BNP PARIBAS BANGKOK BRANCH

Financial Statements

Year ended December 31,2016

Deloitte.

บริษัท ดีลอยท์ ทูช โธมัทสุ ไชยยศ
สอบบัญชี จำกัด
อาคาร เอไอเอ สาทร ทาวเวอร์ ชั้น 23-27
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REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE MANAGEMENT OF BNP PARIBAS BANGKOK BRANCH

Opinion

We have audited the financial statements of BNP Paribas Bangkok Branch (the "Bank"), which comprise the statement of financial position as at December 31, 2016, and the related statements of profit or loss and other comprehensive income, changes in head office and other branches of the same juristic person's equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BNP Paribas Bangkok Branch as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

BAHT : '000

	Notes	2016	2015
ASSETS			
Cash		595	379
Interbank and money market items, net	8	5,343,079	8,814,286
Derivatives assets	9	31,340,647	37,559,613
Investments, net	10	18,454,348	22,002,913
Loans to customers and accrued interest receivables, net	11		
Loans to customers		5,913,910	6,233,978
Accrued interest receivables		4,429	9,249
Total loans to customers and accrued interest receivables		5,918,339	6,243,227
Less Allowance for doubtful accounts	12	(64,222)	(63,723)
Loans to customers and accrued interest receivables, net		5,854,117	6,179,504
Leasehold improvement and equipment, net	14	20,152	25,872
Intangible assets, net	15	3,391	4,807
Deferred tax assets	16	32,324	31,520
Account receivable for investments		4,534,732	-
Accured interest from investments		21,039	47,332
Other assets	17	10,326	8,331
TOTAL ASSETS		65,614,750	74,674,557

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2016

BAHT : '000

	Notes	2016	2015
LIABILITIES AND HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY			
Deposits	18	10,903,613	12,644,186
Interbank and money market items, net	19	1,716,292	1,665,130
Liabilities payable on demand		46,245	58,264
Commitment to return securities		184,011	-
Financial liabilities designated at fair value	20	434,741	743,936
Derivatives liabilities	9	35,233,555	46,431,332
Provisions	21 and 22	37,741	32,283
Accounts payable for investments		4,069,215	95,459
Accrued expenses		110,487	95,863
Other payable		1,789,220	1,941,233
Other liabilities	23	63,673	55,050
TOTAL LIABILITIES		54,588,793	63,762,736
HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY			
Fund remitted into Thailand for maintaining assets under law	7	9,265,942	7,970,942
Foreign currency translation		641,883	658,525
		9,907,825	8,629,467
Accounts with head office and other branches of the same juristic person, net		494,750	419,771
Other components of accounts with head office and other branches of the same juristic person		(22,240)	8,376
Retained earnings		645,622	1,854,207
TOTAL HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY		11,025,957	10,911,821
TOTAL LIABILITIES AND HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY		65,614,750	74,674,557

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	Notes	2016	2015
Interest income	29	625,645	619,105
Interest expenses	30	(467,132)	(428,427)
Net interest income		158,513	190,678
Fees and service income		121,352	105,485
Fees and service expenses		(31,167)	(33,407)
Net fees and service income	31	90,185	72,078
Gains on tradings and foreign exchange transactions	32	634,749	450,231
Losses on financial instrument designated at fair value	33	(16,466)	(21,993)
Other operating income		11	698
Total operating income		866,992	691,692
Other operating expenses			
Employee's expenses		292,900	290,614
Premises and equipment		48,137	50,448
Taxes and duties		9,712	8,555
Expenses shared from Head Office	25	66,346	45,008
Cost sharing from financial instruments, net	25	21,432	83,826
Others		112,154	128,947
Total other operating expenses		550,681	607,398
Impairment loss of loans (reversal)	34	-	(5,000)
Profit from operating before income tax expense		316,311	89,294
Income tax expense	35	(70,689)	(22,723)
NET PROFIT		245,622	66,571
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that are or may be reclassified to profit or loss			
Gain (loss) on remeasuring available-for-sale investments		(38,270)	6,325
Income tax expense relating to components of other comprehensive income (loss)		7,654	(1,265)
		(30,616)	5,060
Items that will never be reclassified to profit or loss			
Actuarial loss on defined benefit plan		-	(1,598)
Income tax expense relating to components of other comprehensive income (loss)		-	319
		-	(1,279)
Net other comprehensive income (loss)		(30,616)	3,781
TOTAL COMPREHENSIVE INCOME		215,006	70,352

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	Fund remitted into Thailand for maintaining assets under law	Accounts with head office and other branches of the same juristic person, net	Other components of accounts with head office and other branches of the same juristic person		Retained earnings	Total
			Gains (losses) on remeasuring available-for-sale investments	Total other components of accounts with head office and other branches of the same juristic person		
Beginning balance as at January 1, 2015	8,101,789	1,132,676	3,316	3,316	2,281,021	11,518,802
Decrease during the year	(130,847)	-	-	-	-	(130,847)
Repatriation	-	-	-	-	(492,106)	(492,106)
Transactions with inter-office accounts with head office and other branches of the same juristic person	-	(712,905)	-	-	-	(712,905)
Foreign currency translation						
At beginning of year	(46,486)	-	-	-	-	(46,486)
Increase during the year	705,011	-	-	-	-	705,011
At end of year	658,525	-	-	-	-	658,525
Net profit for the year	-	-	-	-	66,571	66,571
Other comprehensive income (loss)	-	-	5,060	5,060	(1,279)	3,781
Ending balance as at December 31, 2015	8,629,467	419,771	8,376	8,376	1,854,207	10,911,821

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE AND OTHER BRANCHES OF THE SAME JURISTIC PERSON'S EQUITY (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	Fund remitted into Thailand for maintaining assets under law	Accounts with head office and other branches of the same juristic person, net	Other components of accounts with head office and other branches of the same juristic person		Retained earnings	Total
			Gains (losses) on remeasuring available-for-sale investments	Total other components of accounts with head office and other branches of the same juristic person		
Beginning balance as at January 1, 2016	7,970,942	419,771	8,376	8,376	1,854,207	10,253,296
Increase during the year	1,295,000	-	-	-	-	1,295,000
Repatriation	-	-	-	-	(1,454,207)	(1,454,207)
Transactions with inter-office accounts with head office and other branches of the same juristic person	-	74,979	-	-	-	74,979
Foreign currency translation						
At beginning of year	658,525	-	-	-	-	658,525
Decrease during the year	(16,642)	-	-	-	-	(16,642)
At end of year	641,883	-	-	-	-	641,883
Net profit for the year	-	-	-	-	245,622	245,622
Other comprehensive loss	-	-	(30,616)	(30,616)	-	(30,616)
Ending balance as at December 31, 2016	9,907,825	494,750	(22,240)	(22,240)	645,622	11,025,957

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operating before income tax expenses		316,311	89,294
Adjustments to reconcile profit from operating before income tax expenses to cash received (paid) from operating activities			
Depreciation and amortization	14 and 15	8,919	10,045
Impairment loss of loans (reversal)	34	-	(5,000)
Premium and discount on debt securities		31,526	51,005
(Gain) loss on sales of investment in securities		13,501	(44,961)
Gain on disposal of equipment		-	(26)
Loss on write off of equipment		-	31
Unrealized (gain) loss on foreign exchange rate, net		(16,642)	705,011
Unrealized (gain) loss on revaluation of derivatives financial instruments, net		(4,978,811)	8,974,767
Unrealized gain on revaluation of financial instrument designated at fair value, net		(9,195)	(25,160)
Provision for employee benefit	22	5,659	3,989
Interest expenses	30	467,132	428,427
Interest income	29	(625,645)	(619,105)
Interest received		657,531	739,287
Interest paid		(480,872)	(418,398)
Income tax paid		(9,884)	(40,175)
Profit (loss) from operating activities before changes in operating assets and liabilities		(4,620,470)	9,849,031
(Increase) decrease in operating assets:			
Interbank and money market items		3,499,391	(5,987,459)
Trading securities		(1,258,453)	11,110,447
Loans to customers		320,068	329,202
Accounts receivable for investments		(4,534,732)	170,439
Accrued interest from investments		26,293	169,154
Other assets		(31,605)	3,439

BNP PARIBAS BANGKOK BRANCH

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

BAHT : '000

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase (decrease) in operating liabilities:			
Deposits		(1,740,573)	151,182
Interbank and money market items		51,162	(7,492,376)
Liabilities payable on demand		(12,019)	29,813
Commitment to return securities		184,011	-
Financial instrument designated at fair value		(300,000)	(600,000)
Provisions long-term employee benefits	22	(201)	(237)
Accounts payable for investments		3,973,756	(798,685)
Other payable		(152,013)	1,932,593
Other liabilities		(28,275)	(60,135)
Accounts with head office and other balances of the same juristic person, net		125,609	(701,120)
Net cash from operating activities		(4,498,051)	8,105,288
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of long-term investment in securities		(12,487,278)	(22,882,086)
Proceeds from sales of long-term investment in securities		17,211,000	15,418,000
Cash paid for purchases of leasehold improvement and equipment and computer software		(1,783)	(17,875)
Proceeds from sales of leasehold improvement and equipment		-	26
Net cash from investing activities		4,721,939	(7,481,935)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in borrowing from other branch of the same juristic person's equity		1,295,000	(130,848)
Fund remittance to Head Office		(1,454,207)	(492,107)
Net cash from financing activities		(159,207)	(622,955)
Net increase in cash and cash equivalents		64,681	398
Cash and cash equivalents as at January 1,		32,584	32,186
Cash and cash equivalents as at December 31,		97,265	32,584
Cash and cash equivalents:			
Cash		595	379
Interbank and money market items		33,751	6,839
Accounts with head office and other branches of the same juristic person's equity		62,919	25,366
Total cash and cash equivalents		97,265	32,584

Notes to financial statements form an integral part of these statements

BNP PARIBAS BANGKOK BRANCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

BNP Paribas Bangkok Branch ("the Bank") is a segment of BNP Paribas which was incorporated in France ("the Head Office"). The address of BNP Paribas' registration in Thailand, as a branch, is 29th Floor Abdulrahim Place, 990 Rama IV Road, Bangkok.

The Bank operates a Bangkok Branch. The Bank was granted a banking license by the Bank of Thailand on November 6, 1996.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 The Bank maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with Thai Financial Reporting Standards and accounting practices generally accepted in Thailand.

2.2 The Bank's financial statements have been prepared in accordance with the Thai Accounting Standard (TAS) No. 1 (Revised 2015) "Presentation of Financial Statements", including the Procedures, Policies and Presentation in accordance with the Bank of Thailand ("BOT") Notification regarding "the Preparation and Announcement of Financial Statements of Commercial Banks and Holding Companies of Financial Industry dated December 4, 2015".

2.3 Thai financial statements have been prepared on the measurement basis of historical cost except as disclosed in the accounting policies.

2.4 Thai Financial Reporting Standards affecting the presentation and/or disclosure in the current year financial statements.

Adoption of new and revised Thai Financial Reporting Standards

The Federation of Accounting Professions has issued the Notifications regarding Thai Financial Reporting Standards (TFRSs) which are effective for the financial statements for the period beginning on or after January 1, 2016 onwards, as follow:

Thai Accounting Standards ("TAS")

TAS 1 (Revised 2015)	Presentation of Financial Statements
TAS 2 (Revised 2015)	Inventories
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 11 (Revised 2015)	Construction Contracts
TAS 12 (Revised 2015)	Income Taxes

Thai Accounting Standards ("TAS") (continued)

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 20 (Revised 2015)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2015)	The Effects of Changes in Foreign Exchange Rate
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 29 (Revised 2015)	Financial Reporting in Hyperinflationary Economies
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
TAS 40 (Revised 2015)	Investment Property
TAS 41	Agriculture

Thai Financial Reporting Standards ("TFRS")

TFRS 2 (Revised 2015)	Share-based Payment
TFRS 3 (Revised 2015)	Business Combinations
TFRS 4 (Revised 2015)	Insurance Contracts
TFRS 5 (Revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (Revised 2015)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (Revised 2015)	Operating Segments
TFRS 10 (Revised 2015)	Consolidated Financial Statements
TFRS 11 (Revised 2015)	Joint Arrangements
TFRS 12 (Revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2015)	Fair Value Measurement

Thai Accounting Standards Interpretations ("TSIC")

TSIC 10 (Revised 2015)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (Revised 2015)	Operating Leases - Incentives
TSIC 25 (Revised 2015)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (Revised 2015)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (Revised 2015)	Service Concession Arrangements : Disclosures
TSIC 31 (Revised 2015)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (Revised 2015)	Intangible Assets - Web Site Costs

Thai Financial Reporting Standard Interpretations ("TFRIC")

TFRIC 1 (Revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2015)	Determining whether an Arrangement contains a Lease
TFRIC 5 (Revised 2015)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (Revised 2015)	Applying the Restatement Approach under TAS 29 (Revised 2015) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (Revised 2015)	Interim Financial Reporting and Impairment
TFRIC 12 (Revised 2015)	Service Concession Arrangements
TFRIC 13 (Revised 2015)	Customer Loyalty Programmes
TFRIC 14 (Revised 2015)	TAS 19 (Revised 2015) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Thai Financial Reporting Standard Interpretations ("TFRIC") (continued)

TFRIC 15 (Revised 2015)	Agreements for the Construction of Real Estate
TFRIC 17 (Revised 2015)	Distributions of Non-cash Assets to Owners
TFRIC 18 (Revised 2015)	Transfers of Assets from Customers
TFRIC 20 (Revised 2015)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21	Levies

Guideline on Accounting

Guideline on Accounting for Insurance Business regarding Designation of Financial Instruments at Fair Value through Profit or Loss

Above TFRSs have no material impact on these financial statements.

2.5 Thai Financial Reporting Standards announced in the Royal Gazette but not yet effective

The Federation of Accounting Professions has issued the Notifications regarding Thai Financial Reporting Standards (TFRSs) which are effective for the financial statements for the period beginning on or after January 1, 2017 onwards, as follows:

Thai Accounting Standards ("TAS")

TAS 1 (Revised 2016)	Presentation of Financial Statements
TAS 2 (Revised 2016)	Inventories
TAS 7 (Revised 2016)	Statement of Cash Flows
TAS 8 (Revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2016)	Events after the Reporting Period
TAS 11 (Revised 2016)	Construction Contracts
TAS 12 (Revised 2016)	Income taxes
TAS 16 (Revised 2016)	Property, Plant and Equipment
TAS 17 (Revised 2016)	Leases
TAS 18 (Revised 2016)	Revenue
TAS 19 (Revised 2016)	Employee Benefits
TAS 20 (Revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (Revised 2016)	Borrowing Costs
TAS 24 (Revised 2016)	Related Party Disclosures
TAS 26 (Revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2016)	Separate Financial Statements
TAS 28 (Revised 2016)	Investment in Associates and Joint Ventures
TAS 29 (Revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (Revised 2016)	Earnings Per Share
TAS 34 (Revised 2016)	Interim Financial Reporting
TAS 36 (Revised 2016)	Impairment of Assets
TAS 37 (Revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2016)	Intangible Assets
TAS 40 (Revised 2016)	Investment Property
TAS 41 (Revised 2016)	Agriculture
TAS 104 (Revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (Revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (Revised 2016)	Financial Instruments Disclosure and Presentation

Thai Financial Reporting Standards ("TFRS")

TFRS 2 (Revised 2016)	Share-based Payment
TFRS 3 (Revised 2016)	Business Combinations
TFRS 4 (Revised 2016)	Insurance Contracts
TFRS 5 (Revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
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TFRS 12 (Revised 2016)	Disclosure of Interests in Other Entities
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TSIC 32 (Revised 2016)	Intangible Assets-Web Site Costs

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TFRIC 20 (Revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (Revised 2016)	Levies

Guideline of Accounting

Guideline of accounting for derecognition of financial assets and financial liabilities

The Bank's management will adopt such TFRSs in the preparation of the Bank's financial statements when it becomes effective. The Bank's management is in the process to assess the impact of these TFRSs on the financial statements of the Bank's in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Recognition of interest income

Interest income is recognized on accrual basis. Such income recognition is discontinued when reasonable doubt exists as to the timely collection or if payment of principal or interest is contractually over three months past due. Then the interest income is recognized when payment is received.

When income recognition is discontinued, the Bank reverses outstanding accrued interest income to the statement of profit or loss and other comprehensive income.

3.2 Recognition of interest expenses

Interest on borrowings and deposits are recognized as an expense on accrual basis.

3.3 Derivatives financial instruments

Derivatives financial instruments for trading purpose are recognized at fair values and net amount reported in the statement of financial position as assets or liabilities by the same counterparty and when the contracts have the same maturity date. Changes in fair values are posted to the statement of profit or loss and other comprehensive income.

Derivatives financial instruments for hedging are used for the purpose to manage the Bank's exposures to market price movement using of derivatives. Gain or loss resulting from the change in fair values of contracts is recognized in accordance with the accounting treatment on hedged items. If hedged items are carried on an accrual basis, then hedging instruments carry the accrual consistently.

Hybrid instrument includes a non-derivative host contract and an embedded derivative. The Bank records the host contract applied accounting standards as the classification of the host contract. An embedded derivative is separated from the host contract and measured at fair values, if and only if:

1. The economic characteristics and risks of the host contract and the embedded derivative are non-closely related.

2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

3. The hybrid instrument is not measured at fair values through the statement of profit or loss and other comprehensive income.

If an embedded derivative is not separated or in case there is no reliable fair values of embedded derivative, the Bank will record the hybrid instrument, applying accounting standards as the classification of the host contract.

Starting from January 1, 2010 onwards, the Bank has applied fair value option method for deposits and borrowings with embedded derivatives. The fair value changes are recognized in the statement of profit or loss and other comprehensive income.

3.4 Investments

Investments are initially recognized and eliminated on the trade date.

Basis of investment classification

The Bank classifies its investments into the following categories: trading, available-for-sale, held-to-maturity and general investment. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. Investment in non-marketable equity securities are classified as general investment. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Carrying value of investments

Trading securities are carried at fair value, with differences between the carrying values and fair values being presented as unrealized gains or losses in the statement of profit or loss and other comprehensive income.

Available-for-sale securities are carried at fair values, less allowance for impairment in value (if any). Differences between carrying values and fair values are presented as unrealized gains or losses in the Head Office and other branches of the same juristic person's equity.

Held-to-maturity debt securities are carried at amortized cost, less allowance for impairment in value in the statement of financial position (if any).

Investments in non-marketable equity securities are classified as general securities and carried at cost less allowance for impairment in value (if any).

Fair values of debt securities, which are classified as trading and available-for-sale securities are calculated with reference to the last quoted bid prices at the close of business on the statement of financial position date. Fair values of marketable equity securities are calculated with reference to the quoted bid prices of the Stock Exchange of Thailand at the close of business on the statement of financial position date.

A test for impairment is carried out when there is a factor indicating that such investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, the impairment loss is recognized to the statement of profit or loss and other comprehensive income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognized to the statement of profit or loss and other comprehensive income.

When disposing of part of a particular investment in debt or equity securities, the carrying amount of the disposed part is based on the first-in, first-out carrying amount of the total holding of the investment.

3.5 Loans and allowance for doubtful accounts

Loans are generally stated at the principal amounts outstanding.

The allowance for doubtful accounts is provided for risks of losses incurred on loans. The allowance is increased by provisions charged to expense and decreased by write-offs, net of recoveries. The estimated losses are based on collection experience and management's evaluation of the adequacy of the allowance for doubtful accounts, which evaluation encompasses consideration of the current status of individual debtors as well as debtors in general.

3.6 Troubled debt restructurings

The Bank records assets or equities received in settlement of debts at the lower of the fair value of the assets or equities, less estimated selling expenses (if any), or the amount of investment in receivables (including accrued interest income).

When the troubled debt restructuring involves modification of terms of receivables, the fair value of the investment in receivables after restructuring is based on the net present value of the expected future cash flows, discounted by the Minimum Lending Rates (MLR) prevailing at the restructuring date.

Losses arising from restructuring, less recorded allowance for doubtful accounts, are recognized in the statement of profit or loss and other comprehensive income when incurred.

Legal fees and other direct costs incurred because of the restructuring are expensed when incurred.

3.7 Leasehold improvement and equipment

Leasehold improvement and equipment are stated at historical cost less accumulated depreciation and impairment loss (if any).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized to statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method over the estimated useful life as follows:

Leasehold improvement	5 years
Furniture and office	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the statement of financial position date.

The asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal is recognized in the statement of profit or loss and other comprehensive income.

3.8 Computer software

Purchased computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives 5 - 10 years.

Software maintenance costs are expenses as incurred.

3.9 Operating leases - where the Bank is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

3.10 Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents include cash, interbank and money market items and net balance of inter-office accounts with the Head Office and other branches under the same juristic person's equity with initial maturity of three months or less.

3.11 Foreign currency translation

Transactions during the period denominated in foreign currencies are translated into Baht at the rates of exchange on the transaction dates. Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies are translated into Baht at the exchange rates announced by the Bank of Thailand on that date.

Gains and losses resulting from translation are included in the statement of profit or loss and other comprehensive income.

3.12 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.13 Employee benefits

Provident fund

The Bank has a define contribution plan in a provident fund for employee. The assets of which are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the Bank. Contribution to the provident fund is recognized to the statement of profit or loss and other comprehensive income in the year to which they relate.

Long-term employee benefits

The Bank set provision for long-term employee benefits which consisted of legal severance under the Labor Protection Act and long-serviced award. The liability in respect of employee's benefits is measured, using the projected unit credit method which is calculated by an independent actuary in accordance with the actuarial technique. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yield on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and others.

Actuarial gains or losses will be recognized in the statement of profit or loss and other comprehensive income in the period to which they are related.

3.14 Share-based payment

Share-based payment transactions are payments based the value of BNP Paribas's shares (Head Office). The Bank grants employees the deferred share-based or share price-linked cash settled compensation plans.

The expense related to these plans is recognized in the year during which the employee rendered the corresponding services. If the payment is explicitly subject to the employee's continued presence at the vesting date, the service is presumed to have been rendered during the vesting period and the corresponding compensation expense is recognized on a pro rata basis over that period.

3.15 Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.15.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

3.15.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the corresponding tax basis used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the statement of financial position date. Deferred tax asset shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the asset to be recovered.

The Bank measures deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and the Bank and subsidiaries intend to settle on a net basis or to realize the asset and settle the liability simultaneously and when they relate to income taxes levied by the same taxation authority.

Income tax expense or income related to profit or loss are presented in the statement of profit or loss and other comprehensive income. For current income taxes and deferred taxes related to items recognized directly in other comprehensive income in Head Office and other branches of the same juristic person's equity in the same or different period, they will be recognized directly in other comprehensive income.

4. ADDITIONAL INFORMATION

4.1 Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of financial derivative instruments

In determining the fair value of financial derivative instruments, the management has made judgment by using a variety of valuation techniques. The input parameters to the models used are taken from observable markets, and includes consideration of maturity, interest rate correlation and volatility, etc.

Impairment of loans and commitment and contingent liabilities

The Bank maintains an allowance for doubtful accounts and provision for contingent liabilities to reflect impairment of loans and off-statement of financial position items. They relate to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts and provision for contingent liabilities are significantly impacted by the Bank's assessment of collaterals and/or future cash inflows. Such assessment being based on consideration of historical collection experience, financial position and performance, known identified instances of default and consideration of economics.

Provision for long-term employee benefits

The Bank has commitment on provision for long-term employee benefits to employee on reaching retirement age. The present value of employee benefit liabilities recognized in the statement of financial position is determined on the present value of estimated future cash outflows for staff that is nearly reach retirement age. The assumptions used in determining the net year cost for employee benefits includes the salary and years of services of respective employees which are payable in the future and discount rate.

Actuarial gain or loss are recognized in statement of profit or loss and other comprehensive income.

4.2 Capital risk management

The Bank's objectives when managing capital are to ensure that the Bank will be able to continue as a going concern while maximizing the returns to the Bank, the benefits of other stakeholders and complying with the Bank of Thailand rules of the capital fund.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

Risk management is key in the business of banking. At BNP Paribas, operating methods and procedures throughout the organization are geared towards effectively addressing this matter. The entire process is supervised primarily by the Group Risk Management Department (GRM), which is responsible for measuring and controlling risks at Group level. GRM is independent from the core businesses, business lines and territories and reports directly to Group Executive Management.

The risk categories reported by the Bank evolve in line with methodological developments and regulatory requirements.

5.1.1 Credit risk

Credit risk is the risk of incurring an economic loss on loans and receivables (existing or potential due to prior commitments) resulting from a change in the credit quality of the Bank's debtors, which can ultimately result in default. The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment.

Counterparty risk is the demonstration of credit risk in market, investment and/or payment transactions that potentially expose the Bank to the default risk of the counterparty. It is a bilateral risk on a counterparty with whom a transaction is entered into and of which the amount may vary over time, in line with market parameters that impact the value of the relevant market instrument.

The Bank adopts a Global Credit Risk Policy & Procedures ("Credit Risk Policy") that is detailed in accordance with the Bank of Thailand's Regulation. The credit risk policy provides guidance on credit risk management and also defines the responsibilities of each of the parties involved in credit risk management.

5.1.2 Market risk

Market risk is the risk of incurring an economic loss as a result of adverse changes in market parameters, whether directly observable or not. Observable market parameters include, but are not limited to, foreign exchange rates, interest rate, price of security and commodity, price of derivatives, and other parameters that can be directly inferred from them, such as credit spreads, implied volatility or implied correlation. Non-observable market parameters are those based on working assumptions such as parameters contained in models or based on statistical analysis.

The Group Risk Management (GRM)'s responsibility in terms of market risk management is to define, measure and analyze sensitivities and risk factors, and to measure and control Value at Risk (VaR) to ensure that all business activity complies with the approved limit.

The interest rate risk and the foreign exchange rate risk are the key market risks of the Bank.

a. Interest rate risk arises from a change in interest rates to have an adverse effect on the value of the Bank's financial instrument or may cause volatility on net interest earnings or cost of the Bank in the current and future years.

b. Foreign exchange rate risk is the risk that occurs from changes in exchange rates which may affect the value of the Bank's financial instruments or may cause volatility in the Bank's earnings or cost of funds.

Significant financial assets and liabilities, analysis by maturity of interest repricing, as at December 31, are as follows:

Unit : Million Baht

	2016						
	0 to 3 months	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**NPL**	**Non-interest bearing**	**Total**
Financial Assets							
Interbank and money market items, net	5,054	55	-	-	-	234	5,343
Derivatives assets	-	-	-	-	-	31,341	31,341
Investment	5,989	11,080	-	1,385	-	-	18,454
Loans to customers	5,553	120	241	-	-	-	5,914
Accounts receivable for investments	-	-	-	-	-	4,535	4,535
Other monetary assets	-	-	-	-	-	24	24
Total	16,596	11,255	241	1,385	-	36,134	65,611
Financial Liabilities							
Deposits	9,388	555	-	-	-	961	10,904
Interbank and money market items, net	81	-	1,303	332	-	-	1,716
Commitment to deliver securities	-	-	-	-	-	184	184
Financial instrument designated at fair value	-	-	435	-	-	-	435
Derivatives liabilities	-	-	-	-	-	35,234	35,234
Accounts payable for investments	-	-	-	-	-	4,069	4,069
Other monetary liabilities	-	-	-	-	-	1,923	1,923
Total	9,469	555	1,738	332	-	42,371	54,465

Unit : Million Baht

	2015						
	0 to 3 months	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**NPL**	**Non-interest bearing**	**Total**
Financial Assets							
Interbank and money market items, net	8,487	90	-	-	-	238	8,815
Derivatives assets	-	-	-	-	-	37,560	37,560
Investment	10,314	11,134	555	-	-	-	22,003
Loans to customers	5,922	115	196	1	-	-	6,234
Other monetary assets	-	-	-	-	-	53	53
Total	24,723	11,339	751	1	-	37,851	74,665
Financial Liabilities							
Deposits	9,838	1,169	1	-	-	1,636	12,644
Interbank and money market items, net	106	-	1,246	313	-	-	1,665
Financial instrument designated at fair value	-	-	629	115	-	-	744
Derivatives liabilities	-	-	-	-	-	46,431	46,431
Other monetary liabilities	-	-	-	-	-	2,264	2,264
Total	9,944	1,169	1,876	428	-	50,331	63,748

5.1.3 Liquidity risk

Liquidity risk is the risk of the Bank being unable to fulfill current or future foreseen or unforeseen cash or collateral requirements without affecting routine transactions or its financial position.

The Bank manages its liquidity position through a global liquidity policy approved by Group Executive Management and also complies with the Bank of Thailand's liquidity reserve regulations. The objective of the Group's liquidity management is to secure a balanced financing mix to support the Bank's development strategy, ensure that the Bank is always in a position to discharge its obligations to its customer, ensure that it does not trigger a systemic crisis solely by its own action, to comply with the standards set by the local banking supervisor, to keep the cost of refinancing as low as possible; and to cope with any liquidity crisis.

Group ALM Committee authorizes implementation of the liquidity risk management policy. Responsibility for implementing the policy at both central and individual entity level has been delegated to ALM-Treasury Committee. In addition, Group Risk Management (GRM) provides second-line control on risk indicators including regularly monitor the liquidity stress test.

A contractual maturity analysis for the significant monetary assets and liabilities as at December 31, are as follows:

Unit : Million Baht

	2016						
	At call	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**No maturity**	**Total**
Interbank and money market items, net	234	5,054	55	-	-	-	5,343
Investment*	-	5,989	11,080	1,385	-	-	18,454
Loans to customers	-	5,553	120	241	-	-	5,914
Accounts receivable for investment	-	4,535	-	-	-	-	4,535
Other monetary assets	-	18	-	6	-	-	24
Total monetary assets	234	21,149	11,255	1,632	-	-	34,270
Deposits	7,220	3,129	555	-	-	-	10,904
Interbank and money market items, net	81	-	-	1,303	332	-	1,716
Commitment to deliver securities	-	184	-	-	-	-	184
Financial instrument designated at fair value	-	-	-	322	113	-	435
Accounts payable for investments	-	4,069	-	-		-	4,069
Other monetary liabilities	-	1,923	-	-	-	-	1,923
Total monetary liabilities	7,301	9,305	555	1,625	445	-	19,231
Liquidity, net	(7,067)	11,844	10,700	7	(445)	-	15,039

* Trading securities present the analysis on the intentions to hold basis.

Unit : Million Baht

	2015						
	At call	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
Interbank and money market items, net	242	8,483	22	68	-	-	8,815
Investment*	-	10,314	11,134	555	-	-	22,003
Loans to customers	-	5,922	115	196	1	-	6,234
Other monetary assets	-	47	-	-	-	6	53
Total monetary assets	242	24,766	11,271	819	1	6	37,105
Deposits	9,084	2,610	950	-	-	-	12,644
Interbank and money market items, net	106	-	-	1,228	331	-	1,665
Financial instrument designated at fair value	-	-	-	629	115	-	744
Accounts payable for investments	-	95	-	-	-	-	95
Other monetary liabilities	-	2,147	12	10	-	-	2,169
Total monetary liabilities	9,190	4,852	962	1,867	446	-	17,317
Liquidity, net	(8,948)	19,914	10,309	(1,048)	(445)	6	19,788

* Trading securities present the analysis on the intentions to hold basis.

6. FAIR VALUE OF ASSETS AND LIABILITIES

From January 1, 2015, the Bank adopted TFRS 13 regarding Fair Value Measurement.

The Bank measure fair values using the following fair value hierarchy based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- Level 1 Fair values are determined using directly quoted prices in active markets for identical assets or liabilities.
- Level 2 Fair values are determined using significant inputs other than quoted prices included within level 1, that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 Fair values are determined using valuation techniques for which significant inputs are unobservable.

A transfer between the hierarchy occurs when the source or level of observability of input data in fair value measurement has changed.

6.1 Financial instruments carried at fair value

Financial assets, financial liabilities and derivatives measured at fair value.

The fair value hierarchy of financial instruments and derivatives measured at fair value on a recurring basis as at December 31, are as follows:

Unit : Thousand Baht

	2016		
	Level 1	**Level 2**	**Total**
Financial Assets			
Derivative assets	-	31,340,647	31,340,647
Trading securities	-	1,918,968	1,918,968
Available-for-sale securities	-	16,535,380	16,535,380
Total financial assets	-	49,794,995	49,794,995
Financial liabilities			
Derivative liabilities	-	35,233,555	35,233,555
Financial liabilities designated at fair value	-	434,741	434,741
Total financial liabilities	-	35,668,296	35,668,296

There was no transfer between levels of the fair value hierarchy during the year ended December 31, 2016.

Unit : Thousand Baht

	2015		
	Level 1	**Level 2**	**Total**
Financial Assets			
Derivative assets	-	37,559,613	37,559,613
Trading securities	-	674,015	674,015
Available-for-sale securities	-	21,328,898	21,328,898
Total financial assets	-	59,562,526	59,562,526
Financial liabilities			
Derivative liabilities	-	46,431,332	46,431,332
Financial liabilities designated at fair value	-	743,936	743,936
Total financial liabilities	-	47,175,268	47,175,268

There was no transfer between levels of the fair value hierarchy during the year ended December 31, 2015.

The Bank determines Level 2 of recurring fair value measurement are as follows:

Level 2 fair values for debt securities is determined by using the Bond Yield Curve or the bid price from Thai Bond Market Association Government as of the reporting date. If not available, the Government Bond Yield Curve for the same period is used, adjusted by an appropriate risk premium.

Level 2 fair value of structure notes and the over-the-counter derivatives financial instruments is determined by using the valuation techniques incorporating observable market data. The Bank uses a variety of methods and makes assumption that based on market conditions existing at the end of the reporting period. These valuation techniques are primarily market and income approaches encompassing generally accepted models, such as the estimated discounted cash flows, are used to determine fair value of the financial instrument.

6.2 Financial instruments not measured at fair value

The following table analyses financial instruments not measured at fair value by the level in the fair value hierarchy into which the fair value is categorized as at December 31, are as follows:

Unit : Thousand Baht

	2016		
	Level 1	**Level 2**	**Total**
Financial assets			
Interbank and money market, net	-	5,343,079	5,343,079
Loans to customers and accrued interest receivable, net	-	5,854,117	5,854,117
Total financial assets	-	11,197,196	11,197,196
Financial liabilities			
Deposits	-	10,903,613	10,903,613
Interbank and money market, net	-	1,716,292	1,716,292
Total financial liabilities	-	12,619,905	12,619,905

Unit : Thousand Baht

	2015		
	Level 1	**Level 2**	**Total**
Financial assets			
Interbank and money market, net	-	8,814,286	8,814,286
Loans to customers and accrued interest receivable, net	-	6,179,504	6,179,504
Total financial assets	-	14,993,790	14,993,790
Financial liabilities			
Deposits	-	12,644,186	12,644,186
Interbank and money market, net	-	1,665,130	1,665,130
Total financial liabilities	-	14,309,316	14,309,316

The following methods and assumptions are used to estimate the fair value of financial assets and liabilities:

- Fair values of interbank and money market items are approximate to the carrying value.
- Loans to customers and accrued interest receivable are estimated the fair value based on the carrying amount net of allowance for doubtful accounts.
- Fair values of deposits are approximate to the carrying value.

7. CAPITAL FUNDS

Capital fund and assets maintained in Thailand under section 32 of the Financial Institution Act B.E 2551 as at December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Total Asset maintained under Section 32	9,952,597	8,526,593
Total fund for maintenance of assets under Section 32 and net balance of inter-office accounts		
Net capital for maintenance of assets under Section 32	9,877,090	8,629,467
Net balance of inter-office accounts which the branch is the debtor to the head office and other branches located in other countries, the parent company and subsidiaries of the head office	494,750	419,771
Total	10,371,840	9,049,238
Regulatory capital fund before deduction	9,877,090	8,526,593
Deductible amount	3,391	4,807
Total capital fund	9,873,699	8,521,786
Total capital funds to risk assets ratio (%)	16.11	13.17
Bank of Thailand regulatory capital ratio requirement (%)	9.125	8.50
Capital after deducting capital add-on arising from Single Lending Limit *	9,838,963	8,219,528
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)*	16.06	12.70

* Effective in January 2015

The Bank will disclose capital maintenance information as at December 31, 2016 in accordance with the Notification of the Bank of Thailand Re: Public Disclosure of Capital Maintenance Information for Commercial Banks on its web site at www.bnpparibas.co.th in April 2017.

On November 8, 2012, the Bank of Thailand has issued the new Notification regarding supervisory guideline on capital fund for the branch of foreign commercial bank to comply with global regulatory framework (Basel III) of Basel Committee on Banking Supervision (BCBS) which is effective by phase starting on January 1, 2013 up to January 1, 2019. The Bank of Thailand regulatory capital ratio requirement is 8.50% as at January 1, 2013 until reaching 11.00% in 2019. The capital adequacy is the initial implementation with the objective to improve the quality of the Bank's capital so as to be able to support the loss which may incur in the normal and crisis situation.

On August 1, 2016, the Bank increased the capital fund by borrowing fund from BNP Paribas Group amounting to USD 37.00 million, equivalent to Baht 1,295.00 million resulting in fund remitted into Thailand and the Bank has maintained this additional assets under section 32 in Bank of Thailand bonds.

On February 24, 2015, capital fund borrowing USD 25.00 million, equivalent to Baht 1,026.34 million, has matured; hence, the Bank entered into a new capital fund borrowing from BNP Paribas Group USD 25.00 million, equivalent to Baht 895.49 million, resulting a decrease in total fund remitted into Thailand for maintaining assets under law of Baht 130.85 million.

8. INTERBANK AND MONEY MARKET ITEMS, NET - ASSETS

Interbank and money market items, net - assets as at December 31, are as follows:

Unit : Thousand Baht

	2016		
	On demand	**Term**	**Total**
Domestic items			
The Bank of Thailand	200,233	431,000	631,233
Other commercial banks	12,521	4,600,000	4,612,521
Total	212,754	5,031,000	5,243,754
Add Accrued interest receivables	-	441	441
Total domestic items	212,754	5,031,441	5,244,195
Foreign items			
Singapore Dollars	8,809	-	8,809
Swedish Kroners	2,379	-	2,379
Danish Kroners	185	-	185
Australian Dollars	9,857	-	9,857
US Dollars	-	77,798	77,798
Total	21,230	77,798	99,028
Add Accrued interest receivables	-	634	634
Less Allowance for doubtful accounts	-	(778)	(778)
Total foreign items	21,230	77,654	98,884
Total domestic and foreign items	233,984	5,109,095	5,343,079

Unit : Thousand Baht

	2015		
	On demand	**Term**	**Total**
Domestic items			
The Bank of Thailand	235,738	3,245,000	3,480,738
Other commercial banks	2,764	3,300,000	3,302,764
Specialized financial institutions*	-	1,900,000	1,900,000
Total	238,502	8,445,000	8,683,502
Add Accrued interest receivables	-	302	302
Total domestic items	238,502	8,445,302	8,683,804
Foreign items			
Singapore Dollars	455	-	455
Swedish Kroners	322	-	322
Danish Kroners	417	-	417
Australian Dollars	2,881	-	2,881
US Dollars	-	127,684	127,684
Total	4,075	127,684	131,759
Add Accrued interest receivables	-	-	-
Less Allowance for doubtful accounts	-	(1,277)	(1,277)
Total foreign items	4,075	126,407	130,482
Total domestic and foreign items	242,577	8,571,709	8,814,286

* Specialized financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation.

9. DERIVATIVES

Derivatives held for trading

9.1 Fair value and notional amount classified by type of risks as at December 31, are as follows:

Unit : Thousand Baht

Type of Risk	2016		
	Fair Value		
	Assets	Liabilities	Notional amount*
Exchange rate risk	27,035,138	28,563,925	967,125,206
Interest rate risk	4,300,082	6,669,630	768,312,932
Credit risk	5,427	-	523,942
Total	31,340,647	35,233,555	1,735,962,080

Unit : Thousand Baht

Type of Risk	2015		
	Fair Value		
	Assets	Liabilities	Notional amount*
Exchange rate risk	31,499,133	37,217,412	1,060,696,135
Interest rate risk	6,058,670	9,211,561	891,807,006
Credit risk	1,810	2,359	525,553
Total	37,559,613	46,431,332	1,953,028,694

* Interest rate derivative is the contractual amount. Other derivatives are the contractual amounts under the Bank's commitment to pay.

9.2 Proportion of the notional of derivative transactions classified by counter parties as at December 31, are as follows:

Counterparty	2016 (%)	2015 (%)
Financial institution	61	64
Group companies	28	27
Third parties	11	9
Total	100	100

10. INVESTMENTS, NET

Investments, net as at December 31, are as follows:

Unit : Thousand Baht

	2016 Fair value	2015 Fair value
Trading securities		
Government and state enterprise securities	1,918,968	674,015
Total trading securities	1,918,968	674,015
Available-for-sale securities		
Government and state enterprise securities	16,535,380	21,328,898
Total available-for-sale securities	16,535,380	21,328,898
Total investments, net	18,454,348	22,002,913

11. LOANS TO CUSTOMERS AND ACCRUED INTEREST RECEIVABLES, NET

Loans to customers and accrued interest receivables, net as at December 31, are as follows:

11.1 Grouped by type of contracts

Unit : Thousand Baht

	2016	2015
Overdrafts	8	-
Loans	5,913,131	6,233,042
Staff loans	771	936
Total loans	5,913,910	6,233,978
Add Accrued interest receivables	4,429	9,249
Total loans and accrued interest receivables	5,918,339	6,243,227
Less Allowance for doubtful accounts		
BOT requirement (Individual approach)	(59,139)	(62,340)
Surplus reserve	(5,083)	(1,383)
Loans and accrued interest receivables, net	5,854,117	6,179,504

11.2 Grouped by currency and resident

Unit : Thousand Baht

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Thai Baht	4,809,783	-	4,809,783	4,465,188	-	4,465,188
US Dollar	1,104,127	-	1,104,127	1,768,790	-	1,768,790
Total	5,913,910	-	5,913,910	6,233,978	-	6,233,978

11.3 Grouped by business sector

Unit : Thousand Baht

	2016					
	Normal	**Special mention**	**Sub-standard**	**Doubtful**	**Doubtful of loss**	**Total**
Agriculture and mining	-	-	-	-	-	-
Manufacturing and commerce	2,025,558	-	-	-	-	2,025,558
Utilities and services	3,374,920	-	-	-	-	3,374,920
Real estate and construction	512,661	-	-	-	-	512,661
Housing loans	771	-	-	-	-	771
Total	5,913,910	-	-	-	-	5,913,910

Unit : Thousand Baht

	2015					
	Normal	**Special mention**	**Sub-standard**	**Doubtful**	**Doubtful of loss**	**Total**
Agriculture and mining	687,476	-	-	-	-	687,476
Manufacturing and commerce	4,376,872	-	-	-	-	4,376,872
Real estate and construction	1,168,694	-	-	-	-	1,168,694
Housing loans	936	-	-	-	-	936
Total	6,233,978	-	-	-	-	6,233,978

11.4 Grouped by classifications

Unit : Thousand Baht

	2016			
	Loans and accrued interest receivables	**Net amount used for set the allowance**	**Percentage used for set the allowance (%)**	**Allowance for doubtful accounts**
Minimum allowance followed BOT regulations				
Normal	5,918,339	5,913,910	1	59,139
Special mention	-	-	2	-
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful of loss	-	-	100	-
Total	5,918,339	5,913,910		59,139
Surplus reserve				5,083
				64,222

Unit : Thousand Baht

	2015			
	Loans and accrued interest receivables	Net amount used for set the allowance	Percentage used for set the allowance (%)	Allowance for doubtful accounts
Minimum allowance followed BOT regulations				
Normal	6,243,227	6,233,978	1	62,340
Special mention	-	-	2	-
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful of loss	-	-	100	-
Total	6,243,227	6,233,978		62,340
Surplus reserve				1,383
				63,723

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts as at December 31, are as follows:

Unit : Thousand Baht

	2016					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Balance at beginning of year	63,723	-	-	-	-	63,723
Add Additional allowance during the year	499	-	-	-	-	499
Balance at end of year	64,222	-	-	-	-	64,222

Unit : Thousand Baht

	2015					
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Balance at beginning of year	69,711	-	-	-	-	69,711
Less Reversal of allowance during the year	(5,988)	-	-	-	-	(5,988)
Balance at end of year	63,723	-	-	-	-	63,723

13. TROUBLED DEBT RESTRUCTURINGS

The Bank has no receivables which have been restructured during the years ended December 31, 2016 and 2015.

For the years ended December 31, 2016 and 2015, the Bank has no loss from debt restructuring and interest received from restructured customer.

14. LEASEHOLD IMPROVEMENT AND EQUIPMENT, NET

Leasehold improvement and equipment, net as at December 31, are as follows:

As at December 31, 2016

Unit : Thousand Baht

	Balance as at January 1, 2016	Additions	Disposals	Balance as at December 31, 2016
Cost:				
Leasehold improvement	12,922	-	-	12,922
Furniture and office equipment	64,792	1,783	-	66,575
Total cost	77,714	1,783	-	79,497
Accumulated depreciation:				
Leasehold improvement	(7,827)	(753)	-	(8,580)
Furniture and office equipment	(44,015)	(6,750)	-	(50,765)
Total accumulated depreciation	(51,842)	(7,503)	-	(59,345)
Leasehold improvement and equipment, net	25,872			20,152

As at December 31, 2015

Unit : Thousand Baht

	Balance as at January 1, 2015	Additions	Disposals	Balance as at December 31, 2015
Cost:				
Leasehold improvement	12,019	4,879	(3,976)	12,922
Furniture and office equipment	60,320	10,758	(6,286)	64,792
Total cost	72,339	15,637	(10,262)	77,714
Accumulated depreciation:				
Leasehold improvement	(10,522)	(1,281)	3,976	(7,827)
Furniture and office equipment	(42,778)	(7,492)	6,255	(44,015)
Total accumulated depreciation	(53,300)	(8,773)	10,231	(51,842)
Leasehold improvement and equipment, net	19,039			25,872

Depreciation for the years ended December 31,		
2016	**Baht**	7,503
2015	**Baht**	8,773

As at December 31, 2016 and 2015, there are leasehold improvement and furniture and office equipment items which have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounting to Baht 42.28 million and Baht 30.36 million, respectively.

15. INTANGIBLE ASSETS, NET

Intangible assets, net as at December 31, are as follows:

As at December 31, 2016

Unit : Thousand Baht

	Balance as at January 1, 2016	Additions	Disposals	Balance as at December 31, 2016
Cost:				
Computer software	10,749	-	-	10,749
Total cost	10,749	-	-	10,749
Accumulated amortization:				
Computer software	(5,942)	(1,416)	-	(7,358)
Total accumulated amortization	(5,942)	(1,416)	-	(7,358)
Intangible assets, net	4,807			3,391

As at December 31, 2015

Unit : Thousand Baht

	Balance as at January 1, 2015	Additions	Disposals	Balance as at December 31, 2015
Cost:				
Computer software	8,511	2,238	-	10,749
Total cost	8,511	2,238	-	10,749
Accumulated amortization:				
Computer software	(4,670)	(1,272)	-	(5,942)
Total accumulated amortization	(4,670)	(1,272)	-	(5,942)
Intangible assets, net	3,841			4,807

Amortization for the years ended December 31,		
2016	**Baht**	1,416
2015	**Baht**	1,272

16. DEFERRED TAX ASSETS

Deferred tax assets as at December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Deferred tax assets	32,324	31,520

Movements of deferred tax assets during the years are as follows:

					Unit : Thousand Baht
	Balance as at January 1, 2016	**Items as recognized into profit and loss**	**Items as recognized into other comprehensive income**	**Items as recognized into retained earnings**	**Balance as at December 31, 2016**
Temporary differences					
Loan	20,522	(7,431)	-	-	13,091
Investments	(2,359)	(281)	7,654	-	5,014
Provisions	6,456	1,091	-	-	7,547
Other	6,901	(229)	-	-	6,672
Total	31,520	(6,850)	7,654	-	32,324

					Unit : Thousand Baht
	Balance as at January 1, 2015	**Items as recognized into profit and loss**	**Items as recognized into other comprehensive income**	**Items as recognized into retained earnings**	**Balance as at December 31, 2015**
Temporary differences					
Loan	18,071	2,451	-	-	20,522
Investments	(4,062)	2,968	(1,265)	-	(2,359)
Provisions	5,387	750	-	319	6,456
Others	6,203	698	-	-	6,901
Total	25,599	6,867	(1,265)	319	31,520

17. OTHER ASSETS

Other assets as at December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Deposits	5,786	5,768
Others	4,540	2,563
Total	10,326	8,331

18. DEPOSITS

Deposits as at December 31, are as follows:

18.1 Grouped by types

	Unit : Thousand Baht	
	2016	**2015**
On demand	960,685	1,636,417
Savings	6,258,625	7,447,553
Term	3,684,303	3,560,216
Total deposits	10,903,613	12,644,186

18.2 Grouped by currency

	Unit : Thousand Baht	
	2016	**2015**
US Dollar	3,119,559	4,665,322
Thai Baht	7,264,864	7,867,932
Other currencies	519,190	110,932
Total deposits	10,903,613	12,644,186

19. INTERBANK AND MONEY MARKET ITEMS - LIABILITIES

Interbank and money market items - liabilities as at December 31, are as follows:

	Unit : Thousand Baht		
	2016		
	On demand	**Term**	**Total**
Domestic			
Commercial bank	81,617	-	81,617
Other financial institution	-	1,634,675	1,634,675
Total	81,617	1,634,675	1,716,292

	Unit : Thousand Baht		
	2015		
	On demand	**Term**	**Total**
Domestic			
Commercial bank	106,002	-	106,002
Other financial institution	-	1,559,128	1,559,128
Total	106,002	1,559,128	1,665,130

As at December 31, 2016 and 2015, the Bank has outstanding balance of the bills of exchange with embedded derivative that are not designated at fair value to the financial institution amount of Baht 395 million.

20. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Financial instrument designated at fair value are bills of exchange with embedded derivatives as at December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Bills of exchange with embedded derivatives	434,741	743,936
Total	434,741	743,936

The bills of exchange with embedded derivatives carry fixed interest rates and/or the floating rate which refer to the fluctuation of the swap curve or other index. The Bank also has the right to early redeem the bill of exchange with embedded derivatives following to conditions specified in the agreements.

Proportion of contractual balance by counterparty as at December 31, are as follows:

	2016 (%)	**2015 (%)**
Financial institution	100	100
Total	100	100

21. PROVISIONS

Provisions as at December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Provision for post-employment benefit	35,168	30,028
Provision for long-serviced award benefit	2,573	2,255
Total	37,741	32,283

22. LONG-TERM EMPLOYEE BENEFITS

Movements in the present value of the defined benefit obligation for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Beginning balance	32,283	26,933
Current service costs	4,682	3,377
Interest costs	977	939
Actuarial loss from updated assumptions		
- Financial assumptions	-	1,271
Benefits paid	(201)	(237)
Ending balance	37,741	32,283

Actuarial loss from updated assumptions recognized in the other comprehensive income for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Included in retained earnings:		
As at January 1,	(5,554)	(3,956)
Recognized during the years	-	(1,598)
As at December 31,	(5,554)	(5,554)

Significant assumptions used in the actuarial calculation are summarized as follows:

	2016	**2015**
Discount rate	3%	3%
Future salary growth rate	5%	5%
Price inflation rate	3%	3%
Gold price inflation rate	6%	6%
Retirement age	60 years old	60 years old

Sensitivity analysis

Reasonably possible changes at the reporting date to the individual actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations as at December 31, by the amounts shown below:

	Unit : Thousand Baht	
	2016	**2015**
Effect increase (decrease) on defined benefit obligations		
+1% discount rate	(4,033)	(3,443)
-1% discount rate	4,660	3,979
+1% salary growth rate	4,519	3,858
-1% salary growth rate	(3,997)	(3,413)

23. OTHER LIABILITIES

Other liabilities as at December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Income tax payable	20,848	14,934
Other liabilities	42,825	40,116
Total other liabilities	63,673	55,050

24. COMMITMENTS AND CONTINGENT LIABILITIES

The Bank has commitments and contingent liabilities which were incurred in the normal course of business as at December 31, as follows:

Unit : Thousand Baht

	2016			2015		
	Thai Baht	Foreign currency	Total	Thai Baht	Foreign currency	Total
Letters of credit	3,062	3,286,249	3,289,311	11,702	4,644,832	4,656,534
Guarantees on loans	-	53,746	53,746	1,100	36,089	37,189
Liabilities under unmatured bills	536	44,139	44,675	-	122,921	122,921
Other commitments	14,205,918	19,287,967	33,493,885	11,909,947	15,378,291	27,288,238
Spot exchange contracts - bought	9,816,076	5,840,447	15,656,523	1,010,080	1,183,496	2,193,576
Spot exchange contracts - sold	5,588,966	10,065,053	15,654,019	1,182,341	1,012,321	2,194,662
Forward exchange contracts - bought	24,329,595	49,587,271	73,916,866	20,002,236	22,946,829	42,949,065
Forward exchange contracts - sold	21,278,558	52,895,022	74,173,580	9,086,948	33,733,259	42,820,207
Currency swap contracts - bought	68,538,633	184,458,438	252,997,071	98,579,770	236,198,712	334,778,482
Currency swap contracts - sold	159,389,870	93,050,141	252,440,011	201,871,201	133,684,291	335,555,492
Interest rate swap contracts	457,218,016	310,299,916	767,517,932	515,604,627	378,449,663	894,054,290
Cross currency interest rate swap contracts - bought	290,222,647	307,018,627	597,241,274	312,124,237	333,614,439	645,738,676
Cross currency interest rate swap contracts - sold	220,533,468	381,654,320	602,187,788	236,625,711	418,622,988	655,248,699
Currency option instruments - bought	352,360	937,901	1,290,261	154,580	234,576	389,156
Currency option instruments - sold	3,500	1,684,041	1,687,541	60,440	36,089	96,529
Interest option instruments - bought	-	-	-	4,000,000	-	4,000,000
Interest option instruments - sold	-	-	-	5,000,000	-	5,000,000
Credit Default Swap	300,000	223,942	523,942	300,000	225,553	525,553
Forward exchange option - bought	72,000	1,257,656	1,329,656	234,800	158,790	393,590
Forward exchange option - sold	783,082	869,823	1,652,905	35,000	61,351	96,351
Unused committed loan	-	1,791,533	1,791,533	-	2,887,084	2,887,084
Total	1,272,636,287	1,424,306,232	2,696,942,519	1,417,794,720	1,583,231,574	3,001,026,294

The management anticipates no material losses as a result of these transactions.

25. RELATED PARTY TRANSACTIONS

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control , the Bank, including holding companies, subsidiaries and fellow subsidiaries are related parties. Associates and individuals owning, directly or indirectly, an interest in the voting rights of the Bank that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Bank and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not only the legal form.

The significant related party transactions made with Head office, fellow branches, subsidiaries, and associates of BNP Paribas are as follows:

	Unit : Thousand Baht	
	As at December 31,	
	2016	**2015**
Statements of financial positions		
Assets		
Loans to customers and accrued interest receivables, net	622,418	626,200
Liabilities		
Deposits	16,207	2,378
Interbank and money market items, net	1,003,767	889,975
Accrued expenses	97,193	153,618
Fund remitted into Thailand for maintaining assets under law	9,907,824	8,629,467
Contingencies	565,436,167	651,442,898

	For the years ended December 31,	
	2016	**2015**
Statements of profit or loss and other comprehensive income		
Interest income	13,220	9,190
Interest expenses	212,892	167,652
Loss on trading activities and foreign exchange	(266,190)	(1,024,669)
Non-interest expenses		
- Cost sharing from financial instruments, net	21,432	83,826
- Head Offices allocation expenses	66,346	45,008
- Inter-office charge	82,478	103,207
Management remuneration		
- Short-term employee benefits	65,105	66,409
- Long-term employee benefits	876	706

Transactions between the Bank and related parties are priced at and contained similar conditions as with the Bank's general customers and conformed to normal banking practice.

The (profit) cost sharing from financial instrument includes the sharing of revenues and expenses between related parties, which may be cross-border, of the capital market activities. All these related parties will have a number of functions which can be categorized as trading, sales and marketing, management and support functions, involved in these capital market activities. The sharing principles of these agreements are based on Organization for Economic Co-operation and Development (OECD) guidelines and applied arm's length remunerations of all parties.

The Bank has not extended extraordinary monetary and/or non-monetary benefits to the Banks' executives at the level of Managing Director and higher, except for ordinary benefits to the executives such as salary, benefits, bonus (if any) and employee benefits. The Bank has not sold, given or leased any properties to the Managing Director and higher and their related parties and has not purchased or leased any assets from those persons included contingency benefits from employment agreements compensation and other benefit from those persons.

26. SHARE-BASED PAYMENT

The Bank set up share-based payment for certain employees, the Bank grants employees the share price-linked cash settled compensation plans which are linked to the share price of BNP Paribas shares (Head Office).

Expenses of share-based payment for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Expense of share-based payment	12,230	15,606
Total	12,230	15,606

27. OPERATING LEASE COMMITMENT

The future aggregate minimum lease payments under operating lease agreements for office building and equipment as at December 31, are as follows:

	Unit : Thousand Baht	
Periods	**2016**	**2015**
Within 1 year	13,024	12,862
Over 1 year to 5 years	22,824	5,250
Total operating lease commitment	35,848	18,112

Minimum lease payment recognized as expenses for the years ended December 31, 2016 and 2015 are Baht 12.81 million and Baht 12.31 million, respectively.

28. THE POSITION AND THE RESULTS OF OPERATION BY DOMESTIC AND FOREIGN OPERATIONS

The Bank has been operating in a single segment, which is banking business carrying out in Thailand only. As a result, revenues, expenses, profit, assets and liabilities as reflected in the Bank's financial statements pertaining to the domestic operation.

29. INTEREST INCOME

Interest income for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Interbank and money market items	144,845	63,189
Investment and trading transactions	106,178	191,331
Investment in debt securities	255,106	242,719
Loans	119,436	120,472
Others	80	1,394
Total interest income	625,645	619,105

30. INTEREST EXPENSES

Interest expenses for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Deposits	67,258	52,538
Interbank and money market items	327,878	326,553
Contributions for deposit protection	49,832	39,113
Other	22,164	10,223
Total interest expense	467,132	428,427

31. NET FEES AND SERVICE INCOME

Net fees and service income for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Fees and service income		
Acceptance, aval and guarantees	83,318	74,272
Other	38,034	31,213
Total fees and service income	121,352	105,485
Fees and service expenses	(31,167)	(33,407)
Net fees and service income	90,185	72,078

32. GAINS ON TRADINGS AND FOREIGN EXCHANGE TRANSACTIONS

Gains on tradings and foreign exchange transactions for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Gains (losses) on tradings and foreign exchange transactions		
Foreign currencies and exchange derivatives	1,234,049	2,134,457
Interest derivatives	(589,327)	(1,719,273)
Credit derivatives	9,843	1,502
Debt securities	(19,816)	33,545
Net gains on trading and foreign exchange	634,749	450,231

33. LOSSES ON FINANCIAL INSTRUMENT DESIGNATED AT FAIR VALUE

Losses on financial instrument designated at fair value for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Income (loss) from net change in fair value of bills of exchange with embedded derivatives	9,194	25,160
Loss on redemptions and interest expenses	(25,660)	(47,153)
Losses on financial instrument designated at fair value	(16,466)	(21,993)

34. IMPAIRMENT LOSS OF LOANS (REVERSAL)

Impairment loss of loans (reversal) for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Interbank and money market items	499	988
Lending (reversal)	(499)	(5,988)
Total	-	(5,000)

35. INCOME TAX EXPENSE

Income tax recognised in profit or loss for the years ended December 31, are as follows:

	Unit : Thousand Baht	
	2016	**2015**
Current income tax expense for the period	63,839	29,589
Deferred tax and temporary differences	6,850	(6,866)
Total income tax expense	70,689	22,723

Income tax recognized in other comprehensive income for the years ended December 31, are as follows:

						Unit : Thousand Baht
	2016			**2015**		
	Amount before tax	**Tax income (expenses)**	**Net amount After tax**	**Amount before tax**	**Tax income (expenses)**	**Net amount After tax**
Gains (losses) on remeasuring available-for-sale investment	(38,270)	7,654	(30,616)	6,325	(1,265)	5,060
Gains (losses) on provision severance pay	-	-	-	(1,598)	319	(1,279)
Other comprehensive income (expense)	(38,270)	7,654	(30,616)	4,727	(946)	3,781

Reconciliation of effective tax rate

	2016		**2015**	
	(in Thousand Baht)	**Rate (%)**	**(in Thousand Baht)**	**Rate (%)**
Profit before income tax expense	316,311	20	89,294	20
Income tax at the domestic tax rate	63,262		17,859	
Tax effect of income and expense that are not taxable income or not deductible in determining Taxable profit, net	7,427		4,864	
Income tax expense as statements of comprehensive income	70,689	22	22,723	25

According to the Royal Decree No. 577 B.E. 2557 issued under the Revenue Code regarding the corporate income tax rate reduction effective on November 11, 2014, the corporate income tax rates were reduced from 30% to 20% of net income for an accounting period beginning on or after January 1, 2015, up to December 31, 2015.

According to the Act amending the Revenue Code No. 42 B.E. 2559 issued under the Revenue Code regarding the corporate income tax rate reduction effective on March 3, 2016, the corporate income tax rate is 20% of net profit for an accounting period beginning on or after January 1, 2016 onwards.

Therefore, the Bank used tax rate of 20% for the corporate income tax and deferred tax calculation for the years ended December 31, 2016 and 2015 in order to comply with such change.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Bank's management on April 11, 2017.