IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR IN THAILAND.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing this Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS AND THE SECURITIES ARE BEING OFFERED AND SOLD OUTSIDE OF THE UNITED STATES IN RELIANCE ON REGULATION S OF THE SECURITIES ACT.

A REGISTRATION STATEMENT FOR THE OFFERING AND SALE OF THE SECURITIES HAS NOT BEEN FILED IN THAILAND AND THE SECURITIES MAY NOT BE OFFERED OR SOLD TO ANY PERSON IN THAILAND.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY PERSON IN THAILAND OR TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE ARRANGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY THAI OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS OFFERING CIRCULAR CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF, THE SECURITIES IN THAILAND OR IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR.

Confirmation of your Representation: By accessing this Offering Circular you confirm to The Hongkong and Shanghai Banking Corporation Limited, ING and Standard Chartered Bank (the "**Arrangers**") and TMB Bank Public Company Limited (the "**Bank**") that (i) you understand and agree to the terms set out herein, (ii) you are not and the e-mail address which you have provided and to which this e-mail and Offering Circular has been delivered is not located in the United States, its territories and possessions, (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the attached Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Arrangers, and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Notes (as defined in the attached Offering Circular).

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Offering Circular electronically or otherwise to any other person and in particular to any person or address in the U.S. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Offering Circular by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such underwriter or such affiliate on behalf of the issuer in such jurisdiction.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in Thailand or any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in this Offering Circular. This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Arrangers or the Bank or any person who controls either of them or any of their or their affiliates' directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Arrangers and the Bank to inform themselves about, and to observe, any such restrictions.

OFFERING CIRCULAR

Make **THE** Difference

TMB BANK PUBLIC COMPANY LIMITED

(incorporated with limited liability in the Kingdom of Thailand)
(acting directly or through its Cayman Islands branch)

US$3,000,000,000

Euro Medium Term Note Programme

Under this US$3,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), TMB Bank Public Company Limited (the "**Issuer**" or the "**Bank**"), acting directly or through its Cayman Islands branch and subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Bank and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed US$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Bank (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should have the financial capacity to bear the risks involved in an investment in the Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with the Notes. For a discussion of these risks see "*Investment Considerations*".

Subordinated Notes are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 or the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "*Important Notices*" for further information.

Approval-in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval-in-principle from, and the admission of any Notes to the Official List of the SGX-ST or the quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Bank, the Programme or the Notes. Unlisted Notes may be issued under the Programme. The relevant Pricing Supplement (as defined below) in respect of any Series (as defined in the "*Terms and Conditions of the Notes*") will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

The offering of the Notes outside Thailand has been approved by the Office of the Securities and Exchange Commission of Thailand (the "**Office of the Thai SEC**"). However, such approval does not represent that the Securities and Exchange Commission of Thailand (the "**Thai SEC**") or the Office of the Thai SEC has certified the accuracy and completeness of information contained in this Offering Circular or assured the value or price of the Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement document (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SGX-ST will be delivered to the SGX-ST before the listing of Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Bank and the relevant Dealer. The Bank may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Each Tranche of Notes of each Series (as defined in "*Terms and Conditions of the Notes*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**"). Notes in registered form will initially be represented by a global note in registered form (each a "**Registered Global Note**" and together with any Temporary Global Notes and Permanent Global Notes, the "**Global Notes**" and each a "**Global Note**"). Global Notes may be deposited on the issue date with a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). The provisions governing the exchange of interests in Global Notes are described in "*Form of the Notes*".

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered sold or delivered within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. The Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*" and "*Thai Transfer Restrictions*".

No prospectus is required in accordance with Directive 2003/71/EC in relation to offers of Notes under the Programme.

Arrangers

HSBC	**ING**	**Standard Chartered Bank**

Dealers

HSBC	**ING**	**Standard Chartered Bank**

The date of this Offering Circular is 17 March 2016.

IMPORTANT NOTICES

Unless the context otherwise requires, all references in this Offering Circular to the "Bank", "our Bank", "we", "our", "ours", "us" or similar terms mean, TMB Bank Public Company Limited and its consolidated subsidiaries and references to the "Issuer" shall be to TMB Bank Public Company Limited, and, for the purpose of listing Notes on the Singapore Stock Exchange to be traded on the Alternative Securities Market, references to Offering Circular will be deemed to be references to the listing particulars.

The Bank accepts responsibility for the information contained in this Offering Circular. The Bank confirms that the information contained in this Offering Circular is in accordance with the facts and does not materially omit anything likely to affect the import of such information.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the applicable Pricing Supplement.

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealer or the Managers, as the case may be.

Copies of Pricing Supplements will be available from the specified office set out below of the Principal Paying Agent (as defined below), save that any Pricing Supplement relating to an unlisted Note will only be available to a holder of such Note and such holder must produce evidence satisfactory to the Bank or the Principal Paying Agent as to its holding of Notes and identity.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

None of the Arrangers, the Dealers, the Trustee, the Paying Agents (as defined below), the Transfer Agents (as defined below) or the Registrar have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Dealers, the Trustee, the Paying Agents (as defined below), the Transfer Agents (as defined below) or the Registrar as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Bank in connection with the Programme. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee, the Paying Agents, the Transfer Agents or the Registrar accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, the Dealers, the Trustee, the Paying Agents, the Transfer Agents or the Registrar or on their behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Arrangers, each Dealer, the Trustee, each Paying Agent, each Transfer Agent and the Registrar accordingly disclaims all and any liability, whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Bank, the Arrangers, any of the Dealers, the Trustee, the Paying Agents, the Transfer Agents or the Registrar to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, the Arrangers, any of the Dealers, the Trustee, the Paying Agents, the Transfer Agents or the Registrar.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Bank, the Arrangers, any of the Dealers, the Trustee, the Paying Agents, the Transfer Agents or the Registrar that any recipient of this Offering Circular should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Bank, the Arrangers, any of the Dealers, the Trustee, the Paying Agents, the Transfer Agents or the Registrar to any person to subscribe for, or purchase, any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Trustee, the Registrar and the Dealers expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions from the Securities Act and applicable securities laws, Notes may not be offered, sold or delivered within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons). For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see "*Subscription and Sale*".

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Bank, the Arrangers, the Dealers, the Trustee, the Paying Agents, the Transfer Agents and the Registrar do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank, the Arrangers, the Trustee, the Registrar or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), Japan, Hong Kong, Singapore, the Cayman Islands and Thailand, see "*Subscription and Sale*" and "*Thai Transfer Restrictions*".

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU to the extent implemented in any Member State) including any relevant implementing measure in such Member State (the "**Prospectus Directive**"), the minimum specified denomination shall be €100,000 (or its equivalent in any other currency at the date of issue of the Notes).

The Subordinated Notes discussed in this Offering Circular are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as Subordinated Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"):

(i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as Subordinated Notes, must not be sold to retail clients in the EEA; and

(ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Dealers are required to comply with PI Rules. By purchasing, or making or accepting an offer to purchase, any Subordinated Notes (or a beneficial interest in such Subordinated Notes) from the Issuer and/or the Dealers you represent, warrant, agree with and undertake to the Issuer and each of the Dealers that:

(1) you are not a retail client in the EEA (as defined in the PI Rules);

(2) whether or not you are subject to the PI Rules, you will not

    (A) sell or offer Subordinated Notes (or any beneficial interest therein) to retail clients in the EEA or

    (B) communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite Subordinated Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules),

in any such case other than (i) in relation to any sale or offer to sell Subordinated Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Subordinated Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) you have conducted an assessment and concluded that the relevant retail client understands the risks of an investment in Subordinated Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in Subordinated Notes (or such beneficial interests therein) and (b) you have at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**") to the extent it applies to you or, to the extent MiFID does not apply to you, in a manner which would be in compliance with MiFID if it were to apply to you; and

(3) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of Subordinated Notes (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in Subordinated Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Subordinated Notes (or any beneficial interests therein) from the Issuer and/or the Dealers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

In making an investment decision, investors must rely on their own examination of the Bank and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

No invitation will be made to any person in Thailand to subscribe for the Notes. The Notes cannot be offered, sold or transferred in Thailand.

Neither the Thai SEC nor the Bank of Thailand ("**BoT**") reviews or declares its approval or disapproval of the issue of the Notes nor does it make any determination as to the accuracy or adequacy of this Offering Circular. Any statement to the contrary is a violation of Thai law.

None of the Bank, the Arrangers, the Trustee, the Registrar or the Dealers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Bank's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Investment Considerations*" and "*Description of the Bank*" and other sections of this Offering Circular. The Bank has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Bank believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Offering Circular, if one or more of the risks or uncertainties materialise, including those identified below or which the Bank has otherwise identified in this Offering Circular, or if any of the Bank's underlying assumptions prove to be incomplete or inaccurate, the Bank's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- general economic, political and social conditions and developments in Thailand and globally;
- management's expectations and estimates concerning the Bank's future financial performance;
- the effects of increasing competition in the banking industry in Thailand;
- the Bank's ability to implement its business strategy and to achieve and manage the growth of its business;
- various business opportunities that the Bank may pursue;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- changes in the Government policies, laws or regulations, in particular those affecting the banking industry in Thailand;
- changes in the general operating environment of the Thai banking industry;
- future levels of non-performing loans;
- the performance of real estate and financial markets in Thailand;
- the monetary and interest rate policies of Thailand, the United States and other countries;
- legal proceedings in which the Bank is involved; and
- other risks identified under "*Investment Considerations*" in this Offering Circular.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Without prejudice to any requirements under applicable laws and regulations, the Bank expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a limited liability public company organised under the laws of Thailand. Most of the directors and officers of the Bank are residents of Thailand and a substantial portion of the assets of the Bank and of such officers and directors are located in Thailand. As a result, it may not be possible for investors to effect service of process upon the Bank or such persons outside Thailand, or to enforce judgments against them obtained in courts outside Thailand predicated upon civil liabilities of the Bank or such directors and officers under laws other than Thailand, including any judgment predicated upon United States federal securities laws. The Bank has been advised by Clifford Chance (Thailand) Limited, its Thai counsel, that a judgment or order obtained in a court outside Thailand would not be enforced as such by the courts of Thailand, but such judgment or order in the discretion of the courts of Thailand may be admitted as evidence of any obligation in new proceedings instituted in the courts of Thailand, which would consider the issue on the evidence before it.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The audited financial information in this Offering Circular relating to the Group has been derived from the annual financial statements of the Group for the financial years ended 31 December 2014 and 31 December 2015 (together, the "**Financial Statements**"). The financial information presented refers to consolidated financial information, except for certain financial information marked as "Bank only" which refers to financial information of the Bank on a stand-alone basis.

The Bank's financial year ends on 31 December, and references in this Offering Circular to any specific year are to the 12-month period ended on 31 December of such year. The Bank's financial statements have been prepared in accordance with Thai Financial Reporting Standards ("**TFRS**"). TFRS refers to an accounting framework, accounting standards and financial reporting standards pronounced by the Federation of Accounting Professions ("**FAP**"). The regulations of the Stock Exchange of Thailand and the Thai SEC supplement the accounting practices of listed companies in Thailand. In addition to such regulations, listed commercial banks in Thailand are also required to follow regulations announced by the BoT. Certain differences between TFRS and IFRS are discussed in "*Summary of Principal Differences between TFRS and IFRS*". For a discussion of the principal differences between TFRS and IFRS as they relate to the Bank, see "*Summary of Principal Differences between TFRS and IFRS*".

CERTAIN DEFINED TERMS AND CONVENTIONS

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Offering Circular. In addition, all references to "Thailand" are references to the Kingdom of Thailand. All references to the "Government" are references to the government of Thailand. References to "United States", "U.S.", "U.S.A" or "US" are to the United States of America. All references to "United Kingdom" herein are to the United Kingdom of Great Britain and Northern Ireland. References herein to "Baht". "THB" or "Bt" are to the lawful currency of Thailand, references to "U.S. dollar", "U.S. Dollar", "US Dollar", "US dollar", "US Dollars", "US dollars", "USD" and "US$" are to the lawful currency of the United States. In addition, all references to "Sterling" and "£" refer to pounds sterling, references to "Singapore dollars" and "S$" refer to Singapore dollars and references to "euro" and "C" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

For convenience, unless otherwise specified, certain Baht amounts have been translated into US Dollar amounts as of 31 December 2015 based on the prevailing exchange rate of THB 36.09 = US$1.00, being the middle market spot rate of exchange for Baht against the US Dollar quoted by the BoT on 31 December 2015. Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless otherwise indicated, all financial information has been presented in Baht in accordance with TFRS. No representation is made that the Baht or US Dollar amounts shown herein could have been or could be converted into US Dollars or Baht, as the case may be, at any particular rate or at all.

References in this document to the Group shall mean the Bank and its consolidated subsidiaries.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION OR OVER-ALLOTMENT MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

INVESTMENT CONSIDERATIONS

In purchasing Notes, investors assume the risk that the Bank may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Bank becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Bank may not be aware of all relevant factors and certain factors which it currently deem not to be material may become material as a result of the occurrence of events outside the Bank's control. The Bank has identified in this Offering Circular a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks Relating to the Macroeconomic Environment

Challenging conditions and turbulence in the global economy and financial markets may adversely affect the Bank's business, asset quality, capital adequacy and results of operations

Macroeconomic developments creating challenging conditions and turbulence in the global economy and financial markets could adversely affect the Bank.

The recent slowdown in the economic growth rate of the People's Republic of China's (the "**PRC**"), the world's second largest economy, has impacted the financial stability of global markets in addition to the PRC's domestic market. As the PRC has begun its transition towards a services economy and economic growth has slowed, the demand for imported goods has noticeably declined. Consequently, certain countries whose economies are reliant, directly and indirectly, on the PRC's demand for their exports have been, and may continue to be, negatively impacted by PRC purchasers' decreasing appetite for foreign goods. Furthermore, as the PRC economy is highly leveraged, a deterioration in economic performance may lead to an inferior loan quality in the future, resulting in increasing rates of default, foreclosure and loss within the PRC financial system. Any further systemic disruption of the PRC economy could ultimately produce macroeconomic turbulence, as was seen during the course of 2015.

In addition to PRC-related conditions, volatility in financial markets, including, but not limited to, bond, foreign exchange and equity markets, may be amplified by the speculation regarding the U.S. Federal Reserve's decision to further increase the federal funds rate, following the first rate hike for nine years in December 2015. Further rate rises could result in a global divergence in monetary policy which may precipitate currency volatility and destabilizing capital outflows from emerging economies. Coupled with weakening PRC growth and stagnant European and Japanese economies, the global economy could enter a period of financial instability, potentially culminating in a recessionary phase. If such a scenario materialized, there can be no assurance that developing countries, including Thailand, and banking institutions, including the Bank, would not be adversely affected.

The continuation of difficult financial and economic conditions could lead to diminished demand for banking products and services, which would adversely affect the Bank's business and results of operations. Furthermore, continuing difficult financial and economic conditions could adversely affect the corporate and retail clients of the Bank and their ability to repay borrowings or diminish their ability to make deposits which in turn may result in a deterioration in the quality of the Bank's assets and larger provisioning allowances for loan losses and charge-offs.

The possibility of global liquidity tightening may adversely affect the Bank's business, asset quality, capital adequacy and results of operations

In December 2015, the Federal Open Market Committee of the Federal Reserve Board of the United States increased the federal funds rate, the United States central bank's policy rate, by 25 basis points from 0.25 per cent. to 0.50 per cent. Further rate increases in 2016 and beyond remain possible. While the timing of the Federal Reserve's normalisation of monetary policy is uncertain, the prospect of policy tightening has become a real possibility. Any increase in federal funds rate may be indicative of a general raising of interest rates not only in the United States but globally.

Risks and ongoing concerns about such a change in the monetary policy direction in the United States could have a detrimental effect on global financial stability, especially in emerging market economies, including Thailand. Changes in interest rates in major economies may have significant effects on other countries. An increase of one percentage point in the United States Treasury bill rate may raise Thailand's local money market interest rates proportionately. The increase in interest rates may also create disruptions in foreign exchange markets, especially in emerging market currencies, as investment capital pursue assets of higher quality in more developed markets.

There can be no assurance that the market disruptions in the United States or globally, including the increased cost of funding for certain governments and financial institutions, will not affect financial institutions in Thailand, including the Bank. Nor can there be any assurance that future policy accommodation by central banks, or other governmental bodies, will be available or, even if provided, will be sufficient to stabilise the affected countries and markets. Global economic uncertainty, regulatory initiatives and reforms have impacted, and are likely to continue to impact non-U.S. credit and trading portfolios. The Bank will continue to monitor and manage this risk but there can be no assurance its efforts in this respect will be sufficient or successful.

As a result, the Bank may be forced to scale back on certain of its core lending activities (for example, by imposing lending limits) and other operations and/or borrow money at higher funding costs or face a tightening in its net interest margin, any of which may have a negative impact on its earnings and profitability and uncertainties as to the nature, extent, sustainability and pace of recovery of the markets in which the Bank operates, which may have a material effect on the Bank's business, liquidity, financial condition and results of operations.

Risks Relating to the Bank and its Business

The Bank's results of operations are significantly affected by the ability of its borrowers to repay their loans and the adequacy of the Bank's loan loss reserves

A significant portion of the Bank's business involves lending to customers. Failure by borrowers to repay loans extended to them may have an adverse impact on the business, results of operation and financial condition of the Bank. The risk of non-payment by the Bank's customers is affected by numerous factors, including the credit profile of particular borrowers, the tenor of loans and changes in economic and industry conditions, such as those which occurred during the recent global recession. Furthermore, household debt has increased rapidly in Thailand in recent years. The Bank's profitability will be adversely affected should its borrowers experience financial difficulties and are unable to repay loans.

As of 31 December 2015, the net total amount of loans to customers and accrued interest receivables of the Bank and its subsidiaries (the "**Group**") was THB 552,819 million, accounting for 66 percent of total assets. As of 31 December 2015, the Group's non-performing loans ("**NPL**") classified as substandard, doubtful and doubtful loss, as per Bank of Thailand classifications, was THB 20,473 million, representing an NPL ratio[1] of the Bank and its subsidiaries of 2.99 per cent. If borrowers are unable to repay loans or if loans become non-performing, NPLs and NPL provisioning, allowances for loan losses and charge-offs may increase and in turn, adversely affect the quality of the Bank's total loan portfolio. There is no precise method of predicting loan and credit loss and there can be no assurance that the Bank's loan loss forecasting model will be accurate. The Bank makes no assurances that its NPLs or delinquencies will not increase or that its loan loss reserve is or will be sufficient to absorb actual losses.

A downturn in the economy in Thailand may also increase the Group's NPLs. An increase in NPLs would require the Bank to make substantial additional provisions for loan losses and adversely affect its results of operations, financial condition, and capital adequacy. There can be no assurance that the Bank's provisions for loan losses are or will be sufficient to absorb actual losses.

The banking industry in Thailand is highly competitive and the Bank's growth strategy depends on its ability to compete effectively

The banking industry in Thailand remains highly competitive. The Bank's primary competitors are major domestic and foreign banks operating in Thailand. Further, in recent years, the Government has implemented a policy of deregulating domestic financial and banking markets by allowing banks and financial institutions to provide a wider range of services, by permitting increased competition from foreign banks and other financial institutions and by broadening the range of investment instruments, such as mutual funds, available to the public. Consistent with this general policy trend, in January 2004, the Government released the Financial Sector Master Plan, which may further promote consolidation and competition in the financial sector by encouraging banks to diversify their operations and other banks in Thailand have merged or entered into discussions regarding mergers.

The Bank may also face increased competition in the future from financial institutions (including non-bank institutions) offering a wider array of commercial banking services and products than the Bank and that have larger lending limits, greater financial resources and stronger balance sheets than the Bank does. Increased competition may result from:

- foreign banks, due to, among other things, relaxed standards permitting large foreign banks to open additional branch offices and acquire control of Thai banks;

- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources;

- financial services companies that specialise in products which the Bank offers directly or through strategic alliances;

- multi-finance companies and securities houses that offer products the Bank does not have licenses to offer, such as mutual fund management and the underwriting of equity shares;

- entities owned by or affiliated with the Government that provide industrial development funding and export and import lending and services;

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[1] Calculation of the NPL ratio is non-performing loans as a proportion of total loans to customers and inter-bank/money market.

- state-owned banks and Government reform of the financial sector and restructuring and recapitalisation of Thai banks, many of which also have established relationships with the Government and large corporate groups and which benefit from the ability of the Government to direct opportunities to them and otherwise favour their interests over the Bank's; and

- continued consolidation, both with and without Government assistance, in the banking sector involving domestic and foreign banks, driven in part by the liberalisation of foreign ownership restrictions.

There can be no assurance that the Bank will be able to compete effectively. Increased competition may make it difficult for the Bank to increase the size of its loan portfolio and deposit base, which could have a material adverse effect on the Bank's growth plans and in turn, its business, results of operations and financial condition.

Restructured loans may become non-performing if the Bank's assumptions regarding repayment prove incorrect

In the restructuring of a number of its high risk loans, the Bank may from time-to-time agree to set payments of principal and/or interest at a relatively low level for a certain time frame followed by increased payments in later periods to match the Bank's expectation of the borrowers' ability to service the debt. The relatively low payments improve the likelihood that a restructured loan will be categorised as performing during the period of such payments. If borrowers are unable to make larger repayments in later periods in respect of the restructured loans, such restructured loans may become non-performing, thereby requiring additional provisions which would adversely affect the Bank's business, results of operations and financial condition.

While the Bank's restructuring policy and its provisioning in respect of restructured loans are in accordance with regulations set out by the Bank of Thailand, a portion of the Bank's NPLs have been restructured based on various assumptions regarding the timing and extent of the recovery of the borrower involved. In particular, recovery of the Bank's restructured loans is highly dependent on the level of economic growth in Thailand, which has a direct impact on the financial condition of borrowers and their ability to make gradually increasing debt service payments. Consequently, a slowdown or downturn in the economy of Thailand could result in a material increase in the number of failed restructurings and corresponding increase in the number of NPLs on the Bank's balance sheet. In turn, this may have a material adverse effect on the Bank's financial condition and results of operations. There can be no assurance that the Bank's existing restructured loans will not become NPLs again in the future.

Loan restructurings often result in receiving lower interest payments and, occasionally, lower principal payments

Under the Bank of Thailand guidelines on debt restructuring procedures, financial institutions may restructure loans through the reduction of interest rates and principal amounts, extension of the terms and other methods (excluding granting additional credit or repaying an existing debt) which should correspond with the borrower's performance to pay the outstanding debt. The Bank of Thailand's regulations further provide that when a borrower makes three consecutive payments under the terms of a restructured loan, the Bank may remove the loan from non-performing status and treat it as a normal loan for provisioning and other purposes. Although the Bank's NPL ratios may improve as more loans are restructured, it will generally receive lower interest payments than originally required by the loans and, in some cases, it will collect less than the original principal amount of the loan which could adversely affect its results of operations and financial condition.

The Bank may not be able to realise the full value of the collateral securing its loan portfolio

A substantial portion of the Bank's loan portfolio is collateralised by assets, including land, buildings and plant and equipment.

The Bank may not be able to recover the value of collateral or enforce any guarantee due, in part, to the difficulties and delays involved in enforcing such obligations in the legal system in Thailand. Bankruptcy laws and enforcement procedures in Thailand are different to those in other countries and the time required to complete enforcement processes in Thailand may be lengthy. As a result, it may take several years for a bank to enforce and realise the value of collateral underlying NPLs, and a particular loan may be classified as non-performing for several years before collateral may be seized and liquidated. The length of time required to realise collateral may lead to deterioration in the physical condition and market value of the collateral. These factors have exposed, and may continue to expose, the Bank to legal liability while in possession of collateral. The difficulties relating to enforcement may significantly reduce the Bank's ability to realise the value of its collateral and therefore the effectiveness of taking security for the loans it makes. Furthermore, in realising cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realisation.

In the case of collateral securing loans being in the form of land and buildings, a downturn in the real estate market may result in the principal amount of certain loans exceeding the value of the underlying real estate collateral. If the economy in Thailand in general, or real estate values in particular, deteriorates, the Bank may have to adjust downward the value of the collateral securing its loans in future periods. A sharp drop in asset values may result in certain of the Bank's collateral valuations not accurately reflect their market value. In certain instances, no purchasers may exist for a particular type of collateral or asset, thereby rendering it effectively worthless. Any decline in the value of the collateral securing NPLs or a decrease in the market value of real estate or other property secured as collateral may result in an increase in the Bank's allowance for doubtful accounts and a reduction in the recovery from collateral realisation, which may adversely affect the Bank's business, capital, financial condition and results of operations.

There can be no assurance that the Bank will be able to dispose of any particular foreclosed or surrendered property at values acceptable to the Bank within the time frame prescribed by the Bank of Thailand, or at all. Such failure to realise the value of collateral may adversely affect the Bank's business, results of operations and financial condition.

The Bank may be unable to grow its loan portfolio

As part of its strategy, the Bank has sought to grow its loan portfolio steadily. As of 31 December 2015, total loans[2] of the Group were THB 580,868 million, representing an increase of THB 50,421 million or 9.5 per cent. from 31 December 2014.

The Bank's continued ability to achieve growth in its loan portfolio will depend, to a large extent, on the economic performance of Thailand and countries that are Thailand's principal trading partners. Loan growth may also face potential pressure in Thailand from the growth of the domestic bond and stock markets, which may result in some of the Bank's customers refinancing their outstanding loans with domestically issued bonds or debentures, or equities.

In addition, the Bank may have to apply enhanced credit risk management controls stringently to preserve the quality and integrity of its loan portfolio, such as during the credit crisis in 2009 and 2010, which may result in a reduction of loan originations and loans made to the Bank's

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2 Total loans are loans to customers without accrued interest and prior to any allowance for doubtful debts and deferred revenue.

customers. A slowdown in growth to the Bank's loan portfolio may result in decreased revenues and income and adversely affect the Bank's business, results of operations, liquidity and financial condition.

The Bank relies largely on short-term deposits to meet its funding requirements

A significant portion of the Bank's funding needs is satisfied from short-term sources, primarily in the form of deposits. As of 31 December 2015, 37 per cent. of the Group's deposits were current accounts and saving accounts and 36 per cent. were TMB No Fixed deposits and ME deposits[3], compared to 38 per cent. and 31 per cent., respectively, as of 31 December 2014.

Although a substantial portion of short-term deposits are rolled over upon maturity and have historically been a stable source of funding, there can be no assurance that this will continue to be the case. In the event a substantial number of depositors fail to roll over deposited funds upon maturity or the Bank is unable to attract or retain sufficient deposits, the Bank's liquidity position would be adversely affected and it may not be able to fund the growth of its loan portfolio. The Bank may be required to seek alternative sources of short-term or long-term funding. There can be no assurance as to the availability or terms of such funding. To the extent the Bank is unable to obtain sufficient funding on acceptable terms or at all, the Bank's business, results of operations and financial condition may be adversely affected.

The Bank may not be able to optimally utilise customer deposits in order to generate income to repay its depositors or generate sufficient profit to fund its growth

Deposits in commercial banks in Thailand were guaranteed by the Government through the Financial Institutions Development Fund (the "**FIDF**") until 11 August 2008, the date on which the Deposit Protection Agency Act became effective (the "**Effective Date**"). The Deposit Protection Agency Act was passed to replace the FIDF guarantee of the full amount of deposits. The Deposit Protection Agency (the "**DPA**") protects those deposits held in Thai resident Baht accounts by financial institutions in Thailand.

The value of deposits covered by the Deposit Protection Agency was originally planned to be reduced to THB 100 million, THB 50 million and THB 10 million per depositor per bank during the second year, third year and fourth year, respectively, from the Effective Date and eventually to THB 1 million per depositor thereafter. However, a Royal Decree was enacted on 15 June 2009 to extend the guarantee of the full amount for three years, such amount being reduced to THB 50 million during the fourth year and eventually to THB 1 million thereafter. On 28 September 2012, another Royal Decree was enacted resulting in a three-year extension of the deposit guarantee limit at THB 50 million per depositor per financial institution commencing from 11 August 2012 and ending on 10 August 2015. The covered amount will then be reduced to THB 25 million for one year, before being further reduced to THB 1 million thereafter.

Financial institutions are required to make mandatory contributions to the Deposit Protection Fund twice a year, by the last business day of July for the period starting from January to June and by the last business day of January for the period starting from July to December of the previous year. The mandatory contributions from financial institutions are equivalent to 0.01 per cent per annum of average deposit of insured accounts. The effect of the limitation of the deposit guarantee, being THB 1 million for the aggregate amount of all accounts of a depositor, may lead to customers placing their deposits with larger banks in Thailand, such as the Bank, which have a strong financial position. There can be no assurance that the Bank will be able to on-lend such deposits to its customers, or otherwise make use of such deposits, in order to generate income to repay its depositors or generate sufficient profit for the growth of the Bank. If it is unable on-lend such

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[3] No Fixed deposits and ME deposits are deposit products with no contractual maturities. Their key features are based on saving accounts with competitive interest rates.

deposits, the Bank may need to reduce its interest rate in order to lower its costs of funding, which may lead the Bank's customers to place their deposits with the Bank's competitors. This may have an adverse impact on the Bank's level of competitiveness, business, results of operations and financial condition.

The Bank may not be successful in implementing new business strategies or penetrating new markets

The Bank's ability to implement its business strategy depends on several factors including, the growth of the banking industry in Thailand and the Bank's continued ability to maintain capital adequacy ratios, develop and maintain its information technology and risk management systems as well as the development of new products and services.

The Bank believes its strategy enables it to diversify its revenue sources, increase loans in a sustained and prudent manner, enhance its fee-based income, develop a stable deposit base and maintain its net interest margin and profitability. However, expansion of the Bank's business activities may expose it to a number of risks and challenges including, among other things, the following:

- new and expanded business activities may have less growth or profit potential than the Bank anticipates, and there can be no assurance that new business activities will become profitable at the level the Bank desires or at all;

- alter the risk profile of the Bank's portfolio;

- the Bank may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage to competitors;

- the Bank's competitors may have substantially greater experience and resources for the new and expanded business activities and thus the Bank may not be able to attract customers from its competitors;

- the Bank may need to enhance the capability of its information technology systems to support a broader range of activities; and

- economic conditions, such as rising interest rates or inflation, could hinder the Bank's expansion.

The Bank's inability to implement its business strategy could have a material adverse effect on its business, results of operations and financial condition.

The Bank's strategy to focus on small and medium-sized enterprise ("SME") business may expose it to a high degree of credit risk and may result in a deterioration of its asset quality

One of the Bank's business strategies is to focus on SME business. As of 31 December 2015, the Bank's loans to SMEs, defined as loans to customers that have total annual revenue of less than THB 500 million, amounted to THB 224,443 million, or 38.6 per cent. of its total loan portfolio, compared to THB 199,389 million or 37.6 per cent. as of 31 December 2014, representing an increase of THB 25,054 million or 13 per cent.

Compared to corporate loans, defined as loans to customers who have total annual revenue of over THB 500 million, which tend to have borrowers that are better capitalised and able to weather economic downturns with greater ease, or loans to individuals and households, which tend to be secured with homes and with respect to which the borrowers are therefore less willing to default, loans to SMEs, a majority of which are collateralised, have historically had a relatively higher delinquency ratio. Many SMEs represent sole proprietorships or very small businesses dependent on a relatively limited number of suppliers or customers and tend to be affected to a greater extent than large corporate borrowers by fluctuations in the Thailand and global economy. In addition, SMEs often maintain less sophisticated financial records than large corporate borrowers. Therefore, it is generally more difficult for the Bank to judge the level of risk inherent in lending to these enterprises, as compared to large corporations. In addition, many SMEs may have close business relationships with large corporations, primarily as suppliers, and any difficulties encountered by those large corporations would likely hurt the liquidity and financial condition of related SMEs, including those to which the Bank may have exposure, also resulting in an impairment of their ability to repay loans.

Competition among banks to lend to this segment in recent years has been intense which could lead to a deterioration in the asset quality of the Bank's and other banks' loans to this segment. Accordingly, the Bank's inability to manage the risks associated with this customer segment could materially and adversely affect the Bank's business, results of operations and financial condition.

The Bank has significant exposure to the manufacturing and commerce, property development and construction, infrastructure and services and housing industries in Thailand and financial difficulties experienced by companies and customers operating in such sectors may result in a deterioration of the Bank's asset quality and earnings

As of 31 December 2015, the Group had outstanding loans to manufacturing and commerce, property development and construction, infrastructure and services and housing of THB 344,132 million, THB 23,746 million, THB 68,721 million and THB 66,288 million, respectively, which represents 59 per cent., 4 per cent., 12 per cent. and 11 per cent., respectively, of the Group's total loan portfolio as of such date.

There can be no assurance that the Group's allowances for such loans will be sufficient to cover all future losses arising from its exposure to such companies or customers. If the credit quality of the Group's exposure to companies or customers in the aforementioned industries declines, the Group may be required to make substantial additional provisions, including in connection with restructurings of such companies, which could adversely impact its business, results of operations and financial condition. Furthermore, although a portion of the Group's credit exposure to these companies is secured by collateral, such collateral may not be sufficient to cover uncollectible amounts in respect of such credit exposure.

The Bank may incur losses from its fee and service-based income business

The Bank provides a number of banking services for its customers, such as asset management and cash management services that generate fee and service-based income. For the year ended 31 December 2015, net fees and service income of the Group amounted to THB 7,821 million, representing 23 per cent. of its total operating income.

Downturns in the economy are likely to lead to a decline in the volume of transaction that the Bank executes for its customers and therefore, a decline in its non-interest revenues. In addition, because the fees that the Bank charges for managing its clients' portfolios are, in many cases, based on the size of the asset under management, a market downturn which has the effect of reducing the value of its clients' portfolios or increasing the amount of withdrawals would reduce the revenues that the Bank receives from its management services. Even in the absence of a market downturn, below-market performance by the Bank's services may result in increased withdrawals and reduce inflows, which would reduce the revenue that it receives from these businesses. In addition, protracted market movements resulting in declines of asset prices may reduce liquidity for assets held by the Bank and lead to material losses if it cannot close out or otherwise dispose of deteriorating positions in a timely manner or at commercially reasonable prices.

Interest rate volatility and capital markets fluctuations could significantly affect the Bank's business, results of operations and financial condition

A significant portion of the Bank's assets consists of and a significant portion of its revenue is derived from, assets that are monetary in nature. Although the Bank engages in limited proprietary trading through positions in fixed-income instruments and, to some extent in financial derivative instruments, these assets are subject to the normal risks associated with proprietary investing activities, including the risk that a change in market prices, rates, indices, volatility, correlations, liquidity or other factors will result in losses for a specific position or portfolio. Given the relative fragility of the economy in Thailand, Thai interest rates are expected to remain at, or close to, their current level in the short to medium term. As such, the prospect of Thailand's Monetary Policy Committee raising the 1-day repurchase rate, the Bank of Thailand's policy rate, is negligible at present. In the event of Thailand's economic recovery however, there is a strong possibility that Thailand's Monetary Policy Committee will begin to normalise monetary policy, consequently raising the policy rate and related market rates. Although there is no assurance about the accuracy of such a view, during a period of increasing interest rates, the value of the Bank's portfolio of fixed rate investments may decrease and this may require the Bank to recognise a loss for financial accounting purposes. A sustained increase in interest rates would raise the Bank's funding costs, while reducing loan demand, especially among consumers. Rising interest rates would require the Bank to try to re-balance its assets and liabilities in order to minimise the risk of potential mismatches and maintain its profitability. In addition, rising interest rates may adversely affect the economy in Thailand and the financial condition and repayment ability of its corporate and retail borrowers, which in turn may lead to deterioration in the Bank's credit portfolio.

The Group's profitability depends to a large extent on its net interest income, which represented 69 per cent. of its total operating income for the year ended 31 December 2015. Changes in interest rates, changes in the relationship between short-term and long-term interest rates, or changes in the relationship between different types of interest rates can affect the interest rate charged on interest-earning assets differently from the interest rate paid on interest-bearing liabilities. This impact may be increased by the Bank's inability to adjust to rate changes with respect to the fixed rate portions of the Bank's portfolio. How the Bank manages interest rate volatility generally will determine, to a certain extent, the impact of such volatility on the Bank's net interest and dividend income and there can be no assurance that it will be able to manage such volatility in a manner that does not adversely affect its results of operations.

The Bank's business is inherently subject to the risk of market fluctuations

The Bank's business is inherently subject to risks in the financial markets and in the wider economy, including changes in, and increased volatility of, exchange rates, interest rates, inflation rates, credit spreads, commodity, equity, bond and property prices and the risk that its customers act in a manner which is inconsistent with business, pricing and hedging assumptions. Market movements may have an impact on the Bank in a number of key areas. For example, changes in interest rate levels, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. Historically, there have been periods of high and volatile interbank lending margins over official rates (to the extent banks have been willing to lend at all), which have exacerbated such risks. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Bank in its ability to change interest rates applying to customers in response to changes in official and wholesale market rates.

Any failure by the Bank to implement, or consistently follow, its risk management systems may adversely affect its business, results of operations and financial condition. There can be no assurance that the Bank's risk management systems will be effective. In addition, the Bank's risk management systems may not be fully effective in mitigating risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated.

Some methods of managing risk are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicated.

Volatility in the value of the Baht may adversely affect the Bank's business and financial condition

During the past decade, the economy in Thailand has, from time to time, experienced devaluations in the Baht and limited availability of foreign exchange. Since the Asian financial crisis began in July 1997, the value of the Baht against the U.S. Dollar has fluctuated from a high of THB 25.8 on 30 June 1997 (the last business day before the Bank of Thailand ceased foreign exchange intervention) to a low of THB 56.1 on 13 January 1998. The middle market spot rate of exchange for Baht against the U.S. Dollar quoted by the Bank of Thailand was THB 36.09 per U.S. Dollar on 31 December 2015.

Depreciation in the value of the Baht would increase, in Baht terms, the outstanding foreign currency debt of the Bank's customers. Such an increased debt burden could negatively affect the creditworthiness of some or all of such customers and may result in more customers being unable to repay their debts as they come due. Appreciation of the value of the Baht could also have an adverse effect on the Bank's financial condition by making the price of Thai exports more expensive, which could have a negative impact on the financial condition of certain of the Bank's borrowers. There can be no assurance that the value of the Baht will not fluctuate significantly against the U.S. Dollar or other currencies in the future. This may adversely affect demand for the Bank's products and services which could in turn adversely affect the Bank's liquidity, financial condition and results of operations. In addition, there can be no assurance that the Government will not adopt policies that adversely affect the value of the Baht.

The Bank's risk management policies and procedures may not be fully effective at all times

In the course of its operations, the Bank is exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The Bank's risk management policies include, among other things, the establishment of a risk management group, developing scoring and grading systems and bifurcating relationship and credit functions. The risk management group is also continuously developing its risk management policies and procedures, including portfolio management tools. The Bank has developed credit screening standards in response to such inadequacies in quality of credit information that may be different from the standards used by its international competitors. See "*Description of the Group's Assets and Liabilities – Risk Management*". As a result, the Bank's ability to assess, monitor and manage risks inherent in its business may not be the same as the standards of its counterparts in jurisdictions with more developed financial infrastructure which could have a material adverse effect on the Bank's ability to manage these risks.

While the Bank believes that these policies and procedures will result in improvements in risk management, there can be no assurance that this will be the case or that these policies and procedures will operate in the way that the Bank has anticipated or keep pace with the Bank's changing risk exposures. In addition, the resources available to the Bank in its risk management operations may not be the same as those available in jurisdictions with more developed financial infrastructure. Failure to appropriately manage risk may materially and adversely affect the Bank's business, results of operations and financial condition.

Any substantial failure to carry out planned improvements to the Bank's information technology infrastructure and its management information systems properly or in a timely manner, as well as any damage to its data centres, could adversely affect the Bank's business, results of operations and financial condition

The Bank has made and may in the future be required to make significant investments and improvements in its information technology infrastructure in order to remain competitive. The information available to and received by the Bank's management through its current information systems may not be timely and sufficient for the Bank's management to manage risks and plan for, and respond to, market and other developments in the future. As a result, the Bank may be required to further upgrade its information technology infrastructure and management information systems. Any substantial failure to improve or upgrade the Bank's information technology infrastructure and management information systems properly or on a timely basis could adversely affect its business, results of operations and financial condition.

The Bank's business could be harmed if it experiences any significant system delays, failure or loss of data. All of the Bank's data processing activities are currently performed at its data centres in Bangkok. The occurrence of a major catastrophic event or other system failure at these data centres could interrupt data processing or result in the loss of stored data.

Security breaches in the Bank's computer systems and network infrastructure, fraud, systems failures and calamities could have a material adverse effect on its business

The Bank's computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could have a security impact. Any failure in the Bank's systems, particularly those utilised for its retail products and services and transaction banking, the occurrence of natural disasters that affect areas in which it has a significant presence, or if such systems are inadequate to meet its needs or the Bank's employees are not adequately trained in how to operate its systems as they evolve, the Bank's business, results of operations and financial condition could be materially and adversely affected.

The Bank is subject to counterparty risks

Like most financial institutions, the Bank acts as an intermediary, primarily in domestic and international foreign exchange and derivative markets, and the Bank currently has foreign currency forward and swap arrangements with a number of domestic and international banks, financial institutions and other entities including those in Asian countries. In addition, the Bank has a number of interest rate swap arrangements. Therefore, the Bank is subject to credit risk from its various counterparties. Although the Bank believes that the overall credit quality of its counterparties is adequate, there can be no assurance that parties with significant exposure will not face difficulties in paying amounts on derivative contracts when due.

The Bank depends on the accuracy and completeness of information regarding customers and counterparties

The effectiveness of the Bank's risk management is limited by the quality, timeliness and availability of data to the Bank in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions.

In deciding whether to extend credit or to enter into other transactions with customers and counterparties, the Bank may rely on information furnished to it by or on behalf of customers and counterparties, including financial statements and other financial information. The Bank may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, the Bank may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the results of operations, financial condition and liquidity of the customer. The Bank's results of operations and financial condition could be adversely affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading both of which could affect the Bank's ability to effectively manage its credit risk.

The Bank's business, reputation and prospects may be adversely affected if the Bank is not able to detect and prevent fraud or other misconduct committed by the Bank's employees or outsiders on a timely basis

The Bank is exposed to the risk that fraud and other misconduct committed by employees or outsiders could occur and adversely affect its business, reputation and prospects. Such incidences may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems. While the Bank has taken various steps to improve internal procedures, the steps which the Bank has taken to prevent fraudulent actions may be breached or be subject to lapses in the future. There can be no assurance that the Bank will be able to avoid future material incidents of fraud. Failure to detect and prevent fraud or other misconduct may adversely affect the Bank's business, results of operations and financial conditions.

The Bank is required to maintain its capital ratios above a minimum required level and a failure to do so could result in the suspension of some or all of its operations

The Bank is subject to capital adequacy requirements of the Bank of Thailand which require Thai banks to maintain a minimum ratio of total capital to risk adjusted assets of 8.5 per cent., at least 6.0 per cent. of which must be Tier I capital. As of 31 December 2015, the Bank's total capital adequacy ratio under Basel III calculations and Tier I capital adequacy ratio were 16.7 per cent. and 11.3 per cent., respectively. While the Bank is currently in compliance with the capital adequacy requirements of the Bank of Thailand, there can be no assurance that it will continue to be able to comply with such requirements. The Bank's failure to comply with minimum capital adequacy requirements, under current or future regulations, would have a material adverse effect on the Bank's business, results of operations and financial condition. Furthermore, the Tier I capital adequacy calculation and total capital ratios will change in the future with the implementation of new standards introduced by the Basel Committee on Banking Supervision ("**BCBS**").

On 8 November 2012, the Bank of Thailand issued a set of regulations including the Bank of Thailand Notification No. Sor.Nor.Sor. 12/2555 Re: Rules on the Supervision of Capital Funds of Commercial Banks implementing Basel III: A global regulatory framework for more resilient banks and banking systems (2010, as revised in 2011) ("**Basel III**"). Under such Bank of Thailand Notification, commercial banks registered in Thailand are required to maintain a total minimum capital ratio of not less than 8.5 per cent. of total risk-weighted assets, **provided that** the Common Equity Tier I ratio must not be less than 4.5 per cent. and Tier I ratio (which consists of Common Equity Tier I and Additional Tier I) must not be less than 6.0 per cent. of total risk-weighted assets, effective from 1 January 2013. The Bank of Thailand Notification also requires that, by 1 January 2019, commercial banks registered in Thailand must increase, in the form of a capital conservation buffer, their Common Equity Tier I to more than 7.0 per cent., Tier I ratio to more than 8.5 per cent. and total capital ratio to more than 11.0 per cent. of total risk-weighted assets. These minimum capital ratios will be increased in phases between 1 January 2016 and 1 January 2019.

There can also be no assurance that BCBS will not amend the package of reforms described above. The Bank of Thailand may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on banks in Thailand. In addition, given the current economic and financial environment, the regulators may elect to alter standards or the interpretation of the standards used to measure regulatory compliance or to determine the adequacy of liquidity, certain risk management or other operational practices for financial services companies in a manner that impacts the Bank's ability to implement its strategy. Such changes could affect the Bank in substantial and unpredictable ways and could have a material adverse effect on the Bank's business, results of operations and financial condition.

It has also been agreed at the global level that systemically important banks ("**SIBs**") which pose greater systemic risks to the economy in the event of their failure should face higher capital requirements and be subject to more stringent regulatory requirements as compared to other banks that would not fall within the SIBs category. On 1 November 2012, a revised group of 28 banks was identified as systemically important on a global basis and would be subject to additional Common Equity Tier I capital requirements of between 1.0 per cent. and 2.5 per cent. to be phased in between 1 January 2016 and 1 January 2019. While no banks in Thailand are amongst this group, the Bank may face additional capital and regulatory requirements and potentially other additional restrictions on its activities should the Bank of Thailand introduce a comparable SIBs framework for banks in Thailand. The impact of such additional regulations, reforms and restrictions may place the Bank at a competitive disadvantage compared to its less regulated competitors.

Any inability by the Bank to attract and retain talented professionals may adversely impact its business

The Bank's continued success depends in part on the continued service of key members of its management team and its ability to continue to attract, train, motivate and retain highly qualified professionals as well as to attract and train young professionals. The successful implementation of the Bank's strategy depends on the availability of skilled management at both its head office and at each of its business units and international locations.

If the Bank loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, the Bank's business and in turn, its results of operations and financial condition, including its control and operational risks, may be adversely affected. If the Bank fails to attract and appropriately train, motivate and retain young professionals or other talent, its business may similarly be affected.

In the normal course of business, the Bank may be involved in litigation. Any final judgment awarding material damages against the Bank could have a material adverse impact on its future results of operation and financial performance

From time to time, the Bank and its directors or officers, may be involved in litigation (including civil or criminal) for a variety of reasons which generally arise because the Bank seeks to recover funds owed from borrowers or because customers seek claims against the Bank. The majority of these cases arise in the normal course of business and the Bank believes, based on the facts of the cases and consultation with counsel, that these cases generally do not involve a risk of a material adverse impact on the Bank's financial performance. Where the Bank assesses that there is a probable risk of loss, its policy is to make provisions for the loss, unless the Bank assesses that the risk is insignificant. The Bank cannot guarantee that the judgments in any of the litigation in which the Bank is involved would be favourable to it, and if the Bank's assessment of the risk changes, its view on provisions will also change. A judgment against the Bank could have material adverse impact on its future performance, results of operations and the price of its Notes under the Programme.

The Bank's financial statements are prepared in accordance with Thai Financial Reporting Standards ("TFRS"), which differs from International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")

The Bank is subject to financial reporting requirements that have significant differences from those applicable to companies in other countries, including the United States and the United Kingdom. The Bank's financial statements are prepared in accordance with TFRS, which differ in certain material respects from IFRS as issued by the IASB.

In accordance with TFRS, neither the Bank nor its advisers has (i) performed a reconciliation of the financial statements included in this Offering Circular to IFRS as issued by the IASB, or (ii) quantified the differences between IFRS as issued by the IASB and TFRS with respect to such financial statements. If such a reconciliation or quantification had been performed, other material differences might have been identified and disclosed in the "*Summary of Principal Differences between TFRS and IFRS*". Accordingly, there is no assurance that the identified differences in the "*Summary of Principal Differences between TFRS and IFRS*" represent all material differences related to the Bank as of and for the years ended 31 December 2014 and 31 December 2015.

Potential investors are cautioned when using such data to evaluate the Group's financial condition and results of operations.

The Bank may incur significant costs in preparing for and complying with the new IFRS accounting standards, and may not be able to fully comply with such standards within the prescribed timeline

Thailand is currently undergoing a programme to converge Thai Accounting Standards ("**TAS**") with IFRS. Under this programme, with effect from 1 January 2011, the Bank's financial statements will be prepared in accordance with TFRS pursuant to the new and revised TFRS, most of which will be based on the IFRS (Bond Volume 2009). And with effective from 1 January 2015, there are new TFRSs and most of TFRS will be revised to be aligned with IFRS (Bond Volume 2013). The significant exceptions to this implementation are in relation to financial instruments, for which the equivalent TAS is scheduled to be effective from 1 January 2019 (at the earliest). Thailand's convergence with IFRS going forward may impact the Bank's financial statements and, accordingly, their comparability with prior years' financial statements. Furthermore, the Bank may change the composition and/or the nature of its products and services in response to the accounting impact of changes introduced by the new IFRS-based TFRS. The preparation for compliance, as well as actual compliance, is likely to result in costs to the Bank and may have a material adverse effect on its results of operations.

The Bank operates in a heavily regulated environment and is subject to legal and regulatory risks; Material changes in the regulations that govern the Bank and its business activities may adversely affect its business and future financial performance

The Bank operates in a heavily regulated environment under the supervision of the Bank of Thailand. The Bank is also subject to the banking, corporate and other laws in effect in Thailand from time to time. The regulatory and legal framework governing the Bank differs in certain material respects from that in effect in other jurisdictions and may continue to change as the economy in Thailand and commercial and financial markets evolve. If additional rules or regulations are introduced, the Bank may incur substantial compliance and monitoring costs.

The Bank's business could also be directly affected by any changes in the Bank of Thailand's policies, including in the areas of specific lending activities, loan loss provisioning, capital adequacy and liquidity requirements. In addition, the Bank is obligated to make contributions to the Deposit Protection Fund and the Financial Institutions Development Fund at the rate of 0.01 per cent. and 0.46 per cent. per annum of the average deposits of the accounts insured by the

Deposit Protection Agency. There can be no assurance that future changes in the regulatory environment for banks in Thailand will not adversely affect its business, results of operations and financial condition. Failure by the Bank to comply with applicable rules and regulations could result in penalties, loss of regulatory permits and reputational damage, which could have a material adverse effect on the Bank's business, cash flows, results of operations, financial condition and prospects.

Since 17 December 2009, BCBS has published and issued various consultation papers and press releases outlining measures aimed at strengthening the resilience of the banking sector. On 16 December 2010 and on 13 January 2011, BCBS issued its regulatory framework on Basel III. The Basel III reforms also require Tier I and Tier II capital instruments to be more loss-absorbing on a going-concern and gone-concern basis.

The Bank's ability to implement its strategy and conduct its operations may be affected by regulatory compliance with future capital and liquidity standards in substantial and unpredictable ways which could have a consequent material adverse effect on the Bank's business, cash flows, results of operations, financial condition and prospects.

There is no assurance that the Bank will not face increased pressure on its capital and liquidity in the future under the Basel III standards. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Bank are increased in the future, any failure of the Bank to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on the Bank's results of operations.

Furthermore, Thailand enacted the Anti-Money Laundering Act B.E. 2542 (1999) (the "**Anti-Money Laundering Act**") with an aim to combat money laundering activities and terrorist financing activities. Pursuant to the Anti-Money Laundering Act, predicate offenses include, among others, crimes relating to narcotics, public fraud, malfeasance in office, smuggling under the customs laws and terrorism. The Anti-Money Laundering Office (the "**AMLO**") was established under the Anti-Money Laundering Act to serve as Thailand's financial intelligence unit and as the main regulatory body responsible for regulating money laundering activities. The Anti-Money Laundering Act and all relevant laws and regulations issued thereunder (the "**AML Laws**") require a wide range of financial institutions (including commercial banks) and other non-financial businesses and professions to conduct certain Know Your Customer ("**KYC**") and Customer Due Diligence ("**CDD**") to identify and verify their customers' identities and the ultimate beneficial owner of the entity customers prior to the acceptance of any new customers and periodically review the customer account to manage the risk level on money laundering and terrorist financing activities of each customer until the account is closed or until their relationship have been terminated. In this regard, the financial institutions (including commercial banks) are required to report cash and/or asset transaction and wire transfer activities which reach certain monetary threshold and/or any suspicious transactions of their customers to the AMLO.

Although Thailand was classified by Financial Action Task Force ("**FATF**") as country with strategic Anti-Money Laundering ("**AML**")/Counter Financing Terrorist ("**CFT**") deficiencies in 2012, since then, Thailand has made sufficient progress in improving its AML/CFT regime and establishment of the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that FATF had identified, especially in adopting the preventive measurement. Such improvement was recognized by the FATF and in June 2013 Thailand has been removed from being a country with strategic AML/CFT deficiencies and is no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Nevertheless, Thailand has continued to work with the Asia/Pacific Group on Money Laundering ("**APG**") to address the full range of AML/CFT issues identified in its mutual evaluation report with the aim of standardizing the Thai AML Laws to be completely in line with the FATF Recommendations. For example, in July 2013 Thailand issued various regulations relating to KYC and CDD to amend the previous AML Laws and to supplement and enhance the existing preventive measurements. Later in 2015, the Anti-Money Laundering Act and the Counter Terrorism Financing Act have also been amended to enhance and expand the enforcement of AML Laws to be in line with the FATF Recommendations. In this regards, the next possible onsite assessment and plenary discussion by the APG concerning the AML/CFT regime of Thailand is scheduled to be in the fourth quarter of 2016 and July 2017, respectively.

Although Thailand is no longer subject to FATF's monitoring under its on-going global AML/CFT compliance process, there is no assurance that FATF's view of Thailand will not change after their mutual evaluation, tentatively, in 2017. In addition, there can be no assurance that future changes in the AML regulatory environment for banks in Thailand will not adversely affect their business, liquidity, financial condition and results of operations. Failure by the Bank to comply with applicable rules and regulations could result in penalties, loss of regulatory permits and reputational damage, which could have a material adverse effect on the Bank's business, results of operations and financial condition.

Recent and future changes to the laws governing guarantees and mortgages and other legislation governing the Bank's products and services could affect the Bank's business and reduce the effectiveness of taking and enforcing security interests for loans.

The Civil and Commercial Code of Thailand Amendment Act No. 20 and 21 (the "**Amendment**") came into force on February 11, 2015 and July 15, 2015 respectively. One of the main purposes of the Amendment is to provide protective mechanisms for non-financial institutions and individual guarantors and mortgagors. For instance, when entering into certain types of guarantee agreement, certain particulars including the maximum guaranteed amount and duration for creating the underlying obligation must be specified. The Amendment also prohibits guarantors who are not juristic persons from being held liable as a principal debtor. In addition, the Amendment also prescribes administrative procedures for creditors to follow before calling for performance of the guarantors, failing which the ability of the creditors to enforce their rights against the guarantors would be impaired. As for the law on mortgages, the Amendment limits the liability of third party mortgagors to the value of the mortgaged property and generally prohibits such third party mortgagors from acting as a guarantor for the same underlying debts that are already secured by the mortgage. Provisions in guarantee and mortgage agreements that are contrary to the newly introduced mechanisms are mostly void.

The Amendment has, to a certain extent, affected the Bank's business strategy and reduced the effectiveness of taking and enforcing security interests for loans. For example, enforcing the Bank's rights as a creditor against third party guarantors who are individuals have become more burdensome when the guarantors, who are prohibited from holding themselves as a principal debtor, can demand that creditors enforce their rights against the assets of or the original debtors themselves first. This limits the Bank's ability and is likely to prolong the default recovery process. Furthermore, if the new administrative procedures are not followed when calling on performance of guarantors, the Bank may not be able to fully recover the interests and compensation arising from the defaulted debts. As a result, the Bank has to implement more stringent credit risk management control. Such implementation may in the future lead to increased administrative and operational costs.

In addition to the effects mentioned above, as the Amendment is new and none of the new provisions has been tested in court, there is the risk that parts of the provisions in the Bank's standard form of guarantee and mortgage agreements may be held invalid and unenforceable despite the Bank's good faith effort to comply strictly with the Amendment, as the courts may take different views from us in certain aspects when interpreting the new laws.

Apart from the Amendment on the law of guarantees and mortgages, another new significant legal development relevant to the Bank's products and services that may pose risks to the Bank's operations is the enactment of Business Collateral Act (as defined below). The Business

Collateral Act was published in the Royal Gazette on November 5, 2015 and will be effective 240 days thereafter. Although the purpose of the new law is to facilitate lending transactions as a broader range of assets can be used as security, the law and its mechanism are new and untested. One of the areas where uncertainties still arise relates to security enforcement, especially where the security at issue is a business. The new law requires that such security be enforced through a licensed enforcer. However, detailed regulations on the enforcement process have yet to be enacted.

There may also be further changes in law which might have a negative impact on the Bank's business. After the military coup on May 22, 2014 and the National Legislative Assembly of Thailand was set up under the Interim Constitution of Thailand of 2014 by the military government for the purpose of, among others, enactment of new acts, there have been unprecedented changes to the laws and regulations in general as well as those directly effecting commercial banks and the conduct of banking business. The Bank cannot predict whether there will be any further amendment or introduction of new laws or whether the new incoming government following the military government era will seek to make further changes to the legal and regulatory environment.

Risks Relating to Thailand

Economic, political, legal and regulatory conditions in Thailand may materially and adversely affect the Bank's business, cash flows, results of operations, financial condition and prospects

The Bank is subject to political, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in other countries with more developed economies. The Bank's business and operations are subject to the changing economic and political conditions prevailing from time to time in Thailand. The Government has frequently intervened in the economy in Thailand and occasionally made significant changes in policy. The Government's policies have included, among other things, wage and price controls, capital controls and limits on imports. The Bank's business, cash flows, results of operations, financial condition and prospects may be adversely affected by changes in Government policies.

Although the economy in Thailand experienced a reasonable growth rate for considerable period of time after it recovered from the Asian financial crisis in 1997, economic growth has declined in the recent past due to political turmoil, weak exports, falling domestic consumption and a global macroeconomic slowdown. There can be no assurance that Thailand's economy will continue to recover or grow in the future. There is also no assurance that current or future governments will adopt economic policies conducive to sustaining economic growth.

Factors that may adversely affect the Thai economy include:

- recessions or potential economic downturns in the United States, Europe, Asia or elsewhere in the world;
- exchange rate fluctuations;
- a prolonged period of inflation or change in regional interest rates;
- changes in taxation;
- natural disasters, including tsunamis, earthquakes, fires, floods, drought and similar events;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the region;

- fluctuations in world oil prices and other commodity prices;
- other regulatory, political or economic developments in or affecting Thailand;
- recent and threatened terrorist activities in Southeast Asia; and
- a potential recurrence or outbreak of avian influenza, the H1N1 virus, the H7N9 virus or the contagious diseases in Thailand or other Asian countries.

The Bank's business, results of operations, financial condition and prospects may be adversely affected if one or more factors above adversely affect the economy in Thailand. Any rapid change in the economic conditions in Thailand may adversely affect the Bank's business, cash flows, results of operations, and financial conditions and prospects.

A downturn in the Thai economy will likely increase the Bank's NPLs, for which the Bank may have inadequate provisions

The Group's NPLs increased from THB 18,093 million as of 31 December 2014 to THB 20,473 million as of 31 December 2015. However, there can be no assurance that the Bank's NPLs will continue to decrease in the future. Any downturn in the economy in Thailand will likely lead to an increase in the Bank's NPLs, which would require the Bank to make substantial additional provisions for loan losses and adversely affect its results of operations, financial condition and capital adequacy. There can be no assurance that the Bank's provisions for loan losses are or will be sufficient to absorb actual losses.

Downgrades of credit ratings of the Government and Thai banks and companies and the disruptions recently experienced in the international capital markets could adversely affect the Bank's business

As at 31 December 2015, Thailand's sovereign foreign currency long-term debt was rated "Baa1" with stable outlook by Moody's Investor Service Limited ("**Moody's**"), "BBB+" with stable outlook by Fitch Ratings Limited ("**Fitch**") and "BBB+" with stable outlook by Standard & Poor's Rating Group ("**Standard & Poor's**") and its short-term foreign currency debt was rated "P-2" by Moody's, "F2" by Fitch and "A-2" by Standard & Poor's. These credit ratings reflect an assessment of the Government's overall financial capacity to meet its payment obligations, and its ability or willingness to meet its financial commitments as they become due. There can be no assurance that international credit rating agencies will not downgrade the credit ratings of Thailand or companies in Thailand, including the Bank in the future. Any such downgrade could have an adverse impact on the ability of the Government, the Bank or other companies in Thailand to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets.

All these factors may have an adverse impact on the Bank's business, cash flows, results of operations, financial condition and prospects and could adversely affect its level of competitiveness.

Risks posed by political instability in Thailand may adversely affect the Bank's business, results of operations, financial condition and prospects

The Bank's results and those of most of its corporate customers may be influenced in part by the political situation in Thailand which has been unstable in the past. Changes in government and recent political conflicts could result in the delay or curtailment of economic reforms in Thailand and decrease confidence in the Government, the economy and the financial performance of companies from Thailand generally.

There can be no assurance that there will not be further political disruptions in the future. The legal and regulatory framework that the Bank is subject to may change when the political situation changes. Any changes in the legal and regulatory environment in Thailand may adversely affect the Bank's business and operations.

Furthermore, the Government of Thailand has frequently intervened in the economy and has in the past made changes in policy – see "– *Economic, political, legal and regulatory conditions in Thailand may materially and adversely affect the Bank's business, cash flows, results of operations, financial condition and prospects*".

There can be no assurance that the current or any future political instability in Thailand or any changes in the Government's policies or in Thailand's political environment will not have a material adverse effect on the Bank's business, cash flows, results of operations, financial condition and prospects.

Thailand's sovereign credit rating may be downgraded

International credit rating agencies, such as Moody's, Standard & Poor's and Fitch have in the past issued commentary in relation to the "credit negative" developments in the Thai economy, especially surrounding the latest political crisis of 2013 and 2014. There can be no assurance that international credit rating agencies will not downgrade the ratings of Thailand or companies in Thailand, including the Bank in the future. The credit rating assigned to a country may be an important determinant of the credit ratings of corporates with operations in that country and as a result, their cost of financing. Any downgrade to the credit rating of Thailand could have an adverse impact on the credit ratings of corporates in Thailand and as a result, the ability of the Government, the Bank or other companies in Thailand to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and therefore any factors that impact market confidence, for example, a decrease in credit ratings or state or central bank intervention in one market, could affect the price or availability of funding for entities within any of these markets. These factors may have an adverse impact on the Bank's business, cash flows, results of operations, financial condition and prospects.

Extreme weather and natural disasters may adversely affect the Bank's business

Natural disasters, such as the flooding experienced in parts of Thailand in the second half of 2011, could adversely affect the operations of the Bank's branches and profitability. As a result of the flooding in October and November 2011, the Bank deferred payments of interest and extended the loan repayment profile for some of its existing customers. While the Bank has contingency plans and insurance coverage in place to cope with the flooding, the property damage and business interruption caused by the flooding and any future flooding could materially and adversely affect the Bank's business and results of operations.

Guidelines for non-performing loan classifications and provisioning in Thailand may be less stringent than those in other countries

The Bank of Thailand's regulations with respect to loan classifications and provisioning, in certain circumstances, may be less stringent than those applicable to banks in the United States and other countries. This may result in the Bank classifying particular loans as non-performing at a later time or in a category reflecting a lower degree of risk than might be expected in such countries. As a result, the amount of the Bank's NPLs as well as reserves may be lower than would be required if the Bank were located in such countries. Further, if the Bank changes its provisioning policies to become more in line with international standards or practices or otherwise, the Bank's results of operations may be adversely affected.

Enforcement difficulties may prevent lenders from recovering the assessed value of collateral when the Bank's borrowers default on their obligations in Thailand

Thai banks may not be able to fully recover collateral or enforce any guarantees due, in part, to the legal uncertainties in enforcing such rights. Although the law in Thailand provides for expedited procedures for the enforcement of certain types of collateral, in practice lenders generally end up submitting a petition to a court in Thailand or face challenges by borrowers which could result in delays that can last several years and lead to deterioration in the physical condition and market value of the collateral. In the past, these factors have exposed, and continue to expose, lenders in Thailand to legal liability while in possession of collateral. The current difficulty of bringing enforcement actions under the legal system in Thailand significantly reduces the ability of lenders to realise the value of collateral located in Thailand and therefore the effectiveness of taking a secured position on loans to borrowers. In addition, there can be no assurance that lenders will be able to realise the full value, or any value, of any collateral located in Thailand in a bankruptcy or foreclosure proceeding or otherwise, especially as the value of secured assets such as real property has been, and may continue to be, negatively affected by the current political, economic and social conditions in Thailand.

Commercial banks in Thailand must dispose of foreclosed property (including property surrendered in settlement) within a specific period set by the Bank of Thailand. There can be no assurance that the Bank will be able to dispose of any particular seized property for a value acceptable to the Bank within such periods. In addition, the Bank may incur significant administrative costs in maintaining and disposing of seized properties. The Bank may also be subject to any additional provision or fines or legal proceedings to be taken by the Bank of Thailand if the Bank cannot dispose of such real estate within the time frame prescribed by the Bank of Thailand.

Since the credit risk of borrowers in Thailand is generally higher than that of borrowers in developed countries, banks in Thailand are exposed to more potential losses and higher risks than banks in more developed countries

Banks in Thailand are subject to the credit risk that borrowers in Thailand may not make timely payment of principal and interest on loans, if at all, and that upon such non-payment, banks in Thailand may not be willing or able to enforce any security interest or guarantee they may have. The credit risk of borrowers in Thailand is generally higher than borrowers in developed countries due to:

- the greater uncertainty of the regulatory, political, legal and economic environment in Thailand; and

- greater volatility of interest rates and Baht/US Dollar exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Thai banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. Such losses, if material, would have a material adverse effect on the Bank's financial condition, liquidity and results of operations.

The financial market in Thailand lacks advanced risk management tools

The financial market in Thailand lacks certain advanced capital markets instruments to manage credit, interest and foreign exchange risks. Accordingly, the Bank is not always able to change its pricing strategy and reshape its portfolio in a timely manner in response to market conditions. In addition, there are limitations to the national credit bureau databases. The lack of such tools in the local market may hinder the Bank's ability to manage the Bank's risks, which may adversely affect the Bank's results of operations.

Thai rules and regulations do not require the Bank to provide as much corporate disclosure as banks in some other countries

The Bank is required by the Stock Exchange of Thailand ("**SET**") to publish annual and semi-annual audited and quarterly unaudited financial results. The Bank of Thailand also requires the Bank to disclose monthly summary balance sheets, and quarterly NPL and allowance amounts, which are made publicly available on the Bank of Thailand's website and SET's website. The rules and regulations of the SET and the Bank of Thailand are evolving and the amount of information publicly available with respect to publicly listed entities in Thailand is significantly less than that available with respect to comparable listed entities in other jurisdictions. Certain types of statistical and financial information published by banks in certain other countries are not published by Thai banks. Accordingly, direct comparisons with banking institutions in such countries may not be possible.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Basel III reforms

The Basel Committee published a number of fundamental reforms to the regulatory capital framework for internationally active banks in its papers dated 16 December 2010 (as revised in June 2011) and its press release dated 13 January 2011 ("**Basel III**"). Basel III is designed, in part, to ensure that capital instruments issued by internationally active banks fully absorb losses before tax payers and other creditors are exposed to losses. The BoT's regulations in respect of the composition of regulatory capital and the minimum capital requirements and capital buffer to implement Basel III became effective on 1 January 2013 but are subject to a series of transitional arrangements (to be fully effective by 2019). The BoT has required commercial banks in Thailand to meet more stringent minimum capital requirements than those required under Basel III since 1 January 2013. The implementation of the conservation buffer requirements began on 1 January 2016.

There can be no assurance that the Basel Committee will not further amend the regulatory capital framework for internationally active banks. Furthermore, the BoT may impose more onerous requirements on Thai incorporated banks than those included in Basel III. The Bank cannot predict the precise effect of the changes that will result from the implementation of Basel III on the pricing or market value of the Notes. In addition, further changes in law after the date hereof may affect the rights of holders of the Notes as well as the market value of the Notes.

The terms of Subordinated Notes will contain non viability loss absorption provisions. The occurrence of a Non-Viability Event may be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's control.

The implementation of Basel III in Thailand requires that all Additional Tier I and Tier II capital instruments provide for a write down of the liability or conversion of such liability into ordinary shares if the BoT and/or any other empowered government authority officially determines to grant financial assistance to the Issuer such as in the form of capital injection, without which the Issuer would become unable to continue its business in any manner, including but not limited to:

(a) having insufficient resources to make repayments to its depositors or creditors; or

(b) its capital funds having depleted to the extent that its depositors and creditors will be adversely affected; or

(c) not being in a position to independently increase its capital base,

(or any such similar events) (a "**Non-Viability Event**"). A Non-Viability Event is therefore dependant on a determination by the BoT and/or any other empowered government authority with which the Issuer or the Group may not agree, and which would be beyond the control of the Issuer and the Group.

In the case of a Non-Viability Event, the Issuer may be required, subject to the terms of the relevant series of Subordinated Notes, irrevocably (without the need for the consent of the holders of the Subordinated Notes) to effect a write down of the outstanding principal amount of such

Subordinated Notes and cancel any accrued and unpaid interest up to the date of such write down, to the extent required to restore the Bank's viability. Any written off amount shall be irrevocably lost and holders of such Subordinated Notes will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to write down.

Because of the inherent uncertainty regarding the determination of whether a Non-Viability Event has occurred, it will be difficult to predict when, if at all, a write down of Subordinated Notes will occur. Accordingly, trading behaviour in respect of Subordinated Notes is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that the Issuer is trending towards a Non-Viability Event could have an adverse effect on the market price of the relevant Subordinated Notes.

Potential investors should consider the risk that a holder of Subordinated Notes may lose all of its investment in such Subordinated Notes, including the principal amount plus any accrued but unpaid interest, in the event that a Non-Viability Event occurs.

The Bank's obligations under the Subordinated Notes are subordinated

The payment obligations of the Bank under Subordinated Notes will rank behind all depositors of the Bank and other Senior Indebtedness (as defined in Condition 3.2 (a)) and rank *pari passu* among themselves. Subordinated Notes constitute unsecured and, subordinated obligations of the Bank and rank *pari passu* among themselves. Upon the occurrence of any Winding Up Proceeding, the rights of the holders of the Subordinated Notes to payments on such Subordinated Notes will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness of the Bank. Accordingly, in a Winding Up Proceeding, the holders of the Subordinated Notes may recover proportionately less than depositors or other Senior Indebtedness. As there is no precedent for a winding up of major financial institution in Thailand, there is uncertainty as to the manner in which such a proceeding would occur and the results thereof. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is real risk that an investor in Subordinated Notes will lose all or some of its investment should the bank become insolvent.

There is no restriction on the amount of securities that the Bank may issue and which rank senior to, or *pari passu* with, the Subordinated Notes. The issue of any such securities may reduce the amount recoverable by the holders of Subordinated Notes on a winding up of the Bank. Upon the winding up of the Bank and after payment of the claims of senior creditors and of depositors, there may not be a sufficient amount to satisfy the amounts owing to the holders of the Subordinated Notes.

The remedies available pursuant to an Event of Default in relation to the Subordinated Notes differ from the Senior Notes

Events of Default in respect of the Subordinated Notes are limited to non-payments of amounts due and the commencement of Winding Up Proceedings, as described in Condition 11.2. In the case of any such Event of Default, the Trustee may declare the Notes to be immediately due and payable, but no other remedy against the Bank shall be available.

The Notes may be redeemed upon the occurrence of certain events

In the event that the Bank has or will become obliged to pay additional amounts (as described in Condition 9 (*Taxation*)) as a result of any change in, or amendment to, applicable laws or regulations, or any change in the application or official interpretation of such laws or regulations, becoming effective after the date of issue of the Notes (in respect of Subordinated Notes) or the date on which agreement is reached to issue the first Tranche of Notes (in respect of Senior Notes), and such obligation cannot be avoided by the Bank taking reasonable measures available to it, the Bank may, at its option but subject in respect of the Subordinated Notes to Condition 8.12, redeem all but not some only of the Notes, in each case at the amount, or determined in the manner, specified in the applicable Pricing Supplement together with interest, if any, accrued to but excluding the date of redemption, as further described in Condition 8.2 (Redemption for tax reasons – Senior Notes) and Condition 8.3 (Redemption for tax reasons – Subordinated Notes).

In the event that Subordinated Notes are fully excluded from the Tier 2 capital of the Bank for the purposes of the BoT's capital adequacy requirements, the Bank may, at its option but subject to Condition 8.12, redeem all but not some only of the Subordinated Notes, in each case at the amount, or determined in the manner, specified in the applicable Pricing Supplement together with interest, if any, accrued to but excluding the date of redemption, as further described in Condition 8.11 (Redemption for regulatory reasons).

There can be no assurance that holders of Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Notes of the Bank.

Early redemption options in connection with the Subordinated Notes are subject to certain Conditions

Subordinated Notes may contain provisions allowing the Bank to redeem the Subordinated Notes prior to their scheduled maturity date. To exercise such an early redemption option, the Bank must comply with Condition 8.12, including obtaining the prior consent of the BoT and complying with the procedures as prescribed under the relevant regulations. The BoT will consider whether to approve the exercise of such early redemption option on a case by case basis and may impose any additional condition for granting an approval for the exercise of such early redemption option by the Bank. Holders of such Subordinated Notes will have no right to call for the redemption of such Subordinated Notes and should not invest in such Subordinated Notes in the expectation that such a call will be exercised by the Bank or approved by the BoT. Any decisions by the Bank as to whether it will exercise early redemption options in respect of such Subordinated Notes will be taken at the absolute discretion of the Bank with regard to factors such as the economic impact of exercising such early redemption options, regulatory capital requirements and prevailing market conditions. Holders of such Subordinated Notes should be aware that they may be required to bear the financial risks of an investment in such Subordinated Notes for a period of time in excess of the period up to the Bank's first early redemption option.

The Notes are governed by English law or Thai law

The Terms and Conditions of the Notes are governed by English law, except in the case of the status of the Subordinated Notes, which will be governed by Thai law. See "*Terms and Conditions of the Notes – Condition 3.2 (Status of the Subordinated Notes)*." No assurance can be given as to the impact of any possible judicial decision or change in English or Thai law or administrative practice after the date of the issue of the Notes.

Noteholders are required to pursue claims on the Notes in proceedings in Thailand

If a winding up proceeding should occur, the Noteholders would be required to pursue their claims on the Notes in proceedings in Thailand. To the extent that any Noteholder is entitled to any recovery with respect to the Notes in any Thai proceedings, such Noteholder might not be entitled in such proceedings to recovery in US Dollars and might be entitled only to a recovery in Baht. In Thai proceedings, if the Bank were placed in receivership by court order, interest on the Notes accrued as from the date of such court order may not be claimed for repayment under the bankruptcy proceeding and the relevant US Dollar amounts would be converted to Baht using the exchange rate as of the date of such court order.

Non-enforceability of non-Thai judgments may limit a Noteholder's ability to recover damages from the Bank

Under Thai law, judgments entered by an English court or any other non-Thai court, including actions under the civil liability provisions of the U.S. federal securities laws, are not enforceable in Thailand. A Noteholder would have to bring a separate action or claim in Thailand. While a non-Thai judgment could be introduced as evidence in a court proceeding in Thailand, a Thai court would be free to examine de novo issues arising in the case. Thus, to the extent Noteholders are entitled to bring legal action against the Bank, they may be limited in their remedies and any recovery in any Thai proceeding might be limited depending on the relevant court's discretion. To the extent Noteholders are entitled to any recovery with respect to the Notes in any Thai proceedings, recovery in any currency other than Baht might be converted and payable in Baht.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Bank

An optional redemption feature of Notes is likely to limit their market value. During any period when the Bank may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

There are particular risks associated with an investment in certain types of Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Fixed Reset Rate Notes

Fixed Rate Notes may be issued as fixed reset rate notes. Fixed reset rate notes will initially earn interest at a fixed rate of interest to, but excluding, a particular date. From, and including, that date, however, the rate of interest will be reset to another fixed rate based on a particular benchmark rate as at that time plus the initial credit spread for the Notes. This reset rate could be less than the initial fixed rate of interest or, in the case of Notes where the fixed rate is reset more than once, the fixed rate of interest that applies immediately prior to the date on which such rate is reset, which could impact on the market value of an investment in the Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Considerations related to FATCA Tax Provisions

Whilst the Notes are in global form and held within Euroclear or Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the legal holder of the Notes which will be the relevant nominee of the common depositary for the ICSDs (as holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

Modification and waivers

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in Condition 15.

The value of the Notes could be adversely affected by a change in English law, Thai law (in the case of Subordinated Notes) or administrative practice

The conditions of the Notes will be based on English law only or, if Notes are Subordinated Notes, English law except that Condition 3.2 (Status of the Subordinated Notes) will be governed by Thai Law. No assurance can be given as to the impact of any possible judicial decision or change to English law or Thai law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In addition, the principal amount of a Subordinated Note may be reduced below the Specified Denomination due to a principal write down (see Condition 7). In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such definitive Bearer Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Reliance on Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or (each as defined under "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Bank will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Unaudited financial information

Any published unaudited interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or been subject to review by the auditors of the Issuer. Accordingly, there can be no assurance that, had an audit or review been conducted in respect of such financial statements, the information presented therein would not have been materially different.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Bank will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes, and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Inflation risk

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

Credit ratings may not reflect all risks

The Issuer has been rated Baa2 (stable), BBB- (stable) and BBB -(stable) by Moody's, S&P and Fitch respectively. Notes issued under the Programme may be rated or unrated by either or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Pricing Supplement and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A security rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in, and form part of, this Offering Circular:

(a) the most recently published audited consolidated annual financial statements and, if published later, the most recently published reviewed consolidated interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith (where relevant);

(b) the most recently published unaudited and unreviewed consolidated interim financial statements (if any) of the Issuer; and

(c) all supplements (other than the Pricing Supplement) or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any published unaudited interim financial statements of the Issuer which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or been subject to review by the auditors of the Issuer. Accordingly, there can be no assurance that, had an audit or review been conducted in respect of such financial statements, the information presented therein would not have been materially different (see "*Investment Considerations*").

All the documents deemed to be incorporated herein by reference (unless such documents have been modified or superseded as specified above) will be available free of charge from the principal office of the Principal Paying Agent in Hong Kong (which for the time being is The Hongkong and Shanghai Banking Corporation Limited (the "**Principal Paying Agent**")). A Pricing Supplement relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer or the Principal Paying Agent as to its holding of Notes and its identity.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event a new Offering Circular or a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer:	TMB Bank Public Company Limited, acting directly or through its Cayman Islands branch.
Programme Size:	Up to US$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) in aggregate nominal amount (which, in the case of any Subordinated Notes, refers to their Prevailing Principal Amount from time to time) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Description:	Euro Medium Term Note Programme
Arrangers:	The Hongkong and Shanghai Banking Corporation Limited ING Bank N.V., Singapore Branch Standard Chartered Bank
Dealers:	The Hongkong and Shanghai Banking Corporation Limited ING Bank N.V., Singapore Branch Standard Chartered Bank and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*" and "*Thai Transfer Restrictions*") including the following restrictions applicable at the date of this Offering Circular. *Notes having a maturity of less than one year*

	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Trustee:	The Hongkong and Shanghai Banking Corporation Limited
Registrar:	The Hongkong and Shanghai Banking Corporation Limited
Principal Paying Agent and Transfer Agent:	The Hongkong and Shanghai Banking Corporation Limited
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer other than Baht.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes will be issued on a fully-paid basis and at an issue price which may be at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form. Bearer Notes will be in bearer form and will on issue be represented by a temporary bearer global note (a "**Temporary Global Note**") or a permanent bearer global note (a "**Permanent Global Note**" and together with the Temporary Global Note, the "**Bearer Global Notes**") as indicated in the applicable Pricing Supplement. Temporary Global Notes will be exchangeable either for (i) interests in a Permanent Global Note or (ii) Bearer Notes in definitive form ("**Definitive Bearer Notes**") as indicated in the applicable Pricing Supplement. Permanent Global Notes will be exchangeable for Definitive Bearer Notes upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described under "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Other provisions in relation to Floating Rate Notes:	Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Other Notes:	The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity other than (i) in specified instalments, if applicable, (ii) for taxation reasons (in the case of Subordinated Notes, only in accordance with Condition 8.12), (iii) in respect of Subordinated Notes only, for regulatory reasons (only in accordance with Condition 8.12) or (iv) following an Event of Default (in the case of Senior Notes, in accordance with the provisions of Condition 11.1 and, in the case of Subordinated Notes, only in accordance with the provisions of Condition 11.2) or that such Notes will be redeemable at the option of the Issuer (in the case of Subordinated Notes, in accordance with Condition 8.12) and/or (except in the case of Subordinated Notes), the Noteholders, upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Pricing Supplement. The applicable Pricing Supplement may provide that Notes (other than Subordinated Notes) may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 9. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:	The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Senior Notes will contain a cross default provision as further described in Condition 11.1(c).
Status of the Senior Notes:	The Senior Notes and any related Receipts and Coupons will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Status and Events of Default of the Subordinated Notes:	The Subordinated Notes and any related Receipts and Coupons will constitute direct, unconditional, subordinated and unsecured obligations of the Bank and will rank *pari passu* among themselves, and as otherwise described in Condition 3.2. The events of default applicable to the Subordinated Notes are set out in Condition 11.2. Subordinated Notes will not have the benefit of a negative pledge or cross default provision.
Limited enforcement rights in respect of the Subordinated Notes:	If (i) a default is made in the payment of any amount of principal or premium (if any) or interest due in respect of the Subordinated Notes or any of them and the default continues for a period of 10 (in the case of principal or premium) or 15 (in the case of interest) days or (ii) Winding Up Proceedings (as defined in Condition 3.3) are commenced in respect of the Bank, the Trustee may, subject as is set out in Condition 11.2, if applicable institute (in the case of (i)) Winding-Up proceedings and (in either case) prove in the Winding-Up proceedings for the Early Redemption Amount of such Subordinated Notes together with accrued interest but may take no further action in respect of any Subordinated Notes in the case of such an Event of Default. See Condition 11.2.
Loss absorption in respect of Subordinated Notes:	The Subordinated Notes are subject to loss absorption on the occurrence of a Non-Viability Event (as defined in Condition 7). Such loss absorption will be effected by cancelling any accrued and unpaid interest and reducing the Prevailing Principal Amount of the Subordinated Notes by the relevant Write-Down Amount (as defined and described in Condition 7).

Rating:	Notes issued under the Programme may be rated or unrated by either or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Pricing Supplement and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and Admission to Trading:	Approval-in-principle has been received from the SGX-ST for permission to deal in and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval-in-principle from, and the admission of any Notes to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Bank, the Programme or the Notes. Unlisted Notes may be issued under the Programme. The relevant Pricing Supplement in respect of any Series will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law except that, in the case of Subordinated Notes, Condition 3.2 will be governed by Thai law.

Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Japan, Hong Kong, Singapore, the Cayman Islands and Thailand and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*" and "*Thai Transfer Restrictions*".
United States Selling Restrictions:	Regulation S Category 1/2 as specified in the applicable Pricing Supplement; TEFRA C or D (or in respect of TEFRA C or TEFRA D, any successor U.S. Treasury regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010)/TEFRA not applicable, as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without coupons attached. Notes (whether in bearer or registered form) will be issued outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”).

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a temporary global note (a “**Temporary Global Note**”) or, if so specified in the applicable Pricing Supplement, a permanent global note (a “**Permanent Global Note**” and, together with a Temporary Global Note, each a **Bearer Global Note**) which will be delivered on or prior to the original issue date of the Tranche to a common depositary (the “**Common Depositary**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”).

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “**Exchange Date**”) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. either (a) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system satisfactory to the Trustee is available, or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note or Registered Global Note (as defined below) in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs in respect of a Permanent Global Note. In the event of the occurrence of an Exchange Event in respect of a Permanent Global Note, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event in respect of a Permanent Global Note as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

All Notes will be issued pursuant to the Trust Deed and the Agency Agreement (each as defined under "*Terms and Conditions of the Notes*").

The following legend will appear on all permanent and definitive Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons or talons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to persons outside the United States (and, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S, only to non-U.S. persons outside the United States), will initially be represented by a global note in registered form (a "**Registered Global Note**" and, together with any Bearer Global Note, each, a "**Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the

Issuer, the Trustee, any Paying Agent, Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising, investigating, monitoring or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event in respect of a Registered Global Note, Euroclear or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event in respect of a Registered Global Note as described in part (iii) of the definition 'Exchange Event' above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a Global Note) held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount (including, in the case of Subordinated Notes, the Initial Principal Amount and/or the Prevailing Principal Amount) of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, its agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, its agents and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Trust Deed and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

No Noteholder, Receiptholder or Couponholder (each as defined in "*Terms and Conditions of the Notes*") shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW.

[*Date*]

TMB BANK PUBLIC COMPANY LIMITED
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US$3,000,000,000
Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 17 March 2016 [and the supplemental Offering Circular dated [date]] (together, the "**Offering Circular**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Pricing Supplement and the Offering Circular.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date*:

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 17 March 2016 [and the supplemental Offering Circular dated [date]] (together, the "**Offering Circular**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular, save in respect of the Conditions which are extracted from the Offering Circular dated 17 March 2016 and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.*]

1.	[(a)]	Issuer:	TMB Bank Public Company Limited
	[(b)	Branch:	[Cayman Islands] [*if applicable*]]
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)

3.	Specified Currency or Currencies:	[ ] (*Note: Specified Currency can be any currency other than Baht*).
4.	Aggregate Nominal Amount:	
	(a) Series:	[ ]
	(b) Tranche:	[ ]
5.	[(a)] Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	[(b)] Private banking rebate:	[Applicable/Not Applicable]
	[(c)] Net Proceeds:	[ ] (*include for listed issues if required by the stock exchange on which the Notes are listed.*)
6.	(a) Specified Denominations:	[ ] (*Note – where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:* "*€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.*") (*N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €100,000 or equivalent minimum denomination is not required.*) (*In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.*)
	(b) Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination*. *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.*)

7.	(a) Issue Date:	[ ]
	(b) Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:	[*Fixed rate – specify date/* *Floating rate* – Interest Payment Date falling in or nearest to [*specify month and year*]]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/-[ ] per cent.] [Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*] [Not Applicable]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(a) Status of the Notes:	[Senior]/[Subordinated]
	(b) Date Board approval for issuance of Notes obtained:	[ ] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes*)
	(c) Date regulatory approval/ consent for issuance of Notes obtained:	[ ] [None required]
14.	Method of distribution:	[Syndicated/Non-syndicated]
15.	Listing:	[[ ] (*specify*)/None]
16.	Additional Tax considerations:	[[ ] (*specify*)/None]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a) Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 5.1*)
(b) Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)
(c) Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount
(d) Broken Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
(e) Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [*specify other*]]
(f) Determination Date(s):	[[ ] in each year] [Not Applicable] (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
(g) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
18. Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a) Specified Period(s)/Specified Interest Payment Dates:	[ ]
(b) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(c) Additional Business Centre(s):	[ ]

(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] (*Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement*)
	• Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR*)
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
(h)	Margin(s):	[+/-] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum

(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] (*See Condition 5.2 for alternatives*)
(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

19.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Accrual Yield:	[ ] per cent. per annum
(b)	Reference Price:	[ ]
(c)	Any other formula/basis of determining amount payable:	[ ]
(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 7.5(c) apply/specify other] (*Consider applicable day count fraction if not U.S. dollar denominated*)
20.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Index/Formula:	[*give or annex details*]
(b)	Calculation Agent:	[*give name*]
(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Calculation Agent):	[ ]
(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]

(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
(g)	Additional Business Centre(s):	[ ]
(h)	Minimum Rate of Interest:	[ ] per cent. per annum
(i)	Maximum Rate of Interest:	[ ] per cent. per annum
(j)	Day Count Fraction:	[ ]

21. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)

(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent):	[ ]
(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

22. Notice periods for Condition 8.2 or Conditions 8.3 and 8.11 (as applicable): Minimum period: [ ] days
Maximum period: [ ] days

(*N.B. Euroclear requires a minimum of 5 business days as a notice period when processing either a put or call option; Clearstream, Luxembourg requires a minimum of 5 business days as a notice period when processing a call option and 15 business days when processing a put option*)

23. Issuer Call: [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)

(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other/see Appendix*]

(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ] (*N.B. For Subordinated Notes, specify "100% of the aggregate Prevailing Principal Amount of the Notes" for Minimum Redemption Amount and "N/A" for Maximum Redemption Amount*)
(d)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee*)

24.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount and method, if any, of other/see Appendix] calculation of such amount(s):	[[ ] per Calculation Amount/specify
	(c) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee*)
25.	Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see Appendix]

26. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8.6 (*Redemption and Purchase – Early Redemption Amounts*)):

[[ ] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[Registered Notes:

[Registered Global Note (US$[ ] nominal amount) registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg]

(*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time at the request of the Issuer options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)

28. Additional Financial Centre(s) or other special provisions relating to Payment Days:

[Not Applicable/*give details*]
(*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 18(c) and 20(g) relates*)

29. Talons for future Coupons or Receipts to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment.	[Not Applicable/*give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
31. Details relating to Instalment Notes:	
(a) Instalment Amount(s):	[Not Applicable/*give details*]
(b) Instalment Date(s):	[Not Applicable/*give details*]
32. Redenomination applicable:	Redenomination [not] applicable [(*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates*))]
33. Other terms:	[Not Applicable/Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify market*] *with effect from* [ ]*./give details*]
34. Ratings:	[Not Applicable/The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*.]/*give details*]
35. Governing law:	English law [(except in respect of Condition [3.2] which is governed by Thai law) *N.B. include for Subordinated Notes*]

DISTRIBUTION

36. (a) If syndicated, names of Managers:	[Not Applicable/*give names*]
(b) Stabilising Manager(s) (if any):	[Not Applicable/*give names*]

37.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give names*]
38.	U.S. Selling Restrictions:	[Reg. S Category 1/2; TEFRA D/TEFRA C/TEFRA not applicable (or in respect of TEFRA C or TEFRA D, any successor U.S. Treasury regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010)]
39.	Additional selling restrictions:	[Not Applicable/give details]

OPERATIONAL INFORMATION

40.	ISIN Code:	[ ]
41.	Common Code:	[ ]
42.	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *societe anonyme* and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
43.	Delivery:	Delivery [against/free of] payment
44.	Names and addresses of additional	[Not Applicable/*give name(s) and address(es)*] Paying Agent(s) (if any):

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the pricing supplement required for issue and admission to trading on [*the Singapore Exchange Securities Trading Limited*] of the Notes described herein pursuant to the US$3,000,000,000 Euro Medium Term Note Programme of TMB Bank Public Company Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of **TMB BANK PUBLIC COMPANY LIMITED**

By: . . . .

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following (with the exception of paragraphs in italics) are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below), each Definitive Bearer Note (as defined below) and each Definitive Registered Note (as defined below), but, in the case of Definitive Bearer Notes and Definitive Registered Notes, only if permitted by the relevant stock exchange (if any) or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Bearer Note or Definitive Registered Note will have endorsed thereon or attached thereto such Terms and Conditions of the Notes. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions of the Notes for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Pricing Supplement" for a description of the content of each Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by TMB Bank Public Company Limited (the "**Issuer**") acting through its registered office in Thailand or its Cayman Islands branch (as specified in the applicable Pricing Supplement) constituted by an amended and restated trust deed dated 17 March 2016 made between the Issuers and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include any successor as Trustee) (as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**"). Noteholders (as defined below) are deemed to have accepted the appointment of the Trustee.

References herein to "**the Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(b) any Global Note in bearer form (each a "**Bearer Global Note**");

(c) any Global Note in registered form (each a "**Registered Global Note**");

(d) any definitive Notes in bearer form ("**Definitive Bearer Notes**" and, together with Bearer Global Notes, the "**Bearer Notes**") issued in exchange for a Global Note in bearer form; and

(e) any definitive Notes in registered form ("**Definitive Registered Notes**" and, together with Registered Global Notes, the "**Registered Notes**") (whether or not issued in exchange for a Registered Global Note).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of amended and restated agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 11 September 2014 and made between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as issuing and principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Principal Paying Agent, the Paying Agents, which expression shall include any additional or successor paying agents) and The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

Interest bearing Definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes and Definitive Registered Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**" or "**holders**" in relation to any Notes, which expression shall mean, in the case of Bearer Notes, the holders of the Notes and, in the case of Registered Notes, the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided in Condition 1 below) in accordance with the provisions of the Trust Deed. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates (other than Zero Coupon Notes) and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the specified office of the Trustee being at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong and at the specified office of each of the Paying Agents and the Registrar. Copies of the applicable Pricing Supplement are available for viewing during normal business hours at the registered office of the Issuers and the specified office each of the Paying Agents and the Registrar, in the case of Registered Notes, and at the specified office of each of the Paying Agents, in the case of Bearer Notes and copies may be obtained from those offices save that, if this Note is not listed on any stock exchange, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee and the relevant Paying Agent (or in the case of Registered Notes) the Registrar as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are issued either in bearer form or in registered form, as specified in the applicable Pricing Supplement and, in the case of Definitive Bearer Notes and Definitive Registered Notes, serially numbered, in the currency (the "**Specified Currency**") and the denomination(s) ("**Specified Denomination(s)**") specified in the applicable Pricing Supplement. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may be a Senior Note or a Subordinated Note.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass on registration of transfers in accordance with the Agency Agreement. The Issuer, the Paying Agents, the Registrar (in the case of Registered Notes) and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrar (in the case of Registered Notes) and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, any Paying Agent, the Registrar (in the case of Registered Notes) and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee of a common depository for Euroclear or Clearstream, Luxembourg, as the case may be, shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear or Clearstream, Luxembourg, as the case may be, or to a successor of Euroclear or Clearstream, Luxembourg, as the case may be, or such successor's nominee.

2.2 Transfers of Definitive Registered Notes

Subject as provided in Condition 2.5 *(Closed Periods*) below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

(a) the holder or holders must:

   (i) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and

   (ii) complete and deposit such other certifications as maybe required by the relevant Transfer Agent; and

(b) the relevant Transfer Agent must be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such regulations as the Issuer, the Trustee, the Principal Paying Agent and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 3 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office, to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered at the specified office of the relevant Transfer Agent or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8 *(Redemption and Purchase*), the Issuer shall not be required to register or procure registration of the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer shall require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 Closed periods

No Noteholder may require the transfer of a Registered Note to be registered during the period:

(a) of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note;

(b) of 15 days before (and including) any date on which Notes may be called for redemption by the Issuer pursuant to Condition 8.3 *(Redemption at the option of the Issuer (Issuer Call)*);

(c) of 15 days ending on (and including) any Interest Payment Date; or

(d) commencing on the day on which a Loss Absorption Event Notice has been delivered in accordance with Condition 7 and ending on the close of business in Thailand on the Loss Absorption Effective Date specified in such Loss Absorption Event Notice.

2.6 Exchanges and transfers of Definitive Registered Notes generally

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. STATUS OF THE NOTES

3.1 Status of the Senior Notes

This Condition 3.1 applies only to Notes specified in the applicable Pricing Supplement as being Senior Notes.

Senior Notes and any related Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 *(Negative Pledge)*), unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3.2 Status of the Subordinated Notes

This Condition 3.2 applies only to Notes specified in the applicable Pricing Supplement as being Subordinated Notes.

Subordinated Notes and any related Receipts and Coupons are direct, unconditional, subordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves.

(a) ***Subordination***

The Issuer, for itself, its successors and assignees, covenants and agrees, and each holder of a Subordinated Note (each a "**Subordinated Noteholder**") by subscribing for or purchasing a Subordinated Note shall be deemed to acknowledge and agree that:

(i) the principal of, and interest and any additional amounts payable on, the Subordinated Notes will be subordinated in right of payment upon the occurrence of any Winding Up Proceeding (as defined below) to the prior payment in full of all the Issuer's other liabilities (including all deposits, other liabilities of the Issuer to general creditors and liabilities of all offices and branches of the Issuer wherever located and any subordinated term debt instruments of the Issuer that rank senior to the Subordinated Notes) (together, "**Senior Indebtedness**"), except those liabilities which by their terms or by operation of law rank equal with or junior to the Subordinated Notes; and

(ii) claims in respect of the Subordinated Notes will rank *pari passu* and without preference among themselves, but in priority to the rights and claims of holders of (x) all classes of equity securities of the Issuer, including holders of preference shares, if any, (y) hybrid debt capital, if any, that qualifies as Tier 1 capital under Thai law and regulation, and (z) liabilities, if any, of the Issuer that by their terms or by operation of law rank junior to the Subordinated Notes.

The Issuer has agreed in the Trust Deed that, as long as any of the Subordinated Notes remain outstanding, it will not create, issue, assume or otherwise incur any loan, debt, guarantee or other obligation which shall be or shall purport to be subordinated debt of the Issuer and which shall, at the time it is created, issued, assumed or otherwise incurred or at any time thereafter, be considered capital of the Issuer for any regulatory purpose under Thai law and regulation, unless such loan, debt, guarantee or other obligation ranks junior to or *pari passu* with the Subordinated Notes in any distribution of assets by the Issuer in any Winding Up Proceeding of the Issuer.

As a consequence of these subordination provisions, if a Winding Up Proceeding should occur, Subordinated Noteholders may recover less rateably than the holders of deposit liabilities, holders of other Senior Indebtedness of the Issuer. Moreover, Subordinated Noteholders would likely be required to pursue their claims in respect of the Subordinated Notes in proceedings with respect to the Issuer in Thailand.

To the extent that Subordinated Noteholders are entitled to any recovery with respect to the Notes in any Thai proceedings, such holders may not be entitled in such proceedings to a recovery in currency of denomination of the Notes and may be entitled to a recovery in Thai Baht.

(b) ***Set-off***

Each Subordinated Noteholder by accepting a Subordinated Note shall be deemed to irrevocably acknowledge and agree that:

(i) it may not exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Subordinated Notes; and

(ii) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all rights of set-off arising under or in connection with the Subordinated Notes.

(c) ***Amendments***

While the Subordinated Notes qualify as regulatory capital funds of the Issuer, the provisions of this Condition 3.2 shall not be amended or modified in a manner that adversely affects the rights of any holder of Subordinated Notes then outstanding without the consent of the Bank of Thailand.

3.3 Interpretation

For the purpose of the Conditions, "**Winding Up Proceeding**" means the Issuer: (i) is subject to the court's order of absolute receivership or business reorganization, or is adjudicated as being bankrupt under the laws regarding bankruptcy; (ii) has entered into a liquidation for its dissolution; or (iii) is otherwise winding up its business (except, in any case, for a solvent winding-up solely for the purposes of a reorganization, merger or amalgamation the terms of which (a) have been approved by the Trustee or the Noteholders and (b) do not result in the Subordinated Notes thereby becoming redeemable or repayable in accordance with the Trust Deed).

4. NEGATIVE PLEDGE

4.1 Negative Pledge

This Condition 4.1 only applies to Senior Notes.

So long as any of the Senior Notes remain outstanding, the Issuer will not, and the Issuer will procure that none of its Principal Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer and/or any of its Principal Subsidiaries to secure any Relevant Indebtedness (as defined below), unless the Issuer before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Senior Notes, the Coupons relating thereto and the Trust Deed are secured by such Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of Senior Notes.

Notwithstanding the foregoing, in the event that there is a change in law or regulation in Thailand permitting or providing for the issue of covered bonds (such changed law or regulation, the "**Covered Bond Regulation**"), any arrangement relating to the segregation required by the Covered Bond Regulation of any part of the Issuer or its Principal Subsidiary's property, assets or revenues or the creation of any security interest required by the Covered Bond Regulation in respect thereof for the purpose of issuing such covered bonds shall be permitted and shall not require the creation of equivalent security in respect of the Senior Notes, **provided that**, such arrangement is entered into in compliance with, and only to the extent required by, the Covered Bond Regulation and such segregated property, assets or revenues qualify as collateral for, or are to be applied in priority in meeting claims of, issues of covered bonds under the Covered Bond Regulation.

4.2 Interpretation

For the purposes of these Conditions:

(a) "**Relevant Indebtedness**" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, unless by their terms such indebtedness are payable, or confer a right to receive payment, in Thai Baht, and (ii) any guarantee or indemnity in respect of any such indebtedness;

(b) "**Subsidiary**" means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights, or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors, or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer; and

(c) "**Principal Subsidiary**" means at any time a Subsidiary of the Issuer:

(i) whose:

(A) gross revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries); or

(B) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries),

represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 5 per cent. of the consolidated gross revenues, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, **provided that** in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Principal Subsidiary, **provided that** the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(iii) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, generate gross revenues equal to) not less than 5 per cent. of the consolidated gross revenues, or represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, **provided that**:

(A) the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate gross revenues equal to) not less than 5 per cent. of the consolidated gross revenues, or its assets represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above; and

(B) the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (iii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A certificate by an Authorised Signatory of the Issuer whether or not addressed to the Trustee that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions, the following expressions have the following meanings:

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) ***Interest Payment Dates***

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Hong Kong, London and each Additional Business Centre specified in the applicable Pricing Supplement; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(b) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro-zone interbank offered rate ("**EURIBOR**"), the first day of that Interest Period or (b) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), "**Floating Rate, Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(ii) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Principal Paying Agent, in the case of Floating Rate Notes, the Calculation Agent, in the case of Index Linked Interest Notes or, in the case of Notes where another Paying Agent is specified in the relevant Pricing Supplement, such Paying Agent, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent or, in the case of Notes where another Paying Agent is specified in the relevant Pricing Supplement, such Paying Agent, will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent, the Calculation Agent (or other Paying Agent, as specified in the relevant Pricing Supplement), as applicable, will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) ***Notification of Rate of Interest and Interest Amounts***

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed (subject to receiving the contact details of the relevant stock exchange from the Issuer) and notice thereof to be published in accordance with Condition 15 *(Notices)* as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15 *(Notices)*.

(f) ***Determination or Calculation by Trustee***

If for any reason at any relevant time the Principal Paying Agent, the Calculation Agent or other Paying Agent (as specified in the relevant Pricing Supplement), as the case may be, defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 5.2(b)(i) or Condition 5.2(b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee or its appointee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee or its appointee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent, the Calculation Agent or other Paying Agent (as specified in the relevant Pricing Supplement), as applicable.

(g) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 *(Interest on Floating Rate Notes and Index Linked Interest Notes)*, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or other Paying Agent (as specified in the relevant Pricing Supplement), shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Registrar (if applicable), the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent, any other Paying Agent (as specified in the relevant Pricing Supplement) or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) the second day after notice is given to the relevant Noteholder(s) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Note is available for payment, **provided that**, upon further presentation thereof being duly made, such payment is made.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 *(Taxation)* and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 *(Method of payment)* above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 *(Method of payment)* above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 *(Method of payment)* above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9 *(Taxation)*) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 *(Prescription)*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Global Bearer Notes will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of the Principal Paying Agent or any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**") (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Trustee, the Paying Agents, the Transfer Agents or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10 *(Prescription)*) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (i) the relevant place of presentation, in the case of Notes in definitive form only;

  (ii) each Additional Financial Centre specified in the applicable Pricing Supplement; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 9 *(Taxation)*;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5 (*Redemption and Purchase – Early Redemption Amounts*)) and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 *(Taxation)* or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. LOSS ABSORPTION – PRINCIPAL WRITE-DOWN

This Condition 7 applies only to Subordinated Notes.

(a) Upon the occurrence of a Non-Viability Event, the Issuer shall:

(i) deliver a Loss Absorption Event Notice to Subordinated Noteholders in accordance with Condition 15 *(Notices)*, the Trustee and the Principal Paying Agent within 2 Business Days of the Non-Viability Event occurring;

(ii) cancel any interest which is accrued and unpaid to the relevant Loss Absorption Effective Date (without the need for the consent of Subordinated Noteholders or the Trustee); and

(iii) concurrently with any other Tier 2 Loss Absorbing Instruments (which, for the avoidance of doubt, are similarly loss-absorbing), irrevocably (without the need for the consent of Subordinated Noteholders or the Trustee) reduce the Prevailing Principal Amount of each Subordinated Note by the relevant Write-Down Amount (such reduction being referred to as a "**Write-Down**" and "**Written Down**" being construed accordingly),

For the avoidance of doubt, any Write-Down pursuant to this Condition 7 will not constitute an Event of Default in respect of the Subordinated Notes. Each Subordinated Noteholder irrevocably waives its right to receive payment of the principal amount Written Down under the Subordinated Notes and irrevocably waives its right to any interest accrued but unpaid up to the relevant Loss Absorption Effective Date.

(b) A Write-Down may occur on more than one occasion and the Subordinated Notes may be Written Down on more than one occasion. For the avoidance of doubt (subject to compliance with all applicable laws and regulations in force at the relevant time which are applicable to the Issuer and/or the Subordinated Notes and/or any Tier 2 Loss Absorbing Instruments, including any rules, regulations, promulgations or other policies in force, howsoever described, of The Securities and Exchange Commission of Thailand), upon the occurrence of a Non-Viability Event where the Issuer is to Write-Down the Subordinated Notes, the Issuer shall convert to Ordinary Shares, write-down, write off or otherwise reduce (in full or in part) all Junior Loss Absorbing Instruments, at that time, before or concurrent with (where possible) the write-down or conversion of the Subordinated Notes and any Tier 2 Loss Absorbing Instruments.

(c) For the avoidance of doubt (subject to compliance with all applicable laws and regulations in force at the relevant time which are applicable to the Issuer and/or the Subordinated Notes and/or any Tier 2 Loss Absorbing Instruments, including any rules, regulations, promulgations or other policies in force, howsoever described, of The Securities and Exchange Commission of Thailand), the Write-Down of the Subordinated Notes will be effected:

(i) on the basis that such Write-Down will have an effect that will not be more prejudicial to the rights of Subordinated Noteholders than the holders of Junior Loss Absorbing Instruments and that, in any case, the Loss Absorption to be applied to the Tier 2 Loss Absorbing Instruments and the Subordinated Notes as a class, will not be more than the Loss Absorption applicable to the Junior Loss Absorbing Instruments as a class; and

(ii) on a *pari passu* basis among the Subordinated Noteholders and concurrently with and in a manner that is no more prejudicial to the rights of Subordinated Noteholders than the holders of all other Tier 2 Loss Absorbing Instruments (which, for the avoidance of doubt, are similarly loss-absorbing) with respect to the reduction in the principal amount of such other Tier 2 Loss Absorbing Instruments.

(d) Following the giving of a Loss Absorption Event Notice which specifies a Write-Down of the Subordinated Notes to the Subordinated Noteholders and the Trustee, the Issuer shall procure that a similar notice is, or has been, given in respect of each Tier 2 Loss Absorbing Instrument (in accordance with its terms), and the prevailing principal amount of each Tier 2 Loss Absorbing Instrument outstanding (if any) is written down or converted into Ordinary Shares concurrently with the Write-Down of the Prevailing Principal Amount of the Subordinated Notes, as soon as reasonably practicable following the giving of such Loss Absorption Event Notice.

(e) Following a Write-Down which does not result in the Subordinated Notes being cancelled, interest will accrue on the Subordinated Notes on the basis of their Prevailing Principal Amount (and not, for the avoidance of doubt, their Initial Principal Amount).

(f) In this Condition 7:

(i) "**Initial Principal Amount**", in respect of a Subordinated Note, is equal to the principal amount of the relevant Subordinated Note as at its issue date;

(ii) "**Junior Loss Absorbing Instruments**" means all instruments ranking junior to the Subordinated Notes (including, but not limited to, any and all classes of share capital of the Issuer and all tranches of Tier 1 Loss Absorbing Instruments) which, pursuant to their terms or by operation of law are capable of being, or which are otherwise subject to a requirement to be, converted into equity, written down, written off or otherwise reduced;

(iii) "**Loss Absorption**" means the proportion by which the outstanding nominal or principal amount of an instrument is reduced by means of conversion into equity, write-down, write-off or otherwise;

(iv) "**Loss Absorption Effective Date**" means the date on which the Write-Down will take effect as specified as such in the Loss Absorption Event Notice;

(v) "**Loss Absorption Event Notice**" means a notice which specifies that a Non-Viability Event has occurred, the Write-Down Amount and the Loss Absorption Effective Date. Any Loss Absorption Event Notice must be accompanied by a certificate signed by two directors of the Issuer stating that the Non-Viability Event has occurred;

(vi) "**Non-Viability Event**" means the occurrence of the Relevant Authority officially determining to grant financial assistance to the Issuer such as in the form of a capital injection, without which the Issuer would become unable to continue its business in any manner, including but not limited to situations as set out below (or any such similar events):

(A) having insufficient resources to make repayments to its depositors and creditors; or

(B) its capital funds having depleted to the extent that its depositors and creditors will be adversely affected; or

(C) not being in a position to independently increase its capital base;

(vii) "**Ordinary Shares**" means the ordinary shares of the Issuer;

(viii) "**Prevailing Principal Amount**", in respect of a Subordinated Note, means the Initial Principal Amount of such Subordinated Note as reduced (on one or more occasions) pursuant to a Write-Down;

(ix) "**Relevant Authority**" means the Bank of Thailand and/or any other empowered government agency;

(x) "**Tier 1 Loss Absorbing Instrument**" means, at any time, any instrument issued directly or indirectly by the Issuer, other than Ordinary Shares, which (a) is eligible to qualify as Tier 1 capital or Additional Tier 1 capital of the Issuer pursuant to the rules and regulations of the Bank of Thailand, as amended, replaced or supplemented from time to time; and (b) contains provisions relating to a write-down or conversion into Ordinary Shares of the principal amount of such instrument on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied;

(xi) "**Tier 2 Loss Absorbing Instrument**" means, at any time, any instrument issued directly or indirectly by the Issuer, other than the Subordinated Notes, which (a) is eligible to qualify as Tier 2 capital of the Issuer pursuant to the rules and regulations of the Bank of Thailand, as amended, replaced or supplemented from time to time; and (b) contains provisions relating to a write-down or conversion into Ordinary Shares of the principal amount of such instrument on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied; and

(xii) "**Write-Down Amount**", in respect of a Subordinated Note, means the amount as determined by the Issuer (as notified to and acknowledged by the Relevant Authority) by which the then Prevailing Principal Amount of such Subordinated Note is to be Written Down pursuant to a Write-Down, being the minimum of:

(A) as of the date on which the Non-Viability Event occurs, the amount (together with the Write-Down of the other Subordinated Notes on a *pro rata* basis and taking into account the write-down or conversion into Ordinary Shares of any Tier 1 Loss Absorbing Instruments and/or Tier 2 Loss Absorbing Instruments) as is required to ensure the Issuer's solvency as a going concern as certified by the authorised director(s) of the Issuer whose name appears on the certification document (affidavit) of the Issuer; and

(B) the amount necessary to reduce the Prevailing Principal Amount of such Subordinated Note to zero.

For the avoidance of doubt, any acknowledgement from the Relevant Authority shall be directed to the Issuer. The Issuer will, to the extent necessary, write down the Subordinated Notes in accordance with Condition 7 including the sequence of loss *absorption between Tier 1 Loss Absorbing Instruments and Tier 2 Loss Absorbing Instruments. Any such Write-Down of the Subordinated Notes shall not constitute an Event of Default nor an effective resolution of the Issuer and Subordinated Noteholders may take no action to recover any Write-Down Amount.*

(g) Unless specified otherwise, all references to "nominal amount" or "principal amount" in these Conditions other than in this Condition 7 shall, in relation to Subordinated Notes only, be construed as a reference to the Prevailing Principal Amount of the Subordinated Notes and not the Initial Principal Amount of the Subordinated Notes. In particular: (i) the amount of interest payable in respect of a Subordinated Note shall be calculated based on the Prevailing Principal Amount of such Subordinated Note from time to time; (ii) the amount repayable by the Issuer in relation to any redemption of the Subordinated Notes pursuant to Conditions 8.1, 8.2, 8.3 or 8.4 will be based on the Prevailing Principal Amount of such Subordinated Note as at the relevant redemption date; and (iii) the claim of Holders in a Winding Up Proceeding will be based on the Prevailing Principal Amount of the Subordinated Notes as at the time of such Winding Up Proceeding.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

8.2 Redemption for tax reasons – Senior Notes

This Condition 8.2 applies only to Senior Notes.

Subject to Condition 8.6 *(Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Note or a Dual Currency Interest Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee and the Principal Paying Agent and, in accordance with Condition 15 *(Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 *(Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9 *(Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that, in the case of (a) above, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.5 *(Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 Redemption for tax reasons – Subordinated Notes

This Condition 8.3 applies only to Subordinated Notes.

The Subordinated Notes may be redeemed at the option of the Issuer in whole but not in part, subject to Condition 8.12 *(Conditions to redemption and purchase of Subordinated Notes*), at their Prevailing Principal Amount plus accrued but unpaid interest (if any), at any time, on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee and the Principal Paying Agent and, in accordance with Condition 15 *(Notices*), the Subordinated Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that on the occasion of the next payment due under the Subordinated Notes:

(a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 *(Taxation*); or

(b) interest payments on the Subordinated Notes are, or would no longer be, tax deductible,

in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the Subordinated Notes, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts, or (as the case may be) interest payments on the Subordinated Notes are or would no longer be tax deductible, as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

8.4 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, subject in the case of Subordinated Notes to Condition 8.12 *(Conditions to redemption and purchase of Subordinated Notes)*, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 15 *(Notices)*, (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption, and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 *(Notices)* not less than 15 days prior to the date fixed for redemption.

8.5 Redemption at the option of the Noteholders (Investor Put)

This Condition 8.5 only applies to Senior Notes.

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 15 *(Notices)* not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8.5 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Definitive Bearer Notes) or the Registrar (in the case of Definitive Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar, falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a Put Notice) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2 *(Transfer of Registered Notes in definitive form)*. If this Note is a Definitive Bearer Note, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put

Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 11 *(Events of Default)*, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.5.

8.6 Early Redemption Amounts

For the purpose of Condition 8.2 *(Redemption for tax reasons – Senior Notes)* above and Condition 11 *(Events of Default)*, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Senior Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Senior Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Senior Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount;

(c) in the case of a Senior Note that is a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^y$ where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

^{y} is the Day Count Fraction specified in the applicable Pricing Supplement which will be either:

(i) (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or

(ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or

(iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365; or

(d) in the case of a Subordinated Note, at its Prevailing Principal Amount or as is otherwise specified in the applicable Pricing Supplement.

8.7 Specific redemption provisions applicable to certain types of Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 8.2 *(Redemption for tax reasons – Senior Notes*), Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined pursuant to Condition 8.6 *(Early Redemption Amounts*).

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.8 Purchases

Subject in the case of Subordinated Notes to Condition 8.12 *(Conditions to redemption and purchase of Subordinated Notes*), each of the Issuer, or any Subsidiary of the Issuer may at any time purchase Notes (**provided that**, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) in any manner and at any price in the open market or otherwise. Any such Notes may be surrendered to any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) for cancellation and upon surrender thereof, shall be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith).

8.9 Cancellation

All Notes which are redeemed will forthwith be surrendered to any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) for cancellation and upon surrender thereof, shall be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.8 *(Purchases*) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

8.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1 *(Redemption at maturity)*, 8.2 *(Redemption for tax reasons – Senior Notes)*, 8.4 *(Redemption at the option of the Issuer (Issuer call))* or 8.5 *(Redemption at the option of the Noteholders (Investor put))* above or upon its becoming due and repayable as provided in Condition 11 *(Events of Default)* is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.6(c) *(Early Redemption Amounts)* above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15 *(Notices)*.

8.11 Redemption for Regulatory Reasons

This Condition 8.11 applies only to Subordinated Notes.

(a) At any time in the event that the Subordinated Notes are fully excluded from the Tier 2 capital of the Issuer for the purposes of the Bank of Thailand's capital adequacy requirements under applicable regulations from time to time applicable to the Issuer, the Issuer may at its option but subject to Condition 8.12 *(Conditions to redemption and purchase of Subordinated Notes)*, redeem the Subordinated Notes in whole but not in part at their Prevailing Principal Amount plus accrued but unpaid interest (if any) by giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee and the Principal Paying Agent and, in accordance with Condition 15 *(Notices)*, the Noteholders.

(b) Prior to giving any notice of redemption pursuant to this Condition 8.11, the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the circumstances referred to in this Condition 8.11 exist and are continuing and setting out the details of such circumstances; and

The Trustee shall be entitled to accept such certificate or notification as conclusive evidence of the satisfaction of the circumstances set out in this Condition 8.11, in which event it shall be conclusive and binding on the Noteholders. Upon the expiry of any notice period satisfying this Condition 8.11, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8.11.

8.12 Conditions to redemption and purchase of Subordinated Notes

This Condition 8.12 applies only to Subordinated Notes.

Any redemption or purchase of the Subordinated Notes is subject to compliance with the following conditions, to the extent required and allowed by the then prevailing regulations of the Bank of Thailand:

(a) obtaining the prior written approval of the Bank of Thailand for such redemption or purchase;

(b) submission of a purchase and substitution plan to the Bank of Thailand prior to such redemption or purchase at least 30 days prior to the date of such redemption or purchase; and

(c) any other condition that the Bank of Thailand requires compliance with in respect of such redemption or purchase at the relevant time.

If required by the Bank of Thailand: (a) the redemption and substitution plan submitted by the Issuer must include the issuance, either immediately or before the redemption or purchase, of financial instruments of equivalent or superior quality in substitution for the Notes to be redeemed and (b) the issuance of such substitute instruments shall be subject to the Issuer's ability to perform its business operations.

9. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in any Tax Jurisdiction; or

(b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6 *(Payment Day)*); or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

(i) "**Tax Jurisdiction**" means:

(A) where the Issuer is acting through its registered office in Thailand as specified in the applicable Pricing Supplement, Thailand, or any political subdivision or any authority thereof or therein having power to tax payments made by the Issuer of principal or interest on the Notes, Receipts or Coupons; and

(B) where the Issuer is acting through its Cayman Islands branch as specified in the applicable Pricing Supplement, (x) Thailand and (y) the Cayman Islands or, in each case any political subdivision or any authority thereof or therein having power to tax payments made by the Issuer of principal or interest on the Notes, Receipts or Coupons; and

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 *(Notices)*.

10. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9 *(Taxation)*) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 *(Payments – Presentation of Definitive Bearer Notes, Receipts and Coupons)* or any Talon which would be void pursuant to Condition 6.2 *(Payments – Presentation of Definitive Bearer Notes, Receipts and Coupons)*.

11. EVENTS OF DEFAULT AND ENFORCEMENT

11.1 Events of Default relating to Senior Notes

This Condition 11.1 only applies to Senior Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the nominal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that each Senior Note is, and each Senior Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

(a) if default is made in the payment in the Specified Currency of any amount of principal, or premium, if any, or interest (including any Additional Amounts and/or additional interest in respect thereof) due in respect of the Senior Notes or any of them and, in the case of (i) principal, the default continues for a period of 10 days and (ii) interest, the default continues for a period of 14 days;

(b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of the Issuer's Principal Subsidiaries becomes or, becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of the Issuer's Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment; (iii) any security given by the Issuer or any of the Issuer's Principal Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of the Issuer's Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; **provided that** such Indebtedness for Borrowed Moneys in respect of which one or more of the events mentioned above in this Condition 11.1(c) in aggregate exceeds US$30,000,000 (or its equivalent in one or more currencies);or

(d) if any order is made by any competent court or effective resolution passed for the winding up or dissolution of the Issuer or any of the Issuer's Principal Subsidiaries, save for the purposes of amalgamation, restructuring or reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(e) if the Issuer, or any of the Issuer's Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of amalgamation, restructuring or reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution, or the Issuer or any of the Issuer's Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is finally adjudicated or found bankrupt or insolvent; or

(f) if (i) proceedings are initiated against the Issuer or any of the Issuer's Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of the Issuer's Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrance takes possession of the whole or a substantial part of the undertaking or assets of any of them; and (ii) in any case (other than the appointment of an administrator) is not discharged or stayed within 30 days; or

(g) if the Issuer or any of the Issuer's Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors);

(h) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out upon or against any material part of the assets or revenues of the Issuer or the Issuer's Principal Subsidiaries and is not discharged or stayed within 45 days;

(i) a secured party takes possession of, or a receiver, manager or other similar officer is appointed in relation to, the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of the Issuer's Principal Subsidiaries;

(j) any step is taken by any person to seize, compulsorily acquire, expropriate or nationalise all or a material part of the assets of the Issuer or any of its Principal Subsidiaries;

(k) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable, and (iii) to make the Notes admissible in evidence in the courts of England is not taken, fulfilled or done;

(l) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(m) if any event occurs which, under the laws of Thailand or the Cayman Islands, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (d) to (g) above.

11.2 Events of Default relating to Subordinated Notes

This Condition 11.2 only applies to Subordinated Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in nominal amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) if any of the following events (each an "**Event of Default**") shall occur:

(a) if default is made in the payment in the Specified Currency of any amount of principal or premium, if any, or interest (including any Additional Amounts and/or additional interest in respect thereof) due in respect of the Subordinated Notes or any of them and the default continues in the case of (i) principal or premium, for a period of 10 days and (ii) interest, for a period of 15 days; or

(b) if any Winding Up Proceedings are commenced in respect of the Issuer,

(in the case of paragraph (a) above) institute Winding Up Proceedings and (in either case) prove in the Winding Up Proceedings for the Early Redemption Amount of the Subordinated Notes together with accrued interest but may take no further action in respect of any Notes in the case of an Event of Default.

No remedy against the Issuer other than as specifically provided by this Condition 11.2 shall be available to the Subordinated Noteholders, whether for the recovery of amounts owing in respect of the Subordinated Notes or in respect of any breach by the Issuer of any of its obligations in the Trust Deed or otherwise.

If a Winding Up Proceeding should occur, the Noteholders would be required to pursue their claims on the Notes in proceedings in Thailand. To the extent that any Noteholder is entitled to any recovery with respect to the Notes in any Thai proceedings, such Noteholder might not be entitled in such proceedings to recovery in the currency of denomination of the Notes and might be entitled only to a recovery in Baht. In Thai proceedings, if the Issuer were placed in receivership by court order, interest on the Notes would cease to accrue on the date of such court order and the relevant currency of denomination of the Notes amounts (of the outstanding principal, interest or amounts otherwise recoverable) would be converted to Baht as of the date of such court order. In claiming for repayment under the Notes in a bankruptcy action in Thailand, Noteholders who are domiciled outside Thailand, are required to (i) prove that the law of their nationalities allows reciprocal rights for Thai nationals to claim for repayment of debts in a bankruptcy action in their home country; and (ii) report any amount of payment or distribution they have received or are entitled to receive from the Issuer outside Thailand (if any) and turn such payment or distribution over to the trustee in bankruptcy, receiver or liquidator administering the property and assets of the Issuer in a Winding Up Proceeding.

Under Thai law, a non-Thai judgment in an action brought in respect of the Notes, the Trust Deed or related documents is, as such, not enforceable in Thailand. The Noteholder would have to bring a separate action or claim in Thailand. While a non-Thai judgment could, in the discretion of the court, be introduced as evidence in a court proceeding in Thailand, a Thai court would be free to examine de novo issues arising in the case. Thai counsel has advised that in a court proceeding in Thailand, a Thai court would base its judgment on English law, the governing law of the Notes (except for Condition 3.2(a) (Subordination) which is governed by Thai law) and the Trust Deed (except for Clause 2.7 (Subordination provisions in respect of Subordinated Notes) which are governed by Thai law), ***provided that*** *evidence satisfactory to the court as to the relevant provisions of English law in provided to the court and such provisions are not contrary to Thai public order or good morals.*

11.3 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 25 per cent. of the principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11.4 INTERPRETATION

For the purpose of this Condition, "**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent, or as the case may be, the Registrar, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, the Principal Paying Agent or the Registrar may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS AND REGISTRAR

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in the applicable Pricing Supplement.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of the Registrar or any Paying Agent and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any Paying Agent and/or Registrar and/or Transfer Agent acts, **provided that**:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority or entity, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and a Transfer Agent, which may be the Registrar, with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority or entity;

(c) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated; and

(d) so long as the Notes are listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the rules of the SGX-ST so require, in the event that any of the Global Notes are exchanged for Notes in definitive form, there will at all times be a Paying Agent in Singapore. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include material information with respect to the delivery of the Definitive Notes, including details of the Paying Agent in Singapore.

In addition, the Issuer shall with the prior written approval of the Trustee immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5 *(Payments – General provisions applicable to payments)*. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15 *(Notices)*.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 *(Prescription)*.

15. NOTICES

All notices regarding Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

In addition, a resolution in writing signed by or on behalf of Noteholders of not less than 90 per cent. in principal amount of the Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which (a) is of a formal, minor or technical nature, (b) is made to cure any ambiguity or cure, correct or supplement any defective provision or a manifest error or an error which, in the opinion of the Trustee, is proven, or (c) to comply with mandatory provisions of law. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 *(Notices)* as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or

Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 9 *(Taxation)* and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 *(Taxation)* pursuant to the Trust Deed.

17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The Trust Deed (except for Clause 2.7 *(Subordination provisions in respect of Subordinated Notes)*), the Agency Agreement, the Notes (except for Condition 3.2 *(Subordination)*), the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with English law.

Clause 2.7 *(Subordination provisions in respect of Subordinated Notes)* of the Trust Deed and Condition 3.2 *(Subordination)* of the Notes are governed by, and shall be construed in accordance with, the laws of Thailand.

20.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

20.3 Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

20.4 Waiver of immunity

To the extent permitted under the laws and regulations of Thailand, the Issuer hereby irrevocably and unconditionally waives with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

20.5 Other documents

The Issuer has in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

SELECTED FINANCIAL INFORMATION

*The summary financial data for the years ended 31 December 2013, 2014 and 2015 set forth below are derived, from the Bank's financial statements included in this Offering Circular and should be read in conjunction with, and are qualified in their entirety by reference to, these financial statements, including the notes thereto. The financial statements for the year ended 31 December 2014 have been audited by EY Office Limited (formerly known as "Ernst & Young Office Limited"), independent auditors, whose report is included in this Offering Circular. The financial statements for the year ended 31 December 2015 have been audited by KPMG Phoomchai Audit Ltd. ("**KPMG**"), whose report is included in this Offering Circular.*

*The Bank's financial statements have been prepared in accordance with Thai Financial Reporting Standards ("**TFRS**"). TFRS refers to an accounting framework, accounting standards and financial reporting standards pronounced by the FAP. The regulations of the Stock Exchange of Thailand and the Thai SEC supplement the accounting practices of listed companies in Thailand. In addition to such regulations, listed commercial banks in Thailand are also required to follow regulations announced by the BoT. Certain differences between TFRS and IFRS are discussed in "Summary of Principal Differences between TFRS and IFRS".*

Statements of financial position

	As at 31 December		
	2013	2014	2015
	(Thousand Baht)		
Assets			
Cash	16,576,203	16,427,953	17,290,402
Interbank and money market items, net	96,437,473	113,096,814	115,758,178
Claims on securities	24,639,000	22,689,700	11,944,900
Derivatives assets	16,757,143	10,875,999	12,250,311
Investments, net	103,276,604	110,859,350	98,260,036
Investments in subsidiaries and associate, net	8	8	8
Loans to customers and accrued interest receivables, net			
Loans to customers	499,550,714	530,446,525	580,867,827
Accrued interest receivable	1,004,085	1,068,201	1,068,312
Total loans to customers and accrued interest receivable	**500,554,799**	**531,514,726**	**581,936,139**
Less deferred revenue	(76,680)	(86,162)	(91,694)
Less allowance for doubtful accounts	(31,399,709)	(28,252,268)	(28,844,706)
Less revaluation allowance for debt restructuring	(68,214)	(109,818)	(180,558)
Total loans to customers and accrued interest receivable, net	**469,010,196**	**503,066,478**	**552,819,181**
Customers' liabilities under acceptances	7,886	15,095	10,913
Properties for sale, net	1,897,105	1,860,150	1,207,101
Premises and equipment, net	11,412,117	10,672,208	10,291,853
Goodwill and other intangible assets, net	914,623	1,002,878	1,238,552
Deferred tax assets	2,449,483	2,065,370	2,044,523
Other receivables, net	12,328,621	12,973,198	11,325,343
Other assets, net	9,002,708	3,577,057	4,495,980
Total assets	**764,709,170**	**809,182,258**	**838,937,281**
Liabilities and equity			
Liabilities			
Deposits	529,606,021	571,625,314	644,693,924
Interbank and money market items	66,037,751	72,716,662	36,216,663
Liability payable on demand	3,275,886	3,145,176	3,008,198
Liabilities to deliver securities	24,639,000	22,689,700	11,944,900
Financial liabilities designated at fair value through profit or loss	362,695	183,337	298,869
Derivatives liabilities	16,498,729	10,171,992	12,141,438
Debts issued and borrowings, net	38,172,802	36,249,255	30,183,564
Bank's liabilities under acceptances	7,886	15,095	10,913
Provisions for obligation on transfers of non-performing assets	5,998,333	5,998,333	5,998,333
Provisions for employee benefits	1,424,437	1,534,712	1,492,439
Provisions for other liabilities	538,877	534,751	542,453
Other payables	5,251,893	5,636,688	6,988,253
Other liabilities	11,061,473	8,888,207	8,818,971
Total liabilities	**702,875,783**	**739,389,222**	**762,338,918**

	As at 31 December		
	2013	2014	2015
	(Thousand Baht)		
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
Issued and paid-up share capital	41,426,006	41,494,826	41,562,025
Premium on share capital	81,196	157,690	236,181
Other reserves	4,276,071	4,164,566	3,959,690
Retained earnings			
Appropriated – Legal reserve	770,000	1,250,000	1,710,000
Unappropriated	15,203,983	22,637,090	29,023,338
Equity attributable to equity holders of the Bank	61,757,256	69,704,172	76,491,234
Non-controlling interest	76,131	88,864	107,129
Total equity	**61,833,387**	**69,793,036**	**76,598,363**
Total liabilities and equity	**764,709,170**	**809,182,258**	**838,937,281**

Statements of profit or loss and other comprehensive income

	For the year ended 31 December		
	2013	2014	2015
	(Thousand Baht, except for earnings per share stated in Baht)		
Interest income	34,825,723	35,848,295	36,429,927
Interest expenses	14,004,059	14,253,242	13,209,941
Net interest income	**20,821,664**	**21,595,053**	**23,219,986**
Fees and service income	7,610,856	7,874,418	9,712,001
Fees and service expenses	2,032,251	2,140,092	1,890,925
Net fees and service income	**5,578,605**	**5,734,326**	**7,821,076**
Gains on trading and foreign exchange transactions, net	2,258,041	1,991,435	1,701,220
Losses on financial liabilities designated at fair value through profit or loss, net	(8,683)	(51,367)	(15,533)
Gains on investments, net	141,748	193,257	180,638
Other operating income	415,527	490,230	542,954
Total operating income	**29,206,902**	**29,952,934**	**33,450,341**
Other operating expenses			
Employee expenses	7,594,647	8,047,621	8,169,475
Directors' remuneration	32,479	37,834	41,542
Premises and equipment expenses	2,780,296	3,003,243	3,129,663
Taxes and duties	1,145,077	1,198,474	1,282,041
Others	2,997,235	3,486,900	3,844,572
Total other operating expenses	**14,549,734**	**15,774,072**	**16,467,293**
Impairment loss on loans and debt securities	7,612,759	3,436,748	5,478,950

	For the year ended 31 December		
	2013	2014	2015
	(Thousand Baht, except for earnings per share stated in Baht)		
Profit from operations before income tax expense	**7,044,409**	**10,742,114**	**11,504,098**
Income tax expense	1,296,588	1,190,505	2,152,755
Profit for the year	**5,747,821**	**9,551,609**	**9,351,343**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gains (losses) on remeasuring available-for-sale investments	(2,468)	61,240	(30,198)
Gains arising from translating the financial statements of foreign operations	29,557	–	30,535
Income tax relating to items that will be reclassified subsequently to profit or loss	(5,418)	(12,248)	(67)
	21,671	48,992	270
Items that will not be reclassified subsequently to profit or loss			
Change in revaluation surplus on assets	(57,896)	(60,506)	(48,889)
Actuarial gains on post-employment benefit plan	–	–	95,162
Income tax relating to items that will not be reclassified subsequently to profit or loss	11,579	12,101	(9,255)
	(46,317)	(48,405)	37,018
Total other comprehensive income for the year, net of income tax	(24,646)	587	37,288
Total comprehensive income for the year	**5,723,175**	**9,552,196**	**9,388,631**
Profit attributable to:			
Equity holders of the Bank	5,737,345	9,538,876	9,333,069
Non-controlling interest	10,476	12,733	18,274
Profit for the year	**5,747,821**	**9,551,609**	**9,351,343**
Total comprehensive income attributable to:			
Equity holders of the Bank	5,712,699	9,539,463	9,370,366
Non-controlling interest	10,476	12,733	18,265
Total comprehensive income for the year	**5,723,175**	**9,552,196**	**9,388,631**
Earnings per share			
Basic earnings per share (in Baht)	0.1316	0.2185	0.2134
Diluted earnings per share (in Baht)	0.1312	0.2177	0.2128

USE OF PROCEEDS

The net proceeds from each issue of Notes (after deducting underwriting fees and commissions and other expenses incurred by the Bank in connection with such issue) will be applied by the Bank and its Cayman Islands branch to finance their operations and for their general corporate purposes.

EXCHANGE RATES

The following table shows the exchange rate of Baht against US Dollars on the basis of the middle exchange rates during the periods indicated. The Baht middle exchange rate is calculated on the basis of the Bank of Thailand's published buying and selling rates. No representations are made that the Baht or US Dollar amounts referred to herein could have been or could be converted into US Dollars or Baht, as the case may be, at the rate indicated or at any other rate or at all.

	Year Ended December 31,			
Period	**At Period End**[1]	**Average**[2]	**Low**[1]	**High**[1]
	(Baht per dollar)			
2008	35.08	33.36	31.28	35.86
2009	33.52	34.34	33.26	36.35
2010	30.30	31.73	29.71	33.44
2011	31.83	30.50	29.84	31.83
2012	30.78	31.09	30.39	32.05
2013	32.95	30.73	28.77	32.95
2014	33.11	32.48	31.92	33.24
2015	36.25	34.25	32.50	36.71
2016				
January	35.94	36.16	35.94	36.48
February	35.89	35.60	35.42	35.98
March (as of 10 March 2016)	35.45	35.45	35.45	35.79

Notes:

(1) Amounts are based on daily average selling price.

(2) Averages are based on daily reference rates.

Source: Bank of Thailand

Currently, a managed float system is being applied by the Bank of Thailand. Prior to the applicability of the floating currency system, the Bank of Thailand maintained the value of the Baht on the basis of a basket of foreign currencies, the composition of which was based on Thailand's main trading partner countries. There is no assurance that the value of Baht exchange rates will not depreciate or fluctuate in the future, or that the current monetary policy will still be applied. The uncertainty also applies to the Government's level of success in stabilising, protecting, increasing the value of and devaluing the Baht.

Thailand currently has few foreign exchange controls. Foreign currency can be brought into Thailand without restriction. However, any person bringing foreign currency into Thailand is required to sell such foreign currency to an authorised agent or to deposit it in a foreign currency account within 360 days, except in the case of foreigners staying in Thailand for no longer than three months, foreign embassies and international organisations. Remittances of foreign currency out of Thailand are subject to certain reporting requirements and/or the approval of the Bank of Thailand or its authorised agent.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the capitalisation and indebtedness of the Group as at 31 December 2015. This table is extracted without material adjustment from, and should be read in conjunction with, the Bank's audited consolidated financial statements included elsewhere in this Offering Circular (see "*Index to Financial Statements*" below). Save as disclosed below, there has been no material change in the capitalisation, indebtedness or contingent liabilities of the Group since 31 December 2015.

	As of 31 December 2015	
	(million Baht)	**(million U.S. dollar)[1]**
Deposits	644,694	17,864
Interbank and money market items	36,217	1,004
Liabilities payable on demand	3,008	83
Borrowings	30,184	836
Bank's liabilities under acceptances	11	–
Provisions	8,033	223
Derivative liabilities	12,141	336
Liability to deliver security	11,945	331
Financial liabilities designated at fair value through profit or loss	299	8
Other liabilities	15,807	438
Total Liabilities	**762,339**	**21,123**
Paid-up share capital	41,562	1,152
Premium on ordinary share capital	236	7
Other reserves	3,960	110
Retained earnings		
Appropriated	1,710	47
Unappropriated	29,023	804
Shareholder's Equity		
The Group's Equity	76,491	2,120
Non-controlling interest	107	3
Total Shareholders' Equity	**76,598**	**2,123**
Total Capitalisation[2]	**838,937**	**23,246**

Notes:

(1) Baht amounts have been converted into U.S. dollars based on the exchange rate of US$1 = THB 36.09.

(2) Total capitalisation includes total liabilities and shareholders' equity.

DESCRIPTION OF THE BANK

Overview

The Bank is a leading private sector commercial bank and financial services company offering a wide range of products and services to corporate and retail customers in Thailand. The Bank was established and commenced operations on 5 November 1957 to serve members of the military of Thailand. Between 1964 and 1973, the Bank diversified the scope of its financial services into the business sector and the private sector to respond to the government of Thailand's Economic Development Master Plan. The Bank's operations have since expanded to serve a wide variety of corporate and individual customers and in 1973, the Bank became a full commercial bank with its customer base expanded to include the general public in Thailand. The Bank has been listed on the Stock Exchange of Thailand since 23 December 1983.

As at 31 December 2015, the Bank had a network of 454 branches across 77 provinces in Thailand and 2 overseas branches in the Cayman Islands and Laos, with 2,273 automatic teller machines ("**ATMs**"), 522 automatic deposit machines ("**ADMs**") and 36 foreign exchange booths across Thailand. In addition, as at 31 December 2015, the Bank operates 118 SME zone offices located throughout Thailand.

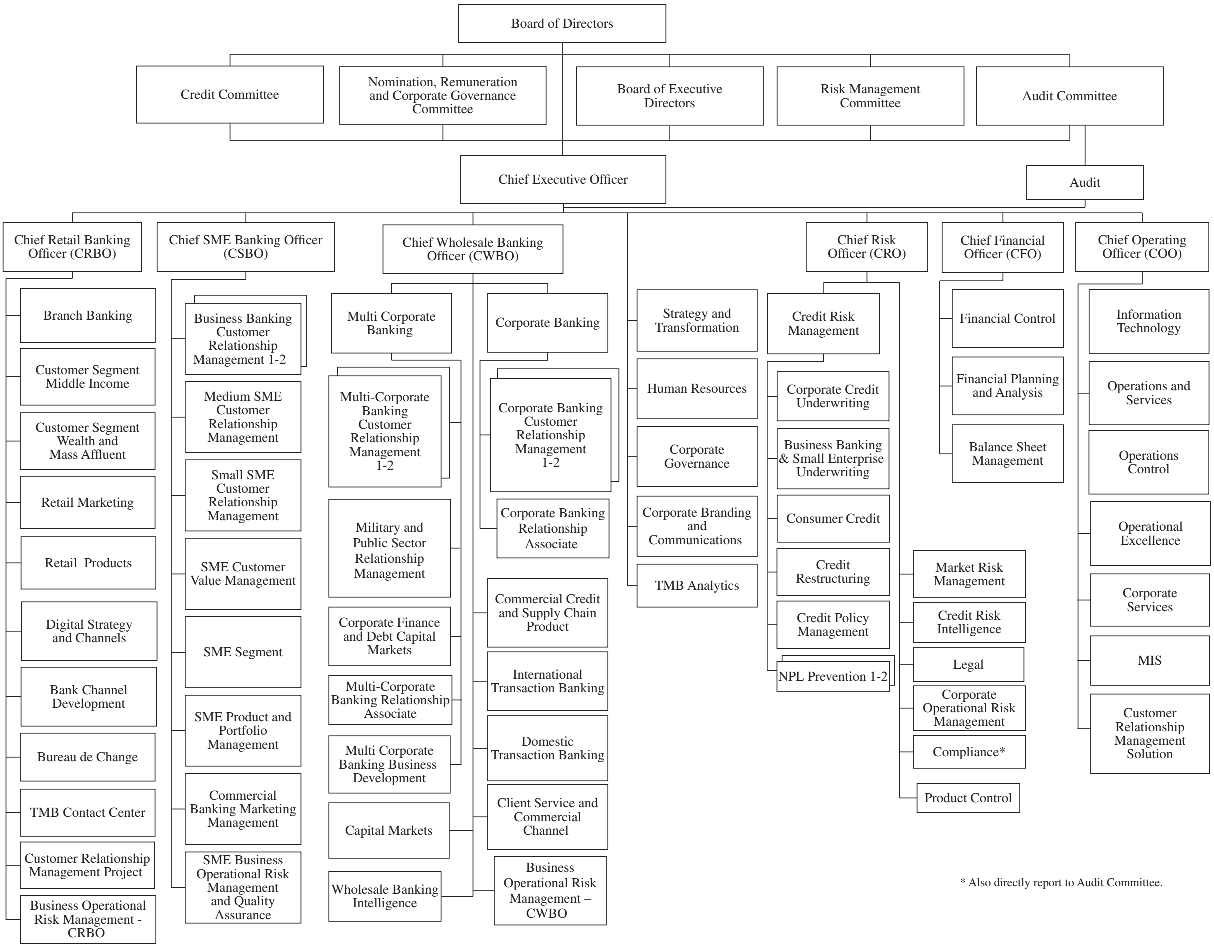
The Bank's principal business activities include wholesale banking services, SME banking services and retail banking services. The Bank's strategy is dedicated to developing new and innovative products and services based on a strong understanding of customer needs over a broad customer base, and includes delivery to relevant target customer groups via an extensive branch banking network, call centres and electronic channels.

The Bank's wholesale banking services provide a full range of banking services to large corporations in Thailand as well as multi-national entities, including transactional banking, medium to long-term funding, working capital financing, trade on demand, supply chain solutions, syndicated loans, bank guarantees, trade financing, cash management, credit line commitments, treasury products, correspondent banking and investment banking services.

The Bank's SME banking services provide lending and banking services as well as fee based services such as advisory and foreign exchange services to SMEs across Thailand. The Bank's SME banking services provide a wide range of banking products to its SME customers, including credit related products and transactional banking products, such as account management, collection services and payment services.

The Bank's retail banking services include both deposit services and retail lending. The Bank offers a wide range of financial products such as personal loans, welfare loans, credit card services, home loans, "no-fixed" flexible time deposit, "free-flow" transactional deposit, as well as "no limit" debit card which allows customers to use ATMs of other banks in Thailand without incurring normal charges.

The other products and services of the Group include correspondent banking services, investment banking services (including debt underwriting), asset management services, life and non-life insurance products, capital markets products, brokerage and financial advisory services. For more information relating to the Bank's business and Group structure, see "– *Organisation Chart*" below.



Selected Financial Highlights

Since 2008, the Bank has focused on transforming and restructuring its banking platform and in particular, improving its deposit franchise, transactional banking, loan portfolio, physical and electronic channel networks, and risk management. As a result of the restructuring, the Group recorded a pre-provision operating profit ("**PPOP**") of THB 14,409 million for the financial year ended 31 December 2013, represents an increase of around 39 per cent. compared to the financial year ended 31 December 2012.

TMB has closely monitored asset quality and reduced its NPLs through debt restructuring, NPL sale and write-off. The Bank had successful block sales of NPLs in 2012 and 2014 which helped further increase NPL resolutions. As at 31 December 2014, the Group's non-performing loans stood at THB 18,093 million, representing a decrease of 19.3 per cent. from THB 22,421 million as at 31 December 2013. Following discussions with The Bank of Thailand on proactive provisioning, the Bank set an extra countercyclical provision for its performing loans in 2013 which resulted in the overall provision level against total non-performing loans increasing to 140 per cent. from 113 per cent, as at December 2012.

In 2015, the Thai banking industry faced a rise in non-performing loans as a result of certain economic circumstances. TMB closely monitored asset quality and ensured a strong level of potential loss buffer. As at the 31 December 2015, the Group recorded THB 20,473 million of non-performing loans, which represented an increase of 13.2 per cent. compared to THB18,093 million as at 31 December 2014. The Bank set aside a higher provision in order to accommodate the NPL trend and to limit downside risks. Total provision against total non-performing loans therefore remained high at 142 per cent.

The Bank's strong performance in recent years is indicative of, and results from, the improvements made in various areas of the Bank and successful implementation of a rigorous risk management framework which supports the origination of higher quality assets. A summary of the Group's financial highlights for the financial years ended 31 December 2014 and 2015 is set out below:

Years ended 31 December 2014 and 2015

Total operating income

The Group's total operating income increased by 11.7 per cent. from THB 29,953 million for the financial year ended 31 December 2014 to THB 33,450 million for the financial year ended 31 December 2015. Meanwhile, operating costs increased by 4.4 per cent. from 31 December 2014 to 31 December 2015.

Net interest income and non-interest income

The Group's net interest income increased by 7.5 per cent. from THB 21,595 million for the financial year ended 31 December 2014, to THB 23,220 million for the financial year ended 31 December 2015. Non-interest income increased 22.4 per cent. from 31 December 2014 to 31 December 2015.

Pre-provision operating profit

The Group's pre-provision operating profit increased by 19.7 per cent. from THB 14,155 million for the financial year ended 31 December 2014 to THB 16,937 million for the financial year ended 31 December 2015.

Net fees and service income

The Group's net fees and service income increased by 36.4 per cent. from THB 5.7 billion for the financial year ended 31 December 2014, to THB 7.8 billion for the financial year ended 31 December 2015. Net fees and service income growth was contributed to by all fees and service income groups. In respect of the financial year ended 2015, the breakdown of total net fees and service income was as follows: bancassurance related fees contributed THB 1.9 billion (26.5 per cent. of total net fees and service income), credit related fees contributed THB 1.8 billion (24.8 per cent. of total net fees and service income), mutual fund related fees contributed THB 1.8 billion (23.9 per cent. of total net fees and service income), credit card, merchant and ATM related fees contributed THB 0.9 billion (12.1 per cent. of total net fees and service income), cash management and payment related fees contributed THB 0.3 billion (3.4 per cent. of total net fees and service income), trade finance related fees contributed THB 0.2 billion (3.3 per cent. of net fees and service income) and other fees contributed THB 0.4 billion (6.0 per cent. of total net fees and service income).

Non-performing loans and NPL coverage ratio

The Group's non-performing loans increased by 13.2 per cent. from THB 18,093 million for the financial year ended 31 December 2014, to THB 20,473 million for the financial year ended 31 December 2015. NPL coverage ratio decreased from 157 per cent. for the financial year ended 31 December 2014 to 142 per cent. for the financial year ended 31 December 2015.

Profit attributable to equity holders of the Bank

After THB5,479 million of provision, the Group's net profit[4] decreased by 2.2 per cent. from THB 9,539 million for the financial year ended 31 December 2014 to THB 9,333 million for the financial year ended 31 December 2015.

Total assets

The Group's total assets increased by 3.7 per cent. from THB 809,182 million as of 31 December 2014 to THB 838,937 million as of 31 December 2015. Total loans grew by 9.5 per cent from 31 December 2014 to 31 December 2015.

Total deposits

The Group's total deposits increased by 12.8 per cent. from THB 571,625 million as of 31 December 2014 to THB 644,694 million as of 31 December 2015.

Return-on-equity

The Group's return-on-equity decreased from 14.6 per cent. to 12.9 per cent. between 31 December 2014 and 31 December 2015.

Total average funding costs

The Group's total average funding costs decreased from 2.2 per cent. to 1.9 per cent. between 31 December 2014 and 31 December 2015.

Average cost of deposits

The Group's average cost of deposits (excluding deposit protection related costs) decreased from 1.6 per cent. to 1.4 per cent. between 31 December 2014 and 31 December 2015.

Net interest margin

The Group's net interest margin was 3.0 per cent. for the financial years ended 31 December 2014 and 2015.

History

The Bank was established and commenced operations on 5 November 1957 as The Thai Military Bank, Ltd. to serve members of the military of Thailand. In the late 1960s, the government of Thailand began to adopt policies to encourage increased private sector activity in the economy, which in turn provided additional financing opportunities for the Bank. In 1973, the Bank began to offer its products and services to the public as a whole. In 1982, the Bank was granted a royal appointment as a commercial bank under royal patronage and on 23 December 1983, the Bank was listed on the Stock Exchange of Thailand.

The Bank expanded rapidly in the 1980s, including expanding its operations abroad by establishing branches in Hong Kong and Laos. During the 1990s, the Bank concentrated on improving its internal operations including its technology, risk management and management structure. The Bank opened its Cayman Islands branch in 1994.

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4 Net profit means profit attributable to equity holders of the Bank.

On 1 September 2004, the Bank completed a merger with DBS Thai Danu Bank Public Co., Ltd. and The Industrial Finance Corporation of Thailand. The merger was the first major bank consolidation in Thailand after the government of Thailand announced the New Financial Sector Master Plan to promote increased efficiency in the banking sector. The merger was an integral part of the Bank's strategy to become a universal bank offering a variety of products and services to consumer and corporate customers. The Bank was originally incorporated under the English name of The Thai Military Bank, Ltd. and in May 2005, the Bank was renamed TMB Bank Public Company Limited.

In December 2007, the Bank underwent a share capital increase of THB 37,622 million by forming a new business partnership with ING Group, through which ING Group acquired a 31 per cent. stake in the Bank. As at 31 December 2015, the ING Group is the Bank's principal strategic shareholder and holds 25.1 per cent. of the Bank's ordinary shares, while the Ministry of Finance holds 26.0 per cent. of the ordinary shares of the Bank. As at 31 December 2015, ING Group also held Non-Voting Depository Receipts (NVDR) representing rights to securities and/or ordinary shares of the Bank relating to 4.9 per cent. of the entire issued and offered shares of the Bank.

Competitive Strengths

The Bank believes that it benefits from a number of competitive strengths which enhance its position in the banking industry in Thailand:

Strong financial performance and condition relative to peer group competitors

The Bank has performed strongly in comparison to its peer group competitors (namely Kasikornbank, Siam Commercial Bank, Bangkok Bank and Krung Thai Bank (together, the "**Peer Group**")) on the basis of a number of financial metrics.

As at 31 December 2015, the Group's return-on-equity was 12.9 per cent, compared with 12.6 per cent. in respect of the Peer Group average; the Group's NPL ratio was 2.99 per cent, compared with 2.90 per cent. in respect of the Peer Group average; the Group's NPL coverage ratio was 142 per cent, compared with 132 per cent. in respect of the Peer Group average; and the Group's total average funding costs, average cost of deposits (excluding deposit protection related costs) and net interest margin were 1.9 per cent., 1.4 per cent. and 3.0 per cent. respectively, in each case the same as the Peer Group average.

As a result of its strong financial standing relative to the Peer Group, the Company considers itself well placed to employ its strategies and enhance its reputation in the Thai banking sector.

Strong Brand Recognition with Tangible Value to Customers

The Bank's long-standing role in the Thai banking sector has created one of the most recognised brands in Thailand. Its extensive nationwide distribution network reinforces this brand recognition. The Bank believes its brand recognition provides it with a powerful platform from which to market its products and services and entrench its market position among banks in Thailand. The Bank's new branding campaign since 2011 called "Make THE Difference" has been strengthened by successive innovative products and services which had not previously been provided by banks in Thailand offering tangible value to customers. The Bank has won multiple awards for its successful brand enhancements.

Extensive Physical and Electronic Channel Networks

The Bank has an extensive and strategically located branch network throughout Thailand. As at 31 December 2015, it had a nationwide network of 454 branches, 2,273 ATMs and 522 ADMs across Thailand. It also maintains two overseas branches in the Cayman Islands and Laos. The

Bank has also launched a dedicated SME Relationship Management Phone Centre to provide customised service to small enterprise customers who have existing credit facilities with the Bank. As of 31 December 2015, the Bank had a total of 36 foreign exchange booths, covering tourist locations and airports throughout Thailand. In addition to physical branch networks, the Bank has an extensive electronic network providing customers the convenience of Internet Banking, Mobile Banking and Phone Banking. The Bank continues to invest in the channels it provides to its customers, including the overhaul of its business portal in 2012, providing customers with a new and secure channel to perform transactions at their convenience.

Innovative Customer Centric Products

The Bank is recognised as one of the market leaders in Thailand in terms of product, service and channel innovation. In 2015, the Bank launched a number of innovative new products, including the "All Free" transactional deposit account, "Life Saver 15/9" bancassurance product and "TMB SME 3 Times Plus" credit programme.

The "All Free" transactional deposit account is an enhanced version of its previous transactional product, designed to order to better serve its customers' transactional needs. The new features offered by the "All Free" account include unlimited transfers within TMB and unlimited free-of-charge withdrawals at any bank's ATMs. Additionally, customers can make transfers to other bank's account or pay bills including direct debit without charge up to 5 times a month without any minimum balance requirement. "Life Saver 15/9", targets middle income earners by offering bancassurance with options of monthly or annual payments. "TMB SME 3 Times Plus" is a new credit programme for SMEs, designed to support the critical funding needs of SMEs throughout their business life cycle. The credit programme offers a credit limit equivalent to three times collateral value while providing a further 50% for working capital and an emergency credit limit based on 30 days safety stock, with a repayment period of up to 3 years.

Well-established Deposit and Asset Management Franchise

The Bank has built a strong deposit franchise through its focus on flexible time deposits and transactional deposits, evidenced by the Bank's relatively low costs of deposits. As at 31 December 2015 the cost on the Bank's deposits and bills of exchange was 1.82 per cent. compared to 31 December 2014 at 2.08 per cent.

As a result of the Bank's aim to offer a wide variety of mutual fund products in order to match difference clients' needs and risk-return profiles, the Bank has begun acting as a selling agent of mutual fund products managed both by TMB Asset Management Co., Ltd. ("**TMBAM**") (in which the Bank holds a stake of 87.5 per cent. as at the date of this Offering Circular) and other third party asset management companies. In 2015, the Bank acted as a selling agent for 5 asset management firms, namely: TMBAM, UOB Asset Management Co., Ltd ("**UOBAM**"), Aberdeen Asset Management Co., Ltd. ("**Aberdeen**"), CIMB-Principal Asset Management Co., Ltd. ("**CIMB-P**"), and Manulife Asset Management (Thailand) Co., Ltd. ("**Manulife**"). The Bank has partnered with what it considers to be quality mutual funds in order to offer the best available product to its customers.

Strategic Partnership with ING Group

Since ING Group became a strategic shareholder of the Bank in December 2007, ING has provided support to the Bank in areas including product development, risk management, operations and technology, global network, marketing and branding. Since 2007, a number of senior executives from ING Group have also joined the Bank for both short term and long term secondments. As of the date of this Offering Circular, the following senior positions are held by senior executives of the ING Group: Chief Risk Officer, Chief Operating Officer and Chief Retail Banking Officer.

The Bank intends to further leverage on the ING relationship to provide innovative products and services to its customers, and to this end, has partnered with former ING unit FWD Life Insurance ("**FWD**") in respect of its bancassurance business. The Bank intends to utilise its relationship with FWD to provide innovative products and services to its customers in alignment with FWD's customer-centric strategy. The Bank believes that its partnership with ING will help to facilitate its vision of being "the Leading Thai Bank with World Class Financial Solutions".

Business Technology

The Bank is recognised for its innovative technology in the financial industry both in Thailand and abroad. The Bank employs business-driving technologies such as a robust Core Banking System, Corporate eBanking and Supply Chain Financing which is an electronic channel for corporate customers to perform transactions and financial management as a one-stop service, Internet Banking, Mobile Banking, Phone Banking and SMS Notification.

It was one of the ten financial institutions to be granted an IDC Financial Insights Innovation Award ("**FIIA**") in 2012 by IDC Financial Insights, which is one of the world's leading providers of independent research, custom consulting, and advisory services focusing on the business, technology and operations of the world's leading financial institutions. The Bank received an award in the category "Innovation in Business Rules Management". The award recognised the Bank's achievement in meeting increasingly complex customer needs, changing regulatory requirements and in achieving technological advancement to serve the Bank's business strategy. See "*Awards and Accolades*".

Strategy

The Bank's objective is to be "the leading Thai bank with world-class financial solutions". The Bank focuses on building its long-term relationships with customers, focusing on customer service, realising the benefits of partnerships and in turn, sustaining its profitability. In order to achieve this objective, the Bank's main strategy is comprised of the following key elements:

Developing strong customer understanding

The Bank places emphasis on the importance of understand its customers at both individual and community (including cross-segment) levels in order to develop products and services which are aligned with their needs. In the wholesale banking sector, the Bank is focused on improving client relationship management and on increasing its share of profit through account and portfolio planning. In the SME banking sector, the Bank is focused on growing its loan book to SMEs and expanding the services it provides to SMEs by utilising its existing good relationships with key corporate customers, in particular transactional banking services. In the retail banking sector, the Bank identifies customers' needs through studying customer behaviour via use of a propensity-to-buy model which evolves continuously to accurately predict which products each customer is most likely to be interested in purchasing.

Growing Quality Deposits

The Bank believes that a sustained focus on deposit portfolio quality through rigorous credit control and risk appraisal is crucial for its long-term and sustainable success. The Bank aims to increase the number of quality deposits which are stable and can profitably be redeployed into quality assets, allowing it to manage its costs at a level which, in turn, will allow the Bank to have sufficient funding and liquidity to support growth. As a part of this strategy, the Bank's product development has been tailored to focus on key retail and commercial transactional deposits to build its overall funding base. The Bank's strategy in the wholesale banking sector is to provide clear customer value propositions to help to create differentiated products, and to generally improve the customers' transactional banking experience.

Building Transactional Banking Excellence

The Bank is focused on transactional banking as it serves the basic banking needs of all customers and therefore allows the bank to understand its customers better. The Bank aims to grow its transactional banking capability, improve related efficiencies and convenience for its customers and increase the number of banking and commercial transactions, in particular for its SME customers. To facilitate this growth, the Bank has developed clear customer experience, product and channel transactional banking propositions for both the retail and commercial customer segments. In addition, the Bank aims to keep the transactional banking servicing costs low for its customers. For the Bank's wholesale and SME customers, the Bank offers transactional banking services to improve the customer's banking experience including, but not limited to, transactional and credit products, Supply Chain Solutions and investment banking services. As part of the Bank's Supply Chain Solutions, it aims to approach potential customers within its targeted business, industry or product sectors by providing transactional solutions tailored to their supply chains and by providing customers along the chain with adequate working capital which may be leveraged. The Bank's focus on Transactional Banking excellence also strongly positions the Bank to cross-sell its wide range of products to its existing and newly acquired customers.

Optimising Capital and Liquidity Utilisation

In order to optimise capital and liquidity utilisation, the Bank continually seeks to increase the number of performing loans and the yield of such loans. In addition, the Bank seeks to optimise its capital and liquidity utilisation by increasing its non-interest income. In the wholesale and SME banking sector, the Bank intends to optimise its risk-adjusted return by strategically focusing on certain industry sectors. The Bank seeks to penetrate selected industry sectors through identifying and developing its relationships with existing customers as well through cross-selling. In the retail banking sector, the Bank is developing models to target the right customer at the right time and through the right channel.

Ensuring better Cost Efficiency in every part of the organisation

The Bank aims to improve cost efficiency through its two cost efficiency strategies: "Lean Organisation" and "Lean Six Sigma". "Lean Organisation" empowers the staff with responsibility and accountability that will allow them to deliver results effectively and to develop personal growth. "Lean Six Sigma" is used to drive process efficiency. The Bank intends to align information technology and business plans by linking both strategy and operational planning using a platform known as the Enterprise Architecture Framework. The Bank also plans to implement visualisation and optimisation technology as a means of maximising cost efficiency. The Bank aims to tangibly improve its efficiency every year by adopting a range of revenue and cost guidelines such as, allowing the rate of its costs to increase only at half the rate of the Bank's revenue growth to ensure the Bank is able to continually improve its cost to income ratio.

Making efficient use of the Bank's brand image and Extensive Branch Network

The Bank intends to continue emphasising its corporate brand "Make THE Difference" and believes that its extensive nationwide network reinforces its corporate brand. The Bank also undertakes a continuous review of branch locations to optimise their reach and service to customers. As at 31 December 2015, the Bank provided services to 175,000 wholesale and, SME customers and about 5.8 million retail customers. The Bank aims to increase the range of products and services it offers, cross-sell existing products, and bundle products across segments in order to better penetrate its existing clientele. The Bank has dedicated a significant amount of manpower and resources to develop new products and services and to improve upon and re-launch existing products and services in order to broaden its existing customer base. The Bank believes that its corporate brand and extensive branch network equip it with a strong platform to market its products and services.

Improving asset quality through stringent risk management policies, conservative provisioning policies and focused asset recovery efforts

As part of its strategy, the Bank continually improves its asset quality in the long term by improving the efficiency and effectiveness of its credit underwriting, growing its performing loans, reducing the number of non-performing loans, upholding high underwriting standards, resolving legacy NPLs and increased focus on asset recovery. The Bank has taken a prudent and proactive approach to its non-performing loans to strengthen its balance sheet and provide sufficient capacity for the Bank's sustainable growth in the future. The Bank believes its past provisioning policies were conservative and allowed it to build a strong coverage ratio, and it has managed its current coverage ratio to exceed provisioning levels required by the Bank of Thailand. The Bank has developed a dedicated asset recovery team of 120 professionals to focus on extracting value from non-performing loans and non-performing assets. As a result of past provisions, the Bank expects future provisions to be substantially less onerous.

Improving availability of products through increased delivery via electronic channels

Whilst the Bank offers its products and services through traditional access points, part of its strategy has been to increase the availability of its products through an increased emphasis on delivery through electronic channels, including ATMs, telephone, internet banking and the development of its own innovative electronic delivery systems. The Bank has implemented a number of online services, aimed at both retail and corporate customers, including "ME by TMB", "TMB Business Click" and "TMB Touch" (each as further detailed below) with a view to providing a seamless customer experience by maximising accessibility. The Bank believes that its focus on innovation and position with regard to digital banking has already translated into tangible results reflected through the growth of its active mobile banking user base: the number of users of "TMB Direct" and "TMB Touch" combined has increased by 258 per cent. between 31 December 2014 and 31 December 2015, which includes 1,009 per cent. year-on-year growth in TMB Touch users while TMB Direct users declined by 43 per cent, resulting in approximately 122,000 active mobile users. It has also endeavoured to position itself at the forefront of technological innovation in the sector, for example by being amongst the first banks to offer e-Guarantee for the Thai government's e-bidding procurement process. The Bank intends to further drive customer towards use of its electronic systems, in order to maximise customer engagement and create the strongest and most expansive platform to deliver its products and services.

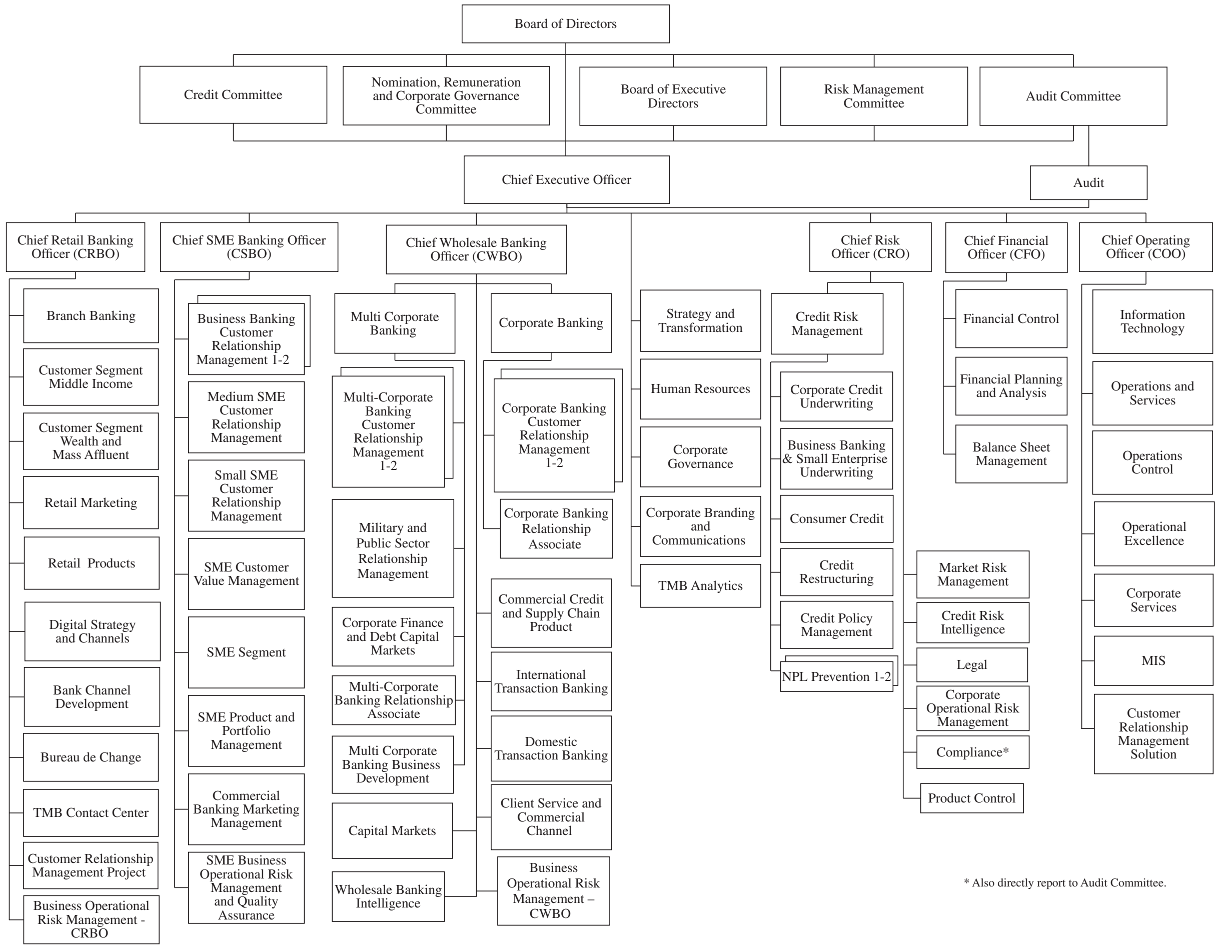
Recent Developments

Leveraging strategic partnerships

TMB has a strong cooperative partnership with FWD Life Insurance ("**FWD**"), a former ING Life Insurance brand, based on a shared vision of long-term business development and customer-centric strategy. TMB has played a critical role as a strategic insurance distribution channel for FWD, while FWD has also developed innovative products and services which efficiently respond to needs of TMB customers. The synergy between TMB and FWD will enable the Bank to achieve its aspiration of growing fee income and maximising shareholder value.

Organisation Chart

The table below sets out the organisation chart of the Bank as at the date of this Offering Circular:



Wholesale Banking

The Bank's Wholesale Banking segment focuses on large corporations that have total annual revenues of THB 500 million or more. The Bank's wholesale clients include listed companies, government and state enterprises, financial institutions and multi-national companies in Thailand. The Bank offers a wide spectrum of financial services and products to its wholesale clients which include, but are not limited to, transactional banking, medium to long-term funding, working capital financing, interest rate and foreign exchange risk protection in capital market, supply chain solutions, bank guarantees, trade finance and cash management.

SME Banking

SMEs are one of the Bank's core target customers. The SME Banking Group is responsible for providing comprehensive financial services to both small and medium sized enterprises who have annual sales of less than THB 500 million. SME customers are classified into two groups based on their annual sales:

- ***Medium Enterprises***: annual sales between THB 50 million and THB 500 million per year

- ***Small Enterprises***: annual sales of less than THB 50 million per year

As of 31 December 2015, the Bank had about 172,000 SME customers and THB 224,443 million of total credit outstanding. As at 31 December 2015, there are 118 SME zone offices located in the main business areas in Bangkok and other provinces across the country. The Bank has 454 relationship managers to serve as personal customer consultants and to provide professional business and financial advice and services to its customers. In addition, the Bank's SME Relationship Management Centre has dedicated staff to serve small enterprise customers via telephone.

The platform off which financial services and products are provided to the Bank's wholesale clients is shared with the Bank's SME clients, and the following services and products are also available to its SME clients: working capital financing, bank guarantees, trade financing, supply chain solutions, cash management and life and non-life insurance.

The Bank aims to be the primary bank for its customers and become a trusted financial partner. The Bank has continuously developed products and services to serve customers' needs. An overview of the key financial products and services which the Bank provides to its Commercial Banking customers is set out below.

1. TRANSACTIONAL BANKING PRODUCTS

1.1 Domestic Transaction Banking

(a) ***Payment Services***

Cheque Pick-up Service

The Bank provides a service whereby customers may deposit cheques remotely. A messenger is despatched to collect cheques from customers at a specified premises at a predetermined date and time.

Cheque Outsourcing

The Bank offers cheque-printing and distribution on behalf of customers for transactions including trading, dividend payments, interest payments and securities settlement, on. This service is suitable for companies who have a large volume of cheque payments.

Payroll

The Bank offers a service which is designed to help corporate customers reduce their human resources and finance workload in relation to payroll-related data processing. Customers' employees benefit as a result from prompt salary payments and the availability of 24 hour cash withdrawal from ATMs.

Direct Credit

Direct credit is an electronic banking service which helps corporate customers to manage and simplify recurring payments via automation of the process. The service allows for a standing order to be credited to a large number of recipients who have TMB saving accounts.

TMB Supply Chain Card

TMB Supply Chain Card is a closed loop electronic card for current accounts. This financial innovation aims to maximize the efficiency of collection and payment transactions for the benefits of the whole supply chain business.

SMART

SMART is a convenient means of payment for customers making large volumes of preauthorized inter-bank payments which have a regular recurring payment period. These transactions may be in relation to products and services, payroll, bonuses, tax and dividends, in each case to a bulk of recipients who have saving or current accounts with any banks which hold SMART membership with the Bank of Thailand.

BAHTNET

This system is used for settling large value funds transfers between financial institutions or other organizations that have deposit accounts at the Bank of Thailand.

(b) ***Collection Services***

Cheque Collection

The cheque collection service is offered to juristic and individual customers for domestic cheque collection and cheque clearing. The Bank will collect the customer's cheque for clearing one of its branches. In accordance with the service agreement, the customer can opt to receive daily or monthly reports of completed transactions by e-mail.

Bill Payment

This service enables corporate customers to make bill payments through several channels, either at a branch or through electronic channels including via ATMs, internet banking, mobile banking and phone banking.

Direct Debit

The direct debit service is offered to individual customers of TMB corporate clients who have TMB deposit accounts. This is to facilitate bill payment for corporate clients who receive regular payments from their counterparties, for example in relation to monthly membership fees, servicing fees and lease fees.

Cash Collection and Delivery

This service is offered by the Bank or the Bank's agents. It provides cash collection and delivery to customers' offices and money transfers to customers' accounts.

(c) ***Liquidity Management Services***

The Bank provides an automated fund transfer service between the company's accounts, or between a group of companies, at the end of each day. The Bank's automated system will reconcile and manage cash surplus or shortfall. The Bank will send detailed transaction reports to customers in an electronic file.

1.2 International Transaction Banking

The Bank provides end-to-end international transaction banking services for corporate and SME customers who import or export goods. These services include facilitating cross-border payments and collections, financing and risk mitigation.

(a) *Imports*

The Bank facilitates payment for the purchase of goods, raw materials and machinery from overseas. The Bank provides international payment methods including outward remittance services for open-account trades, documents against payment, documents against acceptance and the issuance of letters of credit. The Bank provides import financing through trust receipt facilities for the purchase of goods and services for all import payment methods. The Bank also provides other services which support import transactions, for example shipping guarantees which enable the importer to obtain goods where the goods arrive prior to the shipping documents.

(b) *Exports*

The Bank provides collection services for all types of export transactions including inward remittance services for open-account trades, documents against payment collection, documents against acceptance collection and the collection of letters of credit. The Bank also provides export financing for working capital and pre and post shipment financing. The Bank offers risk mitigation tools to mitigate risks associated with export transactions through the L/C confirmation service, trade credit insurance, export bill discounting without recourse and a variety of FX hedging tools.

(c) *Remittance*

The Bank provides inward and outward cross-border fund transfer services for all purposes including investment flows.

2. FUNDING & BORROWING

Term Loan and Project Finance

Term loans and project finance are provided by the Bank in Thai baht and foreign currency. The Bank has the ability to offer both fixed and floating rate loans.

Working Capital

The Bank offers working capital facilities, the most common forms of which are cash credit, working capital demand loans, promissory notes and overdraft facilities, each of which are funded facilities usually secured by assets. Working capital facilities are virtually all subject to an annual review and are generally repayable on demand. They are also generally made available for a period of one year. Interest is collected on a monthly basis, based on daily amounts outstanding.

TMB Supply Chain Financing

The Bank provides solutions for term loan funding, buyer financing programmes, receivables on demand, transaction banking packages and system networks. In addition, the Bank also provides assistance with the process through its Lean Supply Chain service.

TMB SME 3 Times Plus

TMB SME 3 Times Plus is designed to support the critical funding needs of SMEs throughout their business life cycle. The credit programme offers a credit limit equivalent to three times collateral value while providing a further 50% for working capital and an emergency credit limit based on 30 days safety stock, with a repayment period of up to 3 years.

SME Assistance Programme

The Bank provides a programme to assist SME customers who experience liquidity problems. Liquidity is monitored closely by the SME's relationship manager.

3. DEPOSITS

Demand Saving Products

The Demand Saving Products current account is designed for day-to-day business operations and cheque withdrawal, payments and fund transfers. Transactions involving the account can be reviewed and reconciled via a monthly statement.

Normal Saving Products

The Normal Saving Products account allows customers to withdraw money at any branch nationwide whilst interest accrues on the outstanding balance.

TMB One Bank

The TMB One Bank account combines checking and saving accounts with expense saving features such as cheque depositing without fees, buy-1-get-1-free cheque books and no transaction fees for intra-bank transfers.

Time Deposit Products

The Bank offers time deposit products ranging from 7 days to 36 months. These products may be used as collateral for bank loans.

Foreign Currency Deposit products

The Bank provides foreign currency deposit accounts in the form of normal saving, current or time deposit products whereby money can be transferred to foreign countries and withdrawn in foreign currencies.

4. INVESTMENT BANKING SERVICES

The provides large corporate customers with investment banking services including financial advisory services, debt security underwriting, loan arranging, corporate restructuring, merger and acquisition advisory services and assistance in locating suitable business partners and investors. In addition to large corporate customers, the Bank also provides investment banking services to regular corporate customers.

Underwriting Services

The Bank has a license to perform debt underwriting activities and provides underwriting services for public and private placement offerings of debt securities. The Bank underwrites a wide spectrum of debt products, including asset backed securities and interests in property funds, both on a syndicated and non-syndicated basis. When assisting with an offering, the Bank utilises its extensive branch network as a distribution channel for the securities.

Financial Advisory

The Bank provides financial advisory services to its corporate clients on matters such as issuing financial instruments, obtaining loans, listing on stock markets, corporate restructuring, business mergers, share valuations and finding business partners and investors.

5. CAPITAL MARKET PRODUCTS

The Bank provides financial products and services to both local and international corporations. Among the multitude of available products and services, the Bank also offers capital market-related products which cover money market, foreign exchange and financial derivatives.

The Bank conducts borrowing and lending transactions in both Thai Baht and foreign currencies in order to managing liquidity and support international trade transactions of its clients across various industry sectors. Since 2011, the Bank has been appointed by the Bank of Thailand as a primary dealer for bilateral repurchase. As a primary dealer, the Bank is able to enhance its liquidity management and act as a channel for transmitting monetary policies to the Thai financial market and the real economy.

In 2015, the Bank was ranked third most active dealer in local-currency bonds, in relation to fixed income markets[5]. Aside from plain-vanilla products such as Thai government bonds, state enterprises and corporate debentures, the Bank also provides investment products including short-dated debenture programmes, private repurchases, long-term bills of exchange and promissory notes.

With regard to liquidity management, the Bank has been active in private repurchase transactions. In 2015, the Bank was ranked third for private repurchase tenor-adjusted volume, which the Bank's enhances product capabilities and funding channels. The Bank aims to expand its presence in the fixed income market.

In respect of foreign exchange and interest rate derivatives, the Bank offers customized solutions with embedded financial derivatives to help clients mitigate foreign exchange and interest rate risks. These solutions can be tailored for both liability-side clients on receivable and payable legs and asset-side clients on their investments. Product lines falling within this category include plain vanilla instruments (including foreign exchange spots, forwards, swaps and derivatives instruments) and interest rate swaps, cross-currency swaps and interest rate options for hedging medium and long-term risks caused by interest rate and/or currency fluctuations.

[5] Data from Thai BMA for a period from January to October 2015 to based on outright trading value of all types of bonds with time to maturity of less than 1 year tenor.

The Bank believes that the demand for risk hedging products will grow and is building its capabilities in order to expand its product and customer base. To further expand the Bank's clientele and to respond to its customers' increasingly diverse and complex needs, the Bank has focused on providing more information on these products to its sales channels. The Bank also seeks to educate its clients and provide greater accessibility to hedging products. To this end, the Bank has arranged several seminars on risk management for clients in order to provide suitable hedging frameworks to properly manage cost and revenue from international businesses and clients' strategic planning. In addition, the Bank has launched a new internet platform, "TMB Business Click", which integrates FX transactions with trade finance and remittance services into a unique channel. A Prepaid FX Forward product has also been introduced to SME clients to improve their accessibility to foreign exchange risk management tools.

6. AGENT AND SECURITIES SERVICES

The Bank provides agent and securities services to the funds market and issuers' market. In the funds market, the entities the Bank acts for include mutual funds, for which the Bank acts as the fund supervisor, and provident funds and private funds, for which the Bank is the custodian. Additionally, fund administrative, fund registrar and fund paying agent services are also provided for the funds market. For the issuers' market, the Bank serves as bondholder representative, registrar and paying agent for debt instruments. Other services include acting as facility agent for syndicate loans and security agent for collateral management.

7. CORRESPONDENT BANKING

The Bank maintains relationships with a worldwide network of correspondent banks to bolster its internationally-oriented operations. The services offered by the Bank through its correspondent relationships include trade finance, foreign exchange and other treasury services and non-resident Baht clearing accounts. The Bank is also looking to expand its network of correspondent banks in order to support its international trade operations and foreign currency payment business.

Retail Banking

The Bank's defined vision is to be "the leading Thai bank with world class financial solutions". The successful growth of the Bank's consumer banking operations is a key component of the Bank's strategy in Thailand. The Bank offers a wide variety of deposit products and consumer credit products such as home loans, unsecured loans, welfare loans and credit cards via a network of 454 branches and 2,273 ATMs throughout Thailand. The Bank's retail strategy is based on network expansion and re-branding, building product differentiators, expanding its products, customer segmentation, improving sales effectiveness and the provision of quality customer service.

The Bank classifies its retail customer base into three segments, which are Affluent, Middle Income and Mass. Affluent and Middle Income customers tend to be professionals or businessmen with an income of over THB 30,000 per month. These customers tend to use the Bank for more than just deposit services and make greater use of loan, credit card and investment services. Mass market customers, being those with an income of less than THB 30,000 per month, predominantly use the Bank's deposit and mortgage services. The Bank is focused on developing specialised credit and non-credit products that meet the needs of these different segments of its customer base. The Bank's consumer banking division is responsible for consumer product development and support, marketing and customer segment management.

Deposit Products and Services

The Bank continues to offer deposit products and services under its customer-centric strategy. The objective is to provide clients with effective and convenient transactional banking services. The Bank's deposit products are as follows:

- *Savings accounts*. Demand deposits that accrue interest at a fixed rate specified by the Bank. It offers a withdrawal facility through debit cards, ATMs, and passbooks. The transfer and payment facilities could be performed through the Bank's service channels.

- *Current accounts*. Non-interest-bearing demand deposits that offer a withdrawal facility through cheques and ATMs. The transfer and payment facilities could be performed through the bank's service channel. The Bank may offer interest-bearing current accounts for wealthy customers.

- *No fixed account.* Combines features between saving accounts and time deposits offering competitive interest rate to time deposits. There is no minimum balance and no maximum number of deposit or internal funds transfer.

- *Time deposits*. Tenure-based deposits of a fixed amount over a fixed term that accrue interest at a fixed rate specified by the Bank and may be withdrawn before maturity in accordance with applicable rates. Tenure ranges from 7 days to 36 months.

In addition to the Bank's conventional deposit products, it offers a variety of special value-added products and services thereby increasing product offerings and providing greater convenience for customers such as accounts for Government officials and state enterprise workers who are nearing their retirement dates, salary accounts and non-resident Baht accounts.

As at 31 December 2015, the Group's total deposits amounted to THB 644,694 million. The Bank plans to grow the number of deposit customers by offering innovative products that serve customers' unmet needs, thereby continuously expanding its customer base.

Consumer Credit

The Bank offers a variety of consumer credit products such as home mortgage loans, credit cards and other loan products. The Bank's net consumer loan portfolio as at 31 December 2015 was THB 112,675 million, which constituted 19.4 per cent per cent. of the Bank's net loan portfolio as at such date. These loans are provided by the Bank directly through its branches. Credit lines for mass market customers are usually around THB 100,000, while premium customers secure credit lines of a greater amount. Home mortgage loans accounted for approximately 62 per cent. of consumer loans as at 31 December 2015. Home mortgage loans are typically for amounts between THB 0.5 million and THB 20 million and have maturities up to 35 years.

The Bank offers international credit and debit cards to its customers in association with Visa and MasterCard and at times co-brands the cards to build third-party relationships in order to strengthen credit card loyalty. As at 31 December 2015, the Bank had issued over 3.5 million ATM and debit cards and approximately 450,000 credit cards.

Between 31 December 2014 and 31 December 2015, credit related fees increased by 43 per cent.

Other Fee Based Consumer Services

The Bank focuses on providing more fee based services to its retail clients. Fee income from retail banking activities is generated from ATM interchange transactions, credit cards, service charges on deposit transactions as well as the products described below. The Bank believes that it can leverage its expanded customer base in consumer banking products to increase its retail fee income. The Bank believes that there are significant opportunities to expand or improve upon its product base to increase the fee income it derives from consumer clients.

Asset Management

The Bank offers asset management services to its consumer clients. The Bank has implemented a long-term strategy with regard to its asset management services to distribute under an open-architecture platform and offer a wide variety of mutual fund products in order to match various client needs and risk-return profiles. In 2015, the Bank began acting as a selling agent of mutual fund products for five asset management companies (*see* "*–Well-established Deposit and Asset Management Franchise*"). This approach enables the Bank to offer a broader range of products and asset classes to its customers. Between 31 December 2014 and 31 December 2015, mutual fund related fees increased by 46 per cent.

The Bank also offers a variety of investment products to its consumer clients such as mutual funds, treasury bills and Government bonds. The Bank earns up front and trail commissions for the distribution of these products.

Life and Non-Life Insurance

The Bank offers brokerage services for life and non-life insurance through its bancassurance service channels. Currently, the Bank partners with FWD Life Insurance Public Company Limited (formally known as ING Life Insurance Public Company Limited). The Bank offers a variety of life insurance products. With regard to non-life insurance products, the Bank offers insurance for loan collateral in association with non-life insurance companies. TMB also provides other non-life insurance products such as personal accident, health and motor insurance.

Between 31 December 2014 and 31 December 2015, bancassurance related fees increased by 44 per cent.

Branch Banking – Distribution Network

The Bank distributes its products and services through various access points ranging from traditional bank branches to ATMs, telephone, internet banking and by ME (see "–"*ME by TMB* "*Branches*").

Branch Network

As at 31 December 2015, the Bank had a network of 454 branches across Thailand. As at such date, the Bank also had 2,273 ATMs, 522 ADMs and 36 foreign exchange booths across Thailand. In addition, as at 31 December 2015, the Bank operates 118 SME zone offices located in Thailand. A detailed study of the demographic factors of an area is undertaken to assess its business potential before a branch is opened. The Bank also regularly monitors existing branches and closes unproductive branches, such as those that are in overly remote locations. New branches primarily constitute kiosks, which are smaller facilities located at places that are easy for customers to access, such as shopping centres.

Through training and product development, the Bank is actively working to instill a sales culture into its branches, such that clients can receive advice, tailored products and other non-traditional banking services that fit their particular needs. The development of SME hubs is one example of this move towards expanding the scope of branch operations.

As at 31 December 2015, the branches were geographically distributed in Thailand as follows:

Region	Number of SME hubs	As Percentage of Total	Number of branches	As Percentage of Total
Bangkok and vicinity	35	30%	166	37%
Northern	23	19%	50	11%
Northeastern	20	17%	48	11%
Central	26	22%	144	32%
Southern and Western	14	12%	46	10%
Total	118	100%	**454**	**100%**

The Bank also has two overseas branches in the Cayman Islands and Vientiane, Lao P.D.R.

The Cayman Islands branch was registered on 24 August 1994 under Part IX of the Companies Law (2003 Revision) of the Cayman Islands. The Bank operates the branch under a Category "B" Banking License under the Banks and Trust Companies Law (2003 Revision) of the Cayman Islands, which allows the branch to conduct business with other licensees and offshore companies but not to engage in business locally with the public or residents of the Cayman Islands, subject to the terms of local regulatory requirements. The Cayman branch acts primarily as an offshore funding centre for the Bank. The address of the Cayman branch is Harbour Place, 5th Floor, 103 South Church Street, George Town, Grand Cayman KY1-1108, Cayman Islands.

The Laos branch was established in 1993 when it was granted a full banking license by the Governor of the Bank of Lao P.D.R. and operates under the supervision of the Bank of Lao P.D.R. The Laos branch mainly provides commercial banking services to SME and corporate banking customers, including cross-border trading firms and joint venture companies. It offers a range of products such as deposits, short and long-term loans, letters of credit, guarantees and foreign money transfers. The branch is situated at 034/2 Samsenthai Road, Chanthabouly, Vientiane, Lao P.D.R, PO Box 2423.

"ME by TMB" Branches

"ME by TMB" was first launched in 2011 with three branches that provide for deposit services only. All transactional activities are carried out via internet only. The total number of "ME by TMB" branches in Bangkok as at 31 December 2015 is 4.

Electronic Banking/ATMs

As at 31 December 2015, the Bank had installed 2,273 ATMs across Thailand. These ATMs are located at strategic locations selected for high traffic and potential use. Apart from offering services to its own cardholders, the Bank's ATMs also process Visa, Visa Electron, MasterCard, Cirrus and Maestro card transactions. The Bank has entered into ATM sharing arrangements with other banks, which allow its customers to access their accounts with the

Bank through the ATM networks of these other banks in Thailand in addition to the Bank's own network. Similarly, customers of these other banks in Thailand can also access their bank accounts using the Bank's ATM network. The Bank is investing in its ATM network in order to upgrade and broaden their functionality.

TMB Internet Services

The Bank offers internet services to its customers through direct internet banking through its website *www.tmbdirect.com*. The Bank expects to expand and improve upon these services going forward to encourage wider customer use. The Bank has already established electronic channels for Corporate eBanking and Supply Chain Financing as an efficient way for its corporate customers to undertake transactions and financial management as part of a one-stop service.

TMB Business Click – Internet Banking For Corporate Customers

TMB Business click offers corporate customers access to a broad range of banking services relating to cash management, international trade transactional services, foreign exchange services and supply chain financing. The service enables online self-service banking transactions 24 hours a day and furnishes the user with comprehensive transaction information.

TMB Touch (Mobile Web Browser version)

The Bank has expanded its interactive channels by introducing a new Mobile-Banking service called "TMB Touch" which allows access to mobile banking services such as account balance inquiry, transfer, bill payment, and Online Real-Time Inter-bank Transfer via a mobile device application on smart phone and tablet devices (supporting both iOS and Android operating systems). The use of a mobile application device offers is easy to use for the Bank's customers and also easy to support. In 2015, the Bank extended the availability of its services, including via "TMB Touch", with a view to providing a seamless customer experience by maximising accessibility. In addition to supporting multiple different devices, "TMB Touch" also included many new features, such as the Touch ID system and the ability to open an "All Free" account remotely via use of the application, rather than necessitating a visit to a physical branch.

Contact Centre

The Bank operates a TMB Contact Center which provides support to customers 24 hours a day, 7 days a week via several channels, including phone, web chat and web mail.

The Bank operates call centres in Thailand offering inbound telephone banking to customers. In addition, trained phone banking officers provide account specific services for customers by dispensing account related information and answering associated queries, as well as providing an outlet for customer feedback.

SME Relationship Management Phone Center

The SME Relationship Management Phone Center provides service to the Bank's SME customers who have a credit line with the Bank.

Sales Representative Channel

The Bank's direct sales team offers retail products to customers through direct sales agents, telephone sales agents and through outsource companies.

Awards and Accolades

The Bank has received recognition for its innovation in the financial industry both in Thailand and abroad. It was one of ten financial institutions given the IDC Financial Insights Innovation Award ("**FIIA**") in 2012 from IDC Financial Insights, a leading global provider of independent research, consulting and advisory services in business, technology and operations in the financial industry. The Bank received its award in the category "Innovation in Business Rules Management" in recognition of the Bank's achievement in handling increasingly complex customer needs in a changing regulatory and technological environment. The Bank had previously been awarded the FILA in 2010 in the category of "Customer Engagement" in recognition of its innovative internet-based services such as "One Touch" and "No Slip" that allow customers to open accounts, deposit, withdraw or transfer funds without the need to fill out any forms.

In 2015, the Bank was nominated for and awarded three international corporate social responsibility ("**CSR**") practice awards, namely: Best Community Development Award and Best CSR Practice in Banking & Finance Award (awarded at the 5th Asia Best CSR Practices Awards), and Top Community Care Company Award (awarded at the Asia Corporate Excellence & Sustainability Awards in Singapore). The Bank believes that these awards and recognition are testament to its commitment to sustainable business and community involvement.

Competition

Following the Financial Sector Master Plan, the Thai banking sector has seen increased consolidation and more consolidation may be expected in the future. This trend of consolidation will result in larger and more efficient banks that offer similar products and services compared to what the Bank offers. The Bank faces strong competition in all of its principal lines of business. The Bank's primary competitors are large public sector banks, other private sector banks and foreign banks. Under the Financial Sector Master Plan Phase 2 introduced in 2013 to promote competition in the financial institution system (among other objectives), foreign banks have been permitted to apply to open additional branches in Thailand to undertake commercial banking business from 2013. As such, it is expected that there will be more competition from foreign banks in the future. As a result, the increasing number of players in the Thai banking industry will bring out a variety of products and services to the market.

Public sector banks, which pose major competition to the Bank, have a significant history of operations in both the corporate and consumer markets. Public sector banks, with the encouragement of the Government, are looking to consolidate and streamline their operations. The Bank seeks to compete with these banks through providing faster response to customer needs, better quality of service, a fast growing interconnected branch network, and technology enabled delivery capabilities.

Other private sector banks also compete in the corporate banking market on the basis of efficiency, service delivery and technology.

The Bank also faces competition from foreign banks on certain fronts, particularly in corporate banking and other services such as advisory services or custodial services. The Bank has established strong ties in trade finance, strong fee-based cash management services and competes with foreign banks using its broader in-country branch network, innovative products and competitive pricing. Foreign banks also provide competition in the debit and credit card markets.

Technology

Using technology to efficiently provide services to clients and achieve product differentiation together with delivering superior IT operations in support of the Bank's business units while maintaining low IT operating costs has long been a strategy of the Bank. The Bank had automated its system as early as 1985 and has continued to strive to improve its IT systems including the implementation of its Core Banking system in October 2003.

The Bank is continuing to develop and implement several applications for currency exchange and cash management systems. The Bank has established a management and accounting information system to measure cost allocations, conduct transfer pricing and analyse performances and created a MIS Datamart to consolidate data from different systems for the production of regular and ad-hoc reports on credit management information systems. In addition, the Bank has employed a "service oriented architecture" to more efficiently develop its technological capabilities.

Employees

As at 31 December 2015, the Bank employed 9,270 employees compared to 8,854 as at 31 December 2014. The Bank aims to attract and retain high calibre and professional staff at all levels and is committed to supporting its employees through training and enhanced incentive compensation schemes. The Bank has introduced a standardised performance review and compensation packages for all staff and is also working to attract new professionals to supplement its existing resources.

In 2013, a human resource transformation programme was introduced to ensure that the Bank has an engaging working environment that recognises competency, rewards performance and offers career development opportunities for the its employees. The initiatives were mostly under an "Empowering Organisation" framework. Leadership training was also stepped up with "TMB Empowering Leaders" and "Empowering Team Leaders" programmes. In addition, to inspire employees to take ownership of their career development, TMB launched "Career by ME". By providing the tools for staff to align their long-term goals with their current skills and any gaps, employees can plan their "individual development plan", discuss with their line managers and become more accountable for their career path.

Properties

The Bank's registered office and corporate headquarters is located at 3000 Phahonyothin Road Chompon, Chatuchak, Bangkok 10900, Thailand.

As at 31 December 2015, the Bank (taking into account the merger) had a network consisting of 454 branches. 0.9 per cent. of the branches are leased and the remainder are wholly-owned. The net book value of all the Bank's owned properties, including branches, administrative offices and residential premises as at 31 December 2015 was THB 10,267 million.

Legal Proceedings

The Bank is a defendant in an ongoing litigation case involving Luang Bumrung Limited Partnership ("**LBP**") which alleged a breach of a guarantee agreement and claimed compensation of approximately THB 140,261 million against the Bank. The case has been dismissed in favour of the Bank by the Thai courts at numerous levels and most recently by the Supreme Court in 2010 but LBP appealed the result. As at the date of this Offering Circular, the Supreme Court has yet to finally decide the matter. The Bank was advised and considers this claim against the Bank of little merit and is unlikely to succeed, and believes that the Bank will not be liable in this case. As such, the Bank has not made any provisions in its accounts for any potential losses arising from this litigation case. Please refer to the Bank's Annual Report 2014 and note 35.2 of the Bank's audited consolidated financial statements for the year ended 31 December 2015 for further details.

The Bank is involved in various legal proceedings on a day to day basis. However, as at the date of this Offering Circular, save as disclosed above, neither the Bank nor its subsidiaries are involved in any legal proceedings which are material in the context of the issue of the Notes.

Asset Quality and Composition

Loan Portfolio

The Group follows a strategy of building a diversified asset portfolio and limiting its exposure to particular sectors or borrowers. As at 31 December 2015, the largest exposure was to the Manufacturing and Commerce sector. The following table sets forth the Group's industry-wide exposure[6] at 31 December 2014 and 2015.

	As at 31 December			
	2014		2015	
	(in millions of THB)	% of total	(in millions of THB)	% of total
Industry				
Agriculture and mining	6,867	1.3%	12,518	2.2%
Manufacturing and commerce	327,742	61.8%	344,132	59.2%
Property development and construction	14,448	2.7%	23,746	4.1%
Infrastructure and services	62,290	11.7%	68,721	11.8%
Housing loans	53,037	10.0%	66,288	11.4%
Others	65,976	12.5%	65,371	11.3%
Total	**530,360**	**100.0%**	**580,776**	**100.0%**

The largest 20 corporate borrowers' net exposure, excluding financial institutions and government, as at 31 December 2015 was THB 99.3 billion and the largest borrower accounted for approximately 14 per cent. of the Bank's total capital.

Loans by Segments

The following table sets forth the Group's loans by segment as at 31 December 2014 and 2015.

	As at 31 December			
	2014		2015	
	Amount	% of Total	Amount	% of Total
	(in millions of THB, except percentages)			
Wholesale[(1)]	235,514	44.4%	243,627	41.9%
SME[(2)]	199,389	37.6%	224,443	38.6%
Retail[(3)]	95,414	18.0%	112,675	19.4%
Home mortgage	55,185	10.4%	69,800	12.0%
Credit Card	8,518	1.6%	11,157	1.9%
Other	31,711	6.0%	31,718	5.5%
PAMC & TMBAM	43	0.0%	31	0/0%
Total	**530,360**	**100.0%**	**580,776**	**100.0%**

6 Total loans net of deferred revenue and not including accrued interest.

Notes:

(1) Wholesale loans are loans to customers who have a total annual revenue of over THB 500 million.

(2) SME loans are loans to customers who have a total annual revenue of less than THB 500 million including the owner operator.

(3) Retail loans are loans to individual persons.

Classification of Assets

The Group classifies its loans and other assets in compliance with Bank of Thailand regulations. The table below describes how assets are qualified and sets out the Bank of Thailand's regulations for provisioning and write-offs. Provisions are made in reference to total debt net of collateral.

Classification	Description	Provision
Pass	Normal loans	1%
Special Mention	Loans that are past due more than one month and not more than three months	2%
Sub-standard	Loans that are past due more than three months and not more than six-months	100%
Doubtful	Loans that are past due more than six-months and not more than 12 months	100%
Doubtful of Loss	Loans that are past due more than 12 months other than loss loans	100%
Loss	Past due for more than 12 months and recovery not expected	Write-off

See "*Supervision and Regulation*". Assets classified as substandard, doubtful or doubtful loss are considered non-performing assets ("**NPAs**"). NPAs include loans and receivables, securities and other assets held by the Group that meet such classifications. NPLs are a subset of NPAs. The table below sets forth the classification of the Group's loans to customers and allowance for doubtful accounts as at 31 December 2014 and 2015.

	As at 31 December			
	2014		2015	
	Loans to customers and accrued interest receivables	Allowance for doubtful accounts(1)	Loans to customers and accrued interest receivables	Allowance for doubtful accounts(1)
	(in million of THB)			
Pass	496,806	4,491	544,746	5,027
Special Mention	16,529	297	16,625	306
Sub-standard	1,824	1,058	2,253	1,412
Doubtful	668	368	841	564
Doubtful of Loss	15,601	6,148	17,379	8,769
Total	**531,428**	**12,362**	**581,844**	**16,078**
Add: Provision in excess of the Bank of Thailand's minimum rate required		15,890		12,767
Total		**28,252**		**28,845**

Note:

(1) Allowance for doubtful accounts on loans guarantees 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.

At 31 December 2015, the Group's ratio of NPLs to total loans (the "**NPL ratio**"[7]) amounted to 2.99 per cent., compared to 2.85 per cent. as at 31 December 2014. The Bank's strategy is to continue to reduce its NPLs either through foreclosing on collateral, restructurings, write-offs or sales. In 2010, 2012 and 2014, the Bank successfully completed block sales of NPLs. The Bank has a dedicated team of 120 professionals in its asset recovery unit solely focusing on managing NPLs. As at 31 December 2015, the largest 20 NPLs totalled THB 3.6 billion with the largest two totalling THB 1.5 billion and THB 0.15 billion, respectively.

Collateral

The majority of the Bank's loans are secured. Collateral typically consists of real estate and buildings and will usually be secured by a first priority security interest. As at 31 December 2015, THB 15.7 billion of the Group's NPLs were SME related, of which THB 6.7 billion were collateralised by a guarantee from the Thai Credit Guarantee Corporation.

Funding

The Bank's funding operations are designed to ensure stability of funding, minimise funding costs and effectively manage liquidity. The Bank attempts to maintain a diversified funding base. The Bank's funding is primarily derived from deposits placed with the Bank by its corporate and consumer clients. The Bank also derives funding from shareholders' equity, debt instrument issuance and interbank borrowings. While the majority of the Bank's financing is in Baht, the Bank raises foreign currency borrowings from borrowing facilities at local banks and foreign counterparties. The Bank is not restricted from incurring any additional indebtedness. The following tables show the breakdown of the Group's funding profile for the periods indicated.

	As at 31 December			
	2014		**2015**	
	Amount	**% of Total**	**Amount**	**% of Total**
	(in millions of THB, except percentages)			
Deposit	571,625	83.6%	644,694	90.3%
Interbank and money market	72,717	10.6%	36,217	5.1%
Liabilities payable on demand	3,145	0.5%	3,008	0.4%
Borrowing	36,249	5.3%	30,184	4.2%
Total	**683,736**	**100.0%**	**714,103**	**100.0%**

7 Calculation of NPL ratio is non-performing loans as a proportion of total loans to customers and inter-bank/money market.

The tables below illustrates detail of deposit by product:

	As at 31 December			
	2014		2015	
	Amount	% of Total	Amount	% of Total
	(in millions of THB, except percentages)			
No Fixed & ME	180,023	31.5%	233,285	36.2%
Saving account deposits	166,081	29.1%	175,835	27.3%
Current account deposits	51,497	9.0%	65,347	10.1%
Time deposits	174,024	30.4%	170,227	26.4%
Total	**571,625**	**100.0%**	**644,694**	**100.0%**

Investment

The carrying value of the Bank's investment securities portfolio (excluding investments in subsidiaries and associated companies) amounted to THB 95,470 million as at 31 December 2015, compared to THB 108,786 million as at 31 December 2014. The Bank's bond portfolio had a carrying value amounting to THB 94,901 million as at 31 December 2015, compared to THB 108,096 million as at 31 December 2014. The Bank's bond portfolio is principally held for investment purposes. The majority of the Bank's bond portfolio is composed of fixed-rate long-term bonds of Government and state enterprises. Such bonds are classified as available for sale or held to maturity.

The Balance Sheet Management department is responsible for managing the Bank's equity portfolio. The Bank's equity portfolio (excluding investments in subsidiaries and associated companies) had a carrying value amounting to THB 569 million as at 31 December 2015, compared to THB 690 million as at 31 December 2014, consisting principally of non-listed securities The Bank has been actively reducing the holdings in its equity portfolio over the past few years. As at 31 December 2015, 99 per cent. of the Bank's equity portfolio (excluding investments in subsidiaries and associated companies) consisted of non-listed securities.

The tables below summarises the Bank's investment portfolio as at the specified dates:

	As at 31 December	
	2014[(1)]	2015[(1)]
	(THB in millions)	
Investment in Government and state enterprise securities	108,096	94,901
Investment in shares	690	569
Investment in other bonds and debentures	–	–
Total	**108,786**	**95,470**

Note:

(1) Bank only

The Bank's investment policies are carefully supervised by various committees within the Bank and is ultimately approved by the Bank's Board Risk Management Committee (the "**RMC**") and acknowledged by the Bank's Board of Directors. The Asset and Liability Committee ("**ALCO**") and the Chief Executive Committee ("**CEC**") are responsible for monitoring investment policies pursuant to the Bank's investment objectives as well as selecting potential securities for investment. The ALCO and the CEC are also responsible for ensuring that investment securities at all times comply with the Bank's internal policies. Funds for securities investment are set aside based on data available on both the securities themselves and counterparties to the security sales transaction. Gross limit and loss limit for each security marked for investment are set in relation to the Bank's ability to support the risk according to its capital adequacy position. The Capital Markets and Balance Sheet Management groups are responsible for reporting portfolio positions, results of investments and risk exposures to the ALCO and the CEC on a regular basis.

Capital Adequacy

The Bank is subject to capital adequacy requirements of the Bank of Thailand, which are primarily based on the capital adequacy accord reached by the Basel Committee of Banking Supervision, Bank of International Settlements in 1988. Subsequently, the Basel Committee published a number of fundamental reforms to the regulatory capital framework for internationally active banks under Basel II and Basel III. As at the date of this Offering Circular, the Bank is required to maintain, a total capital adequacy ratio ("**CAR**") at a minimum of 8.5 per cent., with Common Equity Tier I of not less than 4.5 per cent. and Total Tier I of not less than 6.0 per cent.. To meet this requirement, as at 31 December 2015 the Bank had total capital of THB 96,668 million, of which THB 65,616 million was Common Equity Tier I ("**CET I**"), and THB 31,052 million was Tier II under Basel III standards, and maintained a CAR under Basel III standards at 16.7 per cent., CET I and Tier 1 at 11.3 per cent. which were well above the Bank of Thailand's minimum requirements.

The following tables set forth the risk-based capital and capital adequacy ratios computed in accordance with the applicable Bank of Thailand guidelines and measured in accordance with TFRS.

As at 31 December 2014 and 2015, capital funds of the Bank under Basel III framework, as declared in the BOT's Notification, consisted of the following:

	As at 31 December	
	2014	**2015**
	(in millions of THB, except percentages)	
Common Equity Tier I	59,122	65,616
Tier I capital	59,122	65,616
Tier II capital	39,050	31,052
Total capital	**98,172**	**96,668**
Capital adequacy ratios:		
Common Equity Tier I ratio	11.0%	11.3%
Tier I capital adequacy ratio	11.0%	11.3%
Tier II capital adequacy ratio	7.3%	5.4%
Total capital adequacy ratio	**18.3%**	**16.7%**
Minimum capital adequacy ratios required by the Bank of Thailand		
Common Equity Tier I ratio	4.5%	4.5%
Tier I capital adequacy ratio	6.0%	6.0%
Total capital adequacy ratio	8.5%	8.5%

Risk Management

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. Various risk policies and risk management procedures have been established to provide common guidelines and standards to be appropriately and 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; 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, which holds the ultimate responsibility for the Bank's overall risk management, the Risk Management Committee ("**RMC**") and senior management risk committees that oversee specific risk areas including the Asset and Liabilities Management Committee ("**ALCO**"), the Risk Policy Committee ("**RPC**"), and the Operational Risk Management Committee ("**ORC**"). The RMC has been delegated by the Board of Directors 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.

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 Restructuring, Market Risk Management, Credit Risk Intelligence, Legal, Corporate Operational Risk Management, Compliance and Risk Quality Assurance. 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 strategy and recommending risk appetite to top management for approval in order to be used for monitoring, controlling and managing risk levels of the Bank.

The following describes the primary risks faced by the Bank and the way in which they are managed.

Credit Risk

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

The Bank's credit risk management objective is to maximise the Bank's risk-adjusted return by maintaining credit risk exposure within acceptable levels and build a sustainable competitive advantage by integrating risk management into business activities and strategic planning.

In recent years, the Bank has improved and continues to improve its credit risk management capabilities with investments in people, risk management governance, processes, measurement tools and systems including the development of an economic capital framework, improved risk measurement processes, credit assessment and origination and tools, such as risk rating models, application and behavioural scorecards, and established frameworks which set out credit policies, procedures, and guidelines covering the measurement and management of credit risk. This has been done alongside building up a stronger credit culture within the Bank, based on thorough knowledge of the Bank's borrowers and executed by well-trained staff according to the Bank's three lines of defence credit risk management framework. The three lines of defence help to mitigate credit risk within the Bank and consist of three principles:

- The Bank's business units have primary responsibility and accountability for the effective control of credit risks incurred by their business units ("**1st line of defence**").

- Credit Risk Management ("**2nd line of defence**") then partners with and supports the 1st line of defence's risk management activities. Risk management functions are independent of the management and staff that originate the credit risk exposures.

- Audit operates as the "**3rd line of defence**". Audit provides an independent assurance of the design and effectiveness of internal controls over the credit risks inherent to the Bank's business performance.

Key Credit Risk Factors

Credit Quality

Further improving the quality of the Bank's assets remains a key priority. Non-Performing Loans ("**NPL**") arise when debtors fail to repay debts according to an agreed schedule. This may lead to loss of interest income but sometimes also loss of the principal balance, whether in whole or in part, which will thus affect the Bank's profitability and capital adequacy.

The Bank manages the quality of its credit portfolios by monitoring and reviewing the status of its borrowers and/or counterparties constantly, both at the individual level and at the portfolio level. Also, the three lines of defence approach is implemented whilst dedicated Relationship Managers monitor their Wholesale and SME customers at an individual level. In the Retail portfolio the focus is on portfolio management. Special attention is paid to problem exposures, which are subject to more frequent review and reporting. Early warning triggers are in place to detect customers that may be moving toward adverse classification or further deterioration of their performance. Dedicated Credit Restructuring teams and Credit Restructuring Committees are established to restructure problem loans and to provide advice on debt restructuring conditions. The Bank sets aside loan loss provisions in accordance with guidelines from the Bank of Thailand. The Bank also takes IBNR provisions (loss incurred but not yet recognised) for performing loans as a further cushion for losses expected as a result of future events. IBNR provisioning is calculated using PD (probability of default) based on risk level and EAD (exposure at default) based on loan types or debtor types and LGD (loss given default) based on collateral types.

Impairment in value of physical collateral

A substantial portion of the Bank's loan portfolio is secured by physical collateral and other assets, the value of which may be affected by the overall economic conditions of Thailand. For example, a downturn in the real estate market could result in the principal amount of loans secured by real estate exceeding the loan-to-value proportion compared to that at the time of origination. A decline in the value of collateral-secured loans may result in an increase in the Bank's allowance for doubtful accounts. The Bank manages collateral value impairment risk by establishing a collateral appraisal policy and executing procedures which are in accordance with Bank of Thailand's regulations. The reappraisal frequency is also driven by the level of risk measured by the borrower's loan performance.

Credit concentration

Concentration risk in credit portfolios is an important aspect of credit risk management. The Bank manages and monitors credit concentration with respect to industries, countries and borrowers by establishing and managing Bank-wide industry diversification thresholds, country limits and customer concentration to manage both existing and potential exposures within acceptable levels and to ensure appropriate diversification of the portfolio whilst avoiding excessive credit risk exposure in certain industries, countries or borrowing groups. In addition, the Bank has established a risk-based Single Exposure Limit to manage the maximum exposure for a single obligor and related lending. Managing concentration risk remains a major focus in the Bank's Credit Risk Management prioritisation.

Operational Risk

Operational risk is defined as the risk of loss, both financial and non-financial, resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Effective operational risk management leads to more stable business processes and lower operational costs. The Bank adopts the Basic Indicator Approach ("**BIA**") to the capital assessment of operational risk by using gross income as a proxy for overall operational risk exposure.

Operational Risk Management at the Bank is managed through a governance structure where the Board of Directors holds the ultimate responsibility for Bank-wide risk management. The Board has delegated several operational risk management related authorities to the ORC, chaired by the CEO, whose responsibilities are to identify, measure, monitor, and manage the operational risks of the Bank and its subsidiaries with appropriate quality of coverage (granularity) and to ensure that appropriate management action is taken by the responsible line managers at the appropriate level of granularity.

The Bank has established a dedicated Corporate Operational Risk Management ("**CORM**") team, reporting to the CRO, which consists of specialised units to oversee specific operational risk management concerns such as processing risk, control risk, unauthorised activity risk, information (technology) risk, crisis management and business continuity/disaster recovery risk, fraud risk, personal and physical security risk, and workplace safety risk.

The Bank's Business and Support Units are primarily responsible and accountable for their own operational risk management and control. The Bank has appointed a number of Unit Operational Risk Managers ("**UORM**") within the Business and Support Units who, with support from Corporate Operational Risk Management, take on and carry out the operational risk management responsibilities of their respective units.

Audit operates as the '3rd line of defence'. Their mission is to provide an independent assurance of the design and effectiveness of internal controls established by the first and second lines of defence. In carrying out this work, Audit will provide specific recommendations for improving governance and the risk and control framework.

The Bank has developed an Operational Risk Management Framework to ensure that the operational risks are properly identified, assessed, monitored, reported, analysed and controlled in a systematic and consistent manner. The Framework provides the foundation and common infrastructure for delivering, maintaining, and governing risk management. The Framework consists of an Operational Risk Governance Structure applying the three lines of defence risk governance model, and aligning with the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk management framework.

The Bank has established the risk appetite level for operational risk utilising the potential loss (probability and impact) concept. The level is determined based on consideration of the historical loss data of the Bank, the financial strengths, and the overall operational risk management environment. For potential loss over a threshold amount, the Bank will take further mitigating action to bring down the potential loss level so as to fall within the threshold.

Various policies, minimum standards, and guidelines have been established to manage the different operational risks as per Basel New Capital Accord (Basel II) guideline including coverage of all key processes and tools such as Risk and Control Self-Assessment ("**R&CSA**"), Key Risk Indicators ("**KRI**"), and Incident Management.

R&CSA is a process that helps to identify and assess key risks and controls as well as to determine the mitigating actions. The Bank has also established KRI at corporate and business level to be a warning signal for all levels of management enabling them to proactively manage and control their operational risks. Incident management is established to enable detection, resolution, analysis of operational risk incidents as well as collection of loss data. This incident reporting and response is key in order to facilitate management's insight in and awareness of the actual costs of operational risks, existing control weaknesses, and the Bank's specific risk profile.

Other major operational risk mitigation programmes and mechanisms include the Product and Service Approval Process ("**PSAP**"), Action Tracking, Outsourcing/Insourcing Risk Management, and Business Continuity Plan and Disaster Recovery Plan ("**BCP/DRP**").

To ensure that products and services are offered in a safe manner, the PSAP is established to set guidelines for sign-off and approval of new products and services. This due diligence process ensures that the risks created by the new products and services are properly identified and addressed, and that the necessary infrastructure and controls are in place to support the new business.

To ensure adequate and timely resolution of audit and non-audit items, the Bank has also implemented an action tracking system as a tool to keep track of the status of their items. Through this action tracking system, all outstanding audit and non-audit findings can be monitored and managed efficiently by all appropriate parties.

The Bank has established the Outsourcing/Insourcing Risk Management Policy to set out the principles and standards for the effective identification of major risks created by outsourcing/insourcing and management of such risks.

The Bank has established the Business Continuity Management Policies and Standards to provide guidance and standards for all units to develop their BCP. The Business Continuity Management under CORM is set up to oversee the implementation of BCM Policies and Standards, monitor and lead the co-ordination of group-wide BCP initiatives to raise the overall BCP/DRP readiness of the Bank.

The Bank has established an Anti-Fraud expert centre to coordinate anti-fraud activities within the Bank, to identify and analyse (new) fraud schemes and modus operandi, and to coordinate the application of bank-wide applied detection and monitoring systems.

In addition the Bank has established an investigation department to investigate offences committed by staff and/or external parties.

In terms of operational risk management at the subsidiary level, the subsidiaries of the Bank are aligned with and adopt the Bank's Operational Risk Management Framework, Policies, and Minimum Standards, where applicable. Their organisation structure includes dedicated operational risk management. They have also implemented operational risk tools such as R&CSA, incident reporting, KRI, and BCP, as per their implementation timeline.

Market Risk

Market risk is the potential loss due to changes in the price of market parameters. The main parameters are foreign exchange ("**FX**") rates, interest rates and equity prices. The Bank has established market risk limits consistent with the maximum exposures authorised by the Board of Directors and in accordance with its business growth targets and strategies.

For risk management purposes, the Bank has established various market risk policies, which set standards and guidelines for market risk management. The business unit designated with the responsibility for market risk management performs this task under the standards set out in the policies, while Market Risk Management independently monitors the Bank-wide market risk.

The Bank controls the actual market risk exposure by setting limits within the maximum exposure and maximum loss approved by the Board of Directors.

Foreign Exchange Risk

Foreign Exchange Risk means the loss of earnings and/or shareholder value of the Bank resulting from changes in foreign exchange rates arising from exposures in the trading and/or banking book (both on-and off-balance-sheet). The loss may arise from the devaluation on the conversion of foreign currency positions, including any losses from foreign exchange trading transactions, or conversions from one currency to another.

The Bank's Capital Markets team is responsible for managing the foreign exchange positions of the Bank's trading book. In addition, Market Risk Management puts in place a framework of risk management measures. These are designed to minimise the excessive risk from unfavourable changes in market conditions, which adversely affect the prices or returns on the Bank's trading portfolios related to foreign currencies, with strict limits on the following:

- Delta Limit – Defined as the rate of change of the option price with respect to the price of underlying asset, when used in reference to options.

- Gamma Limit – Defined as the rate of change of the delta with respect to the underlying asset.

- Vega Limit – Defined as the rate of change of the value of the portfolio with respect to the volatility of the underlying asset.

- Foreign Exchange Limit – Defined as both the gross amount (the aggregated amounts of individual long and short positions) and net amount (the net difference of both long and short positions) for individual FX positions.

Within these limits, Capital Markets is responsible for trading and managing the portfolio and optimising the return on the funds invested. Procedures, strategies and performances are reviewed by the ALCO, whilst adherence to the limits set is monitored by Market Risk Management.

Interest Rate Risk

Interest rate movements directly affect the Bank's earnings or economic value. Interest rate risk management is undertaken in accordance with the policy framework as approved by the Bank's Board of Directors, by establishing and monitoring various risk curbing limits such as the Earnings-at-Risk limit and the Economic Value-at-Risk limit. The ALCO is delegated by the Board of Directors to oversee the firm-wide structural interest rate risk and to ensure that it stays within the Bank's aggregated interest rate risk limit.

Interest rate risk can be classified into four broad categories:

- **Re-pricing risk** is the risk that arises from timing differences or mis-matches in the re-pricing of the Bank's interest rate sensitive assets and liabilities following changes in market interest rate curves. For example, when the Bank's assets can be re-priced faster than liabilities, interest margins will increase when interest rates rise. Conversely, if the Bank's assets are re-priced slower than the liabilities, interest margins will reduce when interest rates rise.

- **Yield curve risk** is the risk resulting from changes in market interest rates that have different effects on yields or prices from exposure with different maturities. Typically it is a result of market curves changing in non-parallel shifts.

- **Basis risk** occurs if the Bank's assets and liabilities re-price using different benchmark interest rates. For example fixed lending rates and inter-bank borrowing rates.

- **Optionality risk** occurs from either the granting of implicit or explicit options in the balance sheet. A common example is the ability of customers to repay a fixed rate mortgage early or withdraw a fixed term deposit prior to its maturity.

The Bank sets risk tolerance limits for both the trading book and the banking book to manage interest rate risk. For trading book exposures, there are limits on VaR, stop-loss levels and basis point values. For banking book transactions, limits are based on percentage of income, percentage of capital and re-pricing gap levels.

Liquidity Risk

Liquidity risk is 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 deemed adequate for its operations and as such, causing damage to the Bank. The ALCO is responsible for the oversight of liquidity management. The primary aim is to provide liquidity to the Bank in order to ensure the liquidity position is sufficient for the Bank's normal operations as well as for any crisis that may arise and that the Bank's liquidity level is to exceed the minimum as required by the Bank of Thailand as well as complying with the risk appetite framework approved by the Risk Management Committee and the Board of Directors. The Bank reviews its liquidity risk policy plan and strategy for normal and critical situations on a regular basis, or under special situations due to material changes that may impact the Bank's position. The Bank and each company in the Bank's financial group manage liquidity risk separately. As part of its liquidity risk management, the Bank focuses on a number of components, including tapping available sources of liquidity, preserving necessary funding capacity and contingency planning. Maturity gap reports and liquidity assessment reports based on trends in consumer behaviour are routinely prepared to facilitate management in maintaining an appropriately liquid combination of assets and liabilities. The Bank incorporates a number of liquidity measures to ensure it maintains an appropriate level of high quality liquid assets at all times. The Bank ensures that its Liquidity Coverage Ratio and Net Stable Funding Ratio are in compliance with the guidelines by the Basel Committee on Banking Supervision. In addition, the Bank creates daily cash flow reports to manage the liquidity risk of the Bank.

Balance Sheet Management ("**BSM**") is the unit of the Bank responsible for overall liquidity management and Capital Markets is responsible for day-to-day liquidity management. Balance Sheet Management is responsible for liquidity risk measurement and reporting on the performance of liquidity management to the ALCO. Market Risk Management is responsible for monitoring liquidity risk and overseeing the liquidity risk limits. The Bank has a liquidity risk management policy, which is reviewed at least once a year, or when necessary, to ensure that it is appropriate with the prevailing environment.

In order to manage liquidity, the Bank continuously 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.

According to its funding structure as at 31 December 2015, the Bank's deposits, interbank and money market items, short-term and long-term borrowings were 90.7 per cent., 5.1 per cent., 0.1 per cent. and 4.1 per cent. respectively. The Bank's ongoing deposit-led strategy seeks to further strengthen its financial position and operating results in order to boost depositors' and customers' confidence. Meanwhile, priority is also given to liquidity risk management by maintaining the level of liquid assets, keeping abreast of risk levels on a daily, weekly and monthly basis, setting risk indicator limits, and taking proactive steps to contain risks at an acceptable level. Contingency plans for managing and mitigating liquidity risk in critical situations have been devised to ensure that the Bank has strategic plans for taking remedial action, should an early warning indicator be triggered.

Regulatory Risk

The Bank's key regulatory non-compliance risks stem from obligations to comply with the Financial Institutions Businesses Act, Bank of Thailand's regulations and notifications, The Securities and Exchanges Act, the securities laws and regulations as issued by the Stock Exchange of Thailand and the Thai SEC, the Anti Money Laundering Laws and their Royal Decrees.

With regards to Anti Money Laundering, the Anti-Money Laundering Act was amended in 2015 to cover a broader range of criminal offences and to extend the power of AMLO to gather and examine evidence in order to take action against assets connected with the commission of the offences and prosecution of offenders in money laundering and terrorism financing cases. In addition, the Counter-Terrorist Financing Act was also amended in 2015 to improve procedures for the announcement of the list of designated persons and adjust penalties to enhance enforcement of the law.

Further, the Capital Market Supervisory Board of the Securities Exchange Commission has issued an additional notification regarding the qualifications of advisors to an investment of securities and futures contract. The Thai SEC requires the issuer of securities to provide a factsheet providing details of the securities as well as its risks. This factsheet must be accompanied by an application for buying the securities. The Thai SEC also requires banks to perform a suitability test for each retail investor every two years.

Separately, the Bank of Thailand has further relaxed exchange controls by allowing more foreign currency instruments, as well as expanding the investor base legitimated for offshore investment.

The Bank of Thailand has also introduced regulations with respect to the supervision of bancassurance and the securities business. As such, the Bank is required to inform their customers of their rights with respect to specific products via its branches and website. The Bank has set up specific channels for providing any services with respect to bancassurance and the securities business. Further, the counters for both bancassurance and the Securities Business are separated from its deposit taking area.

The Bank continuously takes action to ensure compliance and performs due diligence in the process of screening and monitoring its customers. The Compliance Group performs and utilises compliance charts, compliance updates, monitoring and review programmes, management and/or committee reports as well as compliance training to business units and their staff on regular basis in order to ensure effective compliance and risk management.

Strategic Risk

The Bank is aware of the possible strategic risks that result from its strategic plans and business plans that may be inappropriate and/or inconsistent with both the internal and external business environment.

The Bank's vision is "To be the leading Thai bank with world-class financial solutions" and in order to achieve this vision it has developed a five-year rolling strategic plan focusing on a Deposit-Led Strategy and Transactional Banking Excellence.

In order to better manage strategic risk, the Bank has improved the processes of performance tracking and strategic risk control. Regular meetings of the management team and business units are held to review performance results together with remedial planning in case of target shortfalls. A strategic risk dashboard has been developed and is updated regularly to keep management informed and aware of the changing strategic risk status. A self assessment of strategic risk is also regularly evaluated by management.

In all, the Bank is strongly determined to maintain a high level of strategic risk management starting from the process of strategic planning, organisation restructuring, staffing and project implementation as well as performance monitoring. The strategic plan itself is reviewed regularly to ensure it is consistent with the changing business environment.

Compliance

The Bank's Corporate Governance and Compliance Office provides leadership, oversight and guidance for the establishment of a strong compliance culture and is responsible for ensuring that the Bank is in compliance with laws, regulation and ethical standards. The Bank recognises the importance of good corporate governance and has worked continuously to implement and ensure compliance with the principles of good corporate governance outlined and disseminated to all listed companies by the Stock Exchange of Thailand and the Thai SEC. Corporate governance and compliance policies and procedures are set and implemented throughout the Bank to safeguard its reputation.

As part of its compliance with the Thai AML Act, the Bank has adopted compliance best practices related to preventing money laundering including "Know-Your-Customer" policies, recognition, reporting and monitoring of suspicious transactions, document retention and focused staff training. The Bank's management has promoted good corporate governance as a key priority at all levels.

Internal Audit

The Bank's Internal Audit Group ("**Audit Group**") provides an independent appraisal of the adequacy and effectiveness of the risk management and control processes in operation throughout the Bank. The Audit Group is responsible for ensuring operational efficiency, reliability of financial reporting and compliance with applicable laws and regulations.

The Head of the Audit Group functionally reports to the Bank's Chief Executive Officer and to the Audit Committee, which is comprised of three independent directors. These reporting lines and organisational structures ensure that the Audit Group has the full support and access required to efficiently and systematically conduct its work.

The Audit Group issues various reports to the head of audit units, the Audit Committee, the Chairman of the Board and Executive Board, management and other relevant parties throughout the year, including:

- audit reports;

- compulsory audit reports of branch visits and certain other matters issued to the Bank of Thailand; and

- monthly reports issued to the Audit Committee and management, and quarterly reports issued to the Board of Directors.

RELATED PARTY TRANSACTIONS

The Bank has formulated policies, regulations, and procedures for the consideration and approval of related party transactions in compliance with all applicable regulations set out by the BoT, the SET, and the Thai SEC to ensure that its related party transactions with connected entities, including subsidiaries, affiliates, relevant companies, third parties, and/or interested parties, are in line with reasonable criteria and procedures whereby fair prices and conditions are applied in the same manner as transactions generally concluded with the public to yield optimum benefit to the Bank and its shareholders and to prevent any conflict of interest according to good governance principles.

The Bank has also devised a policy governing pricing and conditions for concluding transactions with interested parties based on normal transaction standards, whereby fair prices and conditions will be applied in the same manner as transactions generally concluded with the public and/or in accordance with regulations set out by the BoT, the SET, and the Thai SEC. See the Bank's audited consolidated financial statements and related notes included elsewhere in this Offering Circular for a description of its transactions with related parties.

The Bank abides by good governance practices for related party transactions and ensures compliance with all applicable regulatory requirements, SET regulations, Thai SEC regulations, and BoT regulations regarding transactions with connected entities.

The Bank has established policies and procedures for consideration and approval of connected transactions through the following practices:

- Terms and conditions shall be reasonable and fair prices are applied in the same manner as transactions generally concluded with the public to ensure optimum benefit to the Bank and its shareholders, and to prevent any conflict of interest.

- Prohibition of directors and executives participating in consideration and voting of any matter in which they may have beneficial interest.

- The procedure of approval shall be initially proposed to the Executive Committee for consent and then to the Audit Committee for opinion through the Compliance and Operational Control Division prior to the submission to the Board of Directors for approval or consideration before further submission to the shareholders' meeting for final approval, as the case may be. If the matter is submitted to the shareholders' meeting, an additional opinion must be sought from the Independent Financial Advisor.

DESCRIPTION OF THE BANK'S CAYMAN ISLANDS BRANCH

The Bank's Cayman Islands branch (the "**Cayman Islands Branch**") was registered on 24 August 1994 as a foreign company with under the Registrar of Companies of the Cayman Islands under Part IX of the Companies Law (2011 Revision) of the Cayman Islands with its registered office at 5th Floor Harbour Place, 103 South Church Street, George Town,Grand Cayman KY1-1108, Cayman Islands. On 2 September 1994, the Cayman Islands Branch was granted a Category "B" banking licence by the Cayman Islands Monetary Authority to operate in the Cayman Islands under the Banks and Trust Companies Law (2009 Revision) of the Cayman Islands ("**Banking Law**"), which allows the Cayman Islands Branch to carry on conduct all types of "banking business" in any part of the world subject to the restrictions set forth in section 6(6) of the Banking Law which primarily prohibits the holder of a Category "B" banking licence from taking, deposits from persons residents in of the Cayman Islands or investing in any assets representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, *inter alia*, exempted or ordinary non-resident companies which are not carrying on business in the Cayman Islands and other licensees under the Banking Law. "**Banking business**" means, *inter alia*, the business of receiving (other than from a bank or trust company) and holding on deposit money which is repayable by cheque or order.

PRINCIPAL SHAREHOLDERS

As at 31 December 2015, the Bank had a total of 43,749,499,615 issued and paid-up shares, which comprised of 43,749,499,615 ordinary shares. The following table details certain information about the Bank's shareholders as of 6 March 2016 as recorded on the Bank's register.

Name	Number of ordinary shares	Percentage (%)
MINISTRY OF FINANCE	11,364,282,005	26.0%
ING BANK N.V.	10,970,893,359	25.1%
THAI NVDR[1]	4,038,318,644	9.2%
STATE STREET BANK	1,116,932,188	2.6%
DBS BANK LTD	780,000,000	1.8%
MRS SOMPORN JUNGRUNGRUEANGKIT	744,000,000	1.7%
CHASE NOMINEES LIMITED	604,910,214	1.4%
MILITARY GROUP[2]	546,499,860	1.3%
HSBC (SINGAPORE) NOMINEES PTE LTD	438,479,527	1.0%
HSBC (SINGAPORE) NOMINEES PTE LTD	352,404,400	0.8%
THAI LIFE INSURANCE	339,067,124	0.8%
BUALUANG LONG-TERM EQUITY	246,792,700	0.6%
GOVERNMENT PENSION FUND	242,330,300	0.6%
Other	11,895,948,705	27.2%
Total	**43,749,499,615**	**100.0%**

Notes:

(1) ING Group holds 4.90% via THAI NVDR

(2) Included Royal Thai Army, Thai Navy, Thai Air Force, RTA Entertainment Co., Ltd. and Military units.

MANAGEMENT

The following provides information on the members of the Bank's Board of Directors and executive officers as at the date of this Offering Circular.

Board of Directors

Mr. Rungson Sriworasat serves as Chairman of the Board of Directors.

Mr. Rungson further serves as Director of State Railway of Thailand (SRT), Director of Judicial Officer Commission, Deputy Permanent Secretary of the Ministry of Finance, Director of The Government Pharmaceutical Organization. He previously served as Director of Bank for Agriculture and Agricultural Co-Operatives.

Mr. Rungson received a Master of Business Administration, Prince of Songkla University Prince of Songkla University, Bachelor of Law, Sukhothai Thammathirat Open University and Bachelor of Accounting, Ramkhamhaeng University. He also completed a Senior Executive Program Certificate, Capital Market Academy (CMA) and National Defence College.

General Teerachai Nakwanich serves as Director.

General Teerachai Nakwanich further serves as Commander in Chief of Royal Thai Army, Director and Chairman of Audit Committee, Metropolitan Electricity Authority, Secretary, National Council for Peace and Order (NCPO) and Member of the National Legislative Assembly.

General Teerachai Nakwanich received Bachelor of Science, Chulachomklao Royal Military Academy, and Diploma of RTA Command and General Staff College. He also completed the programme of National Defence College.

Mr. Philippe G.J.E.O. Damas serves as Director, Chairman of the Board of Executive Directors and Member of the Nomination, Remuneration and Corporate Governance Committee.

Mr. Damas further serves as Board member, CM Houlder (SEA) Pte. Ltd., Board member, CM Houlder Insurance Brokers (Singapore) Pte. Ltd., Board Chairman of Prochem (Singapore), Director of Eurofin Asia (Singapore), and as an International Advisory Board member for Pacific Star (Singapore).

Mr. Damas received a MBA from Columbia University and degrees in Advanced Automatics from Ecole Nationale de l'Aeronautique et de l'Espace in Tolouse, and Ingenieur Civil Electricien Mecanicien from Universite Libre de Bruxelles. Mr. Damas has also served in the Belgian Army.

Mr. Singha Nikornpun serves as Independent Director and Chairman of the Audit Committee.

Mr. Singha further serves as Independent Director of The Thai Bond Market Association, Director of Thailand Professional Qualification Institute, Independent Director and member of the Audit Committee of IFS Capital (Thailand) Plc and Director of Association of Provident Fund.

Mr. Singha received a Master of Science (Human Relations and Management), Abilene Christian University, Dallas, Texas, USA and a Bachelor's Degree in Economics (Money and Banking), Kasetsart University.

Mr. Siripong Sombutsiri serves as Independent Director, Chairman of the Nomination, Remuneration and Corporate Governance Committee and Member of the Risk Management Committee.

Mr. Siripong Sombutsiri further serves as Chairman of the Board, Independent Director, and Chairman of Audit Committee of ComSeven Pcl., Independent Director and Chairman of the Audit Committee of Pan Asia Footwear Pcl., Director of Asian Property (2014) Co., Ltd., Director of AP ME 3 Co., Ltd., Director of AP ME 2 Co., Ltd. and Director of AP (Ratchayothin) Co., Ltd.

Mr. Siripong Sombutsiri received MBA from Sul Ross University, USA and BA in Accountancy from Chulalongkorn University. He also completed Ethical Leadership Program and Director Accreditation Program from Thai Institute of Directors Association.

Mr. Johannes Franciscus Grisel serves as Director, Chairman of the Risk Management Committee and Member of the Credit Committee.

Mr. Johannes Franciscus Grisel further serves as Global Head Non Financial Risk, ING Bank N.V.

Mr. Johannes Franciscus Grisel received Master in Business Administration from Nyenrode Business University and Bachelor in Business Administration from The Netherlands School of Business. He also completed Senior Banker's Course, ING and Mobilizing People, IMD.

Mr. Pongpanu Svetarundra serves as Director, Chairman of the Credit Committee, Member of the Board of Executive Directors and Member of the Nomination, Remuneration and Corporate Governance Committee.

Mr. Pongpanu further serves as Chairman of Megachem (Thailand) Co., Ltd., Permanent Secretary of Ministry of Tourism and Sport, Member of Sport Authority of Thailand as well as Director for Crown Seal Plc. and Thaisri Insurance Plc.

Mr. Pongpanu received a MA in Economics from Northwestern University and a B.Com in Economics from the University of Auckland. He has also completed the Advanced Management Program with Harvard Business School National Defence College and Senior Management programmes with the Capital Markets Academy, the Office of the Civil Service Commission, the Judicial Training Institute, the Public Director Institute and the Thai Institute of Directors Association.

Mr. Yokporn Tantisawetrat serves as Director, Member of the Board of Executive Directors, Member of the Risk Management Committee and Member of Credit Committee.

Mr. Yokporn Tantisawetrat further serves as Independent Director and Chairman of the Audit Committee, Banpu Power Pcl.

Mr. Yokporn Tantisawetrat received Master's Degree in Economics, Thammasat University and Bachelor's Degree in Economics, Chulalongkorn University. He also completed National Defense Course, Advanced Management Program (AMP) of Harvard Business School, Advanced Bank Management Program of Wharton University, Advanced Bank Management Program of Asian Institute of Management and Risk Management Program for Corporate Leaders and Director Accreditation Program of Thai Institute of Directors Association.

Mr. Vaughn Nigel Richtor serves as Director and Member of the Board of Executive Directors.

Mr. Richtor further serves as Chief Executive Officer and Member of the Board of ING Bank (Australia) Limited, member of Council Australian Bankers' Association, member of Challengers & Growth Countries Management Team and Leadership Council and, ING Bank N.V. He also serves as CEO Retail Banking Asia, ING Bank N.V, member of the Risk Committee, Audit Committee and Remuneration Committee of ING Bank (Australia) Limited.

Mr. Richtor received a Corporate Finance Diploma from the London Business School and a BA in Business Studies from Southbank.

Mr. Christopher John King serves as Independent Director, Member of the Audit Committee and Member of the Nomination, Remuneration and Corporate Governance Committee.

Mr. King further serves as Director on a number of Board of Directors, including as Independent Director, Chairman of the Nomination and Remuneration Committee, Member of the Audit Committee in Singer Thailand PLC, and as Director of Thivatharn Ltd., Kingfisher Holdings Ltd, Southeast Asian Packaging And Canning Ltd., Oceanic Cannery Co., Ltd., KF Foods Ltd., and Singer Leasing (Thailand) Ltd.

Mr. King received a LL.B from the University of Bristol, and a Postgraduate Practical Certificate in Law from the University of Singapore. Mr. King has also completed the Director Certification Program with the Thai Institute of Directors Association.

Mr. Praisun Wongsmith serves as Independent Director and Member of the Audit Committee.

Mr. Praisun Wongsmith further serves as Director of CAT Telecom Plc., Advisor to the Minister, Ministry of Information and Communication Technology, Chairman of the Board and Independent Director of Thantawan Industry Plc., Managing Director, SCMB Co., Ltd., Chairman of the Executive Committee, SCMB Co., Ltd. And Director of P.W. Consultants Co., Ltd.

Mr. Praisun Wongsmith received MS (Economics) and BS (Economics/Finance) from Oklahoma State University, USA. He also completed Advanced Security Management Program, National Defence College, Senior Executive Program Certificate, Capital Market Academy (CMA), The Leadership Grid Appreciation Workshop, Grid Teamwork Limited, Role of Chairman Program, Director Certification Program, and Director Associate Program and, Thai Institute of Directors Association.

Mr. Boontuck Wungcharoen serves as Director, Member of the Board of Executive Directors, Member of the Credit Committee, Member of the Risk Management Committee and Chief Executive Officer of the Bank.

Mr. Boontuck further serves as a Member of the National Legislative Assembly, the Board of Investment of Thailand, the Committee on Public and Private Sectors Economic Problems of the Office of the National Economics and Social Development Board, the Policy Committee on Special Economic Development Zone, the Joint Standing Committee on Commerce, Industry and Banking, the Payment Systems Committee of The Bank of Thailand and Chairman of the Thai Bankers' Association.

Mr. Boontuck received a MBA in Finance and International Business from New York University, and a Bachelor of Engineering in Chemical Engineering from Chulalongkorn University, Thailand. Mr. Boontuck has also completed the Director Accreditation program at the Thai Institute of Directors Association.

Chief Officers

As of the date of this Offering Circular, the Bank's business is also managed by the following Chief Officers.

Mr. Thanomsak Chotikaprakai serves as Chief Financial Officer of the Bank. He received a Master of Business Administration from the University of Eastern Michigan.

Mr. Lorenzo Tassan-Bassut serves as Chief Operating Officer of the Bank. He received a Master in Computer Engineering from the Hogeschool Enchede in The Netherlands.

Mr. Piti Tantakasem serves as Chief Wholesale Banking Officer of the Bank. He received a Ph.D. in Strategic Management under the collaboration programme between the University of Nebraska at Lincoln and Bangkok University.

Mr. Trirong Butragaht serves as Chief SME Banking Officer of the Bank. He received an MBA in Finance and International Business from University of Japan.

Mr. Ronald Bart Huisman serves as Chief Retail Banking Officer of the Bank. He received a Master of Business Law and Civil Law from University of Leiden.

Mr. Franciscus Gerardus Rokers serves as Chief Risk Officer of the Bank. He received a Master in Business Economics (Financial Management & Organizatinal Sciences) from University of Maastricht, The Netherlands.

As at the date of this Offering Circular, the directors of the Bank (as a whole) held less than 1 per cent. of the Bank's outstanding shares. The directors of the Bank do not have any short position in the shares, underlying shares or debentures of the Bank or of any associated corporation.

THE THAI BANKING INDUSTRY

The information set forth below is derived from publicly available sources and none of the Bank, its management, employees, advisers (including the Arrangers) or other parties takes any responsibility, express or implied, for such information. In addition, none of such parties has taken any steps to verify the accuracy of any of the information presented below and no representation or warranty, express or implied, is made by any such party as to the accuracy or completeness of such information.

The Thai banking industry is comprised of different types of financial institutions, including 19 commercial banks, 12 foreign commercial bank branches and 9 specialised financial institutions and other credit foncier companies (collectively, the "**Banking Institutions**"). Further, certain Government-owned or affiliated entities also provide residential mortgage lending, lending for farms and farming co-operatives, industrial development funding and export/import lending and services.

The banking sector is relatively concentrated as it is dominated by the four largest banks, which together account for approximately 60 per cent. of total system assets. While customer deposits represent the largest source of banking system funds, comprising approximately 80 per cent. of total liabilities, the loan books of the commercial banks are diversified and evenly distributed across major sectors. The Thai banking sector, which has a total banking assets of approximately US$480 billion in 2015, represents an attractive and sizeable banking market in Asia.

During 2008 – 2015, the Thai banking sector has demonstrated robust growth both in terms of loans (8.3 per cent. CAGR) and deposits (8.0 per cent. CAGR). As of the fourth quarter of 2015, the Thai banking sector's loan continued to expand at 4.3 per cent. from the same period last year. Large corporate loans (constituting 30 per cent. of total loan) grew at 0.1 per cent., which was largely due to from loan repayment and write-off attributable to a group of large steel producers. Loans for small and medium enterprises (constituting 38 per cent. of total loan) and consumer loans (constituting 32 per cent. of total loan) demonstrated year-on-year growth rates of 5.6 per cent. and 7.1 per cent. respectively.

In addition, asset quality of the Thai banking sector has been impaired significantly over the past few years due to economic slowdown. Total gross non-performing loans of all commercial banks rose from 2.15 per cent. at the beginning of 2013 to a level of 2.55 per cent. by the end of 2015.

Prior to the coming into force of the Financial Institutions Business Act B.E. 2551 (the "**FIBA**"), commercial banks, finance companies and credit foncier companies were governed separately by the Commercial Banking Act B.E. 2505 and the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business B.E. 2522, respectively. Financial institutions that fall within the ambit of the FIBA are commercial banks, retail banks, subsidiaries and branches of foreign banks, finance companies and credit foncier companies. The Bank of Thailand (the "**BoT**"), under the supervision of the Ministry of Finance, is the principal regulator under the FIBA and the Ministry of Finance has the authority to grant or revoke a licence granted to the financial institutions governed under the FIBA. For further information relating to the FIBA and significant regulations relating to commercial banks, see "*Supervision and Regulation*".

The following table describes certain information regarding the 10 largest banks in Thailand as at 31 December 2015: Bangkok Bank PCL ("**BBL**"), Krung Thai Bank PCL ("**KTB**"), The Siam Commercial Bank PCL ("**SCB**"), KASIKORNBANK PCL ("**KBANK**"), Bank of Ayudhya PCL ("**BAY**"), Thanachart Bank PCL ("**TBANK**"), TMB Bank PCL ("**TMB**"), United Overseas Bank (Thai) PCL ("**UOBT**"), CIMB Thai Bank PCL ("**CIMBT**"), and TISCO Bank PCL ("**TISCO**").

	BBL	KTB	SCB	KBANK	BAY	TBANK	TMB	UOBT	CIMBT	TISCO
	As at December 2015									
	All figures in THB'bn									
Balance Sheet										
Total assets	2,836	2,749	2,774	2,555	1,706	981	839	435	305	280
Net loans[(a)]	1,769	1,898	1,773	1,549	1,262	688	553	283	204	233
Customer deposits	2,091	2,137	1,891	1,705	1,046	670	645	302	170	158
Total Equities	362	234	308	312	191	118	77	45	27	28
Capital[(b)]										
CAR%	17.90	15.22	17.30	18.00	14.50	17.92	16.68	18.84	15.56	18.01
Tier I	342	225	265	252	164	82	66	N/A[(c)]	25	24
Tier II	45	75	59	60	29	40	31	N/A[(c)]	11	7
Legal capital fund	387	300	325	312	193	122	97	50	36	31

Notes:

(a) net loans and accrued interest receivables

(b) based on non-consolidated bank only statements

(c) As of 7 March 2016, UOBT's Tier I and II have not been disclosed yet

Source: companies' audited financial statements

Historically, the business activities of each particular sector in the Thai banking and financial markets, such as commercial banking, finance and securities, have been segregated. This segregation had the effect of restricting competition from other sectors or from foreign entities. In recent years, however, the BoT and the Ministry of Finance have gradually deregulated domestic banking and financial markets with the goal of strengthening the overall market and developing Bangkok into a regional financial centre.

Since the early 1990s, the BoT has been implementing a series of deregulation measures through incremental changes that are designed to remove some of the barriers to competition and to permit banks and other financial services companies to offer a broader range of products and services. A number of these reforms are increasing competition for loan customers and deposit customers.

The most significant reform to the Thai Banking sector was the implementation of the Financial Sector Master Plan. In January 2004, the BoT released the Financial Sector Master Plan Phase I which was implemented from 2004 until 2008. Key measures under the Financial Sector Master Plan Phase I are as follows:

- rationalising the structure and roles of financial institutions (both domestic and foreign-owned) to better meet customer demand, promoting a "one-presence" policy to consolidate a variety of banking functions into a single institution and providing incentives for lending to retail customers and SMEs;

- streamlining rules and regulations to improve the basic infrastructure of financial institutions, resolving tax impediments to mergers, removing regulations that impede financial sector efficiency, strengthening financial institutions and enhancing market mechanisms; and

- protecting consumers.

Following the implementation of the Financial Sector Master Plan Phase I, banks are now facing intensified competition as new licences were granted. For example, foreign banks which were only permitted to have one branch have been allowed to open up to two additional branches or convert their branches into subsidiaries. In addition, many small financial institutions merged following the implementation of the "one-presence" policy, resulting in greater strength in terms of capital, operational and risk management.

The Financial Sector Master Plan Phase II (implemented from 2010 until 2014), which sets forth a vision and framework for the further development of a Thai financial institution system, was released by the BoT on 4 November 2009. The relevant regulations have been issued by the BoT since the third quarter of 2010. The Financial Sector Master Plan Phase II aims to enhance the efficiency of the financial institutional system, thereby enabling financial institutions to perform their financial intermediation role more efficiently, and to become more competitive and accessible to a broader customer base while maintaining resiliency in the face of the fast changing environment. The Financial Sector Master Plan Phase II is intended to further strengthen the fundamentals of the Thai banking industry and continue the liberalisation of the branch network within the scope of the "one-presence" policy set out in the Financial Sector Master Plan Phase I. Key measures under the Financial Sector Master Plan Phase II are as follows:

- reducing system-wide operating costs to enhance the management efficiency of financial institutions;
- promoting competition and financial access through various measures such as introducing new service providers, expanding the scope of business of existing service providers to induce greater competition in price and service quality; and
- strengthening financial infrastructure.

The Ministry of Finance and the BoT anticipate that the implementation of the Financial Sector Master Plan Phase II would benefit individuals, businesses, the financial institutional system and the country as a whole, in the following ways:

- creation of an efficient financial institutional system, with good risk management system and corporate governance, that is strong, not burdensome for the country, and supportive of economic development in both normal and crisis scenarios;
- reduction in costs of services provided by financial institutions, that would help lower operating costs of the private sector, thereby increasing the country's competitiveness and financial growth of Thai people;
- improving access for users to a broad range of financial services appropriate to their needs, especially through the promotion of microfinance to help to reduce the burden from resorting to the informal market;
- strengthening of grassroot communities through knowledge-sharing between successful microfinance experts and local grassroot micro-institutions, which would lead to greater financial strength and financial immunity for all groups in the Thai society;
- creation of a legal platform which grants access to the business restructuring process for individual debtors and small business debtors with potential, thereby enabling their businesses to continue, and safeguarding the overall economy; and

- creation of a financial infrastructure that is conducive to risk management of financial institutions, thereby enabling them to deal with outstanding non-performing loans and assets more effectively, and thus leading to lower operating costs and a greater readiness to serve customers.

The Phase III Plan is still in the process of being approved by the Ministry of Finance of Thailand. Subsequent to its approval, it is expected that this plan will be officially announced by the Bank of Thailand in the first half of 2016 and will be implemented for a period of five years, i.e., from 2016 to 2020. We expect that the Phase III Plan will be aimed at creating a competitive, inclusive, connected, and sustainable financial sector. The main policies in the Phase III Plan will likely to focus on 4 main aspects: (i) Digitization and Efficiency – promoting digital channels, electronic payments and automated system in banking services which will enhance competitiveness of financial institutions; (ii) Regionalization – promoting trade and investment within the ASEAN region and Greater Mekong Subregion; (iii) Access – promoting financial access to individuals, SMEs, businesses and mega-projects; and (iv) Enablers – developing infrastructure and human resource in financial institutions. The Bank believes that the Phase III Plan will lead to further development and sustainability in the Thai banking system and allow the business to compete more efficiently in the market.

SUPERVISION AND REGULATION

General Introduction

The Bank is regulated by the Bank of Thailand ("**BoT**") which was established under the Bank of Thailand Act B.E. 2485 (1942) (the "**Bank of Thailand Act**") in 1942 as the central bank to be in charge of implementing monetary policy.

In accordance with the Financial Institution Business Act B.E. 2551 (2008) (the "**Financial Institution Business Act**"), businesses of commercial banking, finance companies and credit foncier (mortgage lending) companies are supervised by the BoT. The BoT is granted broad powers thereunder to regulate commercial banking activities. The following discussion sets forth information with respect to significant regulations on commercial banking in Thailand.

Financial Sector Master Plan – Phase I, Phase II and Phase III

The Phase I Plan was introduced by the BoT in 2003. The objective of the Phase I Plan was to reform the Thai financial sector through a combination of consolidation, deregulation and liberalisation by taking into account Thailand's economic development needs. The Phase I Plan, which was implemented between 2004 and 2008, focused on the development of public access to financial services, general efficiency in the financial sector and consumer protection.

The Phase II Plan, proposed at the end of 2009 and was implemented from 2010 to 2014, aimed to continue developing the financial institutional system. The focus of the Phase II plan was to enhance the efficiency of the financial institutional system, thereby enabling financial institutions to perform their financial intermediation roles more efficiently and to become more competitive and accessible to a broader consumer base while maintaining structural and operational resiliency.

As of the date of this Offering Circular, the Phase III Plan is in the process of being approved by the Ministry of Finance of Thailand. Subsequent to its approval, it is expected that this plan will be officially announced by the BoT in the first half of 2016 and will be implemented for a period of five years, i.e. from 2016 to 2020. The Bank expects that the Phase III Plan will aim at creating a competitive, inclusive, connected, and sustainable financial sector. The main policies in the Phase III Plan will likely to focus on 4 main aspects: (i) Digitization and Efficiency – promoting digital channels, electronic payments and automated system in banking services which will enhance competitiveness of financial institutions; (ii) Regionalization – promoting trade and investment within the ASEAN region and Greater Mekong Subregion; (iii) Access – promoting financial access to individuals, SMEs, businesses and mega-projects; and (iv) Enablers – developing infrastructure and human resource in financial institutions.

Basel II Implementation in Thailand

Basel II is a set of banking regulations put forth by the Basel Committee on Banking Supervision ("**BCBS**"), which regulates finance and banking internationally. Basel II attempts to integrate Basel capital standards with national regulations, by setting the minimum capital requirements of financial institutions with the goal of ensuring institutional capital adequacy and reducing the risks associated with commercial banks' investment and lending practices.

Basel II is based on a "three pillars" concept – Pillar 1: minimum capital requirements, Pillar 2: supervisory review process and Pillar 3: market discipline – to promote greater stability in the financial system.

Pillar 1 sets minimum capital requirements based on three major components of risk faced by commercial banks, namely, credit risk, market risk and operational risk. The BoT implemented a capital adequacy framework adopted by BCBS and required commercial banks registered in Thailand to have maintained by 31 December 2008 a minimum capital to risk-weighted assets ratio of 4.25% for Tier I capital, and 8.5% for Tier I capital and Tier II capital combined, **provided that** at any time Tier II capital must not exceed Tier I capital.

Pillar 2 concerns how the regulator supervises commercial banks to ensure a stable and safe business and operating framework, including developing risk management and supervision of capital funding. The BoT started implementing its supervisory role under this Pillar 2 by issuing relevant regulations in August 2009. Under such regulations, each commercial bank is required to have an Internal Capital Adequacy Assessment Process ("**ICAAP**") to cover all aspects of risk related to its business and to maintain its capital to risk-weighted assets ratio at a level higher than that required by the Pillar 1 regulation. The BoT will audit and may order commercial banks to increase their capital funds as it deems appropriate. The BoT required commercial banks to comply with the Pillar 2 regulation by 31 December 2010.

Pillar 3 requires commercial banks to disclose important information to enable its stakeholders or other related parties to evaluate the capital adequacy and risks of each commercial bank. The BoT implemented this disclosure standard adopted by BCBS that required commercial banks to disclose such information, including information relating to capital funds, capital adequacy, level of risk and risk management. The BoT required commercial banks to disclose information related to capital funds and market risk by 30 June 2009 and information on risk management processes by 31 December 2009.

Basel III Planned Implementation in Thailand

Basel III is an additional set of banking regulations put forth by BCBS in December 2010 to supervise financial institutions after the global financial crisis during the period of 2007 – 2008. Basel III introduces more efficient minimum capital requirements and efficient liquidity risk management with a view to promote the ability of financial institutions to better cope with any crisis in financial and economic systems, as well as to reduce systemic risks passed through from the financial system into the economic system.

Basel III is composed of three major components: (1) minimum capital requirements; (2) liquidity risk management; and (3) enhanced measures to supervise global systemically important bank ("**G-SIBs**").

Component 1: The main objectives are to: (i) improve Pillar 1 of Basel II by adjusting the calculation of capital adequacy ratio through qualitative and quantitative measures to improve the capital base for the purpose of loss absorption as well as intensifying risk coverage measures by adjusting the calculation of risk-based assets to reflect the actual risks and a more extensive coverage of transactions; and (ii) improve Pillar 3 of Basel II by requiring a higher level of public disclosure. In addition to the measures to improve Basel II, BCBS also stipulates two more supplemental measures, i.e. leverage ratio to control the number of transactions of financial institutions and capital buffers (i.e. capital conservation buffer and countercyclical buffer) to reduce the fluctuation of the economic cycle.

Component 2: The main objective is to ensure the adequate liquidity of financial institutions by using quantitative measures to cope with the occurrence of financial crises.

Component 3: BCBS will conduct a G-SIBs identification by taking into account five factors i.e., global activity, size of assets, interconnectedness with other financial institutions, substitutability of the overall financial system, and complexity of transactions. G-SIBs will be required to maintain capital and liquidity surcharges and to set the scope of large exposure restrictions.

To implement the Component 1 of the Basel III, the BoT in November 2012 issued a series of regulations introducing new minimum capital requirements and capital buffers for commercial banks registered in Thailand which are based on the guidelines imposed by Basel III.

Pursuant to the Notification of the Bank of Thailand No. Sor.Nor.Sor. 12/2555 Re: Rules on the Supervision of Capital Funds of Commercial Banks (the "**BOT Notification**"), commercial banks registered in Thailand are required to maintain at the end of each day a total minimum capital ratio of not less than 8.5% of the total risk-weighted assets, provided that the Common Equity Tier I ratio must not be less than 4.5% and Tier I ratio (which consists of Common Equity Tier I and Additional Tier I) must not be less than 6.0% of the total risk-weighted assets, effective from 1 January 2013.

The BOT Notification further requires that, by 1 January 2019, commercial banks registered in Thailand must increase, in the form of capital conservation buffer, their Common Equity Tier I ratio originally from 4.5% to more than 7.0%, Tier I ratio originally from 6.0% to more than 8.5% and total capital ratio originally from 8.5% to more than 11.0% of the total risk-weighted assets. Such capital conservation buffer of more than 2.5% will be increased in phases by more than 0.625 percentage points in each year starting from 1 January 2016 until reaching its final level of more than 2.5% on 1 January 2019.

In addition, if there is excess credit growth in Thailand resulting in a build up of system-wide risk, the BoT may further require commercial banks registered in Thailand to increase, in the form of a countercyclical buffer, their Common Equity Tier I ratio within a range of 0% to 2.5% of the total risk-weighted assets. This, however, is still subject to detailed guidelines and requirements to be issued by the BoT.

With regard to the implementation of the Component 2 of the Basel III, pursuant to the Notification of the BoT No. Sor.Nor.Sor. 9/2558 Re: Rules on Maintenance of Liquidity Coverage Ratio ("**LCR**") in Preparation for Liquidity Crises issued on 27 May 2015 and effective as of 1 January 2016, the BoT requires that commercial banks registered in Thailand maintain at the end of each month high-quality liquid assets in an amount no less than 60% of the expected net cash outflow of 30 days in a liquidity crisis. The required percentage is to increase by 10% yearly until it reaches 100% on 1 January 2020. Additionally, Notification of the BoT No. Sor.Gor.Ngor. 56/2558 Re: Reserve Requirement to be Maintained with the BoT issued on 21 September 2015 also requires commercial banks to maintain reserves of no less than 1% of the total average deposits and borrowed funds of every 14 days, the criteria for the calculation of which is further set out in the notification.

In addition, the Basel Committee has laid out a requirement for banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities known as the Net Stable Funding Ratio (the "**NSFR**") requirement. Such requirement aims to strengthen the medium-term and long-term funding structure of the banks. Although the BoT has yet to issue a regulation on the NSFR requirement, it is expected that such regulation will be introduced in the second half of 2016.

Consolidated Supervision of Financial Institutions in Thailand

In accordance with the Financial Institution Business Act, a financial business group may be established under any of the following structures: (i) a financial business group having a financial institution as its parent company; and (ii) a financial business group having a parent company that is not a financial institution, but having at least one financial institution as its subsidiary.

The BoT systematically supervises commercial banks in Thailand through a consolidated supervision regime. Under such regime, a financial business group of a commercial bank, which consists of the commercial bank itself and other affiliated companies undertaking any financial business or any business supporting financial business, is regulated and supervised by the BoT in accordance with the Financial Institution Business Act and the relevant rules and regulations issued thereunder. A commercial bank that is the parent company also has certain duties and obligations towards each member of its financial business group.

Under the consolidated supervision of the BoT, a commercial bank is required to obtain an approval from the BoT to establish its financial business group or to set up a subsidiary. In addition, any subsequent change to the structure of a financial business group must also be approved by or reported to the BoT in accordance with the BoT's regulations. Each company within a financial business group can only conduct its financial business or other supporting businesses as prescribed and approved by the BoT.

The consolidated supervisory regime categorises financial business groups into three levels with varying degrees of regulation. These three categories are: (i) "Full Consolidation" group which includes all members of the financial business group; (ii) "Solo-Consolidation" group which includes members that engage in the business of granting credit and entering into credit-like transactions and those members have the characteristics as prescribed under the regulations of the BoT and as approved by the BoT; and (iii) "Non Solo-Consolidation" group which includes members of the financial business group that are not members of the Solo-Consolidation group.

The Full Consolidation group and the Solo-Consolidation group of a commercial bank are required to maintain a capital adequacy ratio of not less than 8.5% of the total risk-weighted assets of all members of the financial business group, in accordance with the Basel II guidelines prescribed by the BoT in order to address credit risks, market risks and operational risks. However, following the implementation of Basel III setting new minimum capital requirements for commercial banks registered in Thailand, the BoT issued the Notification No. Sor.Nor.Sor. 19/2555 Re: Consolidated Supervision (No. 2) imposing a new capital adequacy ratio in accordance with the Basel III guidelines on financial business groups of commercial banks with effect from 1 January 2014. This new capital adequacy ratio is the same as that which applies to commercial banks registered in Thailand on a solo basis. In addition, all financial business groups will also be required to comply with the BoT's requirements concerning capital conservation buffer and countercyclical buffer as discussed above.

Under the consolidated supervisory regime, the BoT is empowered to: (i) determine the scope of business operations of members of the financial business group; (ii) determine the requirements to regulate the (a) overall risk, (b) capital adequacy requirements, (c) credit risk, (d) marketing risk, (e) liquidity risk and (f) operational risk, of each member of the financial business group; (iii) impose disclosure and reporting requirements; (iv) restrict or limit certain transactions among members of the financial business group; and (v) audit the strength of the financial business group.

A commercial bank (as the parent company in its financial business group) has the following duties and responsibilities in respect of the group: (i) setting-up business policy and strategy for its financial business group and filing a report thereof to the BoT annually or upon any substantial change to such policy or strategy, within the period of time prescribed by the BoT; (ii) setting-up policies on risk management, including business continuity management, monitoring and a supervisory system as prescribed by the BoT; (iii) controlling and supervising the members of its financial business group to comply with the applicable rules and regulations of the BoT and the policies established by the parent company; (iv) providing financial support to the members of its financial business group as necessary to implement the group's business strategy or to ensure that members of its financial business group comply with the capital requirements as required by the BoT; (v) notifying the BoT of any event that may incur a material adverse risk on the financial business group, in particular, its status and reputation; and (vi) maintaining and preparing the information on each member of the financial business group individually and collectively as a group as appropriate to enable the BoT to inspect its operations.

Under the Financial Institution Business Act, the BoT is empowered to appoint bank inspectors for the purpose of inspecting the affairs, assets and liabilities of any commercial bank, its parent company, subsidiaries or affiliates, and members of the financial business group as well as debtors and related persons of such commercial bank. These inspectors have the power to order directors, auditors and employees to testify on the affairs, assets and liabilities of the commercial bank as well as produce books, records or other evidence and to enter premises of a commercial bank during working hours.

Principal Regulations relating to Commercial Banks

The following discussion sets forth information with respect to certain significant regulations relating to commercial banks in Thailand.

Capital Adequacy Requirements

From 1 January 2013 onwards, commercial banks registered in Thailand are required to maintain at the end of each day a total minimum capital ratio of not less than 8.5% of the total risk-weighted assets, **provided that** the ratio of the Common Equity Tier I (referred to below) must not be less than 4.5% and Tier I ratio (which consists of Common Equity Tier I and Additional Tier I (referred to below)) must not be less than 6.0% of total risk-weighted assets.

This capital adequacy requirement was implemented on 1 January 2013 by the BoT adopting Pillar 1 of the Basel III guidelines that set minimum capital requirements based on three major components of risk faced by commercial banks, namely, credit risk, operational risk and market risk, as well as additional capital buffers (i.e. capital conservation buffer and countercyclical buffer) with a view to strengthen the stability of the financial institution system.

In addition, under the consolidated supervisory regime, a financial business group is required to maintain at the end of each day a capital adequacy ratio of not less than 8.5% of the total risk-weighted assets of all members of the financial business group in accordance with Basel II guidelines until 31 December 2013. However, from 1 January 2014 onwards, a financial business group has been required to comply with a more stringent capital adequacy ratio which is the same as that currently applied to commercial banks registered in Thailand on a solo basis.

Furthermore, by 1 January 2019, commercial banks registered in Thailand must increase, in the form of capital conservation buffer, their Common Equity Tier I ratio originally from 4.5% to more than 7.0%, Tier I ratio originally from 6.0% to more than 8.5% and total capital ratio originally from 8.5% to more than 11.0% of the total risk-weighted assets. Such capital conservation buffer of more than 2.5% will be increased in phases by more than 0.625 percentage points in each year starting from 1 January 2016 until reaching its final level of more than 2.5% on 1 January 2019. This capital conservation buffer requirement will apply to financial business groups of commercial banks established under the Financial Institution Business Act as well.

The Notification of the Bank of Thailand No. Sor.Nor.Sor. 7/2558 Re: Capital Funds of Commercial Banks Registered in Thailand sets out the criteria for classification of each component of capital, including Common Equity Tier I, Additional Tier I and Tier II capital, which is in line with international practice as well as Basel III requirements.

Common Equity Tier I includes: (i) paid-up capital (except for paid-up capital in respect of preferred shares) which also includes share premiums and money received from an issue of warrants for the purchase of the commercial bank's shares as qualified under the BoT's regulations; (ii) legal reserves; (iii) reserve funds obtained from the allocation of net profit as at the end of the accounting period in accordance with the resolution of the annual shareholders' meeting or the commercial bank's articles of association (excluding reserve funds for depreciation of assets, dividend payments and debt repayments); (iv) remaining net profit after allocation in accordance with the resolution of an annual shareholders' meeting of the commercial bank or the commercial bank's articles of association; and (v) other equity, which consists of accumulated other comprehensive income and owner changes. The said composition is also subject to adjustment and deduction in accordance with criteria imposed by the BoT.

Additional Tier I includes: (i) proceeds derived from an issue of non-cumulative dividend preferred shares and warrants for the purchase of the non-cumulative dividend preference shares; (ii) proceeds derived from an issue of subordinated debt instruments (rights of holders of which are subordinated to depositors, general creditors and holders of other subordinated debt instruments of the commercial bank, including holders of debt instruments which are counted as Tier II capital), and (iii) premium (shortfall) resulting from the issue of instruments described in (i) and (ii) above. Financial instruments which can be counted as Additional Tier I capital must meet certain criteria imposed by the BoT and be approved by the BoT.

Tier II capital includes: (i) proceeds derived from an issue of cumulative dividend preference shares and warrants for the purchase of the cumulative dividend preferred shares; (ii) proceeds derived from an issue of subordinated debt instruments (rights of holders of which are subordinated to depositors and general creditors); (iii) premium (shortfall) resulting from the issue of instruments described in (i) and (ii) above; (iv) general provisions made in accordance with the regulations prescribed by the BoT; and (v) provisions reserved for an amount that is in excess of the expected loss (i.e. surplus of provisions). Financial instruments which can be counted as Tier II capital must meet certain criteria imposed by the BoT and be approved by the BoT.

A commercial bank that fails to maintain its capital adequacy ratios will be subject to certain penalties as imposed by the BoT at its discretion according to the Financial Institution Business Act. Such penalties include, but are not limited to, an order to close down the business of the commercial bank or an order that such commercial bank be placed under the control of the BoT.

Reserve Requirement

Commercial banks are required to maintain reserves in proportion to deposits and/or borrowings in accordance with the Notification of the BoT No. Sor.Gor.Ngor. 56/2558 Re: Reserve Requirement to be Maintained with the Bank of Thailand issued on 21 September 2015. The notification requires commercial banks to maintain reserves of no less than 1% of the total average deposits and borrowings of every 14 days. For the purpose of calculation, deposits and borrowing consist of: (a) all types of deposits; (b) borrowings by way of issuing bills of exchange or promissory notes, except for bills of exchange or promissory notes issued to financial institutions under the law on loan interest of financial institutions, and to the Islamic Bank of Thailand; (c) borrowings from foreign countries (having maturity of not more than one year or payable within one year); (d) borrowing with embedded financial derivatives; and (e) transfers of deposits and borrowing in (a) to (d) to commercial banks in Thailand from its branches or head office in foreign countries.

Liquidity Coverage Ratio

The BoT has issued the Notification of the BoT No. Sor.Nor.Sor. 9/2558 Re: Rules on Maintenance of LCR in Preparation for Liquidity Crises on 27 May 2015, setting forth LCR requirements that are in line with those set forth in Basel III. Effective from 1 January 2016, commercial banks registered in Thailand must maintain at the end of each month high-quality liquid assets in an amount no less than 60% of the expected net cash outflow of 30 days in a liquidity crisis. The requirement is to increase by 10% yearly until it reaches 100% on 1 January 2020.

For the purpose of complying with this requirement, high-quality liquid assets are categorized into two tiers in accordance with the criteria imposed by the BoT. Examples of Tier 1 high-quality liquid assets include cash, debt instruments issued or guaranteed by governments, central banks, provincial administrative offices, governmental offices, state enterprises or multilateral development banks bearing zero risk as per the evaluation of assets with credit risks using the Standardised Approach. Tier 2 is further categorized into 2 sub-categories: (a) Tier 2A which includes debt instruments issued or guaranteed by governments, central banks, provincial administrative offices, governmental offices, state enterprises or multilateral development banks bearing risk of 20% as per the evaluation of assets with credit risks using the Standardised Approach and (b) Tier 2B which includes debt instruments issued or guaranteed by governments, central banks, provincial administrative offices, governmental offices, state enterprises or multilateral development banks bearing risk of 50% as per the evaluation of assets with credit risks using the Standardised Approach. All high-quality liquid assets must also meet the minimum standard as stipulated by the BoT. When calculating the value of high-quality liquid assets, the value of all qualified assets must be combined and deducted by the haircut value as put forward by the BoT. Tier 2 high-quality liquid assets cannot exceed 40% and Tier 2B high-quality liquid assets cannot exceed 15% of the total value of Tier 1 and Tier 2 high-quality liquid assets after the haircut and unwind.

In addition, the expected net cash outflow is calculated by deducting the expected cash inflow from the expected cash outflow within the period of 30 days during the liquidity crisis. The expected cash inflow cannot exceed 75% of the outflow and cannot include those assets that are already qualified as high-quality liquid assets.

Foreign Exchange Positions Limit

Under the BoT's regulations, a commercial bank's daily net foreign exchange position in each currency shall not exceed 15% of capital funds or US$5 million, whichever is higher and a commercial bank's daily aggregate foreign exchange position shall not exceed 20% of capital funds or US$10 million, whichever is higher.

Loan Classification and Reserve

Commercial banks are required under the BoT's regulations to establish reserves based on the classification of their assets. The BoT's regulations require that commercial banks classify and report their loan portfolios in accordance with the requirements imposed by the BoT. These classifications are used to determine minimum levels of loan loss reserves that commercial banks are required to maintain, and such minimum reserves are required to be reflected on commercial banks' financial statements. However, commercial banks are permitted to use more stringent methods for determining their loan loss reserves.

The BoT regulates asset classification, including loan classifications and reserves, interest recognition, collateral valuation and loan monitoring. The regulations require commercial banks to classify their loan portfolios into six categories: two categories for performing loans (i.e. Normal and Special Mention) and four categories for non-performing loans ("**NPLs**") (i.e. Substandard, Doubtful, Doubtful of Loss and Loss). The classification of loans shall be conducted on an account-by-account basis, **provided that** those accounts whose cash inflows are related are classified in the same category.

Commercial banks are required under the BoT's regulations to establish reserves based on the category of classification. Normal loans require a general reserve of 1% of the outstanding principal of the underlying loan (excluding accrued interest) net of eligible value of relevant collateral, and Special Mention loans require a reserve of 2% of the outstanding principal of the underlying loan (excluding accrued interest) net of eligible value of relevant collateral. Substandard loans, Doubtful loans and Doubtful of Loss loans require 100% reserves for the difference between the book value of the loans and the present value of cash flows that such commercial bank expects to receive from the debtors or from the enforcement of the relevant collateral. For a group of retail loans (regardless of its loan classifications), or a group of Normal and Special Mention non-retail loans, having similar credit risk characteristics, commercial banks may choose to set aside loan loss reserves in an amount determined on the basis of past loss experience under a collective approach in accordance with the BoT's regulations. Loans classified as loss must be written off.

Tax Effects of Provisions

The Thai Revenue Code was amended, for accounting periods beginning on or after 1 January 1997, to allow commercial banks to consider any provision for loan loss that commercial banks set aside in accordance with the legal requirement of the BoT, in excess of that set aside by the commercial banks during the previous accounting period as appeared in their balance sheet, as their expenses deductible from the commercial banks' profit in calculation of net profit of the commercial banks for tax purposes. In addition, under the Thai Revenue Code, companies are permitted to carry forward any tax losses for up to five years.

Restrictions on Commercial Banks

Principle restrictions on commercial banks, as stipulated by the BoT, include, but are not limited to, those discussed below.

Restrictions on engaging in other businesses

Under the Financial Institution Business Act, commercial banking activities can only be conducted by domestic public limited companies or domestic branches or subsidiaries of foreign banks after obtaining a licence from the Ministry of Finance. A commercial bank shall only undertake the business of commercial banking and business incidental to or necessary for the undertaking of commercial banking as prescribed by the BoT.

Restrictions on lending: Single lending limit

The amount of money that a commercial bank (not being a retail bank) uses in granting credit to, making investments in the business of, or assuming contingent liabilities, or entering into credit-like transactions with: (i) any one person; or (ii) several persons to be used in any one project or to be used for the same purpose, at the end of any one day, shall not exceed 25% of the total capital funds of such commercial bank. For the purpose of this restriction, credits granted to any one person shall include those granted to any related person of such person.

Restrictions on lending: Loans to directors and executives and their related persons

A commercial bank may not directly or indirectly: (i) grant any credit to, enter into credit-like transactions with or provide a guarantee for any debt of its directors, managers, deputy managers, assistant managers, or persons holding positions with equivalent responsibilities under different titles, persons with management power, or any person related to any such persons, except for (a) those granted under the credit limit prevailing prior to the assumption of such positions or for the purpose of debt restructuring as approved by the board of directors of the commercial bank and in accordance with the criteria set out by the BoT; (b) the granting of credit in the form of a credit card up to the maximum amount prescribed by the BoT or for an employee's welfare in accordance with the BoT's regulations; or (ii) accept bills, give aval to bills or intervene for the honouring of bills which any of its directors, managers, deputy managers, assistant managers, or persons holding positions with equivalent responsibilities under different titles, persons with management power, or any person related to any such persons, is the drawer, issuer or endorser.

Restrictions on lending: Loans to major shareholders and related business entities

A commercial bank may not grant credit to, invest in, undertake contingent liabilities with, or enter into credit-like transactions with its major shareholders or its related business entity, at the end of any one day for each such person or entity, in excess of 5% of the total reserved capital under the BoT's regulations, or in excess of 25% of the total liabilities of such major shareholder or of such related business entity, whichever is the lesser, subject to certain exceptions as prescribed by the BoT.

For the purpose of this restriction, (i) a major shareholder means a person holding (together with related persons of such person (if any)) more than 5% of the total issued shares of such commercial bank; and (ii) a related business entity means any entity in which such commercial bank, its director, person with management power, or any person related to any such person, holds shares in aggregate exceeding 10% of the total issued shares of such entity.

Restrictions on making investments: Holding shares in other commercial banks

A commercial bank may not hold or possess shares or securities related to shares that are issued by any other commercial bank except: (i) those acquired as a result of a debt repayment or as security for the credit granted, which must be disposed of within 6 months from the acquisition date; or (ii) those bought or acquired as approved by the BoT.

Restrictions on making investments: Holding shares in other companies

A commercial bank may not directly or indirectly hold or possess shares of any company in excess of: (a) 20% of the total capital funds of such commercial bank (for the total holding or possession of shares in all companies); (b) 5% of the total capital funds of such commercial bank (for the holding or possession of shares in each company); or (c) 10% of the total issued shares of such company. However, the BoT may grant a relaxation of these shareholding restrictions where such shareholding results from a debt restructuring, debt payment, debt enforcement, or security enforcement, or in order for such commercial bank to support such commercial bank's business, where necessary. For the purpose of these shareholding restrictions, the amount of shares deemed to be held by commercial banks also includes shares held by any related person of the commercial bank.

However, the above restrictions do not apply to: (i) the holding or possession of shares in specific businesses under the Thai Government's policy to promote the overall financial institutional system, which are the National Credit Bureau and the National ITMX Co., Ltd.; (ii) the holding or possession of shares in a company which is not a member of a financial business group by a commercial bank's subsidiary which is a member of a financial business group and is a regulated subsidiary, such as a securities company or insurance company, and in accordance with the regulations of the relevant regulatory authorities; and (iii) the investments in a financial business group as approved by the BoT in accordance with the regulations of the BoT regarding consolidated supervision.

Restrictions on making investments: Acquiring real estate

A commercial bank may not acquire or hold real estate other than: (a) for reasonable use as business premises or as places of residence or welfare for its employees as approved by the BoT; or (b) those acquired as a result of debt settlement, provision of security for credit granted, purchase of real estate mortgaged to the commercial bank at a public auction conducted pursuant to an order of a court or an official receiver, in each case, subject to the conditions imposed by the regulations of the BoT which include a requirement to sell such real estate within a certain period prescribed by the regulations of the BoT.

Disposal of foreclosed property

Commercial banks must dispose of foreclosed or surrendered real estate within five years of their acquisition. However, according to the BoT's Notification No. Sor.Nor.Sor. 22/2552 Re: Real Estate to be Disposed, the BoT grants extensions for the following assets:

(a) extension up to ten years from the date of acquisition for: (i) real estate acquired between 1 January 1996 and 31 December 2004; and (ii) real estate acquired by commercial banks between 1 January 2005 and 31 December 2006 as a result of the debt restructuring of the debtors classified as Substandard, Doubtful, Doubtful of Loss and Loss prior to 1 January 2005, including debtors classified as Doubtful of Loss with 100% provisioning and written-off from the commercial bank's accounts.

(b) extension up to five years from the date of acquisition or the completion of the relevant procedures or circumstances (discussed below) for: (i) real estate acquired from 1 January 2005 other than the real estate mentioned above; (ii) real estate under court proceedings, arbitration proceedings or official proceedings; (iii) real estate subject to measurement by land officials; (iv) real estate subject to title deed problems; (v) real estate left after an expropriation; and (vi) real estate subject to eviction or encumbrances, **provided that** for real estate under (ii) to (vi) above, such commercial bank has evidence that it is processing these procedures with the relevant government agencies and such commercial bank has tried its best to resolve such circumstances. In addition, real estate that is no longer used by a commercial bank as a branch office (whether due to relocation, cancellation of branch opening or closure) or no longer used for the benefit of its employees from 1 January 2001 onwards is also required to be disposed of within five years from the relevant effective dates.

A further 5-year extension from clauses (a) and (b) above is allowed, **provided that** where the total book value or the total appraisal price (whichever is lower) of such further extended foreclosed or surrendered real estate (held by both the commercial bank and its respective subsidiary asset management company) exceeds 10% of the capital fund of the commercial bank, the commercial bank must meet the reserve requirements for such foreclosed real estate at certain levels as specified by the BoT.

Material Laws Relating to the Lending Business of Commercial Banks

Guarantee, Mortgage and Pledge Laws

Provision of collateral in the form of guarantee, mortgage and pledge in connection with secured loans or other secured finance transactions is governed by the laws on guarantee, mortgage and pledge under the Civil and Commercial Code of Thailand ("**CCC**").

Guarantee

According to the CCC, a guarantee is a contract whereby a third person binds himself to a creditor to satisfy an obligation in the event that the debtor fails to perform such obligation. The contract must be in writing and signed by the guarantor. According to the most recent amended guarantee provisions under the CCC, certain particulars such as the maximum guaranteed amount and duration of the underlying obligation must be specified when a guarantee agreement is entered into. The amendment also prohibits a guarantor, who is an individual, from being held liable as a primary debtor. Consequently, such guarantor may exercise the rights to, among other things, demand that the primary debtor be the first to be called upon to perform his obligation, except where not permitted in limited circumstances prescribed in the CCC. In addition, the CCC (as amended) also prescribes administrative procedures for a creditor to follow before calling for performance by the guarantor, failing which the ability of the creditor to enforce his rights against the guarantor would be impaired. The guarantor will be discharged as soon as the obligation of the debtor is extinguished by any cause whatsoever. The guarantor can be discharged, among other events, if the creditor grants the debtor an extension of time to perform an obligation which is to be performed within a definite time without the consent of the guarantor. Such consent may not be given prior to the extension of time except in a case where the guarantor is a financial institution or operates a guarantee business.

Mortgage

According to the CCC, a mortgage is a contract whereby a person or an entity called the mortgagor assigns property to another person called the mortgagee as security for the performance of an obligation of himself or any third party without delivering the property to the mortgagee. Only certain types of property can be mortgaged. Such property includes immovable property such as land and buildings, some types of registered movable property such as ships of five tons and over and floating houses, and any movables with regard to which the law may provide registration for that purpose such as machinery. A mortgage contract must be made in writing and registered by a competent official. In addition, the contract must specify the property mortgaged and contain either a certain sum or maximum amount for which the mortgaged property is assigned as security. Pursuant to the recently amended mortgage provisions under the CCC, liability of a third party mortgagor is limited to the value of the mortgaged property. The amendment also prohibits such third party mortgagor from acting as a guarantor for the same underlying debts that are already secured by the mortgage, except in a case where the debtor is a juristic person and such third party mortgagor is the person having management power over the debtor and a guarantee contract has been entered into separately. When enforcing the mortgage, the mortgagee must follow certain administrative procedures before calling for performance by a third party mortgagor, failing which the ability to enforce the mortgage would be impaired. The amendment also provides a new mortgage enforcement mechanism without the involvement of the court. A mortgage is extinguished, among other events, when the secured obligation becomes extinct otherwise than by prescription.

Pledge

According to the CCC, a pledge is a contract whereby a person or an entity delivers to another person movable property as security for the performance of his obligation or an obligation of a third party. The pledgee is entitled to retain all the pledged property until he has received full performance of the obligation. On the enforcement of the pledge, the pledgee must firstly notify the debtor in writing to perform the obligation within a reasonable time as fixed in such notice. If the debtor fails to comply with the notice, the pledgee is entitled to sell the pledged property in a public auction. The CCC also sets forth specific procedures for creating and enforcing a pledge of certain property such as a right represented by a written instrument.

Business Collateral Act

On November 5, 2015, the Business Collateral Act B.E. 2558 (2015) of Thailand (the "**Business Collateral Act**") was passed by the National Legislative Assembly and will become effective on July 2, 2016. Prior to the introduction of the Business Collateral Act, collateralization under the CCC is limited to only mortgages and pledges. As the CCC does not allow for the mortgage of unqualified assets and delivery of the pledged assets is a key requirement to create a pledge, the use of mortgages and pledges has been limited. Certain valuable assets used by businesses cannot be utilized to facilitate lending transactions. The Business Collateral Act addresses the limitations under the CCC that currently prevent the taking of certain types of security. Under the Business Collateral Act, certain types of asset that must be delivered to a pledgee to create an enforceable pledge under the CCC can be collateralized without having to be delivered to the security receiver and a broader range of assets can be used as security. Assets that can be collateralized under the Business Collateral Act include a business, a claim, movable property used in the security provider's business (e.g. machinery, inventory, and raw materials), intellectual property, and any asset which the security provider will receive in the future pursuant to a contract or a legal obligation. However, prior to the Business Collateral Act becoming effective, several rules and ministerial regulations need to be prescribed to address certain regulatory and procedural issues and in order for the authorities to implement this Business Collateral Act such as detailed regulations on the registration of collateral and the enforcement process.

Some assets can be collateralized under either the CCC or the Business Collateral Act if all the required elements under both laws are met. In principle, the regulator aims to make the collateralizing and enforcement process under the Business Collateral Act less burdensome than the requirements of the CCC and the existing Civil Procedure Code of Thailand. However, as the mechanism under the Business Collateral Act is new and unclear in many respects including in the areas of collateral registration and enforcement, a number of practical issues are likely to arise when implementing the Business Collateral Act.

Major Shareholders, Directors and Executives of Commercial Bank

Major shareholder and directors: restrictions/approval on shareholding

Under the Financial Institution Business Act, no person shall directly or indirectly hold or possess shares of any commercial bank in an amount exceeding 10% of the total issued shares (excluding preference shares with no voting rights), except with authorisation from the BoT or in accordance with the rules prescribed by the BoT. In this regard, shares held by related persons (such as spouse, children and legal entities controlled by such persons) shall also be counted for the purpose of such 10% shareholding restriction.

By virtue of the Financial Institution Business Act and the rules prescribed by the BoT, the following entities are currently allowed to hold or possess more than 10% of the total issued shares in any commercial bank: (i) government agencies; (ii) state enterprises established under the law on budget procedures; (iii) the FIDF established under the Bank of Thailand Act; (iv) juristic persons established under a specific law; (v) the Deposit Protection Agency established under the Deposit Protection Agency Act; (vi) any persons that hold the shares where it is necessary to rectify the condition or operation of that commercial bank; and (vii) any person approved by the BoT.

The Financial Institution Business Act further requires that the amount of shares of a commercial bank held by persons of Thai nationality shall not be less than 75% of the total issued shares with voting rights and the number of its directors who are persons of Thai nationality shall not be less than three-fourths of the total number of directors. This requirement limits ownership of a commercial bank by non-Thai nationals to not more than 25% of its total issued shares with voting rights. However, where it deems appropriate, the BoT may increase the limitation of such ownership by non-Thai nationals to 49% of the total issued shares with voting rights and may allow a commercial bank to have the number of non-Thai directors to be more than one-fourth but less than one-half of the total number of directors.

Moreover, where it is necessary to rectify the operational problem or to strengthen the stability of a commercial bank or to enhance the stability of the financial institutional system, the Minister of Finance, on the advice of the BoT, is empowered to grant a further relaxation of the above limits regarding the percentage of shares which may be held or possessed by non-Thai nationals or the percentage of directors which may be non-Thai nationals. In granting such relaxation, certain conditions including timeframe may be prescribed.

Qualifications, appointment and removal of directors and executives

Under the Financial Institution Business Act, commercial banks are prohibited from appointing or allowing any person with any of the following characteristics to be, or perform the duty of, a director, a manager, a person with management power or an advisor of the commercial bank:

- having been declared bankrupt or having been discharged from bankruptcy for less than five years;
- having been imprisoned by a final court judgment for an offense related to property committed with dishonest intent regardless of whether the sentence has been suspended or not;
- having been dismissed from any government agency, organisation or unit for dishonesty;
- previously having management power in a commercial bank, finance company or credit foncier company whose license was revoked, unless otherwise permitted by the BoT;
- having been removed from position as a director, a manager or a person having management power in any commercial bank, finance company or credit foncier company, by an order of the BoT or the Thai SEC, unless otherwise permitted by the BoT;
- currently holding office as a director, a manager, an officer or a person with management power in other commercial banks, finance companies or credit foncier companies, unless otherwise permitted by the BoT;
- being a manager or a person having management power other than a director of the company that obtained credit facilities, aval, guarantee from, or having encumbrances with, such commercial bank, except:
- where such person is a director who is not an executive director, or an advisor of such commercial bank; or
- in the case where permission is granted in accordance with the regulations of the BoT;
- being a political official of certain types as prescribed by the BoT;

- being or previously having been an official of the BoT in accordance with the rules of the BoT, except in the case where such person is appointed by the BoT for the purpose of rectifying the financial condition or operation of such commercial bank or holding a position in such commercial bank which is a state enterprise in accordance with the law on budget procedures; and

- being a person having prohibited characteristics or having other disqualifications as prescribed by the BoT.

Appointment and re-appointment of directors, managers, persons with management power or advisors of commercial banks need to be approved by the BoT.

The BoT is also empowered to order the removal of directors, managers or persons with management power of any commercial bank in the event it determines that: (i) the approved directors, managers or persons with management power subsequently possess any prohibited characteristics as specified above; (ii) such commercial bank has been in violation of any provisions of the Financial Institution Business Act or any regulations issued thereunder; or (iii) the current condition or operation of such commercial bank may damage the public interest. In case of (iii), the BoT is entitled to remove the existing directors, managers or persons with management power and/or appoint other persons to replace the persons so removed.

Financial Institutions Development Fund (FIDF) and Deposit Protection Agency

The BoT established the FIDF in order to provide short-term liquidity to commercial banks and other financial institutions facing financial difficulties or liquidity problems. The FIDF's role was to guarantee repayments and payments in Baht to certain depositors and creditors of commercial banks and other financial institutions. However, when the Deposit Protection Agency was established on 11 August 2008 under the Deposit Protection Agency Act B.E. 2551 (2008) (the "**Deposit Protection Agency Act**"), the guarantor role of the FIDF came to an end.

The Deposit Protection Agency is financed by mandatory contributions from financial institutions. Commercial banks are required to make mandatory contributions to the Deposit Protection Fund twice a year, once in July for the period starting from January to June and once in January for the period starting from July to December of the preceding year. Prior to 27 January 2012, the mandatory contribution from financial institutions in Thailand was 0.4% per annum of the average of the total domestic deposit amount of all protected accounts in the half-year period calculated based on the formula prescribed by the BoT. However, the rate of this mandatory contribution was reduced to 0.01% per annum calculated based on the same calculation formula with effect from 27 January 2012.

The Deposit Protection Agency is now the organisation responsible for guaranteeing deposits, whereas the FIDF's main role is now to focus on managing assets and liabilities of financial institutions that are subject to liquidation proceedings right up to the closing down of their operations. In January 2012, another role of the FIDF was introduced under the Emergency Decree Improving the Management of Loans made by the Ministry of Finance for Assisting the Financial Institutions Development Fund B.E. 2555 (2012), whereby the FIDF is required to be responsible for loans and interest repayment for the Ministry of Finance. Despite the replacement of the deposit guarantee role by the Deposit Protection Agency, commercial banks and other financial institutions are required to support the FIDF's operation by making mandatory contributions to the FIDF through the BoT.

Subject to further regulations of the BoT, the maximum amount of contribution to the FIDF could be as high as 1.0% per annum of the total domestic deposit amount of all protected accounts.

In May 2012, the BoT introduced a mandatory contribution to the FIDF at the rate of 0.46% per annum of the average domestic deposit amount of accounts protected by the Deposit Protection Agency Act and the total Baht denominated amounts received from the public (i.e. all domestic deposit amounts of all branches and offices in Thailand, all amounts received from the issuance of bills of exchange, debt instruments, loans, securities repurchase transactions and other amounts received from the public as specified by the BoT) calculated based on the formula prescribed by the BoT less the average domestic deposit amount of protected accounts and certain other amounts specified by the BoT. Such rate will be calculated as of the end of each day of the relevant six-month period. The Bank will be required to make such contributions to the FIDF twice a year, i.e. once in July for the period starting from January to June and once in January for the period starting from July to December of the preceding year. The Bank will be subject to the mandatory contribution to the FIDF upon the effectiveness of a proposed reduced rate of mandatory contribution to the Deposit Protection Fund as discussed above, with retroactive effect from 27 January 2012.

The Deposit Protection Agency covers the repayments of principal and interest on qualifying deposits, subject to the conditions stipulated under the Deposit Protection Agency Act. The amount of guarantee provided by the Deposit Protection Agency and relevant Royal Decrees issued thereunder shall be limited to:

- starting from the effective date of the Deposit Protection Agency Act (i.e. August 11, 2008) (the "**Effective Date**") until the third anniversary of the Effective Date (i.e. August 10, 2011), an amount equal to the deposit in each account of a depositor;

- after the date being the third anniversary of the Effective Date until the seventh anniversary of the Effective Date (i.e. August 10, 2015), an amount equal to the lesser of: (a) the aggregate of deposit amount in all accounts of a depositor; and (b) Baht 50 million;

- following the seventh anniversary of the Effective Date until the eighth anniversary of the Effective Date (i.e. August 10, 2016), an amount equal to the lesser of: (a) the aggregate of deposit amount in all accounts of a depositor; and (b) Baht 25 million; and

- thereafter, an amount equal to the lesser of: (a) the aggregate of deposit amount in all accounts of a depositor; and (b) Baht 1 million.

The Thai Asset Management Corporation (TAMC)

Immediately after the Asian financial crisis in 1997, Thailand experienced a severe economic downturn which resulted in Thai financial institutions having high volumes of NPLs. In response to this, the Thai Government and the BoT implemented several measures to resolve the NPL problem, including the establishment of TAMC in 2001. TAMC's main objective is to manage the NPLs transferred to it by financial institutions and asset management companies (the "**Impaired Assets**") pursuant to the Emergency Decree on the Thai Asset Management Corporation B.E. 2544 (2001) (as amended) (the "**TAMC Emergency Decree**").

The TAMC Emergency Decree required that TAMC must be dissolved on 8 June 2011 and the liquidation process of TAMC must be completed by 8 June 2013. Pursuant to the TAMC Emergency Decree, any profit or loss resulting from the management by TAMC of the Impaired Assets will be shared between TAMC and the relevant financial institutions it acquired such Impaired Assets from in the proportion as prescribed by the TAMC Emergency Decree. TAMC was dissolved in June 2013 upon the completion of its duties with respect to the management of the impaired assets. In September 2013, the Bank received a letter 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 of the loss sharing of 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. The Bank therefore adjusted provisions for liabilities to correspond to the information received from TAMC. As at 31 December 2015 and 2014, the Bank has outstanding provisions for loss sharing of Baht 1,317 million.

Other Related Supervision

Supervision of Securities Business

All types of securities businesses engaged by commercial banks, such as securities underwriting, financial advisory, securities registrar, mutual fund management and custodian securities, are regulated by the Thai SEC under the securities laws and regulations of Thailand. The Thai SEC was established in 1992 for the purpose of regulating the Thai capital markets. In engaging the securities business, a commercial bank must also obtain the requisite securities business licence from the Thai SEC in respect of each type or group of its securities business, and comply with certain conditions and requirements imposed by the Thai SEC, such as having a proper function for a securities business operation and ensure that its directors, executives and relevant employees in the securities business are qualified under the requirements of the Thai SEC.

The Office of the Insurance Commission

After the Asian financial crisis in 1997, the BoT allowed commercial banks to conduct more banking related businesses in order to increase the revenue of the commercial banks by not restricting them to only lending activities. Related businesses include the business of bancassurance (for both life and non-life insurance products). These have been available from commercial banks since 2002. However, as the bancassurance business is also regulated by insurance laws, a commercial bank must obtain an insurance broker licence (for life and/or non-life insurance products) from the Office of the Insurance Commission of Thailand (the "**OIC**"). The staff involved in this bancassurance business must be licensed by the OIC as well.

The Anti-Money Laundering Office

The Anti-Money Laundering Act B.E. 2542 (1999) (as amended) (the "**Anti-Money Laundering Act**") became effective on 20 August 1999. The Anti-Money Laundering Act criminalises the act of money laundering and related conspiracy, establishes a civil forfeiture system for confiscating assets identified as having been acquired with the proceeds of specific predicate criminal offences. The Anti-Money Laundering Office (the "**AMLO**"), which was established under Anti-Money Laundering Act, is primarily responsible for measuring, preventing and suppressing money laundering and terrorist financing activities under the Anti-Money Laundering Act. The AMLO's duties include collection and analysis of various reports submitted to it by financial institutions and other sources of information.

In October 2015, the new amendment to Anti-Money Laundering Act (the "**AML Amendment**") was issued, under which the scope of predicate offenses has been extended to cover a broader range of criminal offences including offences relating to human trafficking, online gambling, unfair trading in relation to derivatives and agricultural future trade and trading of firearms, ammunition and explosive. In addition, the power of AMLO has also been extended by empowering the Secretary-General of the Anti-Money Laundering Board to instruct AMLO officers, where necessary in performing their duty, to go undercover for the purpose of evidence gathering and examination in order to take action against assets connected with the commission of an offence, prosecution of offenders in money laundering cases and/or terrorism financing cases.

The Anti-Money Laundering Act requires commercial banks to submit a report to the AMLO for certain transactions made with its customers that involve: (i) THB 2 million or more in cash, unless the transaction is an electronic transfer or payment of money which also includes transactions involving movable property, in which case a cash transaction of THB 100,000 or greater must be reported; (ii) THB 5 million or more in assets, unless the transaction involves an electronic transfer or payment of money for movable property, in which case a transaction of THB 700,000 or greater must be reported; or (iii) any other suspicious transaction, whether or not such transaction falls within (i) or (ii) above.

Furthermore, commercial banks are required to conduct "know your customer" checks for cash and electronic transactions over a specified amount in accordance with the requirements and procedures prescribed in the ministerial regulation issued in May 2011, the Prime Minister Office's Notification issued in July 2013 governing customer identification for financial institutions and the ministerial regulation issued in July 2013 (replacing the existing rules issued in May 2012) prescribing rules and procedures for financial institutions and certain other operators to observe when conducting factual investigations of their customers (i.e. customer due diligence) (the "**CDD Rules**"). In November 2013, a new set of Anti-Money Laundering Office Notifications were issued to prescribe guidelines for the identification of customers, the ultimate beneficial owners and other related matter to be in accordance with the CDD Rules, including guidelines on information not required to accompany wire transfers for financial institutions. To comply with these guidelines, financial institutions are required to consider the risk levels of each new and existing customer, against the need to acquire additional information. The guidelines also prescribe which types of customers, professions and areas or jurisdiction which when taken into consideration mean that a customer would be classified as a high risk customer (e.g. politically exposed persons) or low risk customers (e.g. governmental organizations).

The CDD Rules and the new guidelines referred to above were issued with a view to further aligning the requirements imposed by the AMLO with international standards and the Financial Action Task Force ("**FATF**").

Pursuant to the CDD Rules, financial institutions are required to adopt and implement written policies and measures for assessing and managing risks relating to money laundering and terrorist financing activities in accordance with the risk level of their customers, which must be reviewed periodically. Such measures adopted by financial institutions must cover the measures to assess the specific risks, including mitigation measures against risk, that may arise in relation to the development of new products, new services and new business practices, including new delivery mechanisms and the use of new or developing technologies for existing and new products. In this regard, financial institutions are also prohibited from establishing business relationships or transacting with customers which are anonymous or using fictitious names. Furthermore, the CDD Rules set out detailed criteria and procedures for conducting factual investigations of their customers as well as periodic reviews of customer information, identifying the beneficiaries under insurance policies, and providing electronic fund transfer services to their customers (both domestic and international), including reporting suspicious transactions to the AMLO.

With the aim of strengthening the enforceability and independence of legal enforcement authorities as well as conforming with international standards, the Counter-Terrorist Financing Act B.E. 2556 (2013) (the "**Counter-Terrorist Financing Act**") was issued and became effective on 2 February 2013 setting out measures to prevent and suppress any actions which are considered as a terrorist financing offence.

In September 2015, the new amendment to the Counter-Terrorist Financing Act (the "**CTF Amendment**") was issued to improve the procedures for the announcement of the list of designated persons and to adjust the relevant penalty under the Counter-Terrorist Financing Act to enhance its enforcement.

Pursuant to the CFT amendment, in a case where there is a resolution made or announcement passed by the UN Security Council to determine the list of persons, groups of persons, entities or organisations acting as terrorists, if the AMLO deems that such resolution or announcement does not conflict with the Thai constitution or Thai laws, the AMLO shall announce the list of designated persons pursuant to the rules and procedures set out in the relevant ministerial regulation, without delay. If the AMLO suspects that any person is involved in terrorism or terrorist financing or acting on behalf of or pursuant to an order or control of any designated persons, the AMLO shall, upon receipt of approval from the Transaction Commission, which is established under the Anti-Money Laundering Act, submit the name of such person to the state attorney so that the state attorney will request the court to determine such person as a designated person.

In this connection, the Counter-Terrorist Financing Act imposes certain duties on commercial banks by requiring commercial banks to: (i) terminate any actions involving the assets of designated persons; (ii) provide the AMLO with any information relating to the assets of designated persons; and (iii) inform the AMLO if the designated persons are or used to be their customers.

The first list of designated persons determined in accordance with the Counter-Terrorist Financing Act was announced by the AMLO in May 2013. This list is updated on an ongoing basis.

SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN TFRS AND IFRS

The following is a general summary of certain principal differences between TFRS and IFRS as applicable to the Bank.

The Bank has prepared audited, consolidated financial statements for the years ended 31 December 2014 and 31 December 2015 in accordance with TFRS (the "**Financial Statements**"). For the purposes of this Offering Circular, the Bank provides below a summary of the significant differences between TFRS and IFRS relevant to the Financial Statements.

The differences identified below are limited to those significant differences that are relevant to the Financial Statements. However, they should not be construed as being exhaustive. Furthermore, no attempt has been made to identify future differences between TFRS and IFRS as a result of prescribed changes in accounting standards nor to identify all future differences that may affect the Bank's financial statements as a result of transactions or events that may occur in the future.

The International Accounting Standards Board currently has a significant number of projects underway in connection with their work programme which may change the information provided below.

Thailand is currently undergoing a programme to converge TFRS with IFRS. Under this programme, with effect from 1 January 2016 new and revised Thai Accounting Standards ("**TAS**") became effective, most of which were based on the IFRS effective at 2015. Significant exceptions are the IFRS as relating to financial instruments, for which the equivalent TAS are scheduled to be effective from 1 January 2019 (at the earliest).

Financial Instruments

Recognition and Measurement

International Accounting Standard ("**IAS**") 39, Financial Instruments: Recognition and Measurement provides extensive guidance on the recognition and measurement of financial instruments, including derivative instruments and hedging activities. When a financial asset or liability is recognised initially, an enterprise should measure it at fair value, which is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are included in the initial measurement except for financial assets and liabilities recognised at fair value through a profit or loss. For the purposes of measuring a financial asset after initial recognition, IAS 39 classifies financial assets into the following four classifications with their associated accounting treatments:

- financial assets measured at fair value through profit and loss ("**FVTPL**"): gains and losses arising from changes in the fair value are recognised in profit and loss;

- held-to-maturity investments: these are measured at amortised cost less impairment losses using effective interest rate method;

- loans and receivables: these are measured at amortised cost less impairment losses using the effective interest rate method; and

- available-for-sale financial assets: gains and losses arising from changes in the fair value are recognised in equity through the statement of changes in shareholders' equity, with the exemption of foreign currency related gains and losses arising from foreign currency denominated debt instruments which are recorded in profit or loss. Debt instruments classified as available-for-sale are recognised at fair value.

TFRS has only limited guidance in relation to the recognition and measurement of financial instruments. In the Financial Statements, in addition to the above classifications, the Bank classifies non-marketable equity securities as “general investments”. General investments are stated at cost less impairment. In addition, the interest income is recognised on an accrual basis using the contracted rate. Further, interest income stops accruing where certain events exist (e.g. amounts due are outstanding for greater than 90 days). For the costs associated originating most financial assets are expensed at inception. Under IFRS such origination costs would be capitalised in the financial asset or liability and expensed on an effective interest rate basis.

For the Financial Statements, transaction costs incurred in relation to debentures issued were charged to the profit or loss. Under IFRS, such issue costs would have been deducted from the proceeds of the issue in calculating the carrying value of the liability.

Derivative instruments

In accordance with IAS 39, derivative instruments are recognised initially at cost. Subsequently they are stated at fair value. For derivatives designated and qualifying as fair value hedges, changes in fair values are recognised in earnings where they offset the changes in fair values of related hedged assets, liabilities or firm commitments. For derivatives designated and qualifying as cash flow hedges and hedges of net investment in foreign operation, the effective portion of the change in fair value is recorded as a component of equity until the hedge transaction occurs (hedge accounting). The ineffective portion of changes in fair value of derivatives designated and qualifying as cash flow hedges and hedges of net investment in foreign operation must be immediately recognised in earnings.

There is currently no TFRS in effect that addresses the recognition and measurement of derivative instruments. The main derivative instruments used by the Bank include forward exchange contracts, cross currency and interest rate swaps.

In the Financial Statements, the Bank has treated derivative instruments as follows:

- Trading derivatives are initially and subsequently measured at fair value. Gain or loss on measurement of derivatives is recognised as revenue or expense in profit or loss from operation. In case where there is an active market, the Bank and its subsidiaries use the market value as the fair value of derivatives and if there is no active market, the fair value is derived from valuations incorporating market data obtained from reliable sources. The market price or market data obtained from reliable sources are mainly based on exchange-traded prices, broker/dealer quotations, or counterparties quotations.

- Derivatives, entered for the banking book purpose, with interest components are recognised on an accrual basis, in the same manner as the hedge 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 from operation and the difference between the forward rate and the spot rate at the contract date is recognised as revenue or expense using the straight-line basis over the contract periods.

- The Bank discloses the fair value of derivative instruments at each accounting period end in accordance with TAS 107, Financial Instruments: Presentation and Disclosure.

Impairment

IAS 39 requires financial assets carried at amortised cost should be measured at amortised cost using the effective interest rate method and should be reviewed for impairment at the end of each accounting period. A loan is considered to be impaired if its carrying amount is greater than the present value of estimated future cash flows. The amount of loss recognised, in the statement of comprehensive income for the period in which the impairment occurs (incurred loss model), is the difference between the loan's carrying amount and the present value of expected future cashflows, discounted at the loan's original effective interest rate. For financial assets carried at amortised cost, the entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

TFRS provides limited guidance in relation to the recognition and measurement of financial instruments, including in relation to the impairment of loans and receivables originated by an entity. Commercial banks in Thailand are required to comply with the BOT's guidelines for calculating an allowance for doubtful accounts. The Group provide allowance for doubtful debts based specifically on the nature of loans and relevant factors such as debtor's payment ability, collateral, historical loss, estimated loss, debtor's credit risk, and experience of management. In addition, the Bank has a policy to set aside additional provisions following its business plan and management of non-performing loans.

For loans classified as 'pass' and 'special mention', the Bank and its subsidiary provide allowance for doubtful debts based on the nature of loans and relevant factors such as historical loss, the debtor's credit risk, and management's experience. The allowance for doubtful debts on performing loans includes an allowance determined at the minimum percentage as specified in the BOT notifications and an allowance in excess of such minimum regulatory requirement, which is set aside for losses incurred but not yet reported.

For loans classified as 'sub-standard', 'doubtful' and 'doubtful of loss', the Bank and its subsidiary provide allowance for doubtful debts on a specific basis, taking into account the nature of the loans and relevant factors such as the debtor's payment ability and collateral, at the rate of 100 percent of the excess of the book value of the outstanding debt and the present value of future cash flows expected to be collected from debtors or from the disposal of collateral in accordance with the BOT's notifications.

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

Losses on Debt Restructuring

In accordance with IAS 39, the discount rate used to calculate the present value of the expected future cash flows should be the loan's original effective interest rate.

In accordance with TFRS, a combination of the transferring of assets, the transferring of equity or a modification of terms resulting from debtors' financial difficulties is treated as debt restructuring. In the Financial Statements, debts subject to a modification of terms are stated at either the present value of the expected future cash flows, using discount rates equivalent to the higher of cost of funds or the contracted rate of interest or at market price of collateral on the restructure date.

Disclosures in Financial Statements

TAS 103, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, is similar to the superseded IFRS accounting standards disclosed for banks, IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions. The current disclosure requirement for banks is IFRS 7 Financial Instruments: Disclosures which requires additional extensive disclosures on financial risk management. In addition, commercial banks in Thailand are required to comply with TAS 108, Financial Instruments Disclosure and Presentation and the financial statements format prescribed by the BoT. This format differs from the requirements of IFRS 7. For example, the BoT's format requires all amounts due from/to banks and other financial institutions to be shown under a single caption called "Interbank and Money Market items", IFRS 7, on the other hand, requires placements and loans and advances to/from other banks and other money market items to be disclosed separately as only one example of the differences.

Derecognition of Financial Assets

There is currently no TFRS in effect in relation to derecognition of financial assets (e.g. the sale of assets into securitisation programmes). The Bank recognises a sale of assets if there is not a material retention of the risks. Under IFRS, financial assets are considered sold if substantially all the residual risks and rewards of an asset have been passed to a third party.

Notwithstanding the above, the Thai Federation of Accounting Professions has provided accounting guidance for transferring financial assets which should be applied prospectively from 1 January 2013. The guidance broadly follow principles of IFRS, but adds specific requirements for the classification of loans acquired, under which loans acquired where there is no intention of resale must be classified as loans and advances in the statement of financial position. For loans acquired with the intention of resale, these should be recorded as investments in the statement of financial position.

Cash and Cash Equivalents

In the Financial Statements, cash and cash equivalents include cash in hand and cash in the process of collection. In accordance with TAS 7, Statements of Cash Flows, cash equivalents should include investments that have a short maturity of three months or less from the date of acquisition.

TAXATION

The information provided below does not purport to be a complete summary of Thai tax laws and practice currently applicable. It is not intended as tax advice and does not consider any investor's particular circumstances.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISORS CONCERNING THE CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE CONSEQUENCES UNDER THAI LAW, THE LAWS OF THE JURISDICTION OF WHICH THEY ARE RESIDENT AND ANY DOUBLE TAXATION AGREEMENT BETWEEN THAILAND AND THEIR COUNTRY OF RESIDENCE FOR TAX PURPOSES.

Thai Taxation

This summary contains a description of the principal Thai income tax consequences of the purchase, ownership and disposition of the Notes by an individual or corporate investor who is not resident in Thailand for tax purposes (referred to as "non-resident individual holders" and "non-resident corporate holders", respectively, and together as "non-resident holders"). This summary is based upon the tax laws of Thailand in effect on the date of this Offering Circular.

Income Tax

Non-resident individual holders

In considering whether the individual holder is a tax resident of Thailand, Thai law does not look at the nationality of such individual holder, but will determine whether the holder has resided in Thailand at one or more times for a period equal in the whole to 180 days or more in any calendar year regardless of the nationality of the individual holders.

Interest

Unless the terms and conditions of a double taxation agreement entered into between Thailand and the resident country of the non-resident individual holders provide otherwise, interest paid or deemed to be paid on the Notes from or within Thailand to a non-resident individual holder is subject to 15.0% withholding tax on the gross amount of the interest payment.

Capital Gains

Unless the terms and conditions of a double taxation agreement entered into between Thailand and the resident country of the non-resident individual holders provide otherwise, a capital gain, which is the amount in excess of the cost of acquisition, derived from the transfer of the Notes, and paid or deemed to be paid in or from Thailand, is subject to 15.0% withholding tax. The transferee or the payer of the gain has a duty to withhold tax at such rate on payments of gain in respect of the transfer of the Notes and remit the tax withheld to Thai Revenue Department. Capital gains from the transfer of the Notes between non-tax residents will not be subject to Thai taxes if the proceeds are not paid from or within Thailand.

Non-resident corporate holders

A non-resident corporate holder is a company, a registered partnership or any entity established pursuant to a foreign law and not carrying on business in Thailand or not being deemed as carrying on business in Thailand or not having permanent establishment, employees, agents or representatives in Thailand but receiving from or in Thailand interest or capital gains from the transfer of the Notes.

Interest

Unless the terms and conditions of a double taxation agreement entered into between Thailand and the resident country of the non-resident corporate holder provide otherwise, interest paid or deemed to be paid on the Notes from or within Thailand to the non-resident corporate holder of the Notes is subject to a 15.0% withholding tax on the gross amount of the interest payment.

Capital Gains

Unless the terms and conditions of a double taxation agreement entered into between Thailand and the resident country of the non-resident corporate holder provide otherwise, a capital gain, which is the amount in excess of the cost of acquisition, derived from the transfer of the Notes, and being paid or deemed to be paid in or from Thailand is subject to a 15.0%. withholding tax. The transferee or the payer of the gain has a duty to withhold tax at such rate on payments of gain in respect of the transfer of the Notes and remit the tax withheld to Thai Revenue Department. Capital gains from the transfer of the Notes between non-tax residents will not be subject to Thai taxes if the proceeds are not paid in or from Thailand.

Double Taxation Agreement

Presently, Thailand concluded double taxation agreements with more than 50 countries. Both individual and corporate holders of the Notes, who are regarded as tax residents of the countries which are parties to the double taxation agreements and receive interest in respect of the Notes, will be subject to withholding tax, at the rate of 15%. The rate of withholding tax, however, may be reduced or exempted depending on the terms and conditions of the particular double tax agreement.

A limited number of corporate holders of the Notes resident in such a country for tax purposes who are not regarded as tax residents in Thailand, may be entitled to an exemption from Thai capital gains tax for the capital gain received in or from Thailand depending on the terms and conditions of the particular double tax treaty.

Stamp Duty

An instrument of transfer of the Notes executed outside, and not being brought into Thailand is not subject to stamp duty in Thailand. Each of the Notes will be subject to THB 5 stamp duty if brought into Thailand.

Cayman Islands Taxation

The following is a discussion on certain Cayman Islands tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands Laws:

- Payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax;

- The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;

- No stamp duty is payable in respect of the issue or transfer of the Notes although duty may be payable if Notes are executed in or brought into the Cayman Islands; and

- Notes in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, any instrument transferring title to any Note, in registered form, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Issuer is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "**Model 1**" and "**Model 2**" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a jurisdiction with an IGA in place generally would not be required to withhold under FATCA or that IGA (or any law implementing an IGA) (any such withholding being FATCA Withholding) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Thailand have reached an agreement in substance on the terms of an IGA based largely on the Model 1 IGA. Thailand will be treated as having a Model 1 IGA in effect until 31 December 2014, at which time an IGA (the "**U.S.-Thailand IGA**") must be signed in order for Thailand to continue to be treated as an IGA jurisdiction. The United States and the Cayman Islands have entered into an agreement (the "**U.S.-Cayman Islands IGA**") based largely on the Model 1 IGA.

If the Issuer and its Cayman Islands branch are treated as Reporting FIs pursuant to the U.S.-Thailand IGA or U.S.-Cayman Islands IGA, as applicable, they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuer and its Cayman Islands branch will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuer, its Cayman Islands branch and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA.

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the ICSDs), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, its Cayman Islands branch, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary' market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the "**Programme Agreement**") dated 17 March 2016, agreed with the Bank a basis upon which they or any of them may from time to time agree to purchase, subscribe for or procure subscribers for the Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". The Bank may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by such Dealer. The Bank may also from time to time agree with the relevant Dealer(s) that the Bank may pay certain third parties commissions (including, without limitation, rebates to private banks as specified in the Pricing Supplement). In the Programme Agreement, the Bank has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The relevant Dealers may be paid fees in relation to any issue of Notes under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Bank and its affiliates in the ordinary course of business. Dealers may also purchase, hold and sell Notes from time to time.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Bank or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

United States

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act and may not be offered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Each

Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder. The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Bank;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank;

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and

(d) it has taken such reasonable steps as it in its opinion believes are appropriate to ensure that it would be in compliance with the Financial Conduct Authority's Conduct of Business Sourcebook ("**COBS**") rule 22.3 (Restrictions on the retail distribution of contingent convertible instruments and CoCo funds) if such rules were in effect as at the date of this Prospectus (to the extent that COBS rule 22.3 would apply to such Dealer once in effect).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**")) other than (i) to "professional investors" as defined in the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or have in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Cayman Islands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that no invitation will be made to the public in the Cayman Islands to subscribe for or purchase any Notes, whether directly or indirectly.

Thailand

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell the Notes nor make or will make any invitation, whether directly or indirectly, in Thailand to investors in Thailand to subscribe for the Notes nor circulate or distribute, nor will it circulate or distribute, the Offering Circular or any documents or material in connection with the offer, sale or invitation for subscription for the Notes, whether directly or indirectly, in Thailand.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, subscribes or procures subscribers for, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, subscription, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers, sales or deliveries and none of the Bank nor any of the other Dealers shall have any responsibility therefor.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the relevant underwriters of such offering or any affiliate of such underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by relevant such underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

None of the Bank, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the Subscription Agreement, Dealer Accession Letter or dealer confirmation (as contemplated by Annex 1, Part 1 of the Operating and Administrative Procedures Memorandum), as relevant, or in the applicable Pricing Supplement.

THAI TRANSFER RESTRICTIONS

By accepting delivery of this Offering Circular and the Notes, the holders of the Notes will be deemed to have agreed for the benefit of the Bank that the Notes may not be either directly or indirectly, resold, pledged, transferred or otherwise in Thailand.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the meeting of the Board of Directors of the Bank No. 11/2557 held on 20 November 2014 and a resolution of the Asset and Liability Management Committee of the Bank No. 3/2559.

Listing of Notes

Approval-in-principle has been received from the SGX-ST for permission to deal in and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval-in-principle from, and the admission of any Notes to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Bank, the Programme or the Notes. Unlisted Notes may be issued under the Programme. The relevant Pricing Supplement in respect of any Series will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will trade on the SGX-ST in a minimum board lot size of S$200,000 so long as any of the Notes remain listed on the SGX-ST.

Documents Available

So long as any of the Notes remains outstanding, copies of the following documents will, when published, be available for inspection from the specified offices of the Principal Paying Agent for the time being in Hong Kong:

(a) the Memorandum and Articles of Association of the Bank;

(b) the audited consolidated financial statements of the Bank in respect of the financial years ended 31 December 2014 and 31 December 2015;

(c) the most recently published audited consolidated and non-consolidated annual financial statements of the Bank and the most recently published reviewed consolidated interim financial statements (if any) of the Bank, in each case together with any audit or review reports prepared in connection therewith (where relevant);

(d) the Agency Agreement, the Trust Deed and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(e) a copy of this Offering Circular; and

(f) any future offering circulars, prospectuses, information memoranda and supplements, including Pricing Supplements to this Offering Circular and any other documents incorporated herein or therein by reference.

As of the date of this Offering Circular, the Bank prepares audited consolidated and non-consolidated accounts on a semi-annual and an annual basis, and reviewed consolidated interim accounts on a quarterly basis.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Bank and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group since 31 December 2015 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2015.

Litigation

The Bank is involved in various legal proceedings on a day to day basis. However, as at the date of this Offering Circular, save as disclosed in this Offering Circular, neither the Bank nor its subsidiaries are involved in any legal proceedings which are material in the context of the issue of the Notes.

Independent Auditors

The Bank's consolidated financial statements as of and for the years ended 31 December 2014 and 31 December 2015, prepared in accordance with TFRS and included in this Offering Circular, have been audited by EY Office Limited (formerly known as "**Ernst & Young Office Limited**"), and KPMG Phoomchai Audit Ltd. respectively (each of which are independent accountants), as stated in their reports appearing herein.

EY Office Limited have given and have not withdrawn their agreement to the inclusion in the Offering Circular of their independent auditors' reports dated 18 February 2015 in the form and context in which they are included and with the inclusion of and references to their name in the form and context in which it appears in the Offering Circular with respect to their audit of the consolidated financial statements of the Bank as of and for the financial year ended 31 December 2014.

KPMG Phoomchai Audit Ltd. have given and have not withdrawn their agreement to the inclusion in the Offering Circular of their independent auditors' report dated 17 February 2016 in the form and context in which they are included and with the inclusion of and references to their name in the form and context in which it appears in the Offering Circular with respect to their audit of the consolidated financial statements of the Bank as of and for the financial year ended 31 December 2015.

Dealers Transacting with the Bank

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Bank and its affiliates in the ordinary course of business.

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The Bank's audited Consolidated Financial Statements for the financial year ended 31 December 2014

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TMB Bank Public Company Limited and its subsidiaries
Report and financial statements
31 December 2014

Independent Auditor's Report

To the Shareholders of TMB Bank Public Company Limited

I have audited the accompanying consolidated financial statements of TMB Bank Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. I have also audited the separate financial statements of TMB Bank Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TMB Bank Public Company Limited and its subsidiaries and of TMB Bank Public Company Limited as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Rachada Yongsawadvanich
Certified Public Accountant (Thailand) No. 4951

EY Office Limited
Bangkok: 18 February 2015

TMB Bank Public Company Limited and its subsidiaries
Statements of financial position
As at 31 December 2014

(Unit: Thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets					
Cash		16,427,953	16,576,203	16,427,874	16,556,121
Interbank and money market items – net	*9*	113,096,814	96,437,473	112,426,118	95,887,849
Claims on securities		22,689,700	24,639,000	22,689,700	24,639,000
Derivatives assets	*10*	10,875,999	16,757,143	10,875,999	16,757,143
Investments – net	*11, 48.7*	110,859,350	103,276,604	108,785,569	101,753,683
Investments in subsidiaries and associate – net	*12.1*	8	8	3,229,428	2,872,442
Loans to customers and accrued interest receivables	*13, 48.7*				
Loans to customers		530,446,525	499,550,714	530,403,628	497,844,546
Accrued interest receivables		1,068,201	1,004,085	1,068,201	1,004,085
Total loans to customers and accrued interest receivables		531,514,726	500,554,799	531,471,829	498,848,631
Less: Deferred revenue		(86,162)	(76,680)	(86,162)	(76,680)
Allowance for doubtful debts	*15, 48.7*	(28,252,268)	(31,399,709)	(28,224,616)	(30,342,798)
Revaluation allowance for debt restructuring	*16*	(109,818)	(68,214)	(109,818)	(68,214)
Loans to customers and accrued interest receivables – net		503,066,478	469,010,196	503,051,233	468,360,939
Customers' liability under acceptance		15,095	7,886	15,095	7,886
Properties foreclosed – net	*17*	1,860,150	1,897,105	1,817,253	1,847,357
Premises and equipment – net	*18*	10,672,208	11,412,117	10,645,551	11,382,742
Goodwill and other intangible assets – net	*19*	1,002,878	914,623	937,812	849,317
Deferred tax assets	*20.1*	3,050,163	3,472,239	3,028,881	3,402,232
Other receivables – net	*21, 48.7*	12,973,198	12,328,621	12,188,199	12,125,842
Other assets – net	*22, 48.7*	3,577,057	9,002,708	3,432,069	8,902,833
Total assets		810,167,051	765,731,926	809,550,781	765,345,386

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

TMB Bank Public Company Limited and its subsidiaries
Statements of financial position (continued)
As at 31 December 2014

(Unit: Thousand Baht)

		Consolidated financial statements		Separate financial statements	
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Liabilities and shareholders' equity					
Liabilities					
Deposits	*23, 48.7*	571,625,314	529,606,021	571,720,372	529,663,495
Interbank and money market items	*24, 48.7*	72,716,662	66,037,751	72,716,662	66,037,751
Liability payable on demand		3,145,176	3,275,886	3,145,176	3,275,886
Liabilities to deliver securities		22,689,700	24,639,000	22,689,700	24,639,000
Financial liabilities designated at fair value through profit or loss	*25*	183,337	362,695	183,337	362,695
Derivatives liabilities	*10*	10,171,992	16,498,729	10,171,992	16,498,729
Debts issued and borrowings	*26, 48.7*	36,249,255	38,172,802	36,249,255	38,172,802
Bank's liability under acceptance		15,095	7,886	15,095	7,886
Provisions for obligation on transfers of non-performing assets	*8, 48.7*	5,998,333	5,998,333	5,998,333	5,998,333
Provisions for employee benefits	*27.2*	1,534,712	1,424,437	1,513,303	1,401,717
Provisions for other liabilities	*28*	534,751	538,877	529,490	524,604
Deferred tax liabilities	*20.1*	984,793	1,022,756	971,295	1,017,705
Other payables	*29*	5,636,688	5,251,893	5,629,503	5,236,144
Other liabilities	*30, 48.7*	8,888,207	11,061,473	8,673,907	10,983,775
Total liabilities		740,374,015	703,898,539	740,207,420	703,820,522
Shareholders' equity					
Share capital					
Registered 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 43,678,764,288 ordinary shares of Baht 0.95 each (31 December 2013 : 43,606,322,266 shares)	*31.3*	41,494,826	41,426,006	41,494,826	41,426,006
Share premium	*31.3*	157,690	81,196	157,690	81,196
Other components of shareholders' equity		4,164,566	4,276,071	4,116,641	4,260,833
Retained earnings					
Appropriated – Statutory reserve	*33, 34*	1,250,000	770,000	1,250,000	770,000
Unappropriated		22,637,090	15,203,983	22,324,204	14,986,829
Equity attributable to equity holders of the Bank		69,704,172	61,757,256	69,343,361	61,524,864
Non-controlling interests of the subsidiaries		88,864	76,131	–	–
Total shareholders' equity		69,793,036	61,833,387	69,343,361	61,524,864
Total liabilities and shareholders' equity		810,167,051	765,731,926	809,550,781	765,345,386

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

TMB Bank Public Company Limited and its subsidiaries
Statements of comprehensive income
For the year ended 31 December 2014

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
Profit or loss					
Interest income	*35, 48.6*	35,848,295	34,825,723	35,694,944	34,655,251
Interest expenses	*36, 48.6*	14,253,242	14,004,059	14,253,406	14,004,241
Net interest income		21,595,053	20,821,664	21,441,538	20,651,010
Fees and service income	*37, 48.6*	7,874,418	7,610,856	7,341,024	7,150,859
Fees and service expenses	*37, 48.6*	2,140,092	2,032,251	2,049,027	1,956,562
Net fees and service income		5,734,326	5,578,605	5,291,997	5,194,297
Net gains on trading and foreign exchange transactions	*38*	1,991,435	2,258,041	1,991,435	2,258,041
Net loss on financial liabilities designated at fair value through profit or loss	*39*	(51,367)	(8,683)	(51,367)	(8,683)
Net gains on investments	*40*	193,257	141,748	550,244	296,112
Other operating income	*41, 48.6*	490,230	415,527	420,998	484,764
Total operating income		29,952,934	29,206,902	29,644,845	28,875,541
Other operating expenses					
Employee's expenses		8,047,621	7,594,647	7,835,472	7,382,563
Director remuneration		37,834	32,479	37,473	31,999
Premises and equipment expenses		3,003,243	2,780,296	2,948,441	2,725,023
Taxes and duties		1,198,474	1,145,077	1,195,282	1,143,665
Other operating expenses	*42, 48.6*	3,486,900	2,997,235	3,360,011	2,848,361
Total other operating expenses		15,774,072	14,549,734	15,376,679	14,131,611
Bad debts, doubtful accounts and impairment losses	*43, 48.6*	3,436,748	7,612,759	3,801,349	7,686,226
Profits from operation before income tax expenses		10,742,114	7,044,409	10,466,817	7,057,704
Income tax expenses	*20.2*	1,190,505	1,296,588	1,023,673	1,258,495
Profits for the years		9,551,609	5,747,821	9,443,144	5,799,209

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

TMB Bank Public Company Limited and its subsidiaries
Statements of comprehensive income
For the year ended 31 December 2014

(Unit: Thousand Baht)

	Note	Consolidated financial statements 2014	Consolidated financial statements 2013	Separate financial statements 2014	Separate financial statements 2013
Other comprehensive income (loss):	*44*				
Changes in revaluation surplus on assets		(60,506)	(57,896)	(60,506)	(57,896)
Gains (losses) on revaluation of available-for-sale investments		61,240	(2,468)	20,381	(1,418)
Gains arising from translating the financial statements of foreign operations		–	29,557	–	29,557
Other comprehensive income (loss)		734	(30,807)	(40,125)	(29,757)
Add (less): Relevant income taxes	*20.3*	(147)	6,161	8,025	5,951
Other comprehensive income (loss) – net of relevant income taxes		587	(24,646)	(32,100)	(23,806)
Total comprehensive income		9,552,196	5,723,175	9,411,044	5,775,403
Profits for the years attributable to:					
Equity holders of the Bank		9,538,876	5,737,345	9,443,144	5,799,209
Non-controlling interests of the subsidiaries		12,733	10,476		
		9,551,609	5,747,821		
Total comprehensive income attributable to:					
Equity holders of the Bank		9,539,463	5,712,699	9,411,044	5,775,403
Non-controlling interests of the subsidiaries		12,733	10,476		
		9,552,196	5,723,175		

(Unit: Baht)

	Note	Consolidated 2014	Consolidated 2013	Separate 2014	Separate 2013
Earnings per share of equity holders of the Bank:	*45*				
Basic earnings per share		0.2185	0.1316	0.2163	0.1330
Diluted earnings per share		0.2177	0.1312	0.2155	0.1326

Mr. Boontuck Wungcharoen
Chief Executive Officer

Mr. Rungson Sriworasat
Chairman of the Board

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

TMB Bank Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity
For the year ended 31 December 2014

(Unit: Thousand Baht)

		Consolidated financial statements											
		Equity attributable to equity holders of the Bank											
				Other components of shareholders' equity					Retained earnings				
	Note	Issued and paid-up share capital	Share premium	Other reserve – share-based payments (Note 31.3)	Revaluation surplus on assets – net (Note 32)	Revaluation surplus on investments – net (Note 11.4)	Translation adjustment arising from translating the financial statements of foreign operations – net	Total other components of shareholders' equity	Appropriated – Statutory reserve	Unappropriated	Total equity attributable to equity holders of the Bank	Non-controlling interests of the subsidiaries	Total
Balance as at 1 January 2013		41,372,425	27,008	196,924	4,048,700	59,756	19,918	4,325,298	480,000	11,111,320	57,316,051	65,655	57,381,706
Profit for the year		–	–	–	–	–	–	–	–	5,737,345	5,737,345	10,476	5,747,821
Other comprehensive income (loss) – net of relevant income taxes		–	–	–	(46,316)	(1,975)	23,645	(24,646)	–	–	(24,646)	–	(24,646)
Total comprehensive income (loss)		–	–	–	(46,316)	(1,975)	23,645	(24,646)	–	5,737,345	5,712,699	10,476	5,723,175
Transferred revaluation surplus on assets directly to retained earnings		–	–	–	(84,253)	–	–	(84,253)	–	84,253	–	–	–
Expenses in relation to share-based payments	*31.1*	–	–	167,999	–	–	–	167,999	–	–	167,999	–	167,999
Issued ordinary shares to employees	*31.3*	53,581	54,746	(108,327)	–	–	–	(108,327)	–	–	–	–	–
Expenses in relation to issuance of ordinary shares to employees	*31.3*	–	(558)	–	–	–	–	–	–	–	(558)	–	(558)
Appropriated to statutory reserve		–	–	–	–	–	–	–	290,000	(290,000)	–	–	–
Dividend paid	*34.2*	–	–	–	–	–	–	–	–	(1,438,935)	(1,438,935)	–	(1,438,935)
Balance as at 31 December 2013		41,426,006	81,196	256,596	3,918,131	57,781	43,563	4,276,071	770,000	15,203,983	61,757,256	76,131	61,833,387

TMB Bank Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity (continued)
For the year ended 31 December 2014

(Unit: Thousand Baht)

		Consolidated financial statements											
		Equity attributable to equity holders of the Bank											
				Other components of shareholders' equity					Retained earnings				
	Note	Issued and paid-up share capital	Share premium	Other reserve – share-based payments (Note 31.3)	Revaluation surplus on assets – net (Note 32)	Revaluation surplus on investments – net (Note 11.4)	Translation adjustment arising from translating the financial statements of foreign operations – net	Total other components of shareholders' equity	Appropriated – Statutory reserve	Unappropriated	Total equity attributable to equity holders of the Bank	Non-controlling interests of the subsidiaries	Total
Balance as at 1 January 2014		41,426,006	81,196	256,596	3,918,131	57,781	43,563	4,276,071	770,000	15,203,983	61,757,256	76,131	61,833,387
Profit for the year		–	–	–	–	–	–	–	–	9,538,876	9,538,876	12,733	9,551,609
Other comprehensive income (loss) – net of relevant income taxes		–	–	–	(48,405)	48,992	–	587	–	–	587	–	587
Total comprehensive income (loss)		–	–	–	(48,405)	48,992	–	587	–	9,538,876	9,539,463	12,733	9,552,196
Transferred revaluation surplus on assets directly to retained earnings		–	–	–	(121,332)	–	–	(121,332)	–	121,332	–	–	–
Expenses in relation to share-based payments	*31.1*	–	–	155,130	–	–	–	155,130	–	–	155,130	–	155,130
Issued ordinary shares to employees	*31.3*	68,820	77,070	(145,890)	–	–	–	(145,890)	–	–	–	–	–
Expenses in relation to issuance of ordinary shares to employees	*31.3*	–	(576)	–	–	–	–	–	–	–	(576)	–	(576)
Appropriated to statutory reserve		–	–	–	–	–	–	–	480,000	(480,000)	–	–	–
Dividend paid	*34.1*	–	–	–	–	–	–	–	–	(1,747,101)	(1,747,101)	–	(1,747,101)
Balance as at 31 December 2014		41,494,826	157,690	265,836	3,748,394	106,773	43,563	4,164,566	1,250,000	22,637,090	69,704,172	88,864	69,793,036

TMB Bank Public Company Limited and its subsidiaries
Statements of changes in shareholders' equity (continued)
For the year ended 31 December 2014

(Unit: Thousand Baht)

		Separate financial statements									
				Other components of shareholders' equity					Retained earnings		
	Note	Issued and paid-up share capital	Share premium	Other reserve - share-based payments (Note 31.3)	Revaluation surplus on assets – net (Note 32)	Revaluation surplus on investments – net (Note 11.4)	Translation adjustment arising from translating the financial statements of foreign operations – net	Total other components of shareholders' equity	Appropriated – Statutory reserve	Unappropriated	Total
Balance as at 1 January 2013		41,372,425	27,008	196,924	4,048,700	43,678	19,918	4,309,220	480,000	10,832,302	57,020,955
Profit for the year		–	–	–	–	–	–	–	–	5,799,209	5,799,209
Other comprehensive income (loss) – net of relevant income taxes		–	–	–	(46,316)	(1,135)	23,645	(23,806)	–	–	(23,806)
Total comprehensive income (loss)		–	–	–	(46,316)	(1,135)	23,645	(23,806)	–	5,799,209	5,775,403
Transferred revaluation surplus on assets directly to retained earnings		–	–	–	(84,253)	–	–	(84,253)	–	84,253	–
Expenses in relation to share-based payments	*31.1*	–	–	167,999	–	–	–	167,999	–	–	167,999
Issued ordinary shares to employees	*31.3*	53,581	54,746	(108,327)	–	–	–	(108,327)	–	–	–
Expenses in relation to issuance of ordinary shares to employees	*31.3*	–	(558)	–	–	–	–	–	–	–	(558)
Appropriated to statutory reserve	–	–	–	–	–	–	–	–	290,000	(290,000)	–
Dividend paid	*34.2*	–	–	–	–	–	–	–	–	(1,438,935)	(1,438,935)
Balance as at 31 December 2013		41,426,006	81,196	256,596	3,918,131	42,543	43,563	4,260,833	770,000	14,986,829	61,524,864
Balance as at 1 January 2014		41,426,006	81,196	256,596	3,918,131	42,543	43,563	4,260,833	770,000	14,986,829	61,524,864
Profit for the year		–	–	–	–	–	–	–	–	9,443,144	9,443,144
Other comprehensive loss – net of relevant income taxes		–	–	–	(48,405)	16,305	–	(32,100)	–	–	(32,100)
Total comprehensive income (loss)		–	–	–	(48,405)	16,305	–	(32,100)	–	9,443,144	9,411,044
Transferred revaluation surplus on assets directly to retained earnings		–	–	–	(121,332)	–	–	(121,332)	–	121,332	–
Expenses in relation to share-based payments	*31.1*	–	–	155,130	–	–	–	155,130	–	–	155,130
Issued ordinary shares to employees	*31.3*	68,820	77,070	(145,890)	–	–	–	(145,890)	–	–	–
Expenses in relation to issuance of ordinary shares to employees	*31.3*	–	(576)	–	–	–	–	–	–	–	(576)
Appropriated to statutory reserve		–	–	–	–	–	–	–	480,000	(480,000)	–
Dividend paid	*34.1*	–	–	–	–	–	–	–	–	(1,747,101)	(1,747,101)
Balance as at 31 December 2014		41,494,826	157,690	265,836	3,748,394	58,848	43,563	4,116,641	1,250,000	22,324,204	69,343,361

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

TMB Bank Public Company Limited and its subsidiaries
Statements of cash flows
For the year ended 31 December 2014

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	**2013**	**2014**	**2013**
Cash flows from operating activities				
Profits from operation before income tax expenses	10,742,114	7,044,409	10,466,817	7,057,704
Adjustments to reconcile profits from operation before income tax expenses to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	1,215,462	1,105,707	1,203,473	1,092,900
Bad debts, doubtful accounts and impairment losses	3,436,748	7,612,759	3,801,349	7,686,226
Impairment losses on premises and equipment	12,319	8,377	12,319	8,377
Impairment losses on properties foreclosed and other assets	102,859	129,923	105,455	129,519
Provisions for employee benefits and other liabilities (reversal)	247,451	(113,332)	247,111	(191,329)
Impairment losses on investments (reversal)	(2,623)	1,791	(359,610)	(187,208)
(Gains) losses on revaluation of trading investments	8,538	(1,836)	8,538	(1,836)
Gains on disposals of equipment	(37,429)	(36,242)	(37,838)	(35,484)
Gains on disposals of investments	(190,634)	(143,539)	(190,634)	(108,904)
Unrealised (gains) losses on remeasurement of financial liabilities designated at fair value through profit or loss	20,642	(603)	20,642	(603)
Unrealised (gains) losses on exchange on borrowings and derivatives	(464,896)	400,678	(464,896)	400,678
Expenses in relation to share-based payments	155,130	167,999	155,130	167,999
(Increase) decrease in other accrued income	(138,378)	39,460	(118,206)	51,587
Increase in other accrued expenses	36,022	96,482	9,715	94,110
Net interest income	(21,595,053)	(20,821,664)	(21,441,538)	(20,651,010)
Dividend income	(54,557)	(64,905)	(54,557)	(64,905)
Cash received on interest income	32,990,508	31,953,076	32,838,791	31,784,639
Cash paid on interest expenses	(12,206,500)	(12,330,687)	(12,206,790)	(12,331,016)
Cash refund on income taxes	736,257	81,458	736,257	81,458
Cash paid on income taxes	(229,643)	(221,343)	(196,695)	(192,543)
Profits from operating activities before changes in operating assets and liabilities	14,784,337	14,907,968	14,534,833	14,790,359

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

TMB Bank Public Company Limited and its subsidiaries
Statements of cash flows (continued)
For the year ended 31 December 2014

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	**2013**	**2014**	**2013**
(Increase) decrease in operating assets				
Interbank and money market items	(16,610,159)	(232,538)	(16,490,721)	(150,695)
Trading investments	(11,659,577)	1,388,458	(11,659,577)	1,388,458
Loans to customers	(37,719,527)	(47,813,058)	(38,717,641)	(48,047,374)
Properties foreclosed	666,479	449,910	659,128	449,910
Other receivables	1,482,901	2,722,409	2,065,123	2,729,566
Other assets	4,737,006	(3,244,794)	4,743,160	(3,243,628)
Increase (decrease) in operating liabilities				
Deposits	41,609,898	33,444,038	41,647,482	33,244,608
Interbank and money market items	6,678,911	(15,417)	6,678,911	(15,417)
Liability payable on demand	(130,710)	(604,380)	(130,710)	(604,380)
Financial liabilities designated at fair value through profit or loss	(200,000)	150,000	(200,000)	150,000
Short-term debts issued and borrowings	(3,373,124)	(3,567,464)	(3,373,124)	(3,567,464)
Provisions for obligation on transfer of non-performing assets	–	(85,552)	–	–
Provisions for employee benefits	(100,726)	(56,685)	(95,199)	(56,642)
Provisions for other liabilities	(71,819)	(44,401)	(66,682)	(44,401)
Accounts payable	(1,219,719)	1,337,289	(1,211,155)	1,336,963
Other liabilities	(2,999,782)	1,109,213	(3,017,595)	1,122,876
Net cash used in operating activities	(4,125,611)	(155,004)	(4,633,767)	(517,261)

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

TMB Bank Public Company Limited and its subsidiaries
Statements of cash flows (continued)
For the year ended 31 December 2014

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	**2013**	**2014**	**2013**
Cash flows from investing activities				
Cash received on interest income	2,500,525	2,418,015	2,509,181	2,417,348
Cash received on dividend income	54,557	64,905	54,557	64,905
Purchases of available-for-sale investments	(68,355,991)	(48,890,169)	(67,845,991)	(47,236,294)
Proceeds from sales of available-for-sale investments	70,780,303	51,036,468	70,780,303	49,732,593
Investments in held-to-maturity debt securities	(2,001,758)	(16,284,069)	(2,001,758)	(16,284,069)
Proceeds from redemptions of debt securities held to maturities	3,536,048	19,942,729	3,536,048	19,925,316
Investments in general investments	–	(18,901)	–	(18,901)
Capital distribution from investment units and proceeds from sales of general investments	124,715	291,539	124,715	291,539
Purchases of premises and equipment	(645,032)	(1,119,980)	(636,989)	(1,111,769)
Cash paid for leasehold rights	(11,272)	(103,624)	(11,272)	(103,624)
Purchases of intangible assets	(369,510)	(402,377)	(367,719)	(398,930)
Proceeds from disposals of equipment	53,753	178,030	53,359	176,646
Net cash provided by investing activities	5,666,338	7,112,566	6,194,434	7,454,760
Cash flows from financing activities				
Cash repayments on long-term debts issued and borrowings	(4,239,407)	(2,004,013)	(4,239,407)	(2,004,013)
Cash paid on interest on long-term debts issued and borrowings	(1,401,893)	(1,566,383)	(1,401,830)	(1,566,309)
Cash receipts on subordinated debentures issued	15,000,000	–	15,000,000	–
Cash paid for redemption of subordinated debenture	(9,300,000)	–	(9,300,000)	–
Expenses in relation to issuance of ordinary shares to employees	(576)	(558)	(576)	(558)
Dividends paid	(1,747,101)	(1,438,935)	(1,747,101)	(1,438,935)
Net cash used in financing activities	(1,688,977)	(5,009,889)	(1,688,914)	(5,009,815)

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

TMB Bank Public Company Limited and its subsidiaries
Statements of cash flows (continued)
For the year ended 31 December 2014

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	**2013**	**2014**	**2013**
Net increase (decrease) in cash and cash equivalents	(148,250)	1,947,673	(128,247)	1,927,684
Changes in translation adjustments of foreign operations	–	29,557	–	29,557
Cash and cash equivalents as at 1 January	16,576,203	14,598,973	16,556,121	14,598,880
Cash and cash equivalents as at 31 December	16,427,953	16,576,203	16,427,874	16,556,121
Supplemental cash flows information				
Non-cash transactions:				
Issuance of ordinary shares to employees	145,890	108,327	145,890	108,327
Increase (decrease) in available-for-sale investments as a result of revaluation	61,240	(2,468)	20,381	(1,418)
Decrease in premises as a result of transfer of revaluation surplus on assets directly to retained earnings	(212,172)	(163,212)	(212,172)	(163,212)

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

TMB Bank Public Company Limited and its subsidiaries
Table of contents for notes to financial statements
For the year ended 31 December 2014

1. General information

TMB Bank Public Company Limited ("the Bank"), is a public company incorporated and domiciled in Thailand. The Bank has been operating commercial banking businesses whereby its head office is located at No. 3000, Phaholyothin Road, Chomphon Sub-district, Chatuchak District, Bangkok. As at 31 December 2014, the Bank had altogether 460 branches, including the Head Office, in all regions throughout Thailand and 2 overseas branches (31 December 2013: 458 branches in Thailand and 2 oversea branches).

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.

2. Basis of preparation of financial statements

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the Bank of Thailand ("BOT")'s Notification No. Sor Nor Sor. 11/2553 regarding "Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups", dated 3 December 2010.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in Note 4 to the financial statements regarding a summary of significant accounting policies.

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

2.2 Basis of consolidation

(a) The consolidated financial statements include the financial statements of TMB Bank Public Company Limited and the following subsidiaries:

		Percentage of shares held by the Bank as at		Assets included as a percentage to the consolidated totals as at		Revenue included as a percentage to the consolidated totals for the year ended 31 December	
	Type of business	31 December 2014	31 December 2013	31 December 2014	31 December 2013	2014	2013
Phayathai Asset Management Co., Ltd.	Asset management business	100.00	100.00	0.37	0.34	0.45	0.42
Designee for ETA Contract Ltd.	Financial support business	99.50	99.50	–	–	–	–
TMB Asset Management Co., Ltd.	Fund management business	87.50	87.50	0.11	0.09	2.62	2.20

(b) The Bank and its subsidiaries do not treat investments in any mutual funds in which they hold more than 50% of outstanding units as investments in subsidiaries because the Bank does not have control over the financial and operating policies of these funds. In case that the Bank and its subsidiaries receive shares as a result of debt restructuring of a borrower, which causes the Bank and its subsidiaries to hold more than 50% of the paid-up share capital of such company, the Bank and its subsidiaries will not treat that investee company as a subsidiary, since they intend to hold such investment temporarily.

(c) Subsidiaries' financial statements have been fully consolidated since the date on which the Bank obtains control, and continue to be consolidated until the date when such control ceases.

(d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Bank.

(e) Material balances and transactions between the Bank and its subsidiaries have been eliminated from the consolidated financial statements. The investments in subsidiaries as recorded in the Bank's books of accounts have been eliminated against shareholders' equity of the subsidiaries.

(f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Bank and are presented separately in the consolidated statements of comprehensive income and within shareholders' equity in the consolidated statements of financial position.

2.3 Separate financial statements

The separate financial statements, which present investments in subsidiaries and associate under the cost method, have been prepared solely for the benefit of the public.

3. New financial reporting standards

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

3.1 Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)
Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Venture

TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases – Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets – Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards.

The management of the Bank and its subsidiaries already assessed and believe that the above-mentioned financial reporting standards, do not have an impact on the financial statements.

3.2 Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of new or revised financial reporting standards that are effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. The management of the Bank and its subsidiaries have assessed the effect of these financial reporting standards and believes that they will not have any significant impact on the financial statements for the year when they are initially applied. However, some of these financial reporting standards are relevant to the businesses and the preparation of financial statements of the Bank and its subsidiaries and involve changes to key principles as summarised below:

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 *Consolidated and Separate Financial Statements*. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Bank and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Bank and its subsidiaries believes that this standard will not have an impact on the Bank and its subsidiaries' financial statements.

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no impact to the financial statements of the Bank and its subsidiaries.

TFRS 13 Fair Value Measurement

TFRS 13 sets out a framework for measuring fair value and requires disclosure about fair value measurement. The objective of the fair value measurement is to estimate the exit price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions from the market participant's viewpoint.

This financial reporting standard shall be applied prospectively as of the beginning of the annual period in which it is initially applied. For fair value measurement of financial assets and liabilities into which credit risks shall be taken into account, this financial reporting standard allows the alternative option to recognise such financial impact by adjustment to the 2015 beginning balance of retained earnings.

For the first-time adoption in 2015, the beginning balance of retained earnings in the consolidated and separate financial statements as at 1 January 2015 would be reduced by approximately Baht 50 million.

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognises actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss and against retained earnings.

At present, the Bank and its subsidiaries recognised actuarial gains and losses immediately in other comprehensive income. The management of the Bank and its subsidiaries believes that this standard will not have any significant impact on the Bank and its subsidiaries' financial statements.

4. Summary of significant accounting policies

4.1 Revenue Recognition

(a) 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 Bank of Thailand's 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 are no interest receivables and present value loss on debt restructuring outstanding.

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

(b) Dividend income

Dividends are recognised as revenue on the date that the Bank's and its subsidiaries' right to receive the dividends is established.

(c) Fees and service income

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

4.2 Recognition of expense

(a) Interest expenses

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

(b) Fees and service expenses

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

4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in the process of collection.

4.4 Securities purchased under resale agreements/Securities sold under repurchase agreements

The Bank enters into agreements to purchase securities or to sell securities that include agreements to sell or purchase the 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 in the statements of financial position under the caption of "Interbank and money market items – assets" or "Loans to customers", depending upon the type of its counterparty, and the underlying securities are treated as collateral to such receivables. Securities sold subject to repurchase commitments are presented as liabilities in the statements of financial position under the caption of "Interbank and money market items – liabilities" or "Debt issued and borrowings", depending upon the type of its counterparty 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.

4.5 Investments

The Bank and its subsidiaries classify their investments in debt securities as trading investments, available-for-sale investments, held-to-maturity debt securities as the case may be, and classify their investments in equity securities as trading investments, available-for-sale investments, general investments, investments in subsidiaries or associate as the case may be. Purchases and sales of investments are recorded on trade dates.

Impairment losses are recognised in profit or loss from operation. In the event the Bank and its subsidiaries reclassify investment from one type to another, such investment will be readjusted to its fair value as at the reclassification date. The difference between the carrying amount and the fair value of such investment on the date of reclassification is recorded in profit or loss from operation or against revaluation surplus (deficit) on investments in shareholders' equity, depending on the type of investment that is reclassified.

Investments in subsidiaries and associate

Investments in subsidiaries and associate as stated in the separate financial statements are accounted for using the cost method (cost less allowance for impairment, if any). Losses on impairment are recorded as expenses in profit or loss from operation.

Investment in an associate as stated in the consolidated financial statements is accounted for using the equity method. Investment in the associate is initially recorded at the acquisition cost and are adjusted to reflect the attributable share of profits or losses from the operations of the associate proportionately according to the investment holding percentage and reduced by the amount of dividends received.

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 (if any).

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

Investments in debt and equity securities

Debt securities and marketable equity securities held for trading are classified as trading investments and are stated at fair value. Changes in the fair value of these securities are recognised as income or expense in profit or loss from operation.

Debt securities, including rights to receive non-negotiable promissory notes avaled 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 intend and are able to hold to maturity, are stated at amortised cost less allowance for impairment (if any). The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the remaining period to maturity, counting from acquisition date or investment date.

Debt securities and marketable equity securities, other than those held for trading or held to maturity, are classified as available-for-sale investments and are stated at fair value. Changes in the fair value are recorded as income or expense in other comprehensive income, and will be included in profit or loss from operation when those securities are sold.

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 (if any).

Fair value of securities

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.

Fair value of an investment unit is determined using the net asset value announced on the reporting period-end date.

The fair value of investments in government-sector debt securities is determined, using yield rate or price quoted on the Thai Bond Market Association ("TBMA"). 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 TBMA's yield rates adjusted by appropriate risk factors.

Disposal of investments

When disposal of an investment is made, the difference between the net disposal proceeds and the carrying amount, together with the associated cumulative gain or loss that has been recorded in shareholders' equity, is recognised as gain or loss in profit or loss from operations.

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

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

4.6 Loans to customers

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

4.7 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-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-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 – 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.

4.8 Allowance for doubtful debts

Allowance for doubtful debts is determined based on relevant BOT's criteria and regulations. The allowance for doubtful debts includes (a) an allowance determined at the minimum percentage as specified in the BOT 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 debts 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.

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

4.9 Troubled debt restructuring

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

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

4.10 Properties foreclosed

Properties foreclosed are stated at the lower of cost or net realisable value. Loss on impairment is recognised as an expense in profit or loss from operation. Gain or loss on disposal is recognised in profit or loss from operation when a disposal is made.

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

The Bank and its subsidiaries consider net realisable value for each unit of properties foreclosed. Net realisable value is the recoverable value from disposal of properties foreclosed less estimated selling expenses. The recoverable value from disposable of properties foreclosed is assessed with reference to the appraisal value of each unit of properties foreclosed 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.

4.11 Premises and equipment

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

The Bank and its subsidiaries initially record land, buildings and equipment at their costs on the acquisition dates. 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:

(a) 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 shareholders' equity 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 from operation, 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.

(b) 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 from operations. However, if the asset was previously revalued and an outstanding balance of revaluation surplus remains in shareholders' equity 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 from operations.

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	–	50 years
Equipment	–	3 – 10 years

Depreciation is included in profit or loss from operation. No depreciation is determined for land and assets under construction and installation.

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 from operation when the asset is derecognised.

4.12 Leasehold rights

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

4.13 Intangible assets

Goodwill

Goodwill arising on the acquisition of an interest in a subsidiary represents the excess of the cost of the investment over the carrying amount of the net assets acquired at the date of acquisition. Goodwill is stated at cost less allowance for impairment (if any) in the statements of financial position.

Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and allowance for impairment (if any). Intangible assets with finite useful lives or with useful lives that can be estimated are amortised on a systematic basis over the periods of their economic benefit and are tested for impairment whenever there is an indication that the asset may be impaired. The amortisation periods and methods for such intangible assets are reviewed at least at each financial year-end. The amortisation amount and loss on impairment (if any) are recognised as expenses in profit or loss from operation.

The Bank's and its subsidiaries' other intangible assets are computer softwares, which are amortised over the estimated period of their economic benefits of 5 years. No amortisation is made for computer softwares under development.

4.14 Allowance for impairment

Impairment

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

Goodwill and other intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually or when indicators of impairment are identified earlier.

An impairment loss is recognised whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss from operation unless it reverses a previous revaluation surplus on assets credited to equity, in which case an impairment loss on a revalued asset is recognised in equity to the extent that the impairment does not exceed the amount of the remaining balance of the revaluation surplus for the same asset.

When a decrease in the fair value of an available-for-sale investments, which has been recognised in shareholders' equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had already been recognised in shareholders' equity is then transferred to be recognised in profit or loss from operation. The amount of impairment loss that is recognised in profit or loss from operation is the difference between the acquisition cost and the fair value, less any impairment loss on that financial asset previously recognised in profit or loss from operation.

Calculation of recoverable amount

The recoverable amount of the Bank's and its subsidiaries' investments in held-to-maturity securities is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate.

The recoverable amount of available-for-sale investments is calculated by reference to their fair value.

The recoverable amount of loans to customers and accrued interest receivables is calculated as described in Notes 4.6 to 4.9 to the financial statements.

The recoverable amount of non-financial assets is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 recorded in respect of a financial asset is reversed if a subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For financial assets carried at amortised cost, available-for-sale investments, general investments and investments in subsidiaries and associate, the reversal is recognised in profit or loss from operations. However, any reversal is not to exceed the amount previously recognised as the impairment loss in profit or loss from operations. An impairment loss recorded in respect of goodwill is not reversed.

Impairment loss recognised in prior periods in respect of other non-financial assets is assessed at the end of each reporting period 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 and will be reversed only to the extent that the asset's carrying value does not exceed the carrying value, net of accumulated depreciation or amortisation, that would have been determined if no impairment loss had been recognised.

4.15 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 is met:

1. Such classification is made to reduce a mismatch in profit or loss that would otherwise arise from different accounting recognition between financial assets and financial liabilities; or

2. The financial instrument is 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.

When the Bank classifies its hybrid instrument liabilities as "Financial liabilities designated at fair value through profit or loss", it will not be able to reclassify such liabilities over their remaining lives to recognise them under another accounting method.

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 from operation.

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 from operation.

2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

3. The economic characteristics and risks of the embedded derivative and the host contract are not closely related.

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

4.16 Provisions

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

The Bank provides provisions for those off-balance sheet contingencies 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 debts that are described in Note 4.8 to the financial statements.

Provisions for other liabilities

Provisions are recognised when the Bank and its subsidiaries have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash outflows by a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4.17 Derivatives

Trading derivatives are initially and subsequently measured at fair value. Gain or loss on measurement of derivatives is recognised as revenue or expense in profit or loss from operation. In case where there is an active market, the Bank and its subsidiaries use the market value as the fair value of derivatives and if there is no active market, the fair value is derived from valuations incorporating market data obtained from reliable sources. The market value or market data obtained from reliable sources are mainly based on exchange-traded prices, broker/dealer quotations, or counterparties quotations.

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 from operation and the difference between the forward rate and the spot rate at the contract date is recognised as revenue or expense using the straight-line basis over the contract periods.

4.18 Translation of foreign currencies

Transactions in foreign currencies are translated into Thai Baht at the buying or selling rates as specified by the Bank when the transactions occur.

Monetary assets and liabilities denominated in foreign currencies outstanding on the reporting period-end dates are translated into Thai Baht at the reference rates announced by the Bank of Thailand. Foreign exchange differences arising on translation are recognised in profit or loss from operation.

The financial statements of overseas branches are translated into Thai Baht at the reference rates announced by the Bank of Thailand at the reporting period-end dates. Foreign exchange differences arising on translation are 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 from operation.

4.19 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 from operation.

4.20 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 from operation with a corresponding increase in "Other reserve – share-based payments" in shareholders' 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 of 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 represents the movement in cumulative expense recognised as at the beginning and at the end of the reporting period.

4.21 Long-term leases

Leases of motor vehicles which transfer substantially all the risks and rewards of ownership to the Bank and its subsidiaries, as lessees, are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the net present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are recorded as long-term liabilities, while the interest element is recorded as expense in profit or loss from operation over the lease period. Assets acquired under finance leases are depreciated over the shorter of the useful lives of the assets and the lease periods.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss from operation on a straight-line basis over the lease term.

4.22 Income tax expenses

Income tax expenses consist of current income taxes and deferred taxes.

Current income taxes

The Bank and its subsidiaries recognise current taxes at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred income taxes

The Bank and its subsidiaries recognise deferred income taxes of temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting periods.

The Bank and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences, including brought-forward tax losses, to the extent that it is probable that their future taxable profit will be available against which such deductible temporary differences, including brought-forward tax losses, can be utilised.

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

The Bank and its subsidiaries record deferred income taxes directly to shareholders' equity if the taxes relate to items that are recorded directly to shareholders' equity.

4.23 Related party transactions

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

They also include associated companies and individuals which directly or indirectly own a voting interest in the Bank and its subsidiaries that gives them significant influence over the Bank and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Bank's and its subsidiaries' operations, together with close family members of such persons and companies which are controlled or influenced by them, whether directly or indirectly.

5. Significant accounting judgements and estimates

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

5.1 Fair value of financial instruments

In determining the fair value of financial instruments that are not freely traded in an open market or for which quoted market prices are not readily available, the management exercises judgement in estimating the fair value of such financial instruments, using the generally accepted valuation method. The inputs used in such fair value calculation are comparable to those from the observable markets, taking into consideration of liquidity and correlation and long-term volatility of financial instruments.

5.2 Allowance for doubtful debts on loans to customers and accrued interest receivables

Allowances for doubtful debts on loans to customers and accrued interest receivables are intended to adjust the value of loans and receivables for probable credit losses. The management follows the BOT's guidelines regarding the provision of allowance for doubtful debts, including the use of judgement to estimate losses expected to be incurred on loans to customers and accrued interest receivables, taking into consideration an analysis of each debtor's status, payment history, collection experience from the debtor, probability of default rates, loss rates given default, the value of collateral and surrounding economic conditions.

5.3 Allowance for impairment on investments/Reversal of allowance for impairment on investments

The Bank and its subsidiaries consider that investments are impaired when there has been a significant and prolonged decline in the fair value below their cost or an indicator of impairment. The determination of what is "significant" or "prolonged" or "indicator of impairment" requires judgement of management. In addition, the Bank and its subsidiaries may consider the reversal of allowance for impairment on investments when the management considers that those impairment indicators no longer exist or there are other indicators, including the current fair value of investments that cause the management to believe that the investments previously provided for impairment loss are no longer impaired.

5.4 Allowance for impairment on properties foreclosed

The Bank and its subsidiaries consider allowance for impairment of properties foreclosed when their recoverable amounts are below their carrying value. The management uses judgement to estimate impairment loss, taking into consideration the latest appraisal values, holding periods, the types, the characteristics of the assets and historical loss experiences.

5.5 Premises and equipment/Depreciation

In determining depreciation of buildings and equipment, the management is required to estimate the useful lives and residual values of the Bank's buildings and equipment and to review estimated useful lives and residual values when there are any changes.

The Bank measures land and buildings at revalued amounts. Such amounts are determined by the independent valuer using the market approach for land and the depreciated replacement cost approach for buildings. The valuation involves certain assumptions and estimates.

In addition, the management is required to review premises and equipment for impairment on a periodic basis and record impairment losses in the period when it is determined that their recoverable amounts are lower than the carrying values. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.6 Intangible assets

In consideration of allowance for impairment loss on intangible assets, it requires the management to forecast cash flows that will be generated by the assets or the cash generating units, and to select a suitable discount rate in order to determine the present value of those cash flows. In addition, in amortising intangible assets, the management estimates the useful lives of those intangible assets that have finite useful lives and reviews these estimates whenever circumstances change.

5.7 Recognition and derecognition of assets and liabilities

In considering whether to recognise or derecognise assets and liabilities, the management is required to make judgement on whether significant risk and rewards have been transferred.

5.8 Provisions for employee benefits

The provisions for post-employment benefits and other long-term employee benefits are determined based on actuarial techniques, which involve various assumptions. The management has to exercise judgement to determine the appropriateness of these assumptions such as discount rate, salary incremental rate, staff turnover rate and mortality rate, based on their best knowledge of current events and arrangements.

5.9 Claims, litigation and the transfer of non-performing assets

The Bank and its subsidiaries have contingent liabilities as a result of (a) claims, (b) litigation cases being made against them and (c) loss sharing from the transfer of non-performing assets. The determination of these provisions for liabilities to be recognised on the statement of financial position requires the use of various assumptions and judgements by the management.

5.10 Leases

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

6. THE BANK'S 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; 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 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, and senior management risk committees that oversee specific risk areas including the Risk Policy Committee (RPC), the Operational Risk Management Committee (ORC), the Asset and Liabilities Management Committee (ALCO) and the Portfolio Monitoring Committees (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 Credit Risk Management function, sub-functions including Corporate 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 portfolios. 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 strategy and recommending risk appetite to top management for approval in order to be used for monitoring, controlling and managing risk levels of the Bank.

6.1 Credit risk

Credit risk is the risk of loss 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 item products such as guarantees and derivatives.

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

Credit policies/framework

The Bank's credit risk appetite and strategy are approved by the Board of Directors. 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.

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 credit terms and conditions to mitigate the elements of risk in the same manner as for direct lending procedures.

Independent Credit review

The Audit unit is responsible for performing the independent 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.

6.2 Market risk

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

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

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

Market risk in the banking book consists of market risks incurred from the Bank's both on-and off-balance sheet items, and derivatives designated to hedge other banking book items. The Bank has established Market Risk Management: Banking Book Policy, which outlines the approach for managing market risks in the banking book and setting the relevant limits appropriate to the positions of the risks in the book and in line with the Bank's risk appetite. The Bank also analyses risks and regularly assesses the impact, the results of which are used as tools to manage the Bank's balance sheet structure to be in line with the changing market environment.

6.2.1 Interest rate risk

Interest rate risk is the risk that the value of financial assets or liabilities will fluctuate due to changes in interest rates.

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 31 December 2014 and 2013, financial assets and liabilities classified by types of interest rates are as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	31 December 2014			
	Floating interest rate	**Fixed interest rate**	**Non-interest bearing**	**Total**
Financial Assets				
Cash	–	–	16,428	16,428
Interbank and money market items	21,713	86,013	5,280	113,006
Investments – net	2,950	105,147	2,762	110,859
Loans to customers net of deferred revenue	322,247	203,240	4,873	530,360
Other financial assets	2,183	662	13,383	16,228

(Unit: Million Baht)

	Consolidated financial statements			
	31 December 2014			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial Liabilities				
Deposits	373,335	173,236	25,054	571,625
Interbank and money market items	7,162	63,624	1,931	72,717
Liability payable on demand	–	–	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	–	–	137
Debts issued and borrowings	2,055	34,172	22	36,249
Other financial liabilities	281	–	14,077	14,358

	Consolidated financial statements			
	31 December 2013			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial Assets				
Cash	–	–	16,576	16,576
Interbank and money market items	9,790	75,965	10,641	96,396
Investments – net	5,056	95,228	2,993	103,277
Loans to customers net of deferred revenue	311,685	183,506	4,283	499,474
Other financial assets	7,821	103	12,986	20,910
Financial Liabilities				
Deposits	308,267	196,503	24,836	529,606
Interbank and money market items	8,493	56,011	1,534	66,038
Liability payable on demand	–	–	3,276	3,276
Financial liabilities designated at fair value through profit or loss	340	–	–	340
Debts issued and borrowings	6,098	32,048	27	38,173
Other financial liabilities	1,184	–	14,937	16,121

(Unit: Million Baht)

	Separate financial statements			
	31 December 2014			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial Assets				
Cash	–	–	16,428	16,428
Interbank and money market items	21,711	85,350	5,280	112,341
Investments – net	2,950	105,147	689	108,786
Investments in subsidiaries and associate – net	–	–	3,229	3,229
Loans to customers net of deferred revenue	322,204	203,240	4,873	530,317
Other financial assets	2,079	105	13,119	15,303
Financial Liabilities				
Deposits	373,416	173,236	25,068	571,720
Interbank and money market items	7,162	63,624	1,931	72,717
Liability payable on demand	–	–	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	–	–	137
Debts issued and borrowings	2,055	34,172	22	36,249
Other financial liabilities	281	–	13,865	14,146

	Separate financial statements			
	31 December 2013			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial Assets				
Cash	–	–	16,556	16,556
Interbank and money market items	9,789	75,421	10,641	95,851
Investments – net	5,056	95,228	1,470	101,754
Investments in subsidiaries and associate – net	–	–	2,872	2,872
Loans to customers net of deferred revenue	310,016	183,470	4,282	497,768
Other financial assets	7,717	103	12,794	20,614
Financial Liabilities				
Deposits	308,315	196,503	24,845	529,663
Interbank and money market items	8,493	56,011	1,534	66,038
Liability payable on demand	–	–	3,276	3,276
Financial liabilities designated at fair value through profit or loss	340	–	–	340
Debts issued and borrowings	6,098	32,048	27	38,173
Other financial liabilities	1,184	–	14,844	16,028

Financial assets and liabilities, classified by interest repricing periods, as at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	31 December 2014					
	Repricing periods					
	Within 3 months	Over 3-12 months	Over 1 year	Non-performing assets	Non-interest bearing	Total
Financial Assets						
Cash	–	–	–	–	16,428	16,428
Interbank and money market items	107,304	422	–	–	5,280	113,006
Investments – net	33,147	40,238	34,712	–	2,762	110,859
Loans to customers net of deferred revenue	411,141	56,250	40,003	18,093	4,873	530,360
Other financial assets	2,844	–	1	–	13,383	16,228
Financial Liabilities						
Deposits	450,533	88,818	7,220	–	25,054	571,625
Interbank and money market items	65,490	1,588	3,708	–	1,931	72,717
Liability payable on demand	–	–	–	–	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	–	–	–	–	137
Debts issued and borrowings	1,010	9,855	25,362	–	22	36,249
Other financial liabilities	281	–	–	–	14,077	14,358

	Consolidated financial statements					
	31 December 2013					
	Repricing periods					
	Within 3 months	Over 3-12 months	Over 1 year	Non-performing assets	Non-interest bearing	Total
Financial Assets						
Cash	–	–	–	–	16,576	16,576
Interbank and money market items	85,313	442	–	–	10,641	96,396
Investments – net	19,068	21,778	59,438	–	2,993	103,277
Loans to customers net of deferred revenue	393,113	50,628	29,029	22,421	4,283	499,474
Other financial assets	7,549	359	16	–	12,986	20,910
Financial Liabilities						
Deposits	376,991	114,914	12,865	–	24,836	529,606
Interbank and money market items	58,959	972	4,573	–	1,534	66,038
Liability payable on demand	–	–	–	–	3,276	3,276
Financial liabilities designated at fair value through profit or loss	340	–	–	–	–	340
Debts issued and borrowings	1,071	18,002	19,073	–	27	38,173
Other financial liabilities	1,184	–	–	–	14,937	16,121

(Unit: Million Baht)

	Separate financial statements					
	31 December 2014					
	Repricing periods					
	Within 3 months	Over 3-12 months	Over 1 year	Non-performing assets	Non-interest bearing	Total
Financial assets						
Cash	–	–	–	–	16,428	16,428
Interbank and money market items	107,061	–	–	–	5,280	112,341
Investments – net	33,147	40,238	34,712	–	689	108,786
Investments in subsidiaries and associate – net	–	–	–	–	3,229	3,229
Loans to customers net of deferred revenue	411,141	56,249	40,003	18,051	4,873	530,317
Other financial assets	2,183	–	1	–	13,119	15,303
Financial liabilities						
Deposits	450,614	88,818	7,220	–	25,068	571,720
Interbank and money market items	65,490	1,588	3,708	–	1,931	72,717
Liability payable on demand	–	–	–	–	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	–	–	–	–	137
Debts issued and borrowings	1,010	9,855	25,362	–	22	36,249
Other financial liabilities	281	–	–	–	13,865	14,146

	Separate financial statements					
	31 December 2013					
	Repricing periods					
	Within 3 months	Over 3-12 months	Over 1 year	Non-performing assets	Non-interest bearing	Total
Financial assets						
Cash	–	–	–	–	16,556	16,556
Interbank and money market items	85,210	–	–	–	10,641	95,851
Investments – net	19,068	21,778	59,438	–	1,470	101,754
Investments in subsidiaries and associate – net	–	–	–	–	2,872	2,872
Loans to customers net of deferred revenue	393,113	50,628	29,029	20,716	4,282	497,768
Other financial assets	7,445	359	16	–	12,794	20,614
Financial liabilities						
Deposits	377,039	114,914	12,865	–	24,845	529,663
Interbank and money market items	58,959	972	4,573	–	1,534	66,038
Liability payable on demand	–	–	–	–	3,276	3,276
Financial liabilities designated at fair value through profit or loss	340	–	–	–	–	340
Debts issued and borrowings	1,071	18,002	19,073	–	27	38,173
Other financial liabilities	1,184	–	–	–	14,844	16,028

The average balances of the interest-bearing financial assets and liabilities and the average rates of interest income and expenses for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Average balances	Interest income/ expenses[1]	Average rates (% per annum)	Average balances	Interest income/ expenses[1]	Average rates (% per annum)
Interest-bearing financial assets						
Interbank and money market items	104,311	2,229	2.14	89,073	2,000	2.25
Investments in debt securities	106,773	2,947	2.76	106,465	3,334	3.13
Loans to customers net from deferred revenue	514,285	30,210	5.87	462,365	29,173	6.31
Interest-bearing financial liabilities						
Deposits	542,838	11,806	2.17	475,037	10,907	2.30
Interbank and money market items	46,218	1,054	2.28	55,010	1,510	2.75
Debts issued and borrowings	36,581	1,388	3.79	40,898	1,577	3.86

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

	Separate financial statements					
	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Average balances	Interest income/ expenses[1]	Average rates (% per annum)	Average balances	Interest income/ expenses[1]	Average rates (% per annum)
Interest-bearing financial assets						
Interbank and money market items	103,668	2,211	2.13	88,528	1,983	2.24
Investments in debt securities	106,773	2,947	2.76	106,462	3,334	3.13
Loans to customers net from deferred revenue	513,100	30,086	5.86	460,531	29,019	6.30
Interest-bearing financial liabilities						
Deposits	542,981	11,807	2.17	475,206	10,908	2.30
Interbank and money market items	46,218	1,054	2.28	55,010	1,510	2.75
Debts issued and borrowings	36,581	1,388	3.79	40,898	1,577	3.86

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

6.2.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to 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 31 December 2014 and 2013, the Bank had the following net foreign currency positions categorised by major foreign currencies:

(Unit: USD Million)

	Separate financial statements							
	31 December 2014				31 December 2013			
	USD	Euro[1]	Other currencies[1]	Total	USD	Euro [1]	Other currencies[1]	Total
Spot	626	26	15	667	651	17	27	695
Forward	(584)	(28)	(15)	(627)	(674)	(19)	(28)	(721)
Net position. .	42	(2)	–	40	(23)	(2)	(1)	(26)

[1] Balances denominated in Euro and other currencies are stated in USD equivalents.

6.2.3 Equity price risk

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

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

6.3 Liquidity risk

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

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

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

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

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

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.

Risk Ratios or Indicators

	31 December 2014	**31 December 2013**
Loans to Deposits Ratio	94.3%	94.2%

The financial instruments classified by remaining periods to maturity, counted from the date of statements of financial position, as at 31 December 2014 and 2013 are summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements						
	31 December 2014						
	At call[1]	**Within 3 months**	**Over 3-12 months**	**Over 1-5 years**	**Over 5 years**	**No maturity**	**Total**
Financial assets							
Cash	16,428	–	–	–	–	–	16,428
Interbank and money market items	6,490	100,094	422	6,000	–	–	113,006
Investments – net							
Trading securities and general investments	–	10,825	5,734	3,641	–	685[2]	20,885
Available-for-sale securities	–	6,997	21,301	13,252	–	2,077[2]	43,627
Held-to-maturity debt securities	–	3,015	18,937	24,395	–	–	46,347
Loans to customers net of deferred revenue	124,993	120,202	101,799	103,074	62,199	18,093[3]	530,360
Other financial assets	989	6,636	243	1,338	893	6,129	16,228
Total financial assets	148,900	247,769	148,436	151,700	63,092	26,984	786,881
Financial liabilities							
Deposits	397,768	77,092	89,303	7,462	–	–	571,625
Interbank and money market items	7,445	59,976	1,588	3,708	–	–	72,717
Liability payable on demand	3,145	–	–	–	–	–	3,145
Financial liabilities designated at fair value through profit or loss	–	–	–	–	137	–	137
Debts issued and borrowings	141	574	8,816	26,637	81	–	36,249
Other financial liabilities	1,238	5,382	–	–	1,157	6,581	14,358
Total financial liabilities	409,737	143,024	99,707	37,807	1,375	6,581	698,231
Net cash flow on derivatives	–	466	391	88	15	–	960

(1) Including transactions with 1-day term.

(2) The full amount is investment in equity securities.

(3) The full amount is non-performing loans.

(Unit: Million Baht)

	Consolidated financial statements						
	31 December 2013						
	At call[1]	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	No maturity	Total
Financial assets							
Cash	16,576	–	–	–	–	–	16,576
Interbank and money market items	13,127	82,827	442	–	–	–	96,396
Investments – net							
Trading securities and general investments	–	42	3,688	5,071	–	803[2]	9,604
Available-for-sale securities	–	8,287	18,272	16,144	746	2,190[2]	45,639
Held-to-maturity debt securities	–	6	3,531	35,297	9,200	–	48,034
Loans to customers net of deferred revenue	122,814	120,534	76,973	98,056	58,676	22,421[3]	499,474
Other financial assets	2,331	6,915	1,156	2,498	879	7,131	20,910
Total financial assets	154,848	218,611	104,062	157,066	69,501	32,545	736,633
Financial liabilities							
Deposits	331,813	68,766	115,601	13,426	–	–	529,606
Interbank and money market items	7,894	52,599	972	4,573	–	–	66,038
Liability payable on demand	3,276	–	–	–	–	–	3,276
Financial liabilities designated at fair value through profit or loss	–	–	–	–	340	–	340
Debts issued and borrowings	94	567	16,371	21,037	104	–	38,173
Other financial liabilities . .	2,901	4,512	–	–	1,061	7,647	16,121
Total financial liabilities . . .	345,978	126,444	132,944	39,036	1,505	7,647	653,554
Net cash flow on derivatives	–	371	673	22	24	–	1,090

(1) Including transactions with 1-day term.

(2) The full amount is investment in equity securities.

(3) The full amount is non-performing loans.

(Unit: Million Baht)

	Separate financial statements						
	31 December 2014						
	At call[1]	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	No maturity	Total
Financial assets							
Cash	16,428	–	–	–	–	–	16,428
Interbank and money market items	6,488	99,853	–	6,000	–	–	112,341
Investments – net							
Trading securities and general investments	–	10,825	5,734	3,641	–	685[2]	20,885
Available-for-sale securities	–	6,997	21,301	13,252	–	4[2]	41,554
Held-to-maturity debt securities	–	3,015	18,937	24,395	–	–	46,347
Investments in subsidiaries and associate – net	–	–	–	–	–	3,229[2]	3,229
Loans to customers net of deferred revenue	124,993	120,202	101,798	103,074	62,199	18,051[3]	530,317
Other financial assets	989	6,079	243	1,234	884	5,874	15,303
Total financial assets	148,898	246,971	148,013	151,596	63,083	27,843	786,404
Financial liabilities							
Deposits	397,863	77,092	89,303	7,462	–	–	571,720
Interbank and money market items	7,445	59,976	1,588	3,708	–	–	72,717
Liability payable on demand	3,145	–	–	–	–	–	3,145
Financial liabilities designated at fair value through profit or loss	–	–	–	–	137	–	137
Debts issued and borrowings	141	574	8,816	26,637	81	–	36,249
Other financial liabilities	1,238	5,365	–	–	1,156	6,387	14,146
Total financial liabilities	409,832	143,007	99,707	37,807	1,374	6,387	698,114
Net cash flow on derivatives	–	466	391	88	15	–	960

(1) Including transactions with 1-day term.

(2) The full amount is investment in equity securities.

(3) The full amount is non-performing loans.

(Unit: Million Baht)

	Separate financial statements						
	31 December 2013						
	At call[1]	Within 3 months	Over 3-12 months	Over 1-5 years	Over 5 years	No maturity	Total
Financial assets							
Cash	16,556	–	–	–	–	–	16,556
Interbank and money market items	13,126	82,725	–	–	–	–	95,851
Investments – net							
Trading securities and general investments	–	42	3,688	5,071	–	803[2]	9,604
Available-for-sale securities	–	8,287	18,272	16,144	746	667[2]	44,116
Held-to-maturity debt securities	–	6	3,531	35,297	9,200	–	48,034
Investments in subsidiaries and associate – net	–	–	–	–	–	2,872[2]	2,872
Loans to customers net of deferred revenue	122,814	120,534	76,973	98,055	58,676	20,716[3]	497,768
Other financial assets	2,331	6,915	1,156	2,394	878	6,940	20,614
Total financial assets	154,827	218,509	103,620	156,961	69,500	31,998	735,415
Financial liabilities							
Deposits	331,870	68,766	115,601	13,426	–	–	529,663
Interbank and money market items	7,894	52,599	972	4,573	–	–	66,038
Liability payable on demand	3,276	–	–	–	–	–	3,276
Financial liabilities designated at fair value through profit or loss	–	–	–	–	340	–	340
Debts issued and borrowings	94	567	16,371	21,037	104	–	38,173
Other financial liabilities	2,901	4,496	–	–	1,061	7,570	16,028
Total financial liabilities	346,035	126,428	132,944	39,036	1,505	7,570	653,518
Net cash flow on derivatives	–	371	673	22	24	–	1,090

(1) Including transactions with 1-day term.

(2) The full amount is investment in equity securities.

(3) The full amount is non-performing loans.

6.4 Fair value of financial instruments

Methods and assumptions in estimating market value or fair value of financial instruments are as follows:

– Cash, interbank and money market items (assets), investments in subsidiaries and associate and other financial assets:

  The fair value is approximated based on its carrying value.

– Investments – net:

  The fair value of investments is based on the method disclosed in Note 4.5 to the financial statements.

– Loans to customers and accrued interest receivables:

  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 debts as most loans are floating rate loans or fixed rate loans with repricing periods of less than 1 year.

– 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.

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

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

– Debts issued and borrowings:

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

– Liability payable on demand and 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 and if there is no active market, the fair value is derived from valuations incorporating market data obtained from reliable sources. The market price or market data are mainly based on exchange-traded prices, broker/dealer quotations, or counterparties' quotations.

The fair values in comparison with carrying values of each line item of financial assets and financial liabilities as shown in the statements of financial position at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	31 December 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash	16,428	16,428	16,576	16,576
Interbank and money market items – net	113,097	113,097	96,437	96,437
Derivatives assets	10,876	10,974	16,757	16,859
Investments – net	110,859	111,761	103,277	103,710
Loans to customers and accrued interest receivable – net	503,066	503,066	469,010	469,010
Other financial assets	16,228	16,228	20,910	20,910
Total financial assets	770,554	771,554	722,967	723,502
Financial liabilities				
Deposits	571,625	571,627	529,606	529,709
Interbank and money market items	72,717	72,717	66,038	66,038
Liability payable on demand	3,145	3,145	3,276	3,276
Financial liabilities designated at fair value through profit or loss	183	183	363	363
Derivatives liabilities	10,172	10,136	16,499	16,443
Debts issued and borrowings	36,249	37,970	38,173	38,462
Other financial liabilities	14,358	14,358	16,121	16,121
Total financial liabilities	708,449	710,136	670,076	670,412

(Unit: Million Baht)

	Separate financial statements			
	31 December 2014		31 December 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash	16,428	16,428	16,556	16,556
Interbank and money market items – net	112,426	112,426	95,888	95,888
Derivatives assets	10,876	10,974	16,757	16,859
Investments – net	108,786	109,688	101,754	102,187
Investments in subsidiaries and associate – net	3,229	3,229	2,872	2,872
Loans to customers and accrued interest receivable – net	503,052	503,052	468,361	468,361
Other financial assets	15,303	15,303	20,614	20,614
Total financial assets	770,100	771,100	722,802	723,337
Financial liabilities				
Deposits	571,720	571,722	529,663	529,766
Interbank and money market items	72,717	72,717	66,038	66,038
Liability payable on demand	3,145	3,145	3,276	3,276
Financial liabilities designated at fair value through profit or loss	183	183	363	363
Derivatives liabilities	10,172	10,136	16,499	16,443
Debts issued and borrowings	36,249	37,970	38,173	38,462
Other financial liabilities	14,146	14,146	16,028	16,028
Total financial liabilities	708,332	710,019	670,040	670,376

7. Capital fund

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain a capital adequacy ratio in accordance with the Financial Institution Business Act B.E. 2551 and the Bank of Thailand ("BOT")'s regulations. As at 31 December 2014 and 2013, capital funds of the Bank consisted of the following:

(Unit: Million Baht)

	Separate financial statements	
	31 December 2014	**31 December 2013**
Common Equity Tier 1 capital		
Paid-up share capital	41,495	41,426
Share premium	157	81
Statutory reserve	1,250	480
Net profits after appropriation	15,770[1]	4,728
Other items of shareholders' equity	3,658	3,848
Deduction items from Common Equity Tier 1 capital	(3,208)	–
Total Common Equity Tier 1 capital	59,122	50,563
Additional Tier 1 capital		
Hybrid Tier 1 debentures	–	3,600
Total Tier 1 capital	59,122	54,163
Tier 2 capital		
Provisions for assets classified as "pass"	5,700	5,600
Subordinated debentures	33,350	21,285
Total Tier 2 capital	39,050	26,885
Total capital funds	98,172	81,048

(1) Including a part of net profit for the six-month period ended 30 June 2014 amounting to Baht 2,530 million according to the resolution of the Board of Directors Meeting on 21 August 2014.

(Unit: Percentage)

	Separate financial statements		
	Minimum requirement	**31 December 2014**	**31 December 2013**
Common Equity Tier 1 capital ratio	4.50	11.04	9.91
Tier 1 capital ratio	6.00	11.04	10.62
Total capital ratio	8.50	18.34	15.89

The Bank will disclose capital adequacy ratio and capital risk exposure information for the Bank and the full consolidation as at 31 December 2014 through the Bank's website at www.tmbbank.com within April 2015.

8. Sale of non-performing assets to Thai Asset Management Corporation ("TAMC")[1]

8.1 Asset transfer agreements and profit or loss sharing

In accordance with the conditions of the Emergency Decree on the Thai Asset Management Corporation B.E. 2544, 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, in accordance with the following conditions as specified in the agreements, at the end of the fifth year and the tenth year commencing 1 July 2001.

– In the case of losses, the transferor will be responsible for the first portion of losses, not exceeding 20% of the transfer price. The second portion of losses, not exceeding 20% of the transfer price, will be equally shared between TAMC and the transferor. The remaining losses will be absorbed by TAMC.

– In case of profits, the first portion of profits, not exceeding 20% of the transfer price, will be equally shared between TAMC and the transferor. Should there be any profits remaining, the transferor is entitled to the remaining profits up to an amount not exceeding the book value of the non-performing assets after deducting the transfer price and the transferors' share in the first portion of the profits.

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 losses 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. Later in October 2013, the subsidiary already paid Baht 86 million to TAMC. Hence, as at 31 December 2014 and 2013, the Bank had outstanding balance of 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.

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(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. Currently, the case is in the proceeding session of the Supreme Court.

(b) In June 2011, the Bank sued TAMC for an additional sum of Baht 242 million over TAMC's refusals to make settlement of four items of non-performing assets transferred to TAMC of Baht 56 million and interest on promissory notes for the years 2006 and 2007. On 27 September 2012, the Court of First Instance already dismissed the case. On 22 January 2014, the Appeal Court decided to uphold the earlier Court's verdict. Currently, the case is in the proceeding session of the Supreme Court.

As at 31 December 2014 and 2013, the Bank recorded liabilities provisions Baht 4,681 million, as a result of the transfer price adjustment requested for non-performing loans against which machinery is pledged as collateral, as mentioned in 8.2 (a) (including accrued interest receivable of Baht 276 million), and TAMC's refusals to make settlement for non-performing assets transferred to TAMC, as mentioned in 8.2 (b). Such amounts are included under the caption of "Provisions for obligation on transfers of non-performing assets" in the statements of financial position.

8.3 Settlement of promissory notes

As at 31 December 2014, the Bank has outstanding promissory notes of Baht 4,413 million due from TAMC (Baht 15 million of which has yet been matured and presented as a part of "Investments" in the statements of financial position, as described in Note 11.1 to the financial statements, and Baht 4,398 million of which was matured and presented as a part of "Other receivables" in the statements of financial position). These promissory notes of Baht 4,413 million, which consist of Baht 4,398 million in dispute with TAMC regarding the transfer price adjustment as described in Note 8.2 to the financial statements On 11 June 2012, the Bank and TAMC jointly signed the memorandum of promissory notes redemption whereby the criteria and guidelines in management of matured promissory notes are as follows:

1. Non-disputed promissory notes, TAMC will pay principal and interest when due.

2. Disputed promissory notes

2.1 If no legal action has been taken over the disputed promissory notes, when the notes mature TAMC will

(a) Pay the undisputed portion of the disputed promissory notes together with interest thereon.

(b) Deposit with the Bank an amount equal to the disputed portion of the disputed promissory notes together with interest thereon. Such deposit is entitled to interest at the deposit rate announced by the Bank. TAMC will withdraw such deposit with interest and make a settlement with the Bank.

2.2 If legal action has been taken over the disputed promissory notes, when the notes mature, TAMC will deposit the amounts due with the Bank. Such deposit is entitled to interest at the deposit rate announced by the Bank. The deposit will be divided into two accounts:

(a) Account A – the undisputed portion of the notes and interest thereon; when TAMC and the Bank jointly declare to the court, TAMC will withdraw such deposit and interest thereon to settle the notes with the Bank.

(b) Account B – the disputed portion of the notes and interest thereon; TAMC will continue to deposit such amounts with the Bank until the disputes are resolved or the court judgement is finalised. If the disputes are resolved or judgement is finalised in favour of the Bank, TAMC will withdraw such deposit and interest thereon to settle with the Bank. If the amount withdrew is not adequate to settle the Bank, TAMC is liable to settle to the Bank the remaining in full according to the resolution amount or the amount ordered by the court judgement.

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

9. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	31 December 2014			31 December 2013		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	3,390	62,300	65,690	8,567	34,400	42,967
Commercial banks	16	22,167	22,183	9	32,044	32,053
Specialised financial institutions	20	6,001	6,021	–	2,812	2,812
Other financial institutions	19	14,063	14,082	60	11,978	12,038
Total domestic items	3,445	104,531	107,976	8,636	81,234	89,870
Add: Accrued interest receivables	–	123	123	–	69	69
Less: Deferred revenues	–	–	–	–	(1)	(1)
Allowance for doubtful debts	–	(27)	(27)	–	(26)	(26)
Domestic items – net	3,445	104,627	108,072	8,636	81,276	89,912
Foreign						
US Dollars	1,724	1,930	3,654	3,118	2,019	5,137
Yen	389	–	389	281	–	281
Euro	251	–	251	258	–	258
Other currencies	681	55	736	834	16	850
Total foreign items	3,045	1,985	5,030	4,491	2,035	6,526
Less: Allowance for doubtful debts	–	(5)	(5)	–	(1)	(1)
Foreign items – net	3,045	1,980	5,025	4,491	2,034	6,525
Domestic and foreign items – net	6,490	106,607	113,097	13,127	83,310	96,437

(Unit: Million Baht)

	Separate financial statements					
	31 December 2014			31 December 2013		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	3,390	62,300	65,690	8,567	34,400	42,967
Commercial banks	15	21,504	21,519	8	31,500	31,508
Specialised financial institutions	20	6,001	6,021	–	2,812	2,812
Other financial institutions	19	14,063	14,082	60	11,978	12,038
Total domestic items	3,444	103,868	107,312	8,635	80,690	89,325
Add: Accrued interest receivables	–	116	116	–	65	65
Less: Deferred revenues	–	–	–	–	(1)	(1)
Allowance for doubtful debts	–	(27)	(27)	–	(26)	(26)
Domestic items – net	3,444	103,957	107,401	8,635	80,728	89,363
Foreign						
US Dollars	1,724	1,930	3,654	3,118	2,019	5,137
Yen	389	–	389	281	–	281
Euro	251	–	251	258	–	258
Other currencies	681	55	736	834	16	850
Total foreign items	3,045	1,985	5,030	4,491	2,035	6,526
Less: Allowance for doubtful debts	–	(5)	(5)	–	(1)	(1)
Foreign items – net	3,045	1,980	5,025	4,491	2,034	6,525
Domestic and foreign items – net	6,489	105,937	112,426	13,126	82,762	95,888

10. Derivatives assets/liabilities

As at 31 December 2014 and 2013, fair value of derivatives held for trading book, readjustment based on an accrual basis of derivatives held for banking book and notional amounts classified by type of risk are as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements					
	31 December 2014			31 December 2013		
	Fair value/ Readjustment based on an accrual basis			Fair value/ Readjustment based on an accrual basis		
Type of risk	**Asset**	**amount**	**Notional Liabilities**	**Asset**	**amount**	**Notional Liabilities**
Foreign exchange rates .						
– Trading Book	5,866	5,005	712,512	13,964	13,110	626,452
– Banking Book	66	167	25,992	61	623	24,870
Interest rate						
– Trading Book	4,944	5,000	673,940	2,729	2,761	503,934
– Banking Book	77[1]	174[1]	15,000	82[1]	176[1]	23,650
Commodity						
– Trading Book	–	–	17	4	4	148
Total	10,953	10,346	1,427,461	16,840	16,674	1,179,054

(1) Readjustment made on an accrual basis for interest rate swap contracts held for banking book are adjustments of accrued interest receivables or payables or interest paid or received in advance based on the contracts at the year end. Accrued interest receivables and interest paid in advance are presented as a part of “Other assets” and accrued interest payable and interest received in advance are presented as a part of “Other liabilities” in the statements of financial position.

As at 31 December 2014 and 2013, the proportion, determined based on the notional amounts, of derivatives transactions divided by type of counterparty is as follows:

(Unit: Percentage)

	Consolidated and separate financial statements	
Counterparty	**31 December 2014**	**31 December 2013**
Financial institutions	82.27	82.91
Others	17.73	17.09
Total	100.00	100.00

11. Investments

11.1 Classified by investment type

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Trading securities – fair value				
Government and state enterprise securities	20,201	8,801	20,201	8,801
Total trading securities	20,201	8,801	20,201	8,801
Available-for-sale securities – fair value				
Government and state enterprise securities	41,549	43,449	41,549	43,449
Domestic marketable equity securities	2,078	2,190	5	667
Total available-for-sale securities	43,627	45,639	41,554	44,116
Held-to-maturity debt securities – cost/ amortised cost				
Government and state enterprise securities	46,346	48,034	46,346	48,034
Total held-to-maturity debt securities	46,346	48,034	46,346	48,034
General investments – cost				
Non-marketable equity securities				
– Domestic	1,467	1,587	1,467	1,587
Non-marketable equity securities				
– Foreign	34	35	34	35
Total general investments	1,501	1,622	1,501	1,622
Less: Allowance for impairment	(816)	(819)	(816)	(819)
General investments – net	685	803	685	803
Investments – net	110,859	103,277	108,786	101,754

As at 31 December 2014 and 2013, the Bank has non-transferable promissory notes of Baht 15 million and Baht 46 million, respectively, avaled by the Financial Institutions Development Fund, which were received from TAMC for transfer price settlement as described in Note 8 to the financial statements. The Bank classified them as held-to-maturity debt securities. The notes are due during 2015 and bear interest rates at the average rates of deposit rates announced by the 5 major Thai banks and the interest is payable on the last working day of each year.

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

As at 31 December 2014 and 2013, 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:

(Unit: Million Baht)

	Consolidated and separate financial statements	
	31 December 2014	31 December 2013
Property development and construction	34	34
Public utilities and services	14	14
Mutual funds and financial services	452	568
Others	11	11
Total	511	627
Less: Allowance for impairment	(41)	(41)
Investments – net	470	586

11.3 Investments in companies having problems relating to financial position and operating results

As at 31 December 2014 and 2013, the Bank had the following investments in listed companies which meet criteria for delisting from the Stock Exchange of Thailand ("SET"), default 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:

(Unit: Million Baht)

	Consolidated and separate financial statements					
	31 December 2014			31 December 2013		
	Cost value/ book value	Fair value	Allowance for impairment	Cost value/ book value	Fair value	Allowance for impairment
1. Listed companies under delisting conditions/defaulted debt securities	62	–	(62)	62	–	(62)

(Unit: Million Baht)

	Consolidated and separate financial statements					
	31 December 2014			31 December 2013		
	Cost value/ book value	Fair value	Allowance for impairment	Cost value/ book value	Fair value	Allowance for impairment
2. 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	733	–	(733)	733	–	(733)
Total	795	–	(795)	795	–	(795)

11.4 Revaluation surplus on investments

As at 31 December 2014 and 2013, revaluation surplus on investments can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Revaluation surplus on investments:				
Debt securities	76	66	76	66
Equity securities	60	19	–	–
Total	136	85	76	66
Revaluation deficit on investments:				
Debt securities	(2)	(13)	(2)	(13)
Total	(2)	(13)	(2)	(13)
Revaluation surplus on investments	134	72	74	53
Less : Relevant income taxes	(27)	(14)	(15)	(11)
Revaluation surplus on investment – net relevant income taxes	107	58	59	42

12. Investments in subsidiaries and associate

12.1 Detail of investments in subsidiaries and associate

Investments in subsidiaries and associate as at 31 December 2014 and 2013 were as follows:

(Unit: Million Baht)

	Separate financial statements										
	Type of business	Percentage of shareholding as at		Paid-up share capital as at		Cost as at		Allowance for impairment as at		Investment value – cost method as at	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
		(%)	(%)								
Subsidiaries											
Phayathai Asset Management Co., Ltd.	Asset management business	100.00	100.00	1,070	1,070	3,870	3,870	(945)	(1,302)	2,925	2,568
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
Investments in subsidiaries – net						4,174	4,174	(945)	(1,302)	3,229	2,872
Associate											
Metro Designee Co., Ltd.	Financial support business	30.00	30.00	–	–	–	–	–	–	–	–
	Investment in associate					–	–	–	–	–	–
	Investments in subsidiaries and associate – net					4,174	4,174	(945)	(1,302)	3,229	2,872

12.2 The statements of cash flow of Phayathai Asset Management Company Limited

The statements of cash flows for the years ended 31 December 2014 and 2013 of Phayathai Asset Management Company Limited, the subsidiary, which were extracted from the management accounts of the subsidiary, were disclosed herein in accordance with the BOT's requirement.

(Unit: Million Baht)

	For the years ended 31 December	
	2014	2013
Cash flows from operating activities		
Profits from operation before income tax expenses	447	141
Adjustments to reconcile profits from operation before income tax expenses to net cash provided by (paid from) operating activities:		
Reversal of bad debts, doubtful accounts and impairment losses	(296)	(74)
Reversal of provisions for other liabilities	–	(12)
Net interest income	(166)	(154)
Cash received on interest income	124	153
Gains on disposals of investments in securities	–	(35)
Others	(2)	–
Profits from operating activities before changes in operating assets and liabilities	107	19
(Increase) decrease in operating assets		
Investments in receivables	134	15
Loans to customers	226	99
Properties foreclosed	7	–
Other receivables	39	41
Other assets	16	(1)
Decrease in operating liabilities		
Other payables	(9)	(11)
Other liabilities	(3)	(1)
Net cash provided by operating activities	517	161
Cash flows from investing activities		
Cash paid for available-for-sale investments	(510)	(1,654)
Cash received from sales of available-for-sale investments	–	1,304
Proceeds from redemptions of matured held-to-maturity debt securities	–	17
Net cash used in investing activities	(510)	(333)
Net increase (decrease) in cash and cash equivalents	7	(172)
Cash and cash equivalents at beginning of the years	54	226
Cash and cash equivalents at end of the years	61	54

13. Loans to customers and accrued interest receivables

13.1 Classified by loan type

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Overdrafts	145,808	138,873	145,808	138,824
Loans	228,249	205,942	228,207	204,419
Bills	156,331	154,417	156,331	154,353
Others	58	319	58	249
Less: deferred revenue	(86)	(77)	(86)	(77)
Loans to customers net of deferred revenue	530,360	499,474	530,318	497,768
Add: Accrued interest receivables	1,068	1,004	1,068	1,004
Loans to customers and accrued interest receivables	531,428	500,478	531,386	498,772
Less: Allowance for doubtful debts				
– Provision at BOT's minimum rates required	(12,362)	(15,468)	(12,334)	(14,411)
– Provision in excess of BOT's minimumrates required	(15,890)	(15,932)	(15,890)	(15,932)
Less: Revaluation allowance for debt restructuring	(110)	(68)	(110)	(68)
Loans to customers and accrued interest receivables – net	503,066	469,010	503,052	468,361

13.2 Classified by currency and residency of debtors

(Unit: Million Baht)

	Consolidated financial statements					
	31 December 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	498,436	5,780	504,216	467,504	5,649	473,153
US Dollars	23,726	1,178	24,904	24,247	1,297	25,544
Other currencies	1,149	91	1,240	765	12	777
Total loans to customers net of deferred revenue	523,311	7,049	530,360	492,516	6,958	499,474

(Unit: Million Baht)

	Separate financial statements					
	31 December 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	498,394	5,780	504,174	465,798	5,649	471,447
US Dollars	23,726	1,178	24,904	24,247	1,297	25,544
Other currencies	1,149	91	1,240	765	12	777
Total loans to customers net of deferred revenue	523,269	7,049	530,318	490,810	6,958	497,768

13.3 Classified by type of business and by loan classification

(Unit: Million Baht)

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

(Unit: Million Baht)

	Consolidated financial statements					
	31 December 2013					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	7,243	176	25	18	595	8,057
Manufacturing and commerce	288,945	8,375	2,469	1,102	10,608	311,499
Property development and construction	9,668	270	97	15	1,404	11,454
Infrastructure and services	52,886	4,117	199	118	2,148	59,468
Housing loans	47,454	1,384	268	192	1,937	51,235
Others	55,334	1,201	558	207	461	57,761
Total loans to customers net of deferred revenue	461,530	15,523	3,616	1,652	17,153	499,474

(Unit: Million Baht)

	Separate financial statements					
	31 December 2014					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining	6,108	247	12	–	491	6,858
Manufacturing and commerce	305,541	9,494	775	148	11,773	327,731
Property development and construction	13,389	337	34	10	656	14,426
Infrastructure and services	57,376	3,395	190	23	1,306	62,290
Housing loans	50,106	1,519	174	196	1,042	53,037
Others	63,290	1,465	639	291	291	65,976
Total loans to customers net of deferred revenue	495,810	16,457	1,824	668	15,559	530,318

(Unit: Million Baht)

	Separate financial statements					
	31 December 2013					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agriculture and mining .	7,243	176	25	18	510	7,972
Manufacturing and commerce	288,945	8,375	2,469	1,102	9,830	310,721
Property development and construction.	9,668	270	97	15	1,031	11,081
Infrastructure and services.	52,886	4,117	199	118	2,002	59,322
Housing loans	47,454	1,384	268	192	1,771	51,069
Others.	55,333	1,201	558	207	304	57,603
Total loans to customers net of deferred revenue	461,529	15,523	3,616	1,652	15,448	497,768

13.4 Classified by loan classification

The Bank and its subsidiary 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:

(Unit: Million Baht)

	Consolidated financial statements							
	31 December 2014				31 December 2013			
	Loans to customers and accrued interest receivables	Balance net of collateral(1)	Minimum rates required	Allowance for doubtful debts(2)	Loans to customers and accrued interest receivables	Balance net of collateral(1)	Minimum rates required	Allowance for doubtful debts(2)
			(%)				(%)	
Provision at BOT's minimum rates required								
Pass.	496,806	382,378	1	4,491	462,474	347,704	1	4,218
Special mention	16,529	10,143	2	297	15,583	11,892	2	285
Sub-standard .	1,824	973	100	1,058	3,616	1,895	100	1,979
Doubtful	668	330	100	368	1,652	382	100	468
Doubtful of loss (3).	15,601	4,397	100	6,148	17,153	8,134	100	8,518
Provision in excess of BOT's minimum rates required				15,890(4)				15,932(4)
Total	531,428	398,221		28,252	500,478	370,007		31,400

(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 sub-standard, 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 debts 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) Loans classified as doubtful of loss in the consolidated financial statements included the balances of the Bank and Phayathai Asset Management Co., Ltd.

(4) As at 31 December 2014 and 2013, this included provision of Baht 3,285 million and Baht 3,839 million, respectively, provided for non-performing loans.

(Unit: Million Baht)

	Separate financial statements							
	31 December 2014				31 December 2013			
	Loans to customers and accrued interest receivables	Balance net of collateral[1]	Minimum rates required	Allowance for doubtful debts[2]	Loans to customers and accrued interest receivables	Balance net of collateral[1]	Minimum rates required	Allowance for doubtful debts[2]
Provision at BOT's minimum rates required								
Pass	496,806	382,377	1	4,491	462,473	347,702	1	4,218
Special mention	16,529	10,143	2	297	15,583	11,892	2	285
Sub-standard	1,824	973	100	1,058	3,616	1,895	100	1,979
Doubtful	668	330	100	368	1,652	382	100	468
Doubtful of loss	15,559	4,370	100	6,120	15,448	7,077	100	7,461
Provision in excess of BOT's minimum rates required				15,890[3]				15,932[3]
Total	531,386	398,193		28,224	498,772	368,948		30,343

(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 sub-standard, 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 debts 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 31 December 2014 and 2013, this included provision of Baht 3,285 million and Baht 3,839 million, respectively, provided for non-performing loans.

13.5 Non-performing loans (NPLs)

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

As at 31 December 2014 and 2013, the Bank and its subsidiary' NPLs (including interbank and money market items) were summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements[1]		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Net NPLs (principal net of allowance for doubtful debts)				
NPLs after allowance for doubtful debt on NPLs	7,234	7,617	7,220	6,969
Total loans after allowance for doubtful debts on NPLs.	623,890	564,785	623,875	564,136
Percentage of net NPLs	1.16	1.35	1.16	1.24
NPLs (principal)				
NPLs.	18,093	22,421	18,051	20,716
Total loans.	634,749	579,589	634,706	577,883
Percentage of NPLs	2.85	3.87	2.84	3.58

(1) Non-performing loans in the consolidated financial statements included the balances of the Bank and Phayathai Asset Management Co., Ltd.

On 18 June 2014, the Bank sold the non-performing loans to Bangkok Commercial Asset Management Company Limited ("BAM"), with principal totaling approximately Baht 3,300 million. On 28 October 2014, the Bank and a subsidiary sold their non-performing loans and properties foreclosed with an aggregate carrying value of Baht 1,100 million (the Bank only: Baht 600 million) to 2 asset management companies. The selling price in excess of the carrying value of those non-performing loans was presented as a deduction from "Bad debts, doubtful accounts and impairment losses" in the statement of comprehensive income.

As at 31 December 2014 and 2013, the Bank had loans to customers, amounting to Baht 27,466 million and Baht 27,698 million, respectively, on which it ceased recognition of interest income on an accrual basis.

13.6 Troubled debt restructuring

For the year ended 31 December 2014 and 2013, the Bank and its subsidiary entered into contracts for troubled debt restructuring, (only the case where debtor has present value loss/losses on debt structuring is presented), which can be summarised as follows:

(Unit: Million Baht)

	For the year ended 31 December 2014					
	Consolidated financial statements			Separate financial statements		
		Amount			Amount	
	Number of debtors	Before restructuring	After restructuring	Number of debtors	Before restructuring	After restructuring
Type of restructuring						
Modification of terms of payments	1,761	4,609	4,608	1,760	4,604	4,604
Total	1,761	4,609	4,608	1,760	4,604	4,604
Term of debt restructuring agreements						
Not over 5 years	1,273	2,859	2,858	1,272	2,854	2,854
5 – 10 years	414	1,314	1,314	414	1,314	1,314
over 10 years	74	436	436	74	436	436
Total	1,761	4,609	4,608	1,760	4,604	4,604

(Unit: Million Baht)

	For the year ended 31 December 2013					
	Consolidated financial statements			Separate financial statements		
		Amount			Amount	
	Number of debtors	Before restructuring	After restructuring	Number of debtors	Before restructuring	After restructuring
Type of restructuring						
Modification of terms of payments	10	259	259	10	259	259
Combination of methods	2	29	20	–	–	–
Total	12	288	279	10	259	259
Term of debt restructuring agreements						
Not over 5 years	12	288	279	10	259	259
Total	12	288	279	10	259	259

Supplemental information for the years ended 31 December 2014 and 2013 relating to the restructured debts is as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December		For the year ended 31 December	
	2014	2013	2014	2013
Interest income on restructured debts, which is recognised for the years	91	91	87	91
Cash settlement by debtors	586	1,362	552	1,345
Losses on debt restructuring (reversal)	43	(51)	43	(51)

As at 31 December 2014 and 2013, the Bank and its subsidiary have the outstanding balances with troubled debt restructuring debtors which had been performing in accordance with debt restructuring agreements, as follows:

	31 December 2014				31 December 2013			
	Consolidated financial statements		Separate financial statements		Consolidated financial statements		Separate financial statements	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
	(Number)	(Million Baht)	(Number)	(Million Baht)	(Number)	(Million Baht)	(Number)	(Million Baht)
Troubled debt restructuring debtors	932	2,397	931	2,386	107	1,171	90	1,102

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

As at 31 December 2014 and 2013, the Bank and its subsidiary 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 debts as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements							
	31 December 2014				31 December 2013			
	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
Listed companies under delisting conditions. . .	2	6	–	–	1	5	4	3

14. Classified assets

Classified assets, as at 31 December 2014 and 2013, were classified in accordance with the BOT's regulation including the BOT's notification No. Phor Nor Sor.(23) Wor. 1564/2554 regarding clarification on measures on providing assistance to debtors affected by the flood disaster, consisting of investments (including investments in subsidiaries and associate), loans to customer and accrued interest receivables (including interbank and money market items), properties foreclosed, premises and equipment and other assets as follows:

(Unit: Million Baht)

	Consolidated financial statements											
	31 December 2014						31 December 2013					
	Categories of assets						Categories of assets					
	Investments	Loans and accrued interest receivables	Properties foreclosed	Premises and equipment	Other assets	Total	Investments	Loans and accrued interest receivables	Properties foreclosed	Premises and equipment	Other assets	Total
Pass	–	601,312	–	–	–	601,312	–	542,654	–	–	–	542,654
Special mention	–	16,529	–	–	–	16,529	–	15,583	–	–	–	15,583
Sub-standard	–	1,824	–	–	2	1,826	–	3,616	–	–	2	3,618
Doubtful	–	668	–	–	1	669	–	1,652	–	–	4	1,656
Doubtful of loss	879	15,601	401	442	328	17,651	884	17,153	687	445	261	19,430
Total	879	635,934	401	442	331	637,987	884	580,658	687	445	267	582,941

(Unit: Million Baht)

	Separate financial statements											
	31 December 2014						31 December 2013					
	Categories of assets						Categories of assets					
	Investments	Loans and accrued interest receivables	Properties foreclosed	Premises and equipment	Other assets	Total	Investments	Loans and accrued interest receivables	Properties foreclosed	Premises and equipment	Other assets	Total
Pass	–	601,311	–	–	–	601,311	–	542,653	–	–	–	542,653
Special mention	–	16,529	–	–	–	16,529	–	15,583	–	–	–	15,583
Sub-standard	–	1,824	–	–	2	1,826	–	3,616	–	–	2	3,618
Doubtful	–	668	–	–	1	669	–	1,652	–	–	4	1,656
Doubtful of loss	1,824	15,559	399	442	328	18,552	2,186	15,448	649	445	258	18,986
Total	1,824	635,891	399	442	331	638,887	2,186	578,952	649	445	264	582,496

15. Allowance for doubtful debts

Allowance for doubtful debts for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2014						
	Provision at BOT's minimum rates required					Provision in excess of BOT's minimum rates required	
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss		Total
Balance – beginning of the year	4,218	285	1,979	468	8,518	15,932	31,400
Allowance for doubtful debts	273	12	(921)	(100)	4,888	(42)	4,110
Bad debt recovery	–	–	–	–	417	–	417
Bad debts written-off	–	–	–	–	(4,316)	–	(4,316)
Allowance for doubtful debts of the disposed debts	–	–	–	–	(3,359)	–	(3,359)
Balance – end of the year	4,491	297	1,058	368	6,148	15,890	28,252

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2013						
	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		
Balance – beginning of the year	3,808	258	758	332	8,378	11,271	24,805
Allowance for doubtful debts	410	27	1,221	136	1,199	4,661	7,654
Bad debt recovery	–	–	–	–	672	–	672
Bad debts written-off	–	–	–	–	(1,715)	–	(1,715)
Others	–	–	–	–	(16)	–	(16)
Balance – end of the year	4,218	285	1,979	468	8,518	15,932	31,400

(Unit: Million Baht)

	Separate financial statements						
	For the year ended 31 December 2014						
	Provision at BOT's minimum rates required					Provision in excess of BOT's minimum rates required	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss		
Balance – beginning of the year	4,218	285	1,979	468	7,461	15,932	30,343
Allowance for doubtful debts	273	12	(921)	(100)	5,015	(42)	4,237
Bad debt recovery	–	–	–	–	348	–	348
Bad debts written-off	–	–	–	–	(3,779)	–	(3,779)
Allowance for doubtful debts of the disposed debts	–	–	–	–	(2,925)	–	(2,925)
Balance – end of the year	4,491	297	1,058	368	6,120	15,890	28,224

(Unit: Million Baht)

	Separate financial statements						
	For the year ended 31 December 2013						
	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		
Balance – beginning of the year	3,808	258	758	332	7,237	11,271	23,664
Allowance for doubtful debts	410	27	1,221	136	1,272	4,661	7,727
Bad debt recovery	–	–	–	–	672	–	672
Bad debts written-off	–	–	–	–	(1,704)	–	(1,704)
Others	–	–	–	–	(16)	–	(16)
Balance – end of the year	4,218	285	1,979	468	7,461	15,932	30,343

16. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated and separate financial statements	
	For the year ended 31 December 2014	For the year ended 31 December 2013
Balance – beginning of the year	68	119
Increase (decrease) during the year	42	(51)
Balance – end of the year	110	68

17. Properties foreclosed

(Unit: Million Baht)

	Consolidated financial statements							
	For the year ended 31 December 2014				For the year ended 31 December 2013			
	Beginning balance	Increase	Disposal/ Decrease	Ending balance	Beginning balance	Increase	Disposal/ Decrease	Ending balance
Assets foreclosed in settlement of debts								
Immovable assets	2,129	462	(824)	1,767	2,436	4	(311)	2,129
Appraised by internal appraiser				335				617
Appraised by external appraiser				1,432				1,512
Movable assets	24	–	(24)	–	85	–	(61)	24
Assets for sales	431	467	(404)	494	415	298	(282)	431
Total	2,584	929	(1,252)	2,261	2,936	302	(654)	2,584
Add (less): Allowance for impairment	(687)	(16)	302	(401)	(786)	(42)	141	(687)
Properties foreclosed – net	1,897	913	(950)	1,860	2,150	260	(513)	1,897

(Unit: Million Baht)

	Separate financial statements							
	For the year ended 31 December 2014				For the year ended 31 December 2013			
	Beginning balance	Increase	Disposal/ Decrease	Ending balance	Beginning balance	Increase	Disposal/ Decrease	Ending balance
Assets foreclosed in settlement of debts								
Immovable assets	2,065	462	(805)	1,722	2,372	4	(311)	2,065
Appraised by internal appraiser				333				615
Appraised by external appraiser				1,389				1,450
Movable assets .	–	–	–	–	61	–	(61)	–
Assets for sales . .	431	467	(404)	494	415	298	(282)	431
Total	2,496	929	(1,209)	2,216	2,848	302	(654)	2,496
Add (less): Allowance for impairment	(649)	(16)	266	(399)	(748)	(42)	141	(649)
Properties foreclosed – net . .	1,847	913	(943)	1,817	2,100	260	(513)	1,847

18. Premises and equipment

Premises and equipment (including the incremental revaluation of which the latest reappraisal was made in 2012) for the years ended 31 December 2014 and 2013 are summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2014						
	Land		Buildings				
. . . .	Cost	The incremental revaluation	Cost	The incremental revaluation	Leasehold improvements	Equipment	Total
Cost/Reappraised value							
1 January 2014. . . .	2,779	2,994	5,072	3,628	1,168	5,747	21,388
Purchases.	–	–	118	–	112	415	645
Disposals/written-off .	–	–	(3)	–	(80)	(335)	(418)
Transfer out.	(200)	(122)	(194)	(149)	–	–	(665)
31 December 2014. .	2,579	2,872	4,993	3,479	1,200	5,827	20,950

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2014						
	Land		Buildings				
Accumulated depreciation							
1 January 2014. . . .	–	–	(2,567)	(1,813)	(797)	(4,354)	(9,531)
Depreciation during the year	–	–	(203)	(71)	(92)	(486)	(852)
Accumulated depreciation on disposals/written-off/transfer out	–	–	73	80	64	330	547
31 December 2014. .	–	–	(2,697)	(1,804)	(825)	(4,510)	(9,836)
Allowance for impairment							
1 January 2014. . . .	(342)	–	(103)	–	–	–	(445)
Loss on impairment during the year	–	–	(3)	–	(8)	–	(11)
Allowance for impairment on disposals/written-off/transfer out	3	–	3	–	8	–	14
31 December 2014. .	(339)	–	(103)	–	–	–	(442)
Net book value							
1 January 2014. . . .	2,437	2,994	2,402	1,815	371	1,393	11,412
31 December 2014. .	2,240	2,872	2,193	1,675	375	1,317	10,672

Depreciation included in profit or loss from operation for the years ended

31 December 2013.	789
31 December 2014.	852

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2013						
	Land		Buildings				
	Cost	The incremental revaluation	Cost	The incremental revaluation	Leasehold improvements	Equipment	Total
Cost/Reappraised value							
1 January 2013. . . .	2,983	3,034	4,921	3,706	1,120	5,564	21,328
Purchases.	–	–	398	–	143	579	1,120
Disposals/written-off .	–	–	(132)	–	(95)	(396)	(623)
Transfer out.	(204)	(40)	(115)	(78)	–	–	(437)
31 December 2013. .	2,779	2,994	5,072	3,628	1,168	5,747	21,388
Accumulated depreciation							

	Consolidated financial statements						
	For the year ended 31 December 2013						
	Land		Buildings				
	Cost	The incremental revaluation	Cost	The incremental revaluation	Leasehold improvements	Equipment	Total
1 January 2013. . . .	–	–	(2,458)	(1,779)	(779)	(4,301)	(9,317)
Depreciation during the year	–	–	(176)	(72)	(106)	(435)	(789)
Accumulated depreciation on disposals/written-off/transfer out	–	–	67	38	88	382	575
31 December 2013. .	–	–	(2,567)	(1,813)	(797)	(4,354)	(9,531)
Allowance for impairment							
1 January 2013. . . .	(366)	–	(111)	–	(1)	–	(478)
Loss on impairment during the year	–	–	(2)	–	(5)	–	(7)
Allowance for impairment on disposals/written-off/transfer out	24	–	10	–	6	–	40
31 December 2013. .	(342)	–	(103)	–	–	–	(445)
Net book value							
1 January 2013. . . .	2,617	3,034	2,352	1,927	340	1,263	11,533
31 December 2013. .	2,437	2,994	2,402	1,815	371	1,393	11,412

(Unit: Million Baht)

	Separate financial statements						
	For the year ended 31 December 2014						
	Land		Buildings				
	Cost	The incremental revaluation	Cost	The incremental revaluation	Leasehold improvement	Equipment	Total
Cost/Reappraised value							
1 January 2014	2,779	2,994	5,072	3,628	1,165	5,635	21,273
Purchases	–	–	118	–	112	407	637
Disposals/written-off	–	–	(3)	–	(77)	(322)	(402)
Transfer out	(200)	(122)	(194)	(149)	–	–	(665)
31 December 2014	2,579	2,872	4,993	3,479	1,200	5,720	20,843
Accumulated depreciation							
1 January 2014	–	–	(2,567)	(1,813)	(794)	(4,271)	(9,445)
Depreciation during the year	–	–	(203)	(71)	(92)	(477)	(843)
Accumulated depreciation on disposals/written-off/transfer out	–	–	73	80	61	319	533
31 December 2014	–	–	(2,697)	(1,804)	(825)	(4,429)	(9,755)
Allowance for impairment							
1 January 2014	(342)	–	(103)	–	–	–	(445)
Loss on impairment during the year	–	–	(3)	–	(8)	–	(11)
Allowance for impairment on disposals/written-off/transfer out	3	–	3	–	8	–	14
31 December 2014	(339)	–	(103)	–	–	–	(442)
Net book value							
1 January 2014	2,437	2,994	2,402	1,815	371	1,364	11,383
31 December 2014	2,240	2,872	2,193	1,675	375	1,291	10,646
Depreciation included in profit or loss from operation for the years ended							
31 December 2013							778
31 December 2014							843

(Unit: Million Baht)

	Separate financial statements						
	For the year ended 31 December 2013						
	Land		Buildings				
	Cost	The incremental revaluation	Cost	The incremental revaluation	Leasehold improvement	Equipment	Total
Cost/Reappraised value							
1 January 2013. . . .	2,983	3,034	4,921	3,706	1,117	5,449	21,210
Purchases.	–	–	398	–	143	571	1,112
Disposals/written-off .	–	–	(132)	–	(95)	(385)	(612)
Transfer out.	(204)	(40)	(115)	(78)	–	–	(437)
31 December 2013. .	2,779	2,994	5,072	3,628	1,165	5,635	21,273
Accumulated depreciation							
1 January 2013. . . .	–	–	(2,458)	(1,779)	(776)	(4,220)	(9,233)
Depreciation during the year	–	–	(176)	(72)	(106)	(424)	(778)
Accumulated depreciation on disposals/written-off/transfer out	–	–	67	38	88	373	566
31 December 2013. .	–	–	(2,567)	(1,813)	(794)	(4,271)	(9,445)
Allowance for impairment							
1 January 2013. . . .	(366)	–	(111)	–	(1)	–	(478)
Loss on impairment during the year	–	–	(2)	–	(5)	–	(7)
Allowance for impairment on disposals/written-off/transfer out	24	–	10	–	6	–	40
31 December 2013. .	(342)	–	(103)	–	–	–	(445)
Net book value							
1 January 2013. . . .	2,617	3,034	2,352	1,927	340	1,229	11,499
31 December 2013. .	2,437	2,994	2,402	1,815	371	1,364	11,383

As at 31 December 2014 and 2013, the Bank and its subsidiaries have certain equipment which has been fully depreciated but is still in use. The original costs (before deducting accumulated depreciation and allowance for impairment) of those assets amounted to approximately Baht 3,410 million and Baht 3,352 million, respectively (The Bank only: Baht 3,357 million and Baht 3,286 million, respectively).

19. Goodwill and other intangible assets

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements		
	Goodwill	Computer softwares	Computer softwares under development	Total	Computer softwares	Computer softwares under development	Total
Cost							
1 January 2013	60	3,655	74	3,789	3,560	74	3,634
Additions	–	35	367	402	33	365	398
Written-off	–	(284)	–	(284)	(284)	–	(284)
Transfer in (out)	–	306	(303)	3	305	(302)	3
31 December 2013	60	3,712	138	3,910	3,614	137	3,751
Additions	–	30	340	370	28	340	368
Written-off	–	(38)	–	(38)	–	–	–
Transfer in (out)	–	333	(334)	(1)	333	(333)	–
31 December 2014	60	4,037	144	4,241	3,975	144	4,119
Accumulated amortisation							
1 January 2013	–	(3,008)	–	(3,008)	(2,916)	–	(2,916)
Amortisation during the year	–	(271)	–	(271)	(270)	–	(270)
Accumulated amortisation on transfer out	–	284	–	284	284	–	284
31 December 2013	–	(2,995)	–	(2,995)	(2,902)	–	(2,902)
Amortisation during the year	–	(281)	–	(281)	(279)	–	(279)
Accumulated amortisation on transfer out	–	38	–	38	–	–	–
31 December 2014	–	(3,238)	–	(3,238)	(3,181)	–	(3,181)
Net book value							
1 January 2013	60	647	74	781	644	74	718
31 December 2013	60	717	138	915	712	137	849
31 December 2014	60	799	144	1,003	794	144	938
Amortisation expenses included in profit or loss from operation for the years ended							
31 December 2013				271			270
31 December 2014				281			279

As at 31 December 2014 and 2013, computer softwares have amortisation periods of 0-5 years remained.

20. Deferred tax assets/liabilities and income tax expenses

20.1 Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities consisted of tax effects of temporary differences as shown below:

(Unit: Million Baht)

	Consolidated financial statements			
			Change in deferred tax assets/liabilities reported in the statements of comprehensive income for the years ended 31 December	
	31 December 2014	31 December 2013	2014	2013
Deferred tax assets				
Investments	176	174	(2)	2
Loans to customers and accrued interest receivables[1]	690	617	(73)	1,653
Properties foreclosed	85	147	62	14
Premises and equipment	100	100	–	6
Provisions for liabilities	1,615	1,594	(21)	54
Other payables and other liabilities	260	281	21	(12)
Unused tax losses[2]	–	456	456	(390)
Others	124	103	(21)	(21)
Total deferred tax assets	3,050	3,472	422	1,306
Deferred tax liabilities				
Premises and equipment	939	981	(42)	(32)
Others	46	42	4	(4)
Total deferred tax liabilities	985	1,023	(38)	(36)

(1) 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 subsidiary would be able to utilise such temporary differences.

(2) As at 31 December 2013, a subsidiary had unused brought-forward tax losses totalling Baht 332 million, for which the subsidiary has not yet recognised as deferred tax assets totalling Baht 66 million because the management assessed that the subsidiary's future taxable profits may not be sufficient to allow utilisation of the unused brought-forward tax losses before they gradually expire. During the years ended 31 December 2014, the subsidiary has recognized unused brought-forward tax losses as deferred tax assets because the subsidiary has sufficient taxable profits to utilise the unused brought-forward tax losses.

(Unit: Million Baht)

	Separate financial statements			
			Change in deferred tax assets/liabilities reported in the statements of comprehensive income for the years ended 31 December	
	31 December 2014	31 December 2013	2014	2013
Deferred tax assets				
Investments[1]	176	174	(2)	2
Loans to customers and accrued interest receivables[2]	677	606	(71)	1,664
Properties foreclosed	84	139	55	14
Premises and equipment	100	100	–	6
Provisions for other liabilities	1,608	1,585	(23)	50
Other payables and other liabilities	260	281	21	(12)
Unused tax losses	–	414	414	(414)
Others	124	103	(21)	(21)
Total deferred tax assets	3,029	3,402	373	1,289
Deferred tax liabilities				
Premises and equipment	937	979	(42)	(33)
Others	34	39	(5)	(3)
Total deferred tax liabilities	971	1,018	(47)	(36)

(1) As at 31 December 2014 and 2013, the Bank had tax-deductible temporary differences in relation to investment in subsidiaries totalling Baht 945 million and Baht 1,302 million, respectively, for which deferred tax assets of Baht 189 million and Baht 260 million, respectively have not yet been recognised because certain recognition criteria were not met.

(2) The Bank has 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 would be able to utilise such temporary differences.

20.2 Income tax expenses

Income tax expenses for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Current income tax:				
Corporate income tax for the year	807	20	690	–
Deferred tax:				
Deferred tax relating to origination and reversal of temporary differences	384	1,277	334	1,258
Income tax expenses recognised in profit or loss from operation	1,191	1,297	1,024	1,258

Reconciliations between income tax expenses and the product of accounting profits for the years ended 31 December 2014 and 2013 and the applicable tax rate are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Accounting profits before income tax expenses	10,742	7,044	10,467	7,058
Applicable tax rate	20%	20%	20%	20%
Amount of income taxes at the applicable tax rates	2,148	1,409	2,093	1,411
Adjustment in respect of income tax expenses of previous year	(75)	(21)	(75)	(21)
Deferred tax expense which previously unrecognized deductible temporary difference had been met the recognition criteria and utilised during the year				
– Investment in subsidiaries	–	–	(71)	(38)
– Loans to customers and accrued interest receivables	(918)	(86)	(918)	(86)
– Unused tax losses	(66)	–	–	–

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Net tax effect on income or expenses that are not taxable or not deductible in determining taxable profit.	102	(5)	(5)	(8)
Income tax expenses recognised in profit or loss from operation.	1,191	1,297	1,024	1,258

20.3 Income taxes relating to the components of other comprehensive income

Income taxes expenses (revenue) relating to the components of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Changes in revaluation surplus on assets	(12)	(12)	(12)	(12)
Gain on revaluation of available-for-sale investments. .	12	–	4	–
Gain arising from translating the financial statements of foreign operations	–	6	–	6
Income taxes expenses (revenue) relating to the components of other comprehensive income	–	(6)	(8)	(6)

21. Other receivables

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Receivables on sales of investments	5,578	3,501	5,578	3,501
Promissory notes from transfer of non-performing assets to BAM	2,241	3,730	1,580	3,626
TAMC's promissory notes and interest receivable . . .	4,398	4,398	4,398	4,398
Other receivables	867	810	743	709
Total	13,084	12,439	12,299	12,234
Less: Allowance for impairment.	(111)	(110)	(111)	(108)
Other receivables – net. . .	12,973	12,329	12,188	12,126

22. Other assets

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Accrued income	1,360	1,206	1,249	1,124
Collateral on derivative transactions	497	4,173	497	4,173
Suspense accounts – debtors	859	1,631	859	1,630
Suspense accounts between head office and branches	130	480	130	480
Others.	943	1,662	909	1,644
Total	3,789	9,152	3,644	9,051
Less: Allowance for impairment.	(212)	(149)	(212)	(148)
Other assets – net	3,577	9,003	3,432	8,903

23. Deposits

23.1 Classified by types of deposits

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Current accounts	51,497	37,112	51,511	37,120
Savings accounts	346,104	294,506	346,185	294,555
Time deposits	174,688	199,061	174,688	199,061
Total	572,289	530,679	572,384	530,736
Less: prepaid interest expenses	(664)	(1,073)	(664)	(1,073)
Deposits – net	571,625	529,606	571,720	529,663

23.2 Classified by currency and residency of depositors

(Unit: Million Baht)

	Consolidated financial statements					
	31 December 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	564,884	5,290	570,174	523,237	5,391	528,628
US Dollars	1,175	152	1,327	659	179	838
Other currencies	109	15	124	120	20	140
Total	566,168	5,457	571,625	524,016	5,590	529,606

(Unit: Million Baht)

	Separate financial statements					
	31 December 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	564,979	5,290	570,269	523,294	5,391	528,685
US Dollars	1,175	152	1,327	659	179	838
Other currencies	109	15	124	120	20	140
Total	566,263	5,457	571,720	524,073	5,590	529,663

24. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated and separate financial statements					
	31 December 2014			31 December 2013		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	–	4,957	4,957	–	5,815	5,815
Commercial banks	135	36,150	36,285	121	37,550	37,671
Specialised financial institutions	1,049	19,775	20,824	1,044	12,185	13,229
Other financial institutions	4,881	70	4,951	3,844	461	4,305
Total domestic items	6,065	60,952	67,017	5,009	56,011	61,020
Foreign						
US Dollars	351	3,296	3,647	1,599	2,133	3,732
Other currencies	2,052	–	2,052	1,286	–	1,286
Total foreign items	2,403	3,296	5,699	2,885	2,133	5,018
Total domestic and foreign items	8,468	64,248	72,716	7,894	58,144	66,038

25. Financial liabilities designated at fair value through profit or loss

(Unit: Million Baht)

	Consolidated and separate financial statements	
	31 December 2014	31 December 2013
Debts issued	183	363
Total	183	363

Proportion of transactions classified by type of counterparty as at 31 December 2014 and 2013 is as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements	
Counterparty	31 December 2014	31 December 2013
Financial institutions	100.00	100.00
Total	100.00	100.00

26. Debts issued and borrowings

(Unit: Million Baht)

	Interest rates as at 31 December 2014	Maturities	Consolidated and separate financial statements					
			31 December 2014			31 December 2013		
			Domestic	Foreign	Total	Domestic	Foreign	Total
	(%)							
Subordinated debentures[2] .	4.50, 4.70 and 5.50	2015[3], 2017[3] and 2019[3]	33,350	–	33,350	23,650	–	23,650
Perpetual non-cumulative Tier 1 hybrid securities[1] . .	7.00	2014[3]	–	–	–	4,000	–	4,000
Bills of exchange . . .	2.00 – 4.50	2015	724	–	724	4,165	–	4,165
Other borrowings. . .	0.00 – 2.00	2015 – 2031	131	2,220	2,351	222	6,312	6,534
Total.			34,205	2,220	36,425	32,037	6,312	38,349
Less : prepaid interest expenses . . .			(176)	–	(176)	(176)	–	(176)
Debts issued and borrowings – net.			34,029	2,220	36,249	31,861	6,312	38,173

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

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

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

26.1 Subordinated debentures

26.1.1 On 6 November 2009, the Bank issued the Subordinated Debenture No.1/2552, amounting to Baht 5,300 million, which has a 10-year maturity period and carries a fixed interest rate of 5.00% per annum for the first 3 years, 5.25% per annum for the fourth and the fifth years and 6.50% per annum for the sixth to the tenth years. Interest is payable quarterly in February, May, August and November of every year. The Bank can early redeem the Subordinated Debenture No.1/2552 after 5 years from the issue date or according to certain specified conditions.

On 6 November 2014, the Bank early redeemed its Subordinated Debenture No.1/2552 with a principal amount of Baht 5,300 million, together with interest thereon since the debenture has already had a five-year period and it was no longer qualified as Tier 2 capital of the Bank. Such early redemption has already been approved by the Bank of Thailand.

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

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

1. On or after the fifth anniversary of the issue date.

2. The Bank can show that the interest on the debenture could not be treated as tax-deductible expenses.

3. The Bank of Thailand issues additional regulations which allow the Bank to early redeem the debenture.

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

1. On or after the fifth anniversary of the issue date.

2. The Bank can show that the interest on the debenture could not be treated as tax-deductible expenses.

3. The Bank of Thailand issues additional regulations which allow the Bank to early redeem the debenture.

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

26.2 Perpetual non-cumulative Tier 1 hybrid securities

On 30 April 2009, the Bank issued Baht 4,000 million in aggregate as a principal amount of the Perpetual Non-Cumulative Tier 1 Hybrid Securities ("Hybrid Tier 1"). The securities are perpetual. However, the Bank has an early redemption option subject to the prior written approval of the Bank of Thailand and the Bank being solvent at that time. Early redemption is permitted under each of the following circumstances:

1. At every interest payment date, after the fifth year of the issue date.

2. In the event that any change or amendment in the tax laws resulting in the more tax liabilities to the Bank or the Bank not being able to claim interest on such securities as tax-deductible expenses.

3. In the event that the Hybrid Tier 1 is no longer qualified as Tier 1 capital of the Bank.

The securities carries a fixed interest rate of 7.00% per annum for the first 10 years and a floating interest rate based on the 6-month Time Deposit rate of the Bank plus 7.00% per annum from the eleventh year onwards. Interest is semi-annually payable on 30 April and 30 October of every year.

In case that the Bank incurs loss in the latest financial period before the interest payment date or in case that the interest payment for the Hybrid Tier 1 on any interest payment date results in the Bank having a loss in the latest financial period before such interest payment date, the Bank will not be obliged to make any interest payment for that period and such interest will be non-cumulative and will not be carried forward to the next payment period unless allowed by the Bank of Thailand to pay such interest.

On 30 April 2014, the Bank early redeemed its entire perpetual non-cumulative Tier 1 hybrid securities of Baht 4,000 million together with interest thereon, since the securities' period are five years and the securities are no longer qualified as Tier 1 capital of the Bank. Such early redemption has already been approved by the Bank of Thailand.

26.3 Other Borrowings

Borrowings with specific uses (other borrowings) as at 31 December 2014 and 2013 are as follows:

		Consolidated and separate financial statements			
		31 December 2014		31 December 2013	
Borrowings from	Objectives of borrowings	Outstanding balances	Baht equivalent	Outstanding balances	Baht equivalent
			(Million Baht)		(Million Baht)
Energy Conservation Promotion Fund	For enterprises investing for energy conservation	THB 110 million	110	THB 195 million	195
National Science and Technology Development Agency	For enterprises involving in research and development activities	THB 21 million	21	THB 27 million	27
Nordic Investment Bank (NIB)	For joint ventures with the Nordic countries and businesses using Nordic machinery/ equipment	USD12 million	408	USD19 million	629
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	USD50 million	1,648	USD67 million	2,188
KfW Bankengruppe (KfW)	For small industry businesses	EUR 4 million	164	EUR 5 million	214
International Finance Corporation (IFC)[1]	For SMEs affected in the flood areas	–	–	USD100 million	3,281
Total			2,351		6,534

[1] The loan agreement contains covenants that require the Bank to maintain certain financial ratios.

27. Provisions for employee benefits

27.1 Defined contribution plan

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

For the years ended 31 December 2014 and 2013, the Bank and its subsidiaries contributed Baht 372 million and Baht 360 million, respectively to the funds (the Bank only: Baht 364 million and Baht 352 million, respectively).

27.2 Defined benefits plans

Movements in provisions for employee benefits for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Retirement benefit plan	Other long-term employee benefit plan	Total provisions for employee benefits	Retirement benefit plan	Other long-term employee benefit plan	Total provisions for employee benefits
Provisions for employee benefits at beginning of the year	1,409	15	1,424	1,284	14	1,298
Current service cost	162	2	164	142	2	144
Interest cost	52	–	52	43	1	44
Benefits paid during the year	(98)	(2)	(100)	(55)	(2)	(57)
Past service costs	(5)	–	(5)	(5)	–	(5)
Provisions for employee benefits at end of the year	1,520	15	1,535	1,409	15	1,424

(Unit: Million Baht)

	Separate financial statements					
	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Retirement benefit plan	Other long-term employee benefit plan	Total provisions for employee benefits	Retirement benefit plan	Other long-term employee benefit plan	Total provisions for employee benefits
Provisions for employee benefits at beginning of the year	1,387	15	1,402	1,265	14	1,279
Current service cost	158	2	160	139	2	141
Interest cost . .	51	–	51	42	1	43
Benefits paid during the year.	(93)	(2)	(95)	(54)	(2)	(56)
Past service costs	(5)	–	(5)	(5)	–	(5)
Provisions for employee benefits at end of the year. . . .	1,498	15	1,513	1,387	15	1,402

The expenses relating to defined benefits plans, included in the profit or loss from operation, was recorded in "Employee expenses" as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Current service cost	164	144	160	141
Interest cost	52	44	51	43
Past service cost.	(5)	(5)	(5)	(5)
Total employee benefit expenses .	211	183	206	179

Accumulated amounts of actuarial gains, which have been recognised in the other comprehensive income of the Bank and its subsidiaries, up to 31 December 2014 and 2013 were Baht 143 million and Baht 143 million, respectively (the Bank only: Baht 143 million and Baht 143 million, respectively).

Amounts of defined benefit obligation at the end of the current year and previous years are as follows:

(Unit: Million Baht)

	Defined benefit obligation	
	Consolidated financial statements	**Separate financial statements**
As at 31 December 2014	1,493	1,472
As at 31 December 2013	1,378	1,355
As at 31 December 2012	1,247	1,228
As at 31 December 2011	1,246	1,231
As at 1 January 2011	1,179	1,160

The amounts of experience adjustments[1] for the current year and previous years are as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements
For the year ended 31 December 2014	–
For the year ended 31 December 2013	–
For the year ended 31 December 2012	(38)
For the year ended 31 December 2011	(45)

(1) Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred, which are presented as a part of "Actuarial gains".

The principal assumptions used in determining provisions under retirement benefit plan on an actuarial basis are shown below:

	Consolidated financial statements		**Separate financial statements**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Discount rates	3.28%,3.73%, 3.95%	3.28%,3.73%, 3.95%	3.73%	3.73%
Future salary incremental rates	5.00%, 5.50%	5.00%, 5.50%	5.00%	5.00%
Staff turnover rates (depending on range of age)	0.00% – 18.00%	0.00% – 18.00%	0.00%– 18.00%	0.00%– 18.00%

28. Provisions for other liabilities

(Unit: Million Baht)

	Consolidated financial statement			
	For the year ended 31 December 2014			
	Commitment from letters of guarantee issued, avals and other guarantee	Obligation for litigation cases (Note 47.2)	Others	Total
Balances – beginning of the year	412	63	64	539
Increase in provisions	27	1	43	71
Decrease in provisions	–	(4)	–	(4)
Paid during the period	–	(12)	(59)	(71)
Balances – end of the year	439	48	48	535

(Unit: Million Baht)

	Separate financial statement			
	For the year ended 31 December 2014			
	Commitment from letters of guarantee issued, avals and other guarantee	Obligation for litigation cases (Note 47.2)	Others	Total
Balances – beginning of the year	412	54	59	525
Increase in provisions	27	1	42	70
Paid during the period	–	(12)	(54)	(66)
Balances – end of the year	439	43	47	529

29. Other payables

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Payables on purchases of investments	4,780	3,176	4,780	3,176
Others	857	2,076	850	2,060
Total other payables	5,637	5,252	5,630	5,236

30. Other liabilities

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Accrued expenses. . . .	3,872	3,109	3,722	3,078
Accrued interest expenses	1,156	1,061	1,156	1,061
Deposits and guarantees received . .	716	1,490	702	1,476
Collateral on derivative transactions	178	1,159	178	1,159
Suspense accounts – creditors.	2,293	3,536	2,285	3,525
Others	673	706	631	685
Total other liabilities. . .	8,888	11,061	8,674	10,984

31. Share-based payments – TMB Performance Share Bonus Scheme

31.1 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.

Offering Price per Share: The offering price per share to be offered to the employees under TMB PSBP 2010 is equivalent to the average closing price of ordinary shares of the Bank on the Stock Exchange of Thailand ("SET") on each trading day for the period of 90 calendar days prior to each offering date of the newly issued shares. The offering price may be lower than 90% of the market price as prescribed in the notification of the Securities and Exchange Commission relating to the calculation of the offering price and the determination of the offering price for issuance of the newly issued shares.

In the case that the calculation of the offering price in any offering is lower than the par value of the ordinary shares of the Bank, the Bank is required to offer newly issued shares to the employees under TMB PSBP 2010 Project at the price equivalent to the par value of the ordinary shares of the Bank.

Condition of Subscription for the Newly Issued Shares: The employees under TMB PSBP 2010 who will subscribe for the newly issued shares shall be employees of the Bank as of the subscription date of such newly issued shares (the rights for employees who are retired pursuant to the Bank's regulation or death are still retained).

During the years ended 31 December 2014 and 2013, the Bank recorded expenses of Baht 155 million and Baht 168 million, respectively, in relation to share-based payments.

31.2 The offering of new ordinary shares

The offering of new ordinary shares	Par value	Offering Price	The offering of new ordinary shares	Ordinary shares issued to employees[1]	Ordinary shares not to be issued	Balance of new ordinary shares unissued as at 31 December 2014
	(Baht/ share)	(Baht/ share	(share)	(share)	(share)	(share)
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	(62,844,529)	(12,470,196)	26,480,575
The third offering, 2013	0.95	2.28	82,597,700	(25,624,994)	(12,940,492)	44,032,214
The fourth offering, 2014	0.95	2.30	85,191,700	–	(11,122,700)	74,069,000

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

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

	Consolidated and separate financial statements			
	For the year ended 31 December 2014			
	Issued and paid-up ordinary share capital		Share premium	Other reserve – share-based payments
	No. of shares	Baht	Baht	Baht
Balance – beginning of the year	43,606,322,266	41,426,006,153	81,196,245	256,594,958
Issued ordinary shares to employees	72,442,022	68,819,921	77,069,887	(145,889,808)
Expenses in relation to issuance of ordinary shares to employees	–	–	(576,486)	–
Expenses in relation to share-based payments (Note 31.1)	–	–	–	155,130,632
Balance – end of the year	43,678,764,288	41,494,826,074	157,689,646	265,835,782

	Consolidated and separate financial statements			
	For the year ended 31 December 2013			
	Issued and paid-up ordinary share capital		Share premium	Other reserve – share-based payments
	No. of shares	Baht	Baht	Baht
Balance – beginning of the year	43,549,920,569	41,372,424,541	27,008,318	196,923,463
Issued ordinary shares to employees	56,401,697	53,581,612	54,745,871	(108,327,483)
Expenses in relation to issuance of ordinary shares to employee	–	–	(557,944)	–
Expenses in relation to share-based payments (Note 31.1)	–	–	–	167,998,978
Balance – end of the year	43,606,322,266	41,426,006,153	81,196,245	256,594,958

32. 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.

(Unit: Million Baht)

	Consolidated and separate financial statements	
	For the year ended 31 December 2014	For the year ended 31 December 2013
Balance – beginning of the years	4,898	5,061
Amortised during the years	(71)	(72)
Derecognised during the years	(81)	(33)
Transferred out during the years	(60)	(58)
Balance – end of the years	4,686	4,898
Less: Relevant income taxes	(937)	(980)
Balance – end of the year, net of relevant income taxes	3,749	3,918

33. Statutory 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.

34. Appropriation of the profit and dividend payment

34.1 The appropriation of the 2013 operating profits and dividend payment

On 11 April 2014, the 2014 Annual General Meeting of Shareholders passed the resolutions regarding the appropriation of the 2013 operating profit and dividend payment as follows:

1. Appropriation of net profit of Baht 290,000,000 to be statutory reserve.

2. Paying of a dividend from the 2013 operating profit to ordinary shareholders, totaling 43,678,764,288 shares at Baht 0.04 per share, totaling a dividend payment of Baht 1,747 million.

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

34.2 The appropriation of the 2012 operating profits and dividend payment

On 12 April 2013, the 2013 Annual General Meeting of Shareholders passed the resolutions regarding the appropriation of the 2012 operating profit and dividend payment as follows:

1. Appropriation of net profit of Baht 80,000,000 to be statutory reserve.

2. Paying of a dividend from the 2012 operating profit to ordinary shareholders, totaling 43,606,322,266 shares at Baht 0.033 per share, totaling a dividend payment of Baht 1,439 million.

The Bank already paid such dividend to its shareholders on 9 May 2013.

35. Interest income

Interest income for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Interbank and money market items.	2,229	2,431	2,211	2,414
Investments and trading transactions. . .	289	457	289	457
Investments in debt securities	2,658	2,877	2,658	2,877
Loans to customers. . .	30,210	28,581	30,086	28,427
Others	462	480	451	480
Total interest income.	**35,848**	**34,826**	**35,695**	**34,655**

36. Interest expenses

Interest expenses for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Deposits.	9,141	8,567	9,141	8,567
Interbank and money market items.	1,054	1,510	1,054	1,510

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Contributions to the Deposit Protection Agency and Bank of Thailand.	2,669	2,348	2,669	2,348
Debts issued				
– Subordinated debentures	1,218	1,263	1,218	1,263
– Others.	94	215	94	215
Borrowings	63	87	63	87
Borrowing fees	14	14	14	14
Total interest expenses.	**14,253**	**14,004**	**14,253**	**14,004**

37. Net fees and service income

Fees and service income and expenses for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Fees and service income				
– Acceptances, aval and guarantees.	394	335	394	335
– Credit card and ATM.	2,402	2,367	2,402	2,367
– Funds and Bancassurance	3,109	2,569	2,544	2,082
– Others.	1,969	2,340	2,001	2,367
Total fees and service income	7,874	7,611	7,341	7,151
Fees and service expenses				
– Credit card and ATM.	1,357	1,348	1,357	1,348
– Others.	783	684	692	609
Total fees and service expenses.	2,140	2,032	2,049	1,957
Net fees and service income	5,734	5,579	5,292	5,194

38. Net gains on trading and foreign exchange transactions

Net gains on trading and foreign exchange transactions for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated and separate financial statements	
	For the years ended 31 December	
	2014	2013
Gains (losses) on tradings and foreign exchange transactions		
– Foreign currencies and derivatives on foreign exchange	1,542	2,216
– Derivatives on interest rates	339	18
– Derivatives on commodity	1	1
– Debt securities	110	23
Net gains on tradings and foreign exchange transactions	1,992	2,258

39. Net loss on financial liabilities designated at fair value through profit or loss

Net loss on financial liabilities designated at fair value through profit or loss for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated and separate financial statements	
	For the years ended 31 December	
	2014	2013
Net change in fair value	(34)	(9)
Net loss on financial liabilities transferred	(17)	–
Net loss on financial liabilities designated at fair value through profit or loss	**(51)**	**(9)**

40. Net gains on investments

Net gains on investments for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Gains on sales of investments				
– Available-for-sale securities	186	79	186	45
– General investments	4	64	4	64
Total gains on sales of investments	190	143	190	109
Reversal of allowance for impairment (losses on impairment)				
– Available-for-sale securities	–	(2)	–	(2)
– General investments	3	–	3	–
– Investments in subsidiaries	–	–	357	189
Total reversal of allowance for impairment (losses on impairment)	3	(2)	360	187
Net gains on investments	193	141	550	296

At the end of the reporting period, the management of the Bank considered the status of Phayathai Asset Management Company Limited ("the subsidiary") and noted that its financial position has improved and that it is expected to be able to increase its profitability. These are indicators for reversal of allowance for impairment and the Bank, therefore, reversed allowance for impairment on investment in the subsidiary in order to reflect the expected recoverable amount.

41. Other operating income

Other operating income for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Net gains on disposals of assets	183	87	152	157
Dividend income	55	65	55	65
Bad debt recovery (interest portion)	86	121	52	121
Others	166	143	162	142
Total other operating income	490	416	421	485

42. Other operating expenses

Other operating expenses for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Marketing and business promotion expenses	1,247	1,249	1,165	1,203
Communication expenses	373	374	371	372
Amortisation of intangible assets	281	271	279	270
Losses on impairment of properties foreclosed and other assets	103	130	106	130

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Reversal of provisions for obligation on transfers of non-performing assets (Note 8)	–	(296)	–	(382)
Others	1,483	1,269	1,439	1,255
Total other operating expenses.	**3,487**	**2,997**	**3,360**	**2,848**

43. Bad debts, doubtful accounts and impairment losses

Bad debts, doubtful accounts and impairment losses for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Bad debts and doubtful accounts				
Interbank and money market items	4	10	4	10
Loans to customers	3,390	7,654	3,754	7,727
Allowance for debt restructuring on loans to customers (reversal)	43	(51)	43	(51)
Total bad debts, doubtful accounts and impairment losses	3,437	7,613	3,801	7,686

44. Components of other comprehensive income

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Other comprehensive income				
(a) Changes in revaluation surplus on assets	(60)	(58)	(60)	(58)
(b) Gains (losses) on revaluation of available-for-sale investments				
Unrealised gains (losses) during the years	113	73	72	54
Less: Reclassification of realised gains recognised in profit or loss from operation	(52)	(75)	(52)	(55)
Total	61	(2)	20	(1)
(c) Gains arising from translating the financial statements of foreign operation	–	29	–	29
(d) Income taxes relating to components of other comprehensive income	–	6	8	6
Total other comprehensive gains (loss) for the years	1	(25)	(32)	(24)

45. Earnings per share

Basic earnings per share is calculated by dividing profits for the years (excluding other comprehensive income) attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue and held by outside shareholders during the years.

Diluted earnings per share is calculated by dividing profits for the years (excluding other comprehensive income) attributable to equity holders of the Bank by the sum of weighted average number of ordinary shares in issue and held by outside shareholders during the years and the weighted average number of ordinary shares which would need to be issued to convert all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the years or on the date the potential ordinary shares were issued. In calculation of diluted earnings per share, the potential ordinary shares include number of ordinary shares as offered in according to the TMB PSBP 2010 scheme as described in Note 31.2 to the financial statements.

Basic earnings per share and diluted earnings per share are presented below:

	Consolidated financial statements					
	For the years ended 31 December					
	Profits for the years		Weighted average number of ordinary shares		Earnings per share	
	2014	2013	2014	2013	2014	2013
	(Million Baht)	(Million Baht)	(Million shares)	(Million shares)	(Baht)	(Baht)
Basic earnings per share						
Profits for the years attributable to equity holders of the Bank .	9,539	5,737	43,659	43,591	0.2185	0.1316
Effect of dilutive potential ordinary shares						
from TMB PSBP 2010 Scheme	–	–	161	151		
Diluted earnings per share.	9,539	5,737	43,820	43,742	0.2177	0.1312

	Separate financial statements					
	For the years ended 31 December					
	Profits for the years		Weighted average number of ordinary shares		Earnings per share	
	2014	2013	2014	2013	2014	2013
	(Million Baht)	(Million Baht)	(Million shares)	(Million shares)	(Baht)	(Baht)
Basic earnings per share						
Profits for the years attributable to equity holders of the Bank .	9,443	5,799	43,659	43,591	0.2163	0.1330
Effect of dilutive potential ordinary shares						
from TMB PSBP 2010 Scheme	–	–	161	151		
Diluted earnings per share.	9,443	5,799	43,820	43,742	0.2155	0.1326

46. Assets under restriction

As at 31 December 2014 and 2013, the assets under restriction were as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements	
	31 December 2014	31 December 2013
Investment in securities (face value)		
Pledged as collateral with the courts.	13	27
Pledged as securities for daily liquidity	3,437	824
Pledged as collateral against repurchase transactions . .	26,705	21,352

47. Commitments and contingencies

47.1 Commitments

(Unit: Million Baht)

	Consolidated and separate financial statements	
	31 December 2014	31 December 2013
Avals to bills	543	1,447
Guarantees of loans	3	–
Liabilities under unmatured import bills	1,855	1,358
Letters of credit	28,131	23,735
Other commitments		
Other guarantees	40,428	37,024
Unused overdraft credit lines	82,935	74,475
Others	624	773
Total	154,519	138,812

In addition, the Bank and its subsidiaries have commitments from derivative contracts, as mentioned in Note 10 to the financial statements.

As at 31 December 2014 and 2013, the Bank had commitments from providing other guarantees to listed companies, which meet criteria for delisting conditions from the Stock Exchange of Thailand, amounting to Baht 11 million and Baht 11 million, respectively.

47.2 Litigation

As of 31 December 2014 and 2013, the Bank and its subsidiary were claimed pursuant to obligations under the letters of guarantee and other claims for 106 cases and 142 cases, respectively in the approximate dispute amounts of Baht 11,705 million and Baht 16,010 million, respectively (The Bank only: claims for 97 cases and 119 cases, respectively, in the approximate dispute amounts of Baht 10,872 million and Baht 13,451 million, respectively). The said claims were made against the Bank and its subsidiary for the approximate liability amounts of Baht 1,421 million(1) and Baht 811 million(1), respectively (The Bank only: Baht 1,350 million(1) and Baht 606 million(1), respectively).

As of 31 December 2014 and 2013, the Bank and its subsidiary have recognised provisions which may be incurred losses from the litigation cases totalling Baht 48 million and Baht 63 million, respectively (The Bank only: Baht 43 million and Baht 54 million, respectively). The management assesses and believes that the provision established for such potential losses due to the said litigation cases is adequate.

In addition, the Bank was claimed in another lawsuit with the sum of Baht 140,261 million due to its issuance of the letter of guarantee in the credit limit of Baht 200 million. The Court of First Instance and the Appeals Court dismissed the case. At present, this case is in the process of filing the petition with the Supreme Court. The management was advised that there is no sufficient supporting ground for filing the petition with the Supreme Court and it is unlikely that the plaintiff will win the case, the management believes that the Bank will not be liable in this case.

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(1) Exclude the liabilities of the Bank as of 31 December 2014 and 2013 for Baht 1,761 million and Baht 3,827 million, respectively, which the Court of First Instance and the Appeals Court dismissed the cases or rendered the judgment to decrease the Bank's liabilities.

47.3 Non-cancellable operating lease commitments

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
Payable within	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Within one year.	303	168	291	154
After one year but within five years	689	211	680	188
Total	992	379	971	342

47.4 Commitments with the Bank's subsidiary

In prior years, the Bank sold non-performing assets to Phayathai Asset Management Company Limited ("PAMC"). As at 31 December 2014 and 2013, the Bank still has obligations to transfer the mortgage rights in collateral for these non-performing assets to PAMC.

48. Related party disclosures

48.1 Definitions and characteristics of relationships

Related parties are as follows:

1. Major shareholders are the shareholders who own over 10% of the Bank's paid-up share capital.

2. Entities with joint control or significant influence over the entity are

   2.1 Related companies of major shareholders

   2.2 Entities in which related companies of major shareholders hold over 10% of paid-up share capital

   2.3 Entities in which the Bank holds over 10% of paid-up share capital (excluding subsidiaries and associate)

3. Subsidiaries

4. Associate

5. Key management personnel of the Bank are directors, management personnel at the level 'Head of' or executive vice president and above, and related management personnel of Accounting or Finance.

6. Other related parties are

   6.1 Close family members of key management personnel

   6.2 Entities in which key management personnel and their close family members hold over 10% of paid-up share capital

   6.3 Entities of which key management personnel and their close family members are directors exercising control or having significant influence

The additional information on investments in subsidiaries and associate is disclosed in Note 12 to the financial statements.

The followings are relationships with related parties that control or jointly control the Bank or are being controlled or jointly controlled by the Bank.

Name of entities	**Country of incorporation**	**Nature of relationships**
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
ING Life Plc.(1)	Thailand	Related through the major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
ING Funds (Thailand) Co., Ltd.(2)	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, 99.50% shareholding, more than 50% of directors are representatives of the Bank
TMB Asset Management Co., Ltd.	Thailand	Subsidiary, 87.50% shareholding, more than 50% of directors are representatives of the Bank
Metro Designee Co., Ltd.	Thailand	Associate, 30.00% shareholding, less than 50% of directors are representatives from the Bank

(1) This entity had been considered a related party until 28 February 2013 (The date on which ING Group completed the process to sell shares it held in such company). Currently, it is known as FWD Life Insurance Plc.

(2) This entity had been considered a related party until 3 May 2013 (The date on which ING Group completed the process to sell shares it held in such company). Currently, it is known as UOB Asset Management (Thailand) Co., Ltd.

48.2 Pricing policy

Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

The Bank's pricing and interest rate policy is as follows:

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

2. Fee and service income as a result of the Bank's providing registrar and related services, money transfer services for unitholders, agent and support services for funds managed by its subsidiary and related company are charged at the rate based on conditions specified in contracts negotiated in the normal course of business, taking into accounts the size of funds and the purchase and sale volumes of investment units.

3. Interest rates on deposits and borrowings are in accordance with the market rates.

4. Fee and service income for other types of services is in accordance with the market price.

5. The branches and office rental and related services are based on market rates.

6. Sale of non-performing assets to a subsidiary is made at the fair value or market price.

48.3 Significant agreements with related parties

On 25 April 2008, the Annual General Meeting of Shareholders approved the connected transaction between the Bank and companies under the ING Group which are connected persons of the Bank as follows:

1. Distribution Agent Agreement between the Bank and ING Funds (Thailand) Co., Ltd.[1] The agreement has a duration of 10 years. The agreement provides co-exclusive distribution rights to ING Funds (Thailand) Co., Ltd. and TMB Asset Management Co, Ltd. Prior to the expiration of the agreement, negotiations can be conducted to review the appropriateness of the agreement and conditions, and should the Bank wish to continue the arrangement, this must be proposed at the shareholders' meeting for approval.

   Fees to be received by the Bank vary according to the type of fund, and will be determined jointly by the parties.

On 24 June 2010, the Meeting of the Board of Directors approved the amendment to Distribution Agent Agreement. The Bank will offer service of provident fund and private fund to its clients and will refer them to ING Funds (Thailand) Co., Ltd., which will act as a fund manager, and receive fee in return. Additionally, ING Funds' right for exclusivity is relaxed such that the Bank can offer asset management products of other asset management companies to particular client segments of the Bank.

2. Bancassurance Product Distribution Agreement between the Bank and ING Life Ltd.,[(2)] The agreement, which is exclusively precluded the Bank from selling life insurance products for other companies except ING Life, has a duration of 10 years. Prior to the expiration of the agreement, negotiations can be conducted to review the appropriateness of the agreement and conditions, and should the Bank wish to continue the arrangement, this must be proposed at the shareholders' meeting for approval.

   Fees and other commercial terms are to be mutually agreed by both parties.

3. On 23 December 2013, the Bank disposed written-off NPLs to PAMC at selling price of Baht 71 million (presented as a part of "Other operating income" in the separate statement of comprehensive income for the year ended 31 December 2013.)

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(1) This entity had been considered a related party until 3 May 2013 (The date on which ING Group completed the process of selling the shares it held in such company). Currently, it is known as UOB Asset Management (Thailand) Co., Ltd.

(2) This entity had been considered a related party until 28 February 2013 (The date on which ING Group completed the process of selling the shares it held in such company). Currently, it is known as FWD Life Insurance Plc.

Significant agreements with Thai Asset Management Corporation (Entities whose shares are owned or controlled by the Ministry of Finance) are disclosed in Note 8 to the financial statements.

48.4 Senior management personnel compensation

For the years ended 31 December 2014 and 2013, senior management personnel compensation, included in profit or loss from operation, was classified as follows:

(Unit: Million Baht)

	Consolidated financial statements		**Separate financial statements**	
	For the years ended 31 December		**For the years ended 31 December**	
	2014	**2013**	**2014**	**2013**
Short-term employee benefits – directors . . .	38	32	37	32
Short-term employee benefits – managements	663	577	624	534
Post-employment benefits	48	44	42	38
Termination benefit . . .	3	–	–	–

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2014	2013	2014	2013
Share-based payments (performance share bonus)	136	134	136	133

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

48.5 Other benefits payable to the senior management personnel

The Bank's senior management personnel do not receive other benefits both in term of monetary and non-monetary items, except for the benefits that are normally received as mentioned in Note 31 and Note 48.4 to the financial statements such as monthly director remuneration, meeting allowance, salary and bonus. Directors who are the Bank's executives and the representative directors who are the executive 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.

48.6 Transactions with related parties which occurred during the years

For the years ended 31 December 2014 and 2013, significant transactions with related parties are as follows:

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2014						
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Bad debt, doubtful accounts and impairment loss
1. Major shareholders .	139	1	–	–	–	11	–
2. Entities with joint control or significant influence over the entity. . . .	381	448	24	–	44	241	14
3. Subsidiaries . .	–	–	–	–	–	–	–
4. Associate . . .	–	–	–	–	–	–	–

	Consolidated financial statements						
	For the year ended 31 December 2014						
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Bad debt, doubtful accounts and impairment loss
5. Key management personnel of the Bank	1	4	–	–	–	–	–
6. Other related parties	–	4	–	–	–	16	–

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2013						
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses (reversal)	Reversal of bad debt, doubtful accounts and impairment loss
1. Major shareholders .	77	1	1	–	–	9	–
2. Entities with joint control or significant influence over the entity. . . .	385	787	324	160	60	(86)	(52)
3. Subsidiaries . .	–	–	–	–	–	–	–
4. Associate	–	–	–	–	–	–	–
5. Key management personnel of the Bank	1	3	–	–	–	–	–
6. Other related parties	–	2	–	–	–	2	–

(Unit: Million Baht)

	Separate financial statements						
	For the year ended 31 December 2014						
	Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Bad debt, doubtful accounts and impairment loss
1. Major shareholders .	139	1	–	–	–	11	–

	Separate financial statements						
	For the year ended 31 December 2014						
	Interest income	**Interest expenses**	**Fees and service income**	**Fees and service expenses**	**Other operating income**	**Other operating expenses**	**Bad debt, doubtful accounts and impairment loss**
2. Entities with joint control or significant influence over the entity. . . .	372	448	24	–	44	241	14
3. Subsidiaries . .	–	–	662	–	–	–	–
4. Associate	–	–	–	–	–	–	–
5. Key management personnel of the Bank	1	4	–	–	–	–	–
6. Other related parties	–	4	–	–	–	16	–

(Unit: Million Baht)

	Separate financial statements						
	For the year ended 31 December 2013						
	Interest income	**Interest expenses**	**Fees and service income**	**Fees and service expenses**	**Other operating income**	**Other operating expenses (reversal)**	**Reversal of bad debt, doubtful accounts and impairment loss**
1. Major shareholders .	77	1	1	–	–	9	–
2. Entities with joint control or significant influence over the entity. . . .	378	787	324	160	60	(172)	(52)
3. Subsidiaries . .	–	–	516	–	73	–	–
4. Associate	–	–	–	–	–	–	–
5. Key management personnel of the Bank	1	3	–	–	–	–	–
6. Other related parties	–	2	–	–	–	2	–

48.7 Outstanding balances with related parties

As at 31 December 2014 and 2013, outstanding balances with related persons or parties are as follows:

48.7.1 Significant balances between the Bank and its subsidiaries and their major shareholders as at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated and Separate financial statements	
	31 December 2014	**31 December 2013**
Loans to customers and accrued interest receivables		
Ministry of Finance	6,553	3,031
Deposits (including interbank and money market items – liabilities)		
ING Bank N.V.	326	196
Debts issued and borrowings (Including interbank and money market items – liabilities)		
ING Bank N.V.	1,648	–
Contingencies – Derivatives[1]		
ING Bank N.V.	600	12,080
Other contingencies		
ING Bank N.V.	16	16
Other liabilities ING Bank N.V.	1	–

(1) Presented in notional amount

48.7.2 Significant balances between the Bank and its subsidiaries and other entities with joint control or significant influence over the entities as at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Investment in debt securities				
Entities whose shares are owned or controlled by the Ministry of Finance	15	46	15	46
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	27,021	27,991	26,743	27,728

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Thai Charoenpol Industry Co., Ltd..	3	3	3	3
Allowance for doubtful debts				
Entities whose shares are owned or controlled by the Ministry of Finance . .	74	59	74	59
Other receivables				
Entities whose shares are owned or controlled by the Ministry of Finance . .	4,398	4,398	4,398	4,398
Other assets				
Entities whose shares are owned or controlled by the Ministry of Finance . .	277	276	277	276
Deposits (Including interbank and money market items – liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance . .	15,635	14,792	15,635	14,792
TMB Property Development Co., Ltd. . . .	4	4	4	4
Debts issued and borrowings (Including interbank and money market items – liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance . .	30,725	18,111	30,725	18,111

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Provisions for obligation on transfers of non-performing assets				
Entities whose shares are owned or controlled by the Ministry of Finance . . .	5,998	5,998	5,998	5,998
Other liabilities				

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Entities whose shares are owned or controlled by the Ministry of Finance . . .	29	54	29	54
Contingencies – Derivatives[1]				
Entities whose shares are owned or controlled by the Ministry of Finance . . .	141,128	125,539	141,128	125,539
Other contingencies .				
Entities whose shares are owned or controlled by the Ministry of Finance . . .	626	1,072	626	1,072

(1) Presented in notional amount

48.7.3 Significant balances between the Bank and its subsidiaries and associate as at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Other assets				
Phayathai Asset Management Co., Ltd. .	–	–	3	–
TMB Asset Management Co., Ltd. .	–	–	57	39
Deposits				
Phayathai Asset Management Co., Ltd. .	–	–	61	34
TMB Asset Management Co., Ltd. .	–	–	34	23
Other liabilities				
Phayathai Asset Management Co., Ltd. .	–	–	4	–
TMB Asset Management Co., Ltd. .	–	–	31	–

48.7.4 Significant balances between the Bank and its subsidiaries, and their key management personnel as at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated and Separate financial statements	
	31 December 2014	**31 December 2013**
Loans to customers and accrued interest receivables	11	8
Welfare loans	44	48
Deposits	186	158
Allowance for doubtful debts	1	1

48.7.5 Significant balances between the Bank and its subsidiaries, and other related parties as at 31 December 2014 and 2013 are as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Loans to customers and accrued interest receivables	**3**	**3**	**3**	**3**
Deposits	184	111	184	111
Other liabilities	1	–	1	–

49. Operating segments

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 and Business Banking: These are corporate customers and owner operators with annual revenues of Baht 50 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 Enterprise: These are corporate customers and owner operators with annual revenues of less than Baht 50 million. The main products and services are corporate loans, letters of guarantee, deposits, trade finance, supply chain solution and financial management.

2. Retail Banking: This represents individual person. 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 base, 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.

(Unit: Million Baht)

	Consolidated financial statements				
	For the year ended 31 December 2014				
	Commercial Banking	Retail Banking	Other segments	Elimination	Total operating segment
Net interest income	13,569	6,258	2,079	–	21,906
Other operating income	3,139	4,076	679	(32)	7,862
Total operating income	16,708	10,334	2,758	(32)	29,768
Operating expenses	(7,183)	(7,827)	(643)	32	(15,621)
Profits from operation	9,525	2,507	2,115	–	14,147
Other income (expenses) – net					7
Provision for doubtful debts on loans and loan-related transactions. . . .					(3,412)
Profits before income tax expenses					10,742
Income tax expenses					(1,191)
Profits for the year					9,551
Depreciation and amortisation . . .	132	677	405	–	1,214
Source of operating income breakdown by operating segments					
Third party	24,972	1,577	3,219	–	29,768
Inter-segment . .	(8,264)	8,757	(461)	(32)	–
Total operating income	16,708	10,334	2,758	(32)	29,768

(Unit: Million Baht)

	Consolidated financial statements				
	For the year ended 31 December 2013				
	Commercial Banking	Retail Banking	Other segments	Elimination	Total operating segment
Net interest income	12,755	6,129	1,865	–	20,749
Other operating income	3,910	3,794	696	(30)	8,370
Total operating income	16,665	9,923	2,561	(30)	29,119
Operating expenses	(7,049)	(7,341)	(362)	30	(14,722)
Profits from operation	9,616	2,582	2,199	–	14,397
Other income (expenses) – net					276
Provision for doubtful debts on loans and loan-related transactions					(7,629)
Profits before income tax expenses					7,044
Income tax expenses					(1,297)
Profits for the year					5,747
Depreciation and amortisation	111	562	431	–	1,104
Source of operating income breakdown by operating segments					
Third party	24,248	1,616	3,255	–	29,119
Inter-segment	(7,583)	8,307	(694)	(30)	–
Total operating income	16,665	9,923	2,561	(30)	29,119

Reconciliation between segment reporting and consolidated financial statements for the years ended 31 December 2014 and 2013. (Present only items those differ with consolidated financial statements)

(Unit: Million Baht)

	Consolidated financial statements				
	For the year ended 31 December 2014				
	Net interest income	Other operating income	Operating expenses	Other income (expenses)	Loan loss provision
Segment reporting	21,906	7,862	(15,621)	7	(3,412)
Bad debts, doubtful accounts and impairment losses	–	80	(55)	–	(25)
Losses on impairment of properties foreclosed and other assets	–	(7)	(80)	87	–
Gains on unwinding of interest rate swap contracts	(287)	287	–	–	–
Gains on sale of assets	–	111	–	(111)	–
Others	(24)	25	(18)	17	–
Consolidated financial statements	21,595	8,358	(15,774)	–	(3,437)

(Unit: Million Baht)

	Consolidated financial statements				
	For the year ended 31 December 2013				
	Net interest income	Other operating income	Operating expenses	Other income (expenses)	Loan loss provision
Segment reporting	20,749	8,370	(14,722)	276	(7,629)
Bad debts, doubtful accounts and impairment losses	–	30	(46)	–	16
Losses on impairment of properties foreclosed and other assets	–	3	(70)	(3)	–
Reversal of provisions for obligation on transfers of non-performing assets	–	–	296	(296)	–
Gains on sale of assets	–	54	–	(54)	–
Others	73	(72)	(8)	77	–
Consolidated financial statements	20,822	8,385	(14,550)	–	(7,613)

(Unit: Million Baht)

	Consolidated financial statements				
	As at 31 December 2014				
	Commercial Banking	Retail Banking	Other segments	Elimination	Total operating segment
Assets	570,299	88,501	154,744	(3,377)	810,167
Liabilities and Shareholders' equity	253,031	374,523	185,990	(3,377)	810,167

(Unit: Million Baht)

	Consolidated financial statements				
	As at 31 December 2013				
	Commercial Banking	Retail Banking	Other segments	Elimination	Total operating segment
Assets	518,984	82,266	167,448	(2,966)	765,732
Liabilities and Shareholders' equity	215,627	369,844	183,227	(2,966)	765,732

50. Financial position and results of operations classified by domestic and overseas activities

50.1 Financial position categorised by type of business

(Unit: Million Baht)

	Consolidated financial statements					
	31 December 2014			31 December 2013		
	Domestic business	Overseas business	Total	Domestic business	Overseas business	Total
Total assets	809,530	637	810,167	764,949	783	765,732
Interbank and money market items – net (assets)	112,624	473	113,097	95,869	568	96,437
Investments – net	110,859	–	110,859	103,277	–	103,277
Loans to customers and accrued interest receivables – net	502,975	91	503,066	468,854	156	469,010
Deposits	571,461	164	571,625	529,409	197	529,606
Interbank and money market items (liabilities)	69,351	3,366	72,717	63,868	2,170	66,038
Debts issued and borrowings	34,601	1,648	36,249	35,985	2,188	38,173

50.2 Results of operations categorised by type of business

The results of operations categorised by type of business for the years ended 31 December 2014 and 2013 are summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements							
	For the year ended 31 December 2014				For the year ended 31 December 2013			
	Domestic business	Overseas business	Eliminated transactions	Total	Domestic business	Overseas business	Eliminated transactions	Total
Interest income	35,843	34	(29)	35,848	34,813	56	(43)	34,826
Interest expenses	14,259	23	(29)	14,253	14,010	37	(43)	14,004
Net interest income	21,584	11	–	21,595	20,803	19	–	20,822
Net fees and service income	5,727	7	–	5,734	5,574	5	–	5,579
Other operating income	2,624	–	–	2,624	2,807	(1)	–	2,806
Other operating expenses	15,760	14	–	15,774	14,535	15	–	14,550
Bad debt, doubtful accounts and impairment loss	3,437	–	–	3,437	7,615	(2)	–	7,613
Profits from operation before income tax expenses	10,738	4	–	10,742	7,034	10	–	7,044

51. Events after the reporting period

On 18 February 2015, the Board of Directors of the Bank passed a resolution to propose for consideration and approval in the Annual General Meeting of Shareholders, including,the payment of a dividend of Baht 0.06 per share to the Bank's ordinary shareholders from its 2014 operating results or a total of Baht 2,621 million (Such dividend amount is calculated based on the number of issued and paid-up share capital as at 31 December 2014, which has yet to include the number of ordinary shares that will be issued in April 2015 under the TMB Performance Share Bonus 2010 Project to employees, who were offered in 2012, 2013 and 2014 and are still the employees of the Bank as of the subscription date of such newly issued shares.). Such dividend will be paid and recorded after it is approved by the resolution of the Annual General Meeting of the Bank's shareholders.

52. Approval of financial statements

These financial statements were authorised for issue by the Bank's Board of Directors on 18 February 2015.

TMB Bank Public Company Limited and its Subsidiaries

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

Independent Auditor's Report

To the Shareholders of TMB Bank Public Company Limited

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

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the consolidated and the Bank only financial statements present fairly, in all material respects, the financial position of the Group and the Bank only, respectively, as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Other Matter

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

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
17 February 2016

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

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

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

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

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

Mr. Boontuck Wungcharoen
Chief Executive Officer

Mr. Rungson Sriworasat
Chairman of the Board

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

	Note	Consolidated For the year ended 31 December 2015	2014	Bank only For the year ended 31 December 2015	2014
		(in thousand Baht)			
Interest income	36.1, 39	36,429,927	35,848,295	36,393,131	35,694,944
Interest expenses	36.1, 40	13,209,941	14,253,242	13,210,053	14,253,406
Net interest income		**23,219,986**	**21,595,053**	**23,183,078**	**21,441,538**
Fees and service income	36.1, 41	9,712,001	7,874,418	9,089,281	7,341,024
Fees and service expenses	36.1, 41	1,890,925	2,140,092	1,780,648	2,049,027
Net fees and service income		**7,821,076**	**5,734,326**	**7,308,633**	**5,291,997**
Gains on trading and foreign exchange transactions, net	42	1,701,220	1,991,435	1,701,220	1,991,435
Losses on financial liabilities designated at fair value through profit or loss, net	43	(15,533)	(51,367)	(15,533)	(51,367)
Gains on investments, net	44	180,638	193,257	199,781	550,244
Other operating income	36.1	542,954	490,230	483,311	420,998
Total operating income		**33,450,341**	**29,952,934**	**32,860,490**	**29,644,845**
Other operating expenses					
Employee expenses	36.3	8,169,475	8,047,621	7,958,599	7,835,472
Directors' remuneration	36.3	41,542	37,834	41,183	37,473
Premises and equipment expenses		3,129,663	3,003,243	3,073,052	2,948,441
Taxes and duties		1,282,041	1,198,474	1,280,148	1,195,282
Others	36.1, 45	3,844,572	3,486,900	3,719,884	3,360,011
Total other operating expenses		**16,467,293**	**15,774,072**	**16,072,866**	**15,376,679**
Impairment loss on loans and debt securities	36.1, 46	5,478,950	3,436,748	5,516,680	3,801,349
Profit from operations before income tax expense		**11,504,098**	**10,742,114**	**11,270,944**	**10,466,817**
Income tax expense	19	2,152,755	1,190,505	2,087,126	1,023,673
Profit for the year		**9,351,343**	**9,551,609**	**9,183,818**	**9,443,144**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Gains (losses) on remeasuring available-for-sale investments		(30,198)	61,240	(10,206)	20,381
Gains arising from translating the financial statements of foreign operations		30,535	–	30,535	–
Income tax relating to items that will be reclassified subsequently to profit or loss	19	(67)	(12,248)	(4,066)	(4,076)
		270	**48,992**	**16,263**	**16,305**
Items that will not be reclassified subsequently to profit or loss					
Change in revaluation surplus on assets		(48,889)	(60,506)	(48,889)	(60,506)
Actuarial gains on post-employment benefit plan		95,162	–	95,253	–
Income tax relating to items that will not be reclassified subsequently to profit or loss	19	(9,255)	12,101	(9,273)	12,101
		37,018	**(48,405)**	**37,091**	**(48,405)**
Total other comprehensive income for the year, net of income tax		**37,288**	**587**	**53,354**	**(32,100)**
Total comprehensive income for the year		**9,388,631**	**9,552,196**	**9,237,172**	**9,411,044**
Profit attributable to:					
Equity holders of the Bank		9,333,069	9,538,876	9,183,818	9,443,144
Non-controlling interest		18,274	12,733	–	–
Profit for the year		**9,351,343**	**9,551,609**	**9,183,818**	**9,443,144**
Total comprehensive income attributable to:					
Equity holders of the Bank		9,370,366	9,539,463	9,237,172	9,411,044
Non-controlling interest		18,265	12,733	–	–
Total comprehensive income for the year		**9,388,631**	**9,552,196**	**9,237,172**	**9,411,044**
Earnings per share	47				
Basic earnings per share *(in Baht)*		**0.2134**	**0.2185**	**0.2100**	**0.2163**
Diluted earnings per share *(in Baht)*		**0.2128**	**0.2177**	**0.2094**	**0.2155**

Mr. Boontuck Wungcharoen
Chief Executive Officer

Mr. Rungson Sriworasat
Chairman of the Board

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

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

Consolidated

	Note	Issued and paid-up share capital	Premium on share capital	Other reserves: Other reserve – share-based payments (Note 30)	Other reserves: Revaluation surplus on assets, net (Note 31)	Other reserves: Revaluation surplus on available-for-sale investments, net (Note 11.4)	Other reserves: Translation adjustment arising from translating the financial statements of foreign operations, net	Other reserves: Total other reserve	Retained earnings: Legal reserve	Retained earnings: Unappropriated	Equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
		(in thousand Baht)											
Year ended 31 December 2014													
Balance at 1 January 2014		**41,426,006**	**81,196**	**256,596**	**3,918,131**	**57,781**	**43,563**	**4,276,071**	**770,000**	**15,203,983**	**61,757,256**	**76,131**	**61,833,387**
Comprehensive income for the year													
Profit for the year		–	–	–	–	–	–	–	–	9,538,876	9,538,876	12,733	9,551,609
Other comprehensive income		–	–	–	(48,405)	48,992	–	587	–	–	587	–	587
Total comprehensive income for the year		**–**	**–**	**–**	**(48,405)**	**48,992**	**–**	**587**	**–**	**9,538,876**	**9,539,463**	**12,733**	**9,552,196**
Contributions by and distribution to owners of the bank													
Expenses in relation to share-based payments	30.3	–	–	155,130	–	–	–	155,130	–	–	155,130	–	155,130
Issued ordinary shares to employees	30.3	68,820	77,070	(145,890)	–	–	–	(145,890)	–	–	–	–	–
Expenses in relation to issuance of ordinary shares to employees	30.3	–	(576)	–	–	–	–	–	–	–	(576)	–	(576)
Dividend paid	33	–	–	–	–	–	–	–	–	(1,747,101)	(1,747,101)	–	(1,747,101)
Total contributions by and distribution to owners of the bank		**68,820**	**76,494**	**9,240**	**–**	**–**	**–**	**9,240**	**–**	**(1,747,101)**	**(1,592,547)**	**–**	**(1,592,547)**
Transfer to legal reserve		–	–	–	–	–	–	–	480,000	(480,000)	–	–	–
Transfer to retained earnings		–	–	–	(121,332)	–	–	(121,332)	–	121,332	–	–	–
Balance at 31 December 2014		**41,494,826**	**157,690**	**265,836**	**3,748,394**	**106,773**	**43,563**	**4,164,566**	**1,250,000**	**22,637,090**	**69,704,172**	**88,864**	**69,793,036**
Year ended 31 December 2015													
Balance at 31 December 2014 – as reported		**41,494,826**	**157,690**	**265,836**	**3,748,394**	**106,773**	**43,563**	**4,164,566**	**1,250,000**	**22,637,090**	**69,704,172**	**88,864**	**69,793,036**
Impact of changes in accounting policy	3	–	–	–	–	–	–	–	–	(50,925)	(50,925)	–	(50,925)
Balance at 1 January 2015		**41,494,826**	**157,690**	**265,836**	**3,748,394**	**106,773**	**43,563**	**4,164,566**	**1,250,000**	**22,586,165**	**69,653,247**	**88,864**	**69,742,111**
Comprehensive income for the year													
Profit for the year		–	–	–	–	–	–	–	–	9,333,069	9,333,069	18,274	9,351,343
Other comprehensive income		–	–	–	(39,111)	(24,158)	24,428	(38,841)	–	76,138	37,297	(9)	37,288
Total comprehensive income for the year		**–**	**–**	**–**	**(39,111)**	**(24,158)**	**24,428**	**(38,841)**	**–**	**9,409,207**	**9,370,366**	**18,265**	**9,388,631**
Contributions by and distribution to owners of the bank													
Expenses in relation to share-based payments	30.3	–	–	93,067	–	–	–	93,067	–	–	93,067	–	93,067
Issued ordinary shares to employees	30.3	67,199	79,053	(146,252)	–	–	–	(146,252)	–	–	–	–	–
Expenses in relation to issuance of ordinary shares to employees	30.3	–	(562)	–	–	–	–	–	–	–	(562)	–	(562)
Dividend paid	33	–	–	–	–	–	–	–	–	(2,624,884)	(2,624,884)	–	(2,624,884)
Total contributions by and distribution to owners of the bank		**67,199**	**78,491**	**(53,185)**	**–**	**–**	**–**	**(53,185)**	**–**	**(2,624,884)**	**(2,532,379)**	**–**	**(2,532,379)**
Transfer to legal reserve		–	–	–	–	–	–	–	460,000	(460,000)	–	–	–
Transfer to retained earnings		–	–	–	(112,850)	–	–	(112,850)	–	112,850	–	–	–
Balance at 31 December 2015		**41,562,025**	**236,181**	**212,651**	**3,596,433**	**82,615**	**67,991**	**3,959,690**	**1,710,000**	**29,023,338**	**76,491,234**	**107,129**	**76,598,363**

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

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

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

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

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

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

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

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

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

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

Note	Contents

23 Interbank and money market items (liabilities)

24 Financial liabilities designated at fair value through profit or loss

25 Debts issued and borrowings, net

26 Provision for employee benefits

27 Provisions for other liabilities

28 Other payables

29 Other liabilities

30 Share-based payments – TMB Performance Share Bonus Scheme

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39 Interest income

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44 Gains on investments, net

45 Other operating expenses

46 Impairment loss of loans and debt securities

47 Earnings per share

48 Thai Financial Reporting Standards (TFRS) not yet adopted

49 Events after the reporting period

These notes form an integral part of the financial statements.

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

1 General information

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

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

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

2 Basis of preparation of the financial statements

(a) Statement of compliance

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

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

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

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

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

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

Note 10 Derivatives
Note 15 Allowance for doubtful accounts

3 Change in accounting policy

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

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

(1) Through decrease in unappropriated retained earnings as at 1 January 2015 amounting to Baht 51 million (net of income tax) for the effect of changes resulting from assessment of credit risk when measuring the fair value of over-the-counter derivatives recorded at fair value as at 31 December 2014;

(2) Prospectively for the effects of all other changes;

(3) Comparative information for new disclosures is not provided.

4 Significant accounting policies

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

(a) Basis of consolidation

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

Business combinations

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

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

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

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

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

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

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

Subsidiaries

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

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

Loss of control

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

Transactions eliminated on consolidation

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

(b) Foreign currencies

Foreign currency transactions

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

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

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

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

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

Foreign operations

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

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

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

(c) Cash

Cash includes cash in hand and cash on collection.

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

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

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

(e) Investments

Investments in subsidiaries and associate

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

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

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

Investments in other debt and equity securities

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

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

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

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

Recognition

Purchases and sales of investments are recorded on trade dates.

Disposal of investments

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

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

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

(f) Loans to customers

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

(g) Bill purchased, trade finance and factoring

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

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

(h) Allowance for doubtful accounts

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

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

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

(i) Troubled debt restructuring

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

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

(j) Properties for sale

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

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

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

(k) Premises and equipment

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

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

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

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

The Bank, thereafter, arranges to have the independent valuers appraise the land and buildings on a regular basis and records them at the revalued amount (Revalued amounts are determined by the independent valuer using the market approach for land

and the depreciated replacement cost approach for buildings) such that the carrying values of such assets as at the end of the reporting period do not materially differ from their fair values.

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

(1) When an asset's carrying amount is increased as a result of a revaluation of the assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in other reserve under the heading of "Revaluation surplus on assets". However, if the asset is previously devalued and the Bank used to recognise such revaluation decrease as an expense in profit or loss, a revaluation increase from this revaluation is then recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.

(2) When an asset's carrying amount is decreased as a result of a revaluation of the asset, the decrease is recognised in profit or loss. However, if the asset was previously revalued and an outstanding balance of revaluation surplus remains in other reserve under the heading of "Revaluation surplus on assets", the revaluation decrease is then charged to other comprehensive income to the extent that it does not exceed the amount already held in "Revaluation surplus on assets" in respect of the same asset and the revaluation decrease in excess of the amount already held in "Revaluation surplus on assets" in respect of the same asset is recognised in profit or loss.

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

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

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

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

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

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

(l) Leasehold rights

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

(m) Lease payments

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

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

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

(n) Goodwill and other intangible assets

Goodwill

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

Computer software	5 years

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

(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 it cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss.

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

Calculation of recoverable amount

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

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

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

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

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

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

(p) Claims on security and liabilities to deliver security

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

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

(q) Hybrid instruments

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

1. To reduce a mismatch in profit or loss that would otherwise arise from different accounting recognition between financial assets and financial liabilities; or

2. For management and evaluation of a group of financial assets or financial liabilities under a documented risk management or investment strategy policy as approved by the Board of Directors of the Bank; or

3. It is a financial instrument containing an embedded derivative.

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

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

1. The hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss.

2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

3. The economic characteristics and risks of the embedded derivative and the host contract are not closely related.

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

(r) Derivative

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

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

(s) Employee benefits

Short-term employee benefits

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

Post employment benefits and other long-term employee benefits

Defined contribution plan

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

Defined benefit plans

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

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

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

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

Share-based payments

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

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 are no interest receivable and present value loss on debt restructuring outstanding.

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

Fees and service income

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

Dividend income

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

(v) Expenses

Interest expenses

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

Fees and service expenses

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

Contributions to the Deposit Protection Agency and Bank of Thailand

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

(w) Income tax

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

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

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

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

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

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

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

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

(x) Earnings per share

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

(y) Segment reporting

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

(z) Offsetting

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

5 Financial risk management

Risk management approach

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

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

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

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

5.1 Credit risk

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

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

Credit policies/Framework

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

Credit approval process

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

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

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

Credit review

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

5.2 Market risk

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

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

Market risk in the trading book

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

Market risk in the banking book

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

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

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

(a) Interest rate risk

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

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

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

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

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

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

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

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

	Consolidated					
	2015					
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-performing assets	Non-interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	–	–	–	–	17,290	17,290
Interbank and money market items net of deferred revenue	106,458	1,514	–	–	7,888	115,860
Investments, net	37,570	26,873	30,458	–	3,359	98,260
Loans to customers net of deferred revenue	421,095	56,150	77,018	20,473	6,040	580,776
Other financial assets	2,303	–	–	–	13,142	15,445
Total financial assets	**567,426**	**84,537**	**107,476**	**20,473**	**47,719**	**827,631**
Financial liabilities						
Deposits	524,133	88,752	7,259	–	24,550	644,694
Interbank and money market items	29,456	2,031	3,118	–	1,611	36,216
Liabilities payable on demand	–	–	–	–	3,008	3,008
Financial liabilities designated at fair value through profit or loss	239	–	–	–	–	239
Debt issued and borrowings	286	1,255	28,622	–	20	30,183
Other financial liabilities	185	–	–	–	15,381	15,566
Total financial liabilities	**554,299**	**92,038**	**38,999**	**–**	**44,570**	**729,906**

	Consolidated					
	2014					
	Repricing periods					
	Within 3 months	Over 3 months to 1 year	Over 1 year	Non-performing assets	Non-interest bearing	Total
	(in million Baht)					
Financial assets						
Cash	–	–	–	–	16,428	16,428
Interbank and money market items net of deferred revenue	107,304	422	–	–	5,280	113,006
Investments, net	33,147	40,238	34,712	–	2,762	110,859
Loans to customers net of deferred revenue	411,141	56,250	40,003	18,093	4,873	530,360
Other financial assets	2,844	–	1	–	13,383	16,228
Total financial assets	**554,436**	**96,910**	**74,716**	**18,093**	**42,726**	**786,881**
Financial liabilities						
Deposits	450,533	88,818	7,220	–	25,054	571,625
Interbank and money market items	65,490	1,588	3,708	–	1,931	72,717
Liabilities payable on demand	–	–	–	–	3,145	3,145
Financial liabilities designated at fair value through profit or loss	137	–	–	–	–	137
Debt issued and borrowings	1,010	9,855	25,362	–	22	36,249
Other financial liabilities	281	–	–	–	14,077	14,358
Total financial liabilities	**517,451**	**100,261**	**36,290**	**–**	**44,229**	**698,231**

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

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

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

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

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

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

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

(b) Foreign exchange risk

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

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

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

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

(c) Equity price risk

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

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

5.3 Liquidity risk

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

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

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

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

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

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

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

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

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

(1) Including transactions with 1-day term.

(2) Investment in equity securities.

(3) Non-performing loans.

	Consolidated 2014						
	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	16,428	–	–	–	–	–	16,428
Interbank and money market items net of deferred revenue	6,490	100,094	422	6,000	–	–	113,006
Investments, net							
Trading securities and general investments	–	10,825	5,734	3,641	–	685[2]	20,885
Available-for-sale securities	–	6,997	21,301	13,252	–	2,077[2]	43,627
Held-to-maturity debt securities	–	3,015	18,937	24,395	–	–	46,347
Loans to customers net of deferred revenue	124,993	120,202	101,799	103,074	62,199	18,093[3]	530,360
Other financial assets	989	6,636	243	1,338	893	6,129	16,228
Total financial assets	**148,900**	**247,769**	**148,436**	**151,700**	**63,092**	**26,984**	**786,881**
Financial liabilities							
Deposits	397,768	77,092	89,303	7,462	–	–	571,625
Interbank and money market items	7,445	59,976	1,588	3,708	–	–	72,717
Liabilities payable on demand	3,145	–	–	–	–	–	3,145
Financial liabilities designated at fair value through profit or loss	–	–	–	–	137	–	137
Debt issued and borrowings	141	574	8,816	26,637	81	–	36,249
Other financial liabilities	1,238	5,382	–	–	*1,157*	6,581	14,358
Total financial liabilities	**409,737**	**143,024**	**99,707**	**37,807**	**1,375**	**6,581**	**698,231**
Net liquidity gap	**(260,837)**	**104,745**	**48,729**	**113,893**	**61,717**	**20,403**	**88,650**
Net cash flow on derivatives	**–**	**466**	**391**	**88**	**15**	**–**	**960**

(1) Including transactions with 1-day term.

(2) Investment in equity securities.

(3) Non-performing loans.

	Bank only 2015						
	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	17,290	–	–	–	–	–	17,290
Interbank and money market items net of deferred revenue	8,775	99,568	6,167	555	–	–	115,065
Investments, net							
Trading securities and general investments	–	20	8,705	6,697	–	565[(2)]	15,987
Available-for-sale securities	–	13,423	17,471	9,916	–	4[(2)]	40,814
Held-to-maturity debt securities	–	8,225	9,402	18,391	2,651	–	38,669
Investments in subsidiaries and associate, net	–	–	–	–	–	3,331[(2)]	3,331
Loans to customers net of deferred revenue	123,791	128,098	100,553	123,897	83,964	20,442[(3)]	580,745
Other financial assets	1,166	6,887	115	289	661	5,999	15,117
Total financial assets	**151,022**	**256,221**	**142,413**	**159,745**	**87,276**	**30,341**	**827,018**
Financial liabilities							
Deposits	475,272	73,076	88,843	7,539	–	–	644,730
Interbank and money market items	10,160	20,908	2,031	3,117	–	–	36,216
Liabilities payable on demand	3,008	–	–	–	–	–	3,008
Financial liabilities designated at fair value through profit or loss	–	–	–	–	239	–	239
Debt issued and borrowings	15	77	722	29,296	73	–	30,183
Other financial liabilities	1,165	6,615	–	–	*1,084*	6,629	15,493
Total financial liabilities	**489,620**	**100,676**	**91,596**	**39,952**	**1,396**	**6,629**	**729,869**
Net liquidity gap	**(338,598)**	**155,545**	**50,817**	**119,793**	**85,880**	**23,712**	**97,149**
Net cash flow on derivatives	**–**	**(1)**	**777**	**(42)**	**160**	**–**	**894**

(1) Including transactions with 1-day term.

(2) Investment in equity securities.

(3) Non-performing loans.

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

(1) Including transactions with 1-day term.

(2) Investment in equity securities.

(3) Non-performing loans.

6 Fair value of assets and liabilities

6.1 Financial assets and liabilities

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

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

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

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

– Cash:

  The fair value is approximated based on its carrying value.

– Interbank and money market items (assets):

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

– Claims on securities:

  The fair value is approximated based on its carrying value.

– Investments, net:

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

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

– Loans to customers and accrued interest receivable:

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

– Other financial assets

  The fair value is approximated based on its carrying value.

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

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

– Liability payable on demand and Liabilities to deliver security:

  The fair value is approximated based on its carrying value.

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

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

– Debts issued and borrowings:

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

– Other financial liabilities:

  The fair value is approximated based on its carrying value.

– Derivatives:

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

Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank and its subsidiaries can access at the measurement date.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on unobservable market data.

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

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

6.1.1 Financial assets and liabilities carried at fair value

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

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

	Consolidated Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
		(in million Baht)		
31 December 2015				
Financial assets				
Derivatives (trading book)				
– Foreign currency related	–	7,781	–	7,781
– Interest rate related	–	4,428	–	4,428
Investments				
– Trading investments	–	15,422	–	15,422
– Available-for-sale investments	–	43,604	–	43,604
Financial liabilities				
Financial liabilities designated at fair value through profit or loss	–	299	–	299
Derivatives (trading book)				
– Foreign currency related	–	7,242	–	7,242
– Interest rate related	–	4,575	–	4,575

	Bank only Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
		(in million Baht)		
31 December 2015				
Financial assets				
Derivatives (trading book)				
– Foreign currency related	–	7,781	–	7,781
– Interest rate related	–	4,428	–	4,428
Investments				
– Trading investments	–	15,422	–	15,422
– Available-for-sale investments	–	40,814	–	40,814
Financial liabilities				
Financial liabilities designated at fair value through profit or loss	–	299	–	299
Derivatives (trading book)				
– Foreign currency related	–	7,242	–	7,242
– Interest rate related	–	4,575	–	4,575

6.1.2 Financial assets and liabilities not carried at fair value

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

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

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

6.2 Non-financial assets carried at fair value

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

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

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

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

Level 3 fair value

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

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

7 Maintenance of capital fund

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT in its circulars dated 8 November 2012 and 8 May

2015, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2015 and 2014, the consolidated supervision and the Bank only's total capital funds could be categorised as follows:

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

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

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

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

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

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

Capital management

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

8 Sale of non-performing assets to Thai Asset Management Corporation ("TAMC")[(1)]

8.1 Asset transfer agreements and profit or loss sharing

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

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

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

8.2 Promissory notes disputed over transfer price adjustment requests

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

(a) In November 2006, TAMC informed the Bank that it requested a transfer price adjustment of Baht 4,341 million, being the collateral value of the pledged machinery transferred to TAMC. The Bank has refused the adjustment request since it breached the conditions of the Asset Transfer Agreements dated 12 October 2001, and therefore has no legal enforcement. The Bank took legal action against TAMC. On 27 April 2010, the Court of First Instance judged in favour of the Bank. On 4 February 2014, however, the Appeal Court reversed the earlier Court’s verdict by making decision to dismiss the case. Currently, the case is in the proceeding session of the Supreme Court.

(b) In June 2011, the Bank sued TAMC for an additional sum of Baht 242 million over TAMC’s refusals to make settlement of four items of non-performing assets transferred to TAMC of Baht 56 million and interest on promissory notes for the years 2006 and 2007. On 27 September 2012, the Court of First Instance already dismissed the case. On 22 January 2014, the Appeal Court decided to uphold the earlier Court’s verdict. Currently, the case is in the proceeding session of the Supreme Court.

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

8.3 Settlement of promissory notes

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

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

9 Interbank and money market items, net (assets)

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

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

10 Derivatives

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

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

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

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

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

11 Investments, net

11.1 Classified by type of investments

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Trading securities – Fair value				
Government and state enterprise securities	15,422	20,201	15,422	20,201
Total	**15,422**	**20,201**	**15,422**	**20,201**
Available-for-sale securities – Fair value				
Government and state enterprise securities	40,810	41,549	40,810	41,549
Domestic marketable equity securities	2,794	2,078	4	5
Total	**43,604**	**43,627**	**40,814**	**41,554**
Held-to-maturity debt securities – Cost/ Amortised cost				
Government and state enterprise securities	38,669	46,346	38,669	46,346
Total	**38,669**	**46,346**	**38,669**	**46,346**
General investments – Cost				
Domestic non-marketable equity securities	1,344	1,467	1,344	1,467
Foreign non-marketable equity securities	36	34	36	34
Total	**1,380**	**1,501**	**1,380**	**1,501**
Less allowance for impairment	(815)	(816)	(815)	(816)
Net	**565**	**685**	**565**	**685**
Total investments, net	**98,260**	**110,859**	**95,470**	**108,786**

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

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

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

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

Interest in unconsolidated structured entity arising in the normal business

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

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

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

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

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

11.4 Revaluation surplus on available-for-sale investments

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

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

12 Investments in subsidiaries and associate, net

12.1 Detail of investments in subsidiaries and associate

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

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

	For the years ended 31 December	
	2015	**2014**
	(in million Baht)	
Cash flows from operating activities		
Profit from operations before income tax expense	145	444
Adjustments to reconcile profit from operations before income tax expense to net cash provided by (used in) operating activities		
Reversal of impairment loss on loans and debt securities	(9)	(299)
Impairment loss on properties for sale and other assets (reversal of)	4	(2)
Reversal of provisions for liabilities	(5)	–
Gains on disposal of investments	(83)	–
Provisions for employee benefits (reversal of)	1	(2)
Net interest income	(43)	(160)
Interest received	46	125
Income tax paid	(114)	–
Profit (loss) from operations before changes in operating assets and liabilities	**(58)**	**106**

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

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

13 Loans to customers and accrued interest receivables, net

13.1 Classified by loan type

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

13.2 Classified by currency and residency of debtors

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

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

13.3 Classified by business type and quality of loan classification

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

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

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

	Bank only 2014					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
	(in million Baht)					
Agriculture and mining	6,108	247	12	–	491	6,858

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

* Loans to customers net of deferred revenue.

13.4 Classified by loan classification

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

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

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

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

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

* 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 BoT's notification on supervisory guidelines on loans guaranteed in the Portfolio Guarantee Scheme by Small Business Credit Guarantee Corporation.

(3) As at 31 December 2015, this included provision of Baht 1,545 million (*2014: Baht 3,285 million)* provided for non-performing loans.

(4) Loans classified as doubtful of loss in the consolidated financial statements included the balances of the Bank and Phayathai Assets Management Co., Ltd.

13.5 Non-performing loans

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

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

	2015			
	TMB Bank Public Company Limited	**Phayathai Asset Management Co., Ltd.**	**Elimination**	**Consolidated**
Net NPLs (principal net of allowance for doubtful accounts)				
NPLs after allowance for doubtful accounts on NPLs *(in million Baht)*	8,176	7	–	8,183
Total loans after allowance for doubtful accounts on NPLs *(in million Baht)*	672,428	7	–	672,435
Percentage of net NPLs (%)	1.22	100.00		1.22
NPLs (principal)				
NPLs *(in million Baht)*	20,442	31	–	20,473
Total loans *(in million Baht)*	684,694	31	–	684,725
Percentage of NPLs (%)	2.99	100.00		2.99

	2014			
	TMB Bank Public Company Limited	**Phayathai Asset Management Co., Ltd.**	**Elimination**	**Consolidated**
Net NPLs (principal net of allowance for doubtful accounts)				
NPLs after allowance for doubtful accounts on NPLs *(in million Baht)*	7,220	37	(23)	7,234
Total loans after allowance for doubtful accounts on NPLs *(in million Baht)*	623,875	37	(23)	623,889
Percentage of net NPLs (%)	1.16	100.00		1.16
NPLs (principal)				
NPLs *(in million Baht)*	18,051	65	(23)	18,093
Total loans *(in million Baht)*	634,706	65	(23)	634,748
Percentage of NPLs (%)	2.84	100.00		2.85

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

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

13.6 Troubled debt restructuring

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

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

	Bank only 2015		
	Number of debtors	**Before restructuring**	**After restructuring**
		(in million Baht)	
Type of restructuring			
Modification of terms of payments	4,297	5,507	5,507
Total	**4,297**	**5,507**	**5,507**
Term of debt restructuring agreements			
Not over 5 years	1,106	4,161	4,161
5 – 10 years	3,136	876	876
Over 10 years	55	470	470
Total	**4,297**	**5,507**	**5,507**

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

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

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

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

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

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

13.7 Revaluation allowance for debt restructuring

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

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

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

	Consolidated and Bank only							
	2015				2014			
	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
		(in million Baht)				(in million Baht)		
Listed companies under delisting conditions in SET	4	103	–	1	2	6	–	–

14 Classified assets

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

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

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

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

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

15 Allowance for doubtful accounts

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

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

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

	Bank only 2015						
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss		
				(in million Baht)			
At 1 January	4,491	297	1,058	368	6,120	15,890	28,224
Allowance for doubtful accounts	536	9	354	196	7,764	(3,123)	5,736
Bad debt recovery	–	–	–	–	515	–	515
Bad debt written-off	–	–	–	–	(4,711)	–	(4,711)
Allowance for doubtful accounts of the disposed debt	–	–	–	–	(943)	–	(943)
At 31 December	**5,027**	**306**	**1,412**	**564**	**8,745**	**12,767**	**28,821**

	Bank only 2014						
	Provision at BoT's minimum rates required					Provision in excess of BoT's minimum rates required	Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss		
				(in million Baht)			
At 1 January	4,218	285	1,979	468	7,461	15,932	30,343
Allowance for doubtful accounts	273	12	(921)	(100)	5,015	(42)	4,237
Bad debt recovery	–	–	–	–	348	–	348
Bad debt written-off	–	–	–	–	(3,779)	–	(3,779)
Allowance for doubtful accounts of the disposed debt	–	–	–	–	(2,925)	–	(2,925)
At 31 December	**4,491**	**297**	**1,058**	**368**	**6,120**	**15,890**	**28,224**

16 Properties for sale, net

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

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

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

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

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

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

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

17 Premises and equipment, net

As at 31 December 2015 and 2014, changes in premises and equipment were as follows:

Consolidated
2015

		Cost				Accumulated depreciation				Allowance for impairment losses				
	Net book value as at 1 January 2015	Beginning balance	Purchases/ transfers in	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Depreciation	Disposals/ written off/ transfers out	Ending balance	Beginning balance	Loss on impairment during the year	Disposals/ written-off/ transfers out	Ending balance	Net book value as at 31 December 2015
							(in million Baht)							
Land														
– Cost	2,240	2,579	–	(103)	2,476	–	–	–	–	(339)	(2)	2	(339)	2,137
– Incremental revaluation*	2,872	2,872	–	(83)	2,789	–	–	–	–	–	–	–	–	2,789
Building														
– Cost	2,193	4,993	248	(124)	5,117	(2,697)	(208)	75	(2,830)	(103)	(5)	7	(101)	2,186
– Incremental revaluation*	1,675	3,479	–	(146)	3,333	(1,804)	(68)	90	(1,782)	–	–	–	–	1,551
Leasehold improvements	375	1,200	86	(80)	1,206	(825)	(102)	64	(863)	–	(11)	11	–	343
Equipment	1,317	5,827	468	(378)	5,917	(4,510)	(476)	355	(4,631)	–	–	–	–	1,286
Total	**10,672**	**20,950**	**802**	**(914)**	**20,838**	**(9,836)**	**(854)**	**584**	**(10,106)**	**(442)**	**(18)**	**20**	**(440)**	**10,292**

Consolidated
2014
(in million Baht)

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

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

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

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

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

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

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

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

18 Goodwill and other intangible assets, net

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

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

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

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

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

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

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

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

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

19 Deferred tax and income tax expense

19.1 Deferred tax

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

	Consolidated				
		(Charged)/Credited to:			
	At 1 January 2015	Profit or loss (note19.2)	Other compre-hensive income	Retained earnings	At 31 December 2015
	(in million Baht)				
Deferred tax assets					
Investments	176	(2)	–	–	174
Loans to customers and accrued interest receivables	690	(61)	–	–	629
Properties for sale	85	(59)	–	–	26
Premises and equipment	100	–	–	–	100
Provisions for obligations on transfers of non-performing assets	1,200	–	–	–	1,200
Provisions for employee benefits	306	11	(19)	–	298
Provisions for other liabilities	109	1	–	–	110
Other payables and other liabilities	260	34	–	–	294
Others	124	22	–	12	158
Total	**3,050**	**(54)**	**(19)**	**12**	**2,989**
Deferred tax liabilities					
Investments	27	–	(6)	–	21
Premises and equipment	939	(29)	(10)	–	900
Others	19	(2)	6	–	23
Total	**985**	**(31)**	**(10)**	**–**	**944**
Net	**2,065**	**(23)**	**(9)**	**12**	**2,045**

	Consolidated			
		(Charged)/Credited to:		
	At 1 January 2014	Profit or loss	Other comprehensive income	At 31 December 2014
		(note 19.2)		
		(in million Baht)		
Deferred tax assets				
Investments	174	2	–	176
Loans to customers and accrued interest receivables	617	73	–	690
Properties for sale	147	(62)	–	85
Premises and equipment	100	–	–	100
Provisions for obligations on transfers of non-performing assets	1,200	–	–	1,200
Provisions for employee benefits	285	21	–	306
Provisions for other liabilities	109	–	–	109
Other payables and other liabilities	281	(21)	–	260
Unused tax losses	456	(456)	–	–
Others	103	21	–	124
Total	**3,472**	**(422)**	**–**	**3,050**
Deferred tax liabilities				
Investments	14	–	13	27
Premises and equipment	981	(29)	(13)	939
Others	28	(9)	–	19
Total	**1,023**	**(38)**	**–**	**985**
Net	**2,449**	**(384)**	**–**	**2,065**

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

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

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

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

19.2 Income tax expenses

Income tax recognised in profit or loss

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

Income tax recognised in other comprehensive income

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

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

Reconciliation of effective tax rate

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

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

Income tax reduction

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

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

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

20 Other receivables, net

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

21 Other assets, net

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

22 Deposits

22.1 Classified by type of deposits

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

22.2 Classified by currency and residency of depositors

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

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

23 Interbank and money market items (liabilities)

	Consolidated and Bank only					
	2015			2014		
	At call	Term	Total	At call	Term	Total
			(in million Baht)			
Domestic						
Bank of Thailand and Financial Institutions Development Fund	–	3,837	3,837	–	4,957	4,957
Commercial banks	109	16,570	16,679	135	36,150	36,285
Specialised financial institutions	17	5,575	5,592	1,049	19,775	20,824
Other financial institutions	6,578	74	6,652	4,881	70	4,951
Total domestic	**6,704**	**26,056**	**32,760**	**6,065**	**60,952**	**67,017**
Foreign						
US Dollar	1,249	–	1,249	351	3,296	3,647
Other currencies	2,207	–	2,207	2,052	–	2,052
Total foreign	**3,456**	–	**3,456**	**2,403**	**3,296**	**5,699**
Total domestic and foreign, net	**10,160**	**26,056**	**36,216**	**8,468**	**64,248**	**72,716**

24 Financial liabilities designated at fair value through profit or loss

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

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

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

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

25 Debts issued and borrowings, net

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

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

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

25.1 Subordinated debentures

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

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

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

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

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

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

25.1.4 On 29 August 2014, the Bank issued the Subordinated Debenture No. 1/2557 to be counted as Tier 2 capital under Basel III requirement, amounting to Baht 15,000 million, which has a 10-year maturity period and carries a fixed interest rate of 5.50% per annum, payable quarterly in February, May, August and November of every year. The Bank can early redeem the Subordinated Notes

No. 1/2557 after 5 years from the issue date or according to certain specified conditions. The Bank has to get The Bank of Thailand's approval before early redemption of the Subordinated Notes.

25.2 Senior debentures

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

25.3 Other Borrowings

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

		Consolidated and Bank only			
		2015		2014	
Borrowings from	**Objectives of borrowings**	**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 51 million	51	Baht 110 million	110
National Science and Technology Development Agency	For enterprises involving in research and development activities	Baht 20 million	20	Baht 21 million	21
Nordic Investment Bank (NIB)	For joint ventures with the Nordic countries and businesses using Nordic machinery/equipment	USD7 million	259	USD12 million	408
Japan Bank for International Cooperation (JBIC)	For equity investment & on-lending to non-SET listed enterprises and non-environmental impact having a joint-venture with Japanese or Japanese connection, or Tsunami adversely affected entrepreneurs having Japanese connection	USD33 million	1,203	USD50 million	1,648
KfW Bankengruppe (KfW)	For small industry businesses	EUR 3 million	135	EUR 4 million	164
Total			**1,668**		**2,351**

26 Provision for employee benefits

26.1 Defined contribution plan

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

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

26.2 Defined benefit plans

(a) ***Detail of defined benefit plans***

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

(b) ***Movement in post-employment benefit obligations***

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
At 1 January	1,520	1,409	1,498	1,387
Included in profit or loss:				
Current service cost	169	162	166	158
Past service cost	(44)	(5)	(42)	(5)
Interest on obligation	37	52	37	51
	162	**209**	**161**	**204**

	Consolidated		Bank only	
	2015	**2014**	**2015**	**2014**
		(in million Baht)		
Included in other comprehensive income				
– Actuarial gain	(95)	–	(95)	–
Others				
Benefits paid	(108)	(98)	(106)	(93)
	(203)	**(98)**	**(201)**	**(93)**
At 31 December	**1,479**	**1,520**	**1,458**	**1,498**

Actuarial gains recognised in other comprehensive income arising from:

	Consolidated		Bank only	
	2015	**2014**	**2015**	**2014**
		(in million Baht)		
Demographic assumptions	(58)	–	(60)	–
Financial assumptions	149	–	149	–
Experience adjustment	(186)	–	(184)	–
Total	**(95)**	**–**	**(95)**	**–**

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

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

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

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

27 Provision for other liabilities

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

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

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

28 Other payables

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

29 Other liabilities

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

30 Share-based payments – TMB Performance Share Bonus

30.1 Information of TMB Performance Share Bonus Scheme

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

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

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

30.2 The offering of new ordinary shares

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

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

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

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

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

31 Revaluation surplus on assets

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

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

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

32 Legal reserve

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

33 Appropriation of profit and dividend payment

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

(1) Appropriation of net profit of Baht 480 million to the legal reserve.

(2) Payment of a dividend of Baht 0.06 per share from the 2014 operating profit to the shareholders.

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

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

(1) Appropriation of net profit of Baht 290 million to the legal reserve.

(2) Payment of a dividend of Baht 0.04 per share from the 2013 operating profit to the shareholders.

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

34 Assets pledged as collateral and under restriction

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

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

35 Commitments and contingent liabilities

35.1 Commitments

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

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

35.2 Litigation

(a) As at 31 December 2015 and 2014, the Bank and its subsidiaries were claimed pursuant to obligations under the letters of guarantee and other claims for 92 cases and 106 cases in the approximate dispute amounts of Baht 11,012 million and Baht 11,705 million, respectively (Bank only: claims for 85 cases and 97 cases in the approximate dispute amounts of Baht 10,462 million and Baht 10,872 million, respectively). The said claims were made against the Bank and its subsidiaries for the approximate liability amounts of Baht 663 million(1) and Baht 1,421 million(1), respectively (Bank only: Baht 635 million(1) and Baht 1,350 million(1), respectively).

(b) As at 31 December 2015 and 2014, the Bank and its subsidiaries have recognised provisions for possible losses from the litigation cases totalling Baht 19 million and Baht 48 million, respectively (Bank only: Baht 19 million and Baht 43 million, respectively). The management considers that the provision established for such potential losses due to the said litigation cases is adequate.

(c) In addition, the Bank was claimed in another lawsuit with the sum of Baht 140,261 million due to the purported issuance of a letter of guarantee with a credit limit of Baht 200 million. The Court of First Instance and the Appeals Court dismissed the case. At present, the plaintiff is in the process of filing a petition with the Supreme Court. The management was advised that there is insufficient supporting ground for filing the petition with the Supreme Court and it is unlikely that the plaintiff will win the case; the management believes that the Bank will not be liable in this case.

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

35.3 Non-cancellable operating lease commitments

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

36 Related parties

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

Definitions and characteristics of relationships

Related parties are as follows:

1. Major shareholders are the shareholders who own over 10% of the Bank's paid-up share capital.

2. Entities with joint control or significant influence over the entity are

   2.1 Related companies of major shareholders

   2.2 Entities in which related companies of major shareholders hold over 10% of paid-up share capital

   2.3 Entities in which the Bank holds over 10% of paid-up share capital (excluding subsidiaries and associate)

3. Subsidiaries

4. Associate

5. Key management personnel of the Bank are directors, management personnel at the level 'Head of' or executive vice president and above, and related management personnel of Accounting or Finance.

6. Other related parties are

   6.1 Close family members of key management personnel

   6.2 Entities in which key management personnel and their close family members hold over 10% of paid-up share capital

   6.3 Entities of which key management personnel and their close family members are directors exercising control or having significant influence

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

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

Name of entity/ Personnel	**Country of incorporation/ nationality**	**Nature of relationship**
Key management personnel	Thailand and other counties	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank and its subsidiaries
Ministry of Finance	Thailand	The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
ING Bank N.V.	The Netherlands	The major shareholder of the Bank owning over 10% of the Bank's paid-up share capital
Entities whose shares have been owned or have been controlled by the Ministry of Finance	Thailand	Related through the major shareholder of the Bank, owning over 10% of the Bank's paid-up share capital
Phayathai Asset Management Co., Ltd.	Thailand	Subsidiary, 100% shareholding, more than 50% of directors are representatives of the Bank
Designee for ETA Contract Ltd.	Thailand	Subsidiary, 99.5% shareholding, more than 50% of directors are representatives of the Bank
TMB Asset Management Co., Ltd.	Thailand	Subsidiary, 87.5% shareholding, more than 50% of directors are representatives of the Bank
Metro Designee Co., Ltd.	Thailand	Associate, 30% shareholding, less than 50% of directors are representatives from the Bank

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

Transactions	**Pricing policies**
Interest rates of loans	Based on market rate and the collateral consideration process, the same as the Bank's normal course of business, except for the interest rates of staff welfare loans which are in accordance with the Bank's regulation.
Fee and service income	Registrar and related services, money transfer services for unit holders, agents and support services for funds managed by its subsidiary is charged by the Bank at the rate based on conditions specified in contracts negotiated in the normal course of business, taking into account the size of funds and the purchase and sale volumes of investment units
Interest rate on deposits and borrowings	Based on market rate
Fee and services income for other types of services	Based on market price
Branch office rental and related service	Based on market rate
Sale of non-performing assets to a subsidiary	Based on market price

36.1 Related parties transactions with key management and other related parties

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

		Consolidated						
		2015						
		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.	155	2	–	–	–	10	–
2.	Entities with joint control or significant influence over the entity. . . .	390	614	31	–	35	255	(9)
3.	Subsidiaries	–	–	–	–	–	–	–
4.	Associate.	–	–	–	–	–	–	–
5.	Key management personnel of the Bank	1	3	–	–	–	–	–
6.	Other related parties	1	5	–	–	–	39	–

		Consolidated 2014						
		Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Impairment loss on loans and debt securities (reversal of)
		(in million Baht)						
1.	Major shareholders.	139	1	–	–	–	11	–
2.	Entities with joint control or significant influence over the entity. . . .	381	505	24	–	44	241	14
3.	Subsidiaries	–	–	–	–	–	–	–
4.	Associate.	–	–	–	–	–	–	–
5.	Key management personnel of the Bank	1	4	–	–	–	–	–
6.	Other related parties	–	4	–	–	–	16	–

		Bank only 2015						
		Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Impairment loss on loans and debt securities (reversal of)
		(in million Baht)						
1.	Major shareholders.	155	2	–	–	–	10	–
2.	Entities with joint control or significant influence over the entity. . . .	382	614	31	–	35	255	(9)
3.	Subsidiaries	–	–	1,158	–	–	–	–
4.	Associate.	–	–	–	–	–	–	–
5.	Key management personnel of the Bank	1	3	–	–	–	–	–
6.	Other related parties	1	5	–	–	–	39	–

		Bank only						
		2014						
		Interest income	Interest expenses	Fees and service income	Fees and service expenses	Other operating income	Other operating expenses	Impairment loss on loans and debt securities (reversal of)
		(in million Baht)						
1.	Major shareholders.	139	1	–	–	–	11	–
2.	Entities with joint control or significant influence over the entity. . . .	372	505	24	–	44	241	14
3.	Subsidiaries	–	–	662	–	–	–	–
4.	Associate.	–	–	–	–	–	–	–
5.	Key management personnel of the Bank	1	4	–	–	–	–	–
6.	Other related parties	–	4	–	–	–	16	–

36.2 Outstanding balances with related parties

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

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

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

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

	Consolidated		Bank only	
	2015	**2014**	**2015**	**2014**
		(in million Baht)		
Investment in debt securities				
Entities whose shares are owned or controlled by the Ministry of Finance	–	15	–	15
Interbank and money market items – assets and loans to customers and accrued interest receivables				
Entities whose shares are owned or controlled by the Ministry of Finance	19,605	27,021	19,198	26,743
Thai Charoenpol Industry Co., Ltd.	3	3	3	3
Total	**19,608**	**27,024**	**19,201**	**26,746**
Allowance for doubtful accounts				
Entities whose shares are owned or controlled by the Ministry of Finance	62	72	62	72
Thai Charoenpol Industry Co., Ltd.	2	2	2	2
Total	**64**	**74**	**64**	**74**
Other receivables				
Entities whose shares are owned or controlled by the Ministry of Finance	4,398	4,398	4,398	4,398
Other assets				
Entities whose shares are owned or controlled by the Ministry of Finance	286	285	286	285
Deposits (including interbank and money market items – liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance	11,886	15,635	11,886	15,635
TMB Property Development Co., Ltd.	4	4	4	4
Total	**11,890**	**15,639**	**11,890**	**15,639**

	Consolidated		Bank only	
	2015	**2014**	**2015**	**2014**
		(in million Baht)		
Debts issued and borrowings (including interbank and money market items – liabilities)				
Entities whose shares are owned or controlled by the Ministry of Finance	5,575	30,725	5,575	30,725
Provisions for obligation on transfers of non-performing assets				
Entities whose shares are owned or controlled by the Ministry of Finance	5,998	5,998	5,998	5,998
Other liabilities				
Entities whose shares are owned or controlled by the Ministry of Finance	9	29	9	29
Contingencies – derivatives[1]				
Entities whose shares are owned or controlled by the Ministry of Finance	130,302	141,128	130,302	141,128
[1] Presented in notional amount				
Other contingencies				
Entities whose shares are owned or controlled by the Ministry of Finance	1,261	626	1,261	626

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

	Consolidated		Bank only	
	2015	**2014**	**2015**	**2014**
		(in million Baht)		
Other assets				
Phayathai Asset Management Co., Ltd.	–	–	1	3
TMB Asset Management Co., Ltd.	–	–	69	57
Total	**–**	**–**	**70**	**60**

	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Deposits				
Phayathai Asset Management Co., Ltd.	–	–	6	61
TMB Asset Management Co., Ltd.	–	–	30	34
Total	**–**	**–**	**36**	**95**
Other liabilities				
Phayathai Asset Management Co., Ltd.	–	–	–	4
TMB Asset Management Co., Ltd.	–	–	–	31
Total	**–**	**–**	**–**	**35**

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

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

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

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

36.3 Senior management personnel compensation

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

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

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

36.4 Other benefits payable to the senior management personnel

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

37 Segment information

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

1. Commercial Banking

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

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

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

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

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

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

Information about reportable segments:

For the year ended 31 December 2015			**Consolidated**		
	Commercial Banking	**Retail Banking**	**Other segments**	**Elimination**	**Total**
			(in million Baht)		
Net interest income	14,888	6,479	1,862	–	23,229
Other operating income	4,402	4,736	989	(45)	10,082
Total operating income	19,290	11,215	2,851	(45)	33,311
Operating expenses	(7,523)	(8,151)	(746)	45	(16,375)
Profits from operation	11,767	3,064	2,105	–	16,936
Other income (expenses), net					(6)
Provision for doubtful accounts on loans and loan – related transactions					(5,426)
Profit before income tax expense					**11,504**
Income tax expense					(2,153)
Profit for the year					**9,351**
Depreciation and amortisation	**130**	**674**	**374**	**–**	**1,178**

For the year ended 31 December 2015			**Consolidated**		
	Commercial Banking	**Retail Banking**	**Other segments**	**Elimination**	**Total**
			(in million Baht)		
Source of operating income breakdown by operating segments					
Third party	27,206	3,281	2,824	–	33,311
Inter – segment	(7,916)	7,934	27	(45)	–
Total operating income	**19,290**	**11,215**	**2,851**	**(45)**	**33,311**

For the year ended 31 December 2014	**Consolidated**				
	Commercial Banking	**Retail Banking**	**Other segments**	**Elimination**	**Total**
			(in million Baht)		
Net interest income	13,569	6,258	2,079	–	21,906
Other operating income	3,139	4,076	679	(32)	7,862
Total operating income	16,708	10,334	2,758	(32)	29,768
Operating expenses	(7,183)	(7,827)	(643)	32	(15,621)
Profits from operation	9,525	2,507	2,115	–	14,147
Other income (expenses), net					7
Provision for doubtful accounts on loans and loan-related transactions					(3,412)
Profit before income tax expense					10,742
Income tax expense					(1,191)
Profit for the year					9,551
Depreciation and amortisation	**132**	**677**	**405**	**–**	**1,214**
Source of operating income breakdown by operating segments					
Third party	24,972	1,577	3,219	–	29,768
Inter – segment	(8,264)	8,757	(461)	(32)	–
Total operating income	**16,708**	**10,334**	**2,758**	**(32)**	**29,768**

Reconciliation of reportable segment profit or loss

For the year ended 31 December 2015	Consolidated				
	Net interest income	**Non-interest income**	**Operating expenses**	**Other income (expenses)**	**Impairment loss on loans and debt securities**
			(in million Baht)		
Segment reporting	23,229	10,082	(16,375)	(6)	(5,426)
Bad debts, doubtful accounts and impairment losses	–	100	(47)	–	(53)
Others	(9)	48	(45)	6	–
Consolidated financial statements	**23,220**	**10,230**	**(16,467)**	**–**	**(5,479)**

For the year ended 31 December 2014	Consolidated				
	Net interest income	**Non-interest income**	**Operating expenses**	**Other income (expenses)**	**Impairment loss on loans and debt securities**
			(in million Baht)		
Segment reporting	21,906	7,862	(15,621)	7	(3,412)
Bad debts, doubtful accounts and impairment losses	–	80	(55)	–	(25)
Others	(311)	416	(98)	(7)	–
Consolidated financial statements	**21,595**	**8,358**	**(15,774)**	**–**	**(3,437)**

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

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

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

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

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

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

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

39 Interest income

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

40 Interest expenses

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

41 Net fees and service income

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

For the years ended 31 December	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Net	7,821	5,734	7,309	5,292

42 Gains on trading and foreign exchange transactions, net

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

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

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

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

44 Gains on investments, net

For the years ended 31 December	Consolidated		Bank only	
	2015	2014	2015	2014
	(in million Baht)			
Gains on sales				
– Available-for-sale investments	178	186	95	186
– General investments	5	4	5	4
Total	**183**	**190**	**100**	**190**
Reversal of (losses on) impairment				
– General investments	(2)	3	(2)	3
– Investments in subsidiaries	–	–	102	357

For the years ended 31 December	Consolidated 2015	Consolidated 2014	Bank only 2015	Bank only 2014
		(in million Baht)		
Total	**(2)**	**3**	**100**	**360**
Net	**181**	**193**	**200**	**550**

45 Other operating expenses

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

46 Impairment loss of loans and debt securities

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

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

47 Earnings per share

Basic earnings per share

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

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

Diluted earnings per share

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

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

48 Thai Financial Reporting Standards (TFRS) not yet adopted

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

TFRS	**Topic**
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2015)	Borrowing Costs
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2015)	Separate Financial Statements
TAS 28 (revised 2015)	Investments in Associates and Joint Ventures
TAS 33 (revised 2015)	Earnings Per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TFRS 2 (revised 2015)	Share-based Payment
TFRS 3 (revised 2015)	Business Combinations
TFRS 5 (revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2015)	Operating Segments
TFRS 10 (revised 2015)	Consolidated Financial Statements
TFRS 12 (revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2015)	Fair Value Measurement
TSIC 15 (revised 2015)	Operating Leases – Incentives

TFRS	**Topic**
TSIC 27 (revised 2015)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 32 (revised 2015)	Intangible Assets – Web Site Costs
TFRIC 1 (revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2015)	Determining Whether an Arrangement Contains a Lease
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2015)	Customer Loyalty Programmes
TFRIC 14 (revised 2015)	TAS 19 (revised 2015) *Employee Benefits* – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 18 (revised 2015)	Transfers of Assets from Customers

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

49 Events after the reporting period

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

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