91	(18)	73
Others	(10)	2	(8)	10	(2)	8
Total	127	(26)	101	76	(15)	61

<i>Six-month periods ended 30 June</i>	Consolidated					
		2017			2016	
	Before	Tax	Net of	Before	Tax	Net of
	tax	(expense) benefit	tax	tax	(expense) benefit	tax
			<i>(in million Baht)</i>			
Investments	84	(17)	67	10	(2)	8
Premises and equipment	(13)	2	(11)	2,104	(421)	1,683
Provisions for employee benefits	224	(44)	180	89	(18)	71
Others	(30)	6	(24)	-	-	-
Total	265	(53)	212	2,203	(441)	1,762

<i>Six-month periods ended 30 June</i>	Bank only					
		2017			2016	
	Before	Tax	Net of	Before	Tax	Net of
	tax	(expense) benefit	tax	tax	(expense) benefit	tax
			<i>(in million Baht)</i>			
Investments	84	(17)	67	(28)	6	(22)
Premises and equipment	(13)	2	(11)	2,104	(421)	1,683
Provisions for employee benefits	221	(44)	177	91	(18)	73
Others	(30)	6	(24)	-	-	-
Total	262	(53)	209	2,167	(433)	1,734

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Reconciliation of effective tax rate

<i>Three-month periods ended 30 June</i>	Consolidated			
	2017		2016	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax		2,860		2,478
Income tax using the Thai corporation tax rate	20	572	20	496
Deferred tax which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the period	-	(11)	(6)	(155)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	(2)	(35)	-	(4)
Over provided in prior periods	-	(8)	(1)	(13)
Total	18	518	13	324

<i>Three-month periods ended 30 June</i>	Bank only			
	2017		2016	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax		2,829		2,411
Income tax using the Thai corporation tax rate	20	565	20	483
Deferred tax which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the period	-	(11)	(6)	(155)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	(2)	(54)	-	(4)
Over provided in prior periods	-	(8)	(1)	(13)
Total	18	492	13	311

<i>Six-month periods ended 30 June</i>	Consolidated			
	2017		2016	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax		5,413		5,098
Income tax using the Thai corporation tax rate	20	1,083	20	1,020
Deferred tax which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the period	-	(11)	(3)	(155)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	(2)	(84)	-	(4)
Over provided in prior periods	-	(23)	-	(13)
Total	18	965	17	848

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<i>Six-month periods ended 30 June</i>	Bank only			
	2017		2016	
	<i>Rate</i>	<i>(in million</i>	<i>Rate</i>	<i>(in million</i>
	<i>(%)</i>	<i>Baht)</i>	<i>(%)</i>	<i>Baht)</i>
Profit before income tax		5,266		4,983
Income tax using the Thai corporation tax rate	20	1,053	20	997
Deferred tax which previously unrecognised deductible temporary difference had been met the recognition criteria and utilised during the period	-	(11)	(3)	(155)
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net	(2)	(102)	-	(4)
Over provided in prior periods	-	(23)	-	(13)
Total	18	917	17	825

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

20 Other receivables, net

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Promissory notes from transfer of non-performing assets	-	783	-	762
TAMC's promissory notes	56	56	56	56
Other receivables *	21,482	1,595	21,426	1,504
Total	21,538	2,434	21,482	2,322
<i>Less allowance for impairment losses</i>	<i>(193)</i>	<i>(172)</i>	<i>(192)</i>	<i>(170)</i>
Net	21,345	2,262	21,290	2,152

* This included fee receivable from the new Bancassurance Agreement as refer in note 48.

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21 Other assets, net

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Accrued income	1,101	1,253	1,179	1,225
Collateral on derivative transactions	1,186	2,308	1,186	2,308
Suspense account - debtors	848	1,156	848	1,156
Suspense account between head office and branches	-	6	-	6
Prepaid expenses	573	242	563	235
Others	965	842	915	812
Total	4,673	5,807	4,691	5,742
Less allowance for impairment losses	(227)	(223)	(227)	(223)
Net	4,446	5,584	4,464	5,519

22 Deposits

22.1 Classified by type of deposits

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Current	42,989	50,794	43,001	50,806
Savings	456,957	433,023	457,042	433,084
Term	101,602	115,296	101,602	115,296
Total	601,548	599,113	601,645	599,186
Less prepaid interest expense	(119)	(165)	(119)	(165)
Total	601,429	598,948	601,526	599,021

22.2 Classified by currency and residency of depositors

	Consolidated					
	30 June 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	592,680	5,274	597,954	591,046	5,399	596,445
US Dollar	2,740	367	3,107	1,765	388	2,153
Other currencies	338	30	368	321	29	350
Total	595,758	5,671	601,429	593,132	5,816	598,948

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For the three-month period ended 30 June 2017 (Unaudited)

	Bank only					
	30 June 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	592,777	5,274	598,051	591,119	5,399	596,518
US Dollar	2,740	367	3,107	1,765	388	2,153
Other currencies	338	30	368	321	29	350
Total	595,855	5,671	601,526	593,205	5,816	599,021

23 Interbank and money market items (liabilities)

	Consolidated and Bank only					
	30 June 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
	<i>(in million Baht)</i>					
Domestic						
Bank of Thailand and Financial Institutions						
Development Fund	-	2,796	2,796	-	3,145	3,145
Commercial banks	653	34,900	35,553	287	23,250	23,537
Specialised financial institutions	15	8,726	8,741	16	7,760	7,776
Other financial institutions	6,307	56	6,363	7,246	67	7,313
Total domestic	6,975	46,478	53,453	7,549	34,222	41,771
Foreign						
US Dollar	346	-	346	593	1,433	2,026
Other currencies	1,018	-	1,018	1,620	-	1,620
Total foreign	1,364	-	1,364	2,213	1,433	3,646
Total domestic and foreign	8,339	46,478	54,817	9,762	35,655	45,417

24 Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as at 30 June 2017 and 31 December 2016 were as follows:

	Consolidated and Bank only	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Debt issued	377	362
Total	377	362

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Proportion of transactions classified by the contract parties based on the amount of the contract as at 30 June 2017 and 31 December 2016 were as follows:

	Consolidated and Bank only	
	30 June 2017	31 December 2016
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		30 June 2017			31 December 2016		
	as at	Maturities	Domestic	Foreign	Total	Domestic	Foreign	Total
	30 June 2017							
	(%)							
Subordinated debentures ⁽¹⁾	3.50 and 5.50	2019 ⁽²⁾ and 2022 ⁽²⁾	20,430	-	20,430	25,350	-	25,350
Senior debentures	3.108 and 5.50	2018 and 2021	-	13,202	13,202	-	13,834	13,834
Bills of exchange ⁽³⁾	2.15	2012	5	-	5	6	-	6
Other borrowings	0.00 - 2.00	2017 - 2031	17	443	460	30	830	860
Total			20,452	13,645	34,097	25,386	14,664	40,050
Less prepaid interest expenses			-	-	-	(176)	-	(176)
Net			20,452	13,645	34,097	25,210	14,664	39,874

⁽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

⁽³⁾ The outstanding balance of bills of exchange maturing during the year 2012 were waiting for redeem by the holders.

25.1 Subordinated debentures

25.1.1 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 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 Debenture.

On 18 May 2017, the Bank early redeemed its entire Subordinated Debenture No.1/2555, amounting to Baht 9,400 million. Such early redemption has already been approved by the Bank of Thailand.

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- 25.1.2 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 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 Debenture.

On 25 May 2017, the Bank early redeemed its entire Subordinated Debenture No.2/2555, amounting to Baht 950 million. Such early redemption has already been approved by the Bank of Thailand.

- 25.1.3 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 Debenture 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 Debenture.

- 25.1.4 On 29 May 2017, the Bank issued the Subordinated Debenture No.1/2560 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 5,430 million, which has a 10.5-year maturity period and carries a fixed interest rate of 3.50% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the Subordinated Debenture No.1/2560 after 5.5 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 Debenture.

25.2 Senior debentures

On 9 March 2015, the Bank issued the unsecured senior debentures of CNY 600 million, with 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.

On 1 April 2016, the Bank issued unsecured senior debentures of USD 300 million, with a 5.5-year maturity and carrying a fixed interest rate of 3.108% per annum, payable semi-annually in April and October of every year. The debentures have been issued under the Bank's Euro Medium Term Note Programme.

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25.3 Other Borrowings

Borrowings with specific uses (other borrowings) as at 30 June 2017 and 31 December 2016 were as follows:

Borrowings from	Objectives of borrowings	Consolidated and Bank only			
		30 June 2017		31 December 2016	
		Outstanding balances	Baht equivalent (in million Baht)	Outstanding balances	Baht equivalent (in million Baht)
Energy Conservation Promotion Fund	For enterprises investing for energy conservation	Baht 2 million	2	Baht 13 million	13
National Science and Technology Development Agency	For enterprises involving in research and development activities	Baht 15 million	15	Baht 17 million	17
Nordic Investment Bank (NIB)	For joint ventures with the Nordic countries and businesses using Nordic machinery/equipment	USD 2 million	61	USD 4 million	128
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 8 million	283	USD 17 million	597
KfW Bankengruppe (KfW)	For small industry businesses	EUR 3 million	99	EUR 3 million	105
Total			460		860

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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 - 15% 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 six-month periods ended 30 June 2017 and 2016, the Bank and its subsidiaries contributed Baht 201 million and Baht 194 million, respectively to the funds (Bank only: Baht 196 million and Baht 193 million, respectively).

26.2 Defined benefit plans

(a) Detail of defined benefit plans

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Post-employment benefit plans	1,206	1,442	1,178	1,414
Other long-term employee benefit plans	9	11	9	11
Total	1,215	1,453	1,187	1,425

(b) Movement in post-employment benefit obligations

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Beginning balance	1,442	1,479	1,414	1,458
Included in profit or loss:				
Current service cost	77	187	74	182
Loss on benefit settlement	3	-	3	-
Interest on obligation	15	24	15	24
	95	211	92	206
Included in other comprehensive income				
Actuarial gain	(224)	(89)	(221)	(91)
Others				
Benefits paid	(107)	(159)	(107)	(159)
	(331)	(248)	(328)	(250)
Ending balance	1,206	1,442	1,178	1,414

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Actuarial gains recognised in other comprehensive income arising from:

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Demographic assumptions	-	(119)	-	(120)
Financial assumptions	(139)	105	(138)	104
Experience adjustments	(85)	(75)	(83)	(75)
Total	(224)	(89)	(221)	(91)

(c) Actuarial assumptions of post-employment benefit obligations

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(%)</i>			
Discount rate	2.69, 2.91	1.86, 2.51	2.69	1.86
Future salary growth	4.50, 5.00	5.00	4.50	5.00
Staff turnover rates	0.00 - 29.00	0.00 - 30.00	0.00 - 29.00	0.00 - 30.00

Assumptions regarding future mortality have been based on published statistics and mortality tables.

(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				
30 June 2017				
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>	Change (-) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>
Discount rate	+ 1%	(120)	- 1%	137
Future salary growth	+ 1%	126	- 1%	(113)
Turnover rate	+ 1%	(127)	- 1%	35
Future mortality	+ 1 year	10	- 1 year	(10)

Consolidated				
31 December 2016				
	Change (+) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>	Change (-) in assumption	Post-employment benefit obligations increase (decrease) <i>(in million Baht)</i>
Discount rate	+ 1%	(131)	- 1%	151
Future salary growth	+ 1%	137	- 1%	(122)
Turnover rate	+ 1%	(139)	- 1%	40
Future mortality	+ 1 year	11	- 1 year	(11)

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Bank only 30 June 2017				
	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%	(117)	- 1%	133
Future salary growth	+ 1%	122	- 1%	(110)
Turnover rate	+ 1%	(124)	- 1%	34
Future mortality	+ 1 year	10	- 1 year	(10)

Bank only 31 December 2016				
	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%	(129)	- 1%	147
Future salary growth	+ 1%	133	- 1%	(119)
Turnover rate	+ 1%	(136)	- 1%	38
Future mortality	+ 1 year	11	- 1 year	(11)

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 period were as follows:

Consolidated and Bank only Six-month period ended 30 June 2017				
	Commitment from letters of guarantee issued, avals and other guarantees	Obligation for litigation cases (note 35.2) (in million Baht)	Others	Total
Beginning balance	433	162	106	701
Provisions decrease	(50)	(11)	(21)	(82)
Paid during the period	-	(1)	(7)	(8)
Ending balance	383	150	78	611

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28 Deferred revenue

	Consolidated and Bank only	
	30 June	31 December
	2017	2016
	<i>(in million Baht)</i>	
Deferred fee income	19,582	134
Others	-	84
Total	19,582	218

29 Other liabilities

	Consolidated		Bank only	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Accrued expenses	4,065	3,814	3,956	3,759
Accrued interest expenses	606	627	606	627
Deposits and guarantees received	1,199	1,491	1,199	1,491
Collateral on derivative transactions	836	473	836	473
Suspense accounts - creditors	2,048	2,397	2,033	2,382
Other payables	613	760	608	755
Others	306	516	321	495
Total	9,673	10,078	9,559	9,982

30 Share-based payments - TMB Performance Share Bonus Scheme

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.

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.

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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 retire pursuant to the Bank’s regulation or death are still retained).

During the six-month periods ended 30 June 2017 and 2016, the Bank recorded expenses in relation to share-based payments of Baht 11 million and Baht 34 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 30 June 2017
	(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	(66,598,950)	(12,035,750)	-
The fourth offering, 2014	0.95	2.30	85,191,700	(64,686,616)	(20,505,084)	-
The fifth offering, 2015	0.95	3.04	53,599,400	(30,015,604)	(9,918,659)	13,665,137
Total			387,614,500	(311,120,392)	(62,828,971)	13,665,137

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

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

Consolidated and Bank only				
Six-month period ended 30 June 2017				
	Issued and paid-up ordinary share capital (No. of shares)	(in Baht)	Share premium (in Baht)	Other reserve - share-based payments
Beginning balance	43,807,370,307	41,617,001,792	325,405,639	105,376,845
Issued ordinary shares to employees	32,488,564	30,864,135	54,036,957	(84,901,092)
Expenses in relation to issuance of ordinary shares to employees	-	-	(511,886)	-
Expenses in relation to share-based payments	-	-	-	11,292,291
Ending balance	43,839,858,871	41,647,865,927	378,930,710	31,768,044

Consolidated and Bank only				
Year ended 31 December 2016				
	Issued and paid-up ordinary share capital (No. of shares)	(in Baht)	Share premium (in Baht)	Other reserve - share-based payments
Beginning balance	43,749,499,615	41,562,024,635	236,181,407	212,650,444
Issued ordinary shares to employees	57,870,692	54,977,157	89,766,087	(144,743,244)
Expenses in relation to issuance of ordinary shares to employees	-	-	(541,855)	-
Expenses in relation to share-based payments	-	-	-	37,469,645
Ending balance	43,807,370,307	41,617,001,792	325,405,639	105,376,845

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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 period/year were as follows:

	Consolidated and Bank only	
	Six-month period ended 30 June 2017	Year ended 31 December 2016
	<i>(in million Baht)</i>	
Beginning balance	6,450	4,496
Reappraisal during the period/year	-	2,112
Amortised during the period/year	(46)	(89)
Derecognised during the period/year	(44)	(36)
Transferred out during the period/year	(13)	(33)
Ending balance	6,347	6,450
<i>Less deferred tax</i>	<i>(1,269)</i>	<i>(1,290)</i>
Ending balance, net of deferred tax	5,078	5,160

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 7 April 2017, the 2017 Annual General Meeting of the Bank's shareholders passed resolutions approving the appropriation of the 2016 operating profit and dividend payment as follows:

- (1) Appropriation of net profit of Baht 410 million to be legal reserve.
- (2) Payment of a dividend of Baht 0.06 per share from the 2016 operating profit to the shareholders. The Bank paid such dividend to its shareholders on 4 May 2017.

(b) On 8 April 2016, the 2016 Annual General Meeting of the Bank's shareholders passed resolutions approving the appropriation of the 2015 operating profit and dividend payment as follows:

- (1) Appropriation of net profit of Baht 460 million to the legal reserve.
- (2) Payment of a dividend of Baht 0.06 per share from the 2015 operating profit to the shareholders. The Bank paid such dividend to its shareholders on 4 May 2016.

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34 Assets pledged as collateral and under restriction

Assets pledged as collateral and under restriction as at 30 June 2017 and 31 December 2016 were as follow:

	Consolidated and Bank only	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Investments in securities		
- Pledged as collateral against repurchase transactions	20,917	14,586
Total	20,917	14,586

35 Commitments and contingent liabilities

35.1 Commitments

	Consolidated and Bank only	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Avals to bills	1,703	1,578
Guarantees of loans	49	-
Liability under unmatured import bills	2,290	2,502
Letters of credit	21,845	22,948
Other commitments		
- Other guarantees	62,482	65,488
- Amount of unused bank overdrafts	87,309	90,845
- Committed line	10,190	17,369
- Others	815	500
Total	186,683	201,230

As at 30 June 2017 and 31 December 2016, the Bank had no commitments from providing other guarantees to listed companies, which meet criteria for delisting conditions from the Stock Exchange of Thailand.

35.2 Litigation

- (a) As at 30 June 2017 and 31 December 2016, the Bank and its subsidiaries were claimed pursuant to obligations under the letters of guarantee and other claims for 83 cases and 79 cases, respectively (Bank only: claims for 78 cases and 75 cases, respectively). The said claims were made against the Bank and its subsidiaries for the approximate liability amounts of Baht 223 million ⁽¹⁾ and Baht 2,634 million ⁽¹⁾, respectively (Bank only: Baht 208 million ⁽¹⁾ and Baht 2,619 million ⁽¹⁾, respectively).
- (b) As at 30 June 2017 and 31 December 2016, the Bank and its subsidiaries have recognised provisions for possible losses from the litigation cases totalling Baht 150 million and Baht 162 million, respectively (Bank only: Baht 150 million and Baht 162 million, respectively). The management considers that the provision established for such potential losses due to the said litigation cases is adequate.

⁽¹⁾ Excluding the liabilities of the Bank and its subsidiaries as of 30 June 2017 and 31 December 2016 of Baht 833 million and Baht 1,187 million, respectively (Bank only: Baht 310 million and Baht 664 million, respectively), which the Court of First Instance and the Appeals Court dismissed the cases.

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35.3 Non-cancellable operating lease commitments

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
<i>Future minimum lease payments</i>				
Within one year	514	556	499	541
After one year but within five years	377	718	360	693
Total	891	1,274	859	1,234

	Consolidated		Bank only	
<i>Three-month periods ended 30 June</i>	2017	2016	2017	2016
	<i>(in million Baht)</i>			
<i>Amount recognised in profit or loss</i>				
Lease expense	146	127	142	123

	Consolidated		Bank only	
<i>Six-month periods ended 30 June</i>	2017	2016	2017	2016
	<i>(in million Baht)</i>			
<i>Amount recognised in profit or loss</i>				
Lease expense	284	251	276	243

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.

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)
3. Subsidiaries

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4. 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.
5. Other related parties are
 - 5.1 Close family members of key management personnel
 - 5.2 Entities in which key management personnel and their close family members hold over 10% of paid-up share capital
 - 5.3 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 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
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

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

Transactions

Interest rates of loans

Fee and service income

Interest rate on deposits and borrowings

Fee and services income for other types of services

Branch office rental and related service

Sale of non-performing assets to a subsidiary

Sale of government and state enterprise securities to a subsidiary

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.

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.

Based on market rate

Based on market price

Based on market rate

Based on market price

Based on market price

36.1 Related parties transactions with key management and other related parties

Significant related parties transactions for the three-month and six-month periods ended 30 June 2017 and 2016 with key management and other related parties were as follows:

Consolidated							
Three-month period ended 30 June 2017							
	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)
	(in million Baht)						
1. Major shareholders	6	-	-	-	-	2	-
2. Entities with joint control or significant influence over the entity	82	54	6	-	16	54	39
3. Subsidiaries	-	-	-	-	-	-	-
4. Key management personnel of the Bank	1	1	-	-	-	-	-
5. Other related parties	-	-	-	-	-	7	(1)

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For the three-month period ended 30 June 2017 (Unaudited)

Consolidated							
Three-month period ended 30 June 2016							
	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	12	2	-	-	-	2	-
2. Entities with joint control or significant influence over the entity	72	38	6	-	19	60	39
3. Subsidiaries	-	-	-	-	-	-	-
4. Key management personnel of the Bank	1	-	-	-	-	-	-
5. Other related parties	-	1	-	-	-	6	-

Consolidated							
Six-month period ended 30 June 2017							
	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	12	-	-	-	-	6	-
2. Entities with joint control or significant influence over the entity	157	106	11	-	19	107	41
3. Subsidiaries	-	-	-	-	-	-	-
4. Key management personnel of the Bank	1	1	-	-	-	-	-
5. Other related parties	1	1	-	-	-	13	(1)

Consolidated							
Six-month period ended 30 June 2016							
	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	36	2	-	-	-	6	-
2. Entities with joint control or significant influence over the entity	142	141	9	-	24	114	33
3. Subsidiaries	-	-	-	-	-	-	-
4. Key management personnel of the Bank	1	1	-	-	-	-	-
5. Other related parties	1	2	-	-	-	9	-

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For the three-month period ended 30 June 2017 (Unaudited)

Three-month period ended 30 June 2017							Impairment
	Interest	Interest	Fees and	Fees and	Other	Other	loss on loans
	income	expenses	service	service	operating	operating	and debt
			income	expenses	income	expenses	securities
			(in million Baht)				(reversal of)
1. Major shareholders	6	-	-	-	-	2	-
2. Entities with joint control or significant influence over the entity	80	54	6	-	16	54	39
3. Subsidiaries	-	-	715	-	126	-	-
4. Key management personnel of the Bank	1	1	-	-	-	-	-
5. Other related parties	-	-	-	-	-	7	(1)

Bank only

Three-month period ended 30 June 2016							Impairment
	Interest	Interest	Fees and	Fees and	Other	Other	loss on loans
	income	expenses	service	service	operating	operating	and debt
			income	expenses	income	expenses	securities
			(in million Baht)				(reversal of)
1. Major shareholders	12	2	-	-	-	2	-
2. Entities with joint control or significant influence over the entity	70	38	6	-	19	60	39
3. Subsidiaries	-	-	312	-	-	-	-
4. Key management personnel of the Bank	1	-	-	-	-	-	-
5. Other related parties	-	1	-	-	-	6	-

Bank only

Six-month period ended 30 June 2017							Impairment
	Interest	Interest	Fees and	Fees and	Other	Other	loss on loans
	income	expenses	service	service	operating	operating	and debt
			income	expenses	income	expenses	securities
			(in million Baht)				(reversal of)
1. Major shareholders	12	-	-	-	-	6	-
2. Entities with joint control or significant influence over the entity	154	106	11	-	19	107	41
3. Subsidiaries	-	-	1,245	-	126	-	-
4. Key management personnel of the Bank	1	1	-	-	-	-	-
5. Other related parties	1	1	-	-	-	13	(1)

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For the three-month period ended 30 June 2017 (Unaudited)

Six-month period ended 30 June 2016							
	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	36	2	-	-	-	6	-
2. Entities with joint control or significant influence over the entity	138	141	9	-	24	114	33
3. Subsidiaries	-	-	538	-	-	-	-
4. Key management personnel of the Bank	1	1	-	-	-	-	-
5. Other related parties	1	2	-	-	-	9	-

36.2 Outstanding balances with related parties

As at 30 June 2017 and 31 December 2016, 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 30 June 2017 and 31 December 2016 were as follows:

	Consolidated and Bank only	
	30 June 2017	31 December 2016
	<i>(in million Baht)</i>	
Loans to customers and accrued interest receivables, net		
Ministry of Finance	1,003	1,003
Deposits (including interbank and money market items - liabilities)		
ING Bank N.V.	339	345
Contingencies – Derivatives ⁽¹⁾		
ING Bank N.V.	5,638	6,547
⁽¹⁾ Presented in notional amount		
Other contingencies		
ING Bank N.V.	17	18

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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 30 June 2017 and 31 December 2016 were as follows:

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
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	17,080	20,208	16,762	19,779
Thai Charoenpol Industry Co., Ltd.	3	3	3	3
Total	17,083	20,211	16,765	19,782
Allowance for doubtful accounts				
Entities whose shares are owned or controlled by the Ministry of Finance	106	65	106	65
Thai Charoenpol Industry Co., Ltd.	2	2	2	2
Total	108	67	108	67
Other receivables				
Entities whose shares are owned or controlled by the Ministry of Finance	56	56	56	56
Other assets				
Entities whose shares are owned or controlled by the Ministry of Finance	285	282	285	282
Deposits (including interbank and money market items - liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance	14,001	14,838	14,001	14,838
TMB Property Development Co., Ltd.	4	4	4	4
Total	14,005	14,842	14,005	14,842
Debts issued and borrowings (including interbank and money market items - liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance	8,726	7,765	8,726	7,765
Provisions for obligation on transfers of non-performing assets				
Entities whose shares are owned or controlled by the Ministry of Finance	1,657	1,657	1,657	1,657
Other liabilities				
Entities whose shares are owned or controlled by the Ministry of Finance	10	9	10	9
Contingencies - derivatives ⁽¹⁾				
Entities whose shares are owned or controlled by the Ministry of Finance	110,894	128,754	110,894	128,754
⁽¹⁾ Presented in notional amount				
Other contingencies				
Entities whose shares are owned or controlled by the Ministry of Finance	1,077	1,204	1,077	1,204

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36.2.3 Significant balances between the Bank and its subsidiaries as at 30 June 2017 and 31 December 2016 were as follows:

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Other assets				
Phayathai Asset Management Co., Ltd.	-	-	2	1
TMB Asset Management Co., Ltd.	-	-	290	147
Total	-	-	292	148
Deposits				
Phayathai Asset Management Co., Ltd.	-	-	5	10
TMB Asset Management Co., Ltd.	-	-	92	63
Total	-	-	97	73

36.2.4 Significant balances between the Bank and its subsidiaries, and their key management personnel as at 30 June 2017 and 31 December 2016 were as follows:

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Loans to customers and accrued interest receivables, net	10	20	10	19
Welfare loans	43	43	43	43
Allowance for doubtful accounts	1	1	1	1
Deposits	232	160	229	154

36.2.5 Significant balances between the Bank and its subsidiaries, and other related parties as at 30 June 2017 and 31 December 2016 were as follows:

	Consolidated		Bank only	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	<i>(in million Baht)</i>			
Loans to customers and accrued interest receivables, net	31	32	31	32
Deposits	176	192	175	191
Other liabilities	1	1	1	1

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36.3 Senior management personnel compensation

For the three-month and six-month periods ended 30 June 2017 and 2016, senior management personnel compensation, included in profit or loss, was classified as follows:

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Short-term employee benefits - directors	21	20	21	20
Short-term employee benefits - management	228	164	219	156
Post-employment benefits	9	11	8	10
Share-based payments (performance share bonus)	2	10	2	10
Total	260	205	250	196

<i>Six-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Short-term employee benefits - directors	29	27	29	26
Short-term employee benefits - management	430	344	414	329
Post-employment benefits	19	24	16	21
Share-based payments (performance share bonus)	9	22	9	22
Total	487	417	468	398

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 management personnel of the subsidiaries are those at the level of director and executive officer upwards.

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.

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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 100 million and over which was changed in 2017 from Baht 1,000 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 100 million which was changed in 2017 from less than Baht 1,000 million. The main products and services are corporate loans, deposits and bancassurance.

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.

Information about reportable segments:

Three-month period ended
30 June 2017

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	3,505	2,174	543	-	6,222
Other operating income	687	2,158	436	(15)	3,266
Total operating income	4,192	4,332	979	(15)	9,488
Operating expenses	(1,833)	(2,278)	(257)	15	(4,353)
Profits from operation	2,359	2,054	722	-	5,135
Other income (expenses), net					-
Provision for doubtful accounts on loans and loan-related transactions					(2,275)
Profit before income tax					2,860
Income tax					(517)
Profit for the period					2,343
Depreciation and amortisation	32	184	117	-	333

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Three-month period ended 30 June 2017

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Source of operating income breakdown by operating segments					
Third party	5,941	2,492	1,055	-	9,488
Inter - segment	(1,749)	1,840	(76)	(15)	-
Total operating income	4,192	4,332	979	(15)	9,488

Three-month period ended 30 June 2016

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	3,831	1,856	506	-	6,193
Other operating income	811	1,228	282	(13)	2,308
Total operating income	4,642	3,084	788	(13)	8,501
Operating expenses	(1,863)	(2,129)	(71)	13	(4,050)
Profits from operation	2,779	955	717	-	4,451
Other income (expenses), net					-
Provision for doubtful accounts on loans and loan-related transactions					(1,973)
Profit before income tax					2,478
Income tax					(325)
Profit for the period					2,153
Depreciation and amortisation	31	171	107	-	309

Source of operating income breakdown by operating segments

Third party	6,650	1,277	574	-	8,501
Inter - segment	(2,008)	1,807	214	(13)	-
Total operating income	4,642	3,084	788	(13)	8,501

Six-month period ended 30 June 2017

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	7,031	4,356	998	-	12,385
Other operating income	1,522	3,552	965	(29)	6,010
Total operating income	8,553	7,908	1,963	(29)	18,395
Operating expenses	(3,675)	(4,450)	(400)	29	(8,496)
Profits from operation	4,878	3,458	1,563	-	9,899
Other income (expenses), net					-
Provision for doubtful accounts on loans and loan-related transactions					(4,486)
Profit before income tax					5,413
Income tax					(965)
Profit for the period					4,448
Depreciation and amortisation	59	362	237	-	658

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For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

Six-month period ended 30 June 2017

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Source of operating income breakdown by operating segments					
Third party	12,041	4,404	1,950	-	18,395
Inter - segment	(3,488)	3,504	13	(29)	-
Total operating income	8,553	7,908	1,963	(29)	18,395

Six-month period ended 30 June 2016

	Commercial Banking	Retail Banking	Consolidated Other segments (in million Baht)	Elimination	Total
Net interest income	7,614	3,446	1,103	-	12,163
Other operating income	1,864	2,369	521	(23)	4,731
Total operating income	9,478	5,815	1,624	(23)	16,894
Operating expenses	(3,603)	(4,069)	(224)	23	(7,873)
Profits from operation	5,875	1,746	1,400	-	9,021
Other income (expenses), net					-
Provision for doubtful accounts on loans and loan-related transactions					(3,923)
Profit before income tax					5,098
Income tax					(848)
Profit for the period					4,250
Depreciation and amortisation	64	335	206	-	605

Source of operating income breakdown by operating segments					
Third party	13,512	2,244	1,138	-	16,894
Inter - segment	(4,034)	3,571	486	(23)	-
Total operating income	9,478	5,815	1,624	(23)	16,894

Reconciliation of reportable segment profit or loss

Three-month period ended 30 June 2017

	Net interest income	Non- interest income	Consolidated Operating expenses (in million Baht)	Other income (expenses)	Impairment loss on loans and debt securities
Segment reporting	6,222	3,266	(4,353)	-	(2,275)
Bad debts, doubtful accounts and impairment losses	-	29	(22)	-	(7)
Others	(24)	14	10	-	-
Consolidated financial statements	6,198	3,309	(4,365)	-	(2,282)

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For the three-month period ended 30 June 2017 (Unaudited)

Three-month period ended 30 June 2016

	Net interest income	Non- interest income	Consolidated Operating expenses (in million Baht)	Other income (expenses)	Impairment loss on loans and debt securities
Segment reporting	6,193	2,308	(4,050)	-	(1,973)
Bad debts, doubtful accounts and impairment losses	-	10	15	-	(25)
Others	(20)	24	(4)	-	-
Consolidated financial statements	6,173	2,342	(4,039)	-	(1,998)

Six-month period ended 30 June 2017

	Net interest income	Non- interest income	Consolidated Operating expenses (in million Baht)	Other income (expenses)	Impairment loss on loans and debt securities
Segment reporting	12,385	6,010	(8,496)	-	(4,486)
Bad debts, doubtful accounts and impairment losses	-	38	(1)	-	(37)
Others	(28)	-	28	-	-
Consolidated financial statements	12,357	6,048	(8,469)	-	(4,523)

Six-month period ended 30 June 2016

	Net interest income	Non- interest income	Consolidated Operating expenses (in million Baht)	Other income (expenses)	Impairment loss on loans and debt securities
Segment reporting	12,163	4,731	(7,873)	-	(3,923)
Bad debts, doubtful accounts and impairment losses	-	13	(61)	-	48
Others	(61)	77	(16)	-	-
Consolidated financial statements	12,102	4,821	(7,950)	-	(3,875)

	Commercial banking	Retail banking	Consolidated 30 June 2017 Other segments (in million Baht)	Elimination	Total
Assets	568,744	160,811	114,801	(3,790)	840,566
Liabilities and equity	222,328	423,437	198,591	(3,790)	840,566

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For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

	Consolidated				
	31 December 2016				
	Commercial banking	Retail banking	Other segments	Elimination	Total
	<i>(in million Baht)</i>				
Assets	553,894	144,608	115,530	(3,596)	810,436
Liabilities and equity	216,653	404,996	192,383	(3,596)	810,436

38 Financial position and results of operations classified by domestic and foreign business

38.1 As at 30 June 2017 and 31 December 2016, the financial position classified by domestic and foreign business was as follows:

	Consolidated					
	30 June 2017			31 December 2016		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
	<i>(in million Baht)</i>					
Total assets	839,814	752	840,566	809,713	723	810,436
Interbank and money market items, net (assets)	103,724	589	104,313	113,287	571	113,858
Investments, net	63,000	-	63,000	62,985	-	62,985
Loans to customers and accrued interest receivables, net	592,197	72	592,269	569,195	73	569,268
Deposits	601,272	157	601,429	598,783	165	598,948
Interbank and money market items (liabilities)	52,947	1,870	54,817	43,870	1,547	45,417
Debts issued and borrowings, net	19,497	14,600	34,097	25,443	14,431	39,874

38.2 The results of operations classified by domestic and foreign business for the three-month and the six-month periods ended 30 June 2017 and 2016 were as follows:

Three-month periods ended 30 June

	Consolidated					
	2017			2016		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
	<i>(in million Baht)</i>					
Interest income	8,686	1	8,687	8,971	1	8,972
Interest expense	2,361	128	2,489	2,663	136	2,799
Net interest income (expense)	6,325	(127)	6,198	6,308	(135)	6,173
Net fees and service income	2,827	-	2,827	1,915	-	1,915
Total other operating income	482	-	482	427	-	427
Total other operating expenses	4,362	3	4,365	4,037	2	4,039
Impairment loss on loans and debt securities	2,282	-	2,282	1,998	-	1,998
Profit from operations before income tax	2,990	(130)	2,860	2,615	(137)	2,478

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For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

<i>Six-month periods ended 30 June</i>	Consolidated					
	Domestic business	2017 Foreign business	Total	Domestic business	2016 Foreign business	Total
			<i>(in million Baht)</i>			
Interest income	17,245	2	17,247	18,056	3	18,059
Interest expense	4,628	262	4,890	5,771	186	5,957
Net interest income (expense)	12,617	(260)	12,357	12,285	(183)	12,102
Net fees and service income	4,861	-	4,861	3,757	-	3,757
Total other operating income	1,187	-	1,187	1,064	-	1,064
Total other operating expenses	8,464	5	8,469	7,941	9	7,950
Impairment loss on loans and debt securities	4,523	-	4,523	3,875	-	3,875
Profit from operations before income tax	5,678	(265)	5,413	5,290	(192)	5,098

39 Interest income

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Interbank and money market items	421	433	417	429
Investments and trading transactions	32	64	32	64
Investments in debt securities	326	343	314	343
Loans to customers	7,898	8,097	7,895	8,092
Others	10	35	10	35
Total	8,687	8,972	8,668	8,963

<i>Six-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Interbank and money market items	842	913	835	906
Investments and trading transactions	47	137	47	137
Investments in debt securities	635	779	612	779
Loans to customers	15,697	16,122	15,690	16,115
Others	26	108	26	107
Total	17,247	18,059	17,210	18,044

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For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

40 Interest expenses

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Deposits	1,241	1,649	1,242	1,649
Interbank and money market items	175	19	175	19
Contribution to Deposits Protection Agency and BoT	712	757	712	757
Debts issued				
- Subordinated debentures	252	263	252	263
- Others	101	100	101	100
Borrowings	8	10	8	10
Others	-	1	-	1
Total	2,489	2,799	2,490	2,799

<i>Six-month periods ended 30 June</i>	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Deposits	2,392	3,585
Interbank and money market items	336	177
Contribution to Deposits Protection Agency and BoT	1,408	1,513
Debts issued		
- Subordinated debentures	534	550
- Others	203	115
Borrowings	16	16
Others	1	1
Total	4,890	5,957

41 Net fees and service income

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Fees and service income				
- Acceptance, avals and guarantees	131	129	131	129
- Credit card and ATM	605	644	605	644
- Funds and Bancassurance	2,331	1,098	2,016	921
- Others	439	582	453	596
Total	3,506	2,453	3,205	2,290
Fees and service expenses				
- Credit card and ATM	(405)	(349)	(405)	(349)
- Others	(274)	(189)	(210)	(161)
Total	(679)	(538)	(615)	(510)
Net	2,827	1,915	2,590	1,780

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For the six-month period ended 30 June 2017
For the three-month period ended 30 June 2017 (Unaudited)

<i>Six-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Fees and service income				
- Acceptance, avals and guarantees	260	267	260	267
- Credit card and ATM	1,210	1,261	1,210	1,261
- Funds and Bancassurance	3,750	2,131	3,176	1,763
- Others	949	1,119	978	1,143
Total	6,169	4,778	5,624	4,434
Fees and service expenses				
- Credit card and ATM	(785)	(709)	(785)	(709)
- Others	(523)	(312)	(399)	(261)
Total	(1,308)	(1,021)	(1,184)	(970)
Net	4,861	3,757	4,440	3,464

42 Gains on trading and foreign exchange transactions, net

<i>Three-month periods ended 30 June</i>	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Gains (losses) on trading and foreign exchange transactions, net		
- Foreign currencies and derivatives on foreign exchange	240	351
- Derivatives on interest rates	(43)	(58)
- Debt securities	(2)	(22)
Total	195	271

<i>Six-month periods ended 30 June</i>	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Gains (losses) on trading and foreign exchange transactions, net		
- Foreign currencies and derivatives on foreign exchange	556	692
- Derivatives on interest rates	(10)	1
- Debt securities	37	51
Total	583	744

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

Losses on financial liabilities designated at fair value through profit or loss, net for the three-month and six-month periods ended 30 June 2017 and 2016 were as follows:

<i>Three-month periods ended 30 June</i>	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Net change in fair value	(9)	(4)
Losses on financial liabilities designated at fair value through profit or loss, net	(9)	(4)

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For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

<i>Six-month periods ended 30 June</i>	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Net change in fair value	(16)	(22)
Losses on financial liabilities designated at fair value through profit or loss, net	(16)	(22)

44 Gains on investments, net

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Gains on sales				
- Available-for-sale investments	25	8	25	7
Total	25	8	25	7
 Reversal of (losses on) impairment				
- Available-for-sale investments	-	(1)	-	(1)
- General investments	22	(4)	22	(4)
Total	22	(5)	22	(5)
 Net	47	3	47	2

<i>Six-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Gains on sales				
- Available-for-sale investments	27	78	27	77
Total	27	78	27	77
 Reversal of (losses on) impairment				
- Available-for-sale investments	-	(1)	-	(1)
- General investments	22	(4)	22	(4)
Total	22	(5)	22	(5)
 Net	49	73	49	72

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For the six-month period ended 30 June 2017

For the three-month period ended 30 June 2017 (Unaudited)

45 Other operating expenses

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Marketing and business promotion expenses	313	316	292	306
Communication expenses	86	99	86	99
Amortisation of intangible assets	92	85	92	84
Losses on impairment of properties foreclosed and other assets	32	2	29	3
Others	483	476	477	470
Total	1,006	978	976	962

<i>Six-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Marketing and business promotion expenses	614	530	572	481
Communication expenses	176	204	175	204
Amortisation of intangible assets	178	170	177	168
Losses on impairment of properties foreclosed and other assets	56	9	53	11
Others	926	977	915	965
Total	1,950	1,890	1,892	1,829

46 Impairment loss on loans and debt securities

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Bad debts and doubtful accounts (reversal of)				
- Interbank and money market items	10	(12)	10	(12)
- Loans to customers	2,286 ⁽¹⁾	2,089	2,288 ⁽¹⁾	2,094
Allowance for debt restructuring on loans to customers (reversal of)	(14)	(79)	(14)	(79)
Total	2,282	1,998	2,284	2,003

<i>Six-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Bad debts and doubtful accounts (reversal of)				
- Interbank and money market items	6	3	6	3
- Loans to customers	4,479 ⁽¹⁾	3,906	4,483 ⁽¹⁾	3,908
Allowance for debt restructuring on loans to customers (reversal of)	38	(34)	38	(34)
Total	4,523	3,875	4,527	3,877

⁽¹⁾ The selling price in excess of the carrying value of NPLs sale (see in Note 13.5) of Baht 51 million was presented as a deduction from this item.

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47 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the three-month and six-month periods ended 30 June 2017 and 2016 were based on the profit for the periods attributable to equity holders of the Bank and the number of ordinary shares outstanding during the periods as follows:

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
Profit for the periods attributable to equity holders of the Bank (<i>in million Baht</i>)	<u>2,330</u>	<u>2,151</u>	<u>2,337</u>	<u>2,100</u>
Weighted average number of ordinary shares outstanding (<i>in million shares</i>)	<u>43,836</u>	<u>43,801</u>	<u>43,836</u>	<u>43,801</u>
Basic earnings per share (<i>in Baht</i>)	<u>0.0531</u>	<u>0.0491</u>	<u>0.0533</u>	<u>0.0479</u>
<i>Six-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
Profit for the periods attributable to equity holders of the Bank (<i>in million Baht</i>)	<u>4,426</u>	<u>4,243</u>	<u>4,349</u>	<u>4,158</u>
Weighted average number of ordinary shares outstanding (<i>in million shares</i>)	<u>43,822</u>	<u>43,775</u>	<u>43,822</u>	<u>43,775</u>
Basic earnings per share (<i>in Baht</i>)	<u>0.1010</u>	<u>0.0969</u>	<u>0.0992</u>	<u>0.0950</u>

Diluted earnings per share

The calculations of diluted earnings per share for the three-month and six-month periods ended 30 June 2017 and 2016 were based on the profit for the periods attributable to equity holders of the Bank and the number of ordinary shares outstanding during the periods after adjusting for the effects of all dilutive potential ordinary shares as follows:

<i>Three-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
Profit for the periods attributable to equity holders of the Bank (<i>in million Baht</i>)	<u>2,330</u>	<u>2,151</u>	<u>2,337</u>	<u>2,100</u>
Weighted average number of ordinary shares outstanding (<i>in million shares</i>)	<u>43,836</u>	<u>43,801</u>	<u>43,836</u>	<u>43,801</u>
Effect of dilutive potential ordinary shares from TMB PSBP 2010 Scheme (<i>in million shares</i>)	<u>18</u>	<u>60</u>	<u>18</u>	<u>60</u>
Weighted average number of diluted ordinary shares outstanding (<i>in million shares</i>)	<u>43,854</u>	<u>43,861</u>	<u>43,854</u>	<u>43,861</u>
Diluted earnings per share (<i>in Baht</i>)	<u>0.0531</u>	<u>0.0490</u>	<u>0.0533</u>	<u>0.0479</u>

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For the three-month period ended 30 June 2017 (Unaudited)

<i>Six-month periods ended 30 June</i>	Consolidated		Bank only	
	2017	2016	2017	2016
Profit for the periods attributable to equity holders of the Bank (<i>in million Baht</i>)	<u>4,426</u>	<u>4,243</u>	<u>4,349</u>	<u>4,158</u>
Weighted average number of ordinary shares outstanding (<i>in million shares</i>)	43,822	43,775	43,822	43,775
Effect of dilutive potential ordinary shares from TMB PSBP 2010 Scheme (<i>in million shares</i>)	<u>32</u>	<u>86</u>	<u>32</u>	<u>86</u>
Weighted average number of diluted ordinary shares outstanding (<i>in million shares</i>)	<u>43,854</u>	<u>43,861</u>	<u>43,854</u>	<u>43,861</u>
Diluted earnings per share (<i>in Baht</i>)	<u>0.1009</u>	<u>0.0967</u>	<u>0.0992</u>	<u>0.0948</u>

48 Events after the reporting period

48.1 The new Bancassurance Agreement

On 14 July 2017, the Bank has concluded the terms of a new Bancassurance Agreement with FWD Life Insurance Public Company Limited (“FWD”), pursuant to an in-principle memorandum dated 2 November 2016. Within the scope of the agreement, FWD obtains the exclusive rights to distribute its life insurance products through the Bank’s channels for an initial term of 15 years from 1 January 2017. The Bank will receive an access fee for the distributional rights over the contract term and regular variable fees in the normal course of business such as commission and incentives. The fee receivable was recorded as “Other receivables” in the statements of financial position which will be fully received within October 2017. The access fee income was recorded as “Deferred Revenue” in the statements of financial position and recognised as fee and service income over the term of the agreement.

48.2 Counting a part of net profit for the period as Tier 1 Capital

On 23 August 2017, the Board of Directors’ Meeting of the Bank passed a resolution to approve the inclusion of a part of net profit for the six-month period ended 30 June 2017 amounting to Baht 3,479 million to be counted as Tier 1 Capital of the Bank.

For the three-month period ended 30 June 2017 (Unaudited)

Certain accounts in the statement of financial position as at 31 December 2016, which are included in the 2017 interim financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2017 interim financial statements. These reclassifications have principally been made following changes in accounting policies as disclosed in note 3 and for comparative purposes. The reclassifications were as follows:

The reclassifications have been made because, in the opinion of management, the new classifications are more appropriate to the Bank's and its subsidiaries' business.