

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Financial statements for the year ended
31 December 2016
and
Independent Auditor's Report



KPMG Phoomchai Audit Ltd.
Empire Tower, 50th-51st Floors
1 South Sathorn Road, Yannawa
Sathorn, Bangkok 10120, Thailand
Tel +66 2677 2000, Fax +66 2677 2222

บริษัท เคพีเอ็มจี ภูมิภาค ไทย สอบบัญชี จำกัด
ชั้น 50-51 เอ็มไพร์ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120
โทร +66 2677 2000 แฟกซ์ +66 2677 2222

Independent Auditor's Report

To the Management of Deutsche Bank Aktiengesellschaft, Bangkok Branch

Opinion

I have audited the financial statements of Deutsche Bank Aktiengesellschaft, Bangkok Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2016, the related statements of profit or loss and other comprehensive income, changes in accounts with head office and other branches of the same juristic person and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The Branch is a part of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

In my opinion, the accompanying financial statements present fairly, in all material respects, the assets used in, and liabilities arising out of, the Branch's operations in Thailand as at 31 December 2016 and its financial performance and cash flows in Thailand for the year then ended in accordance with the Thai Financial Reporting Standard (TFRSs).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch'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 Branch's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
27 April 2017

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of financial position

Assets	Note	31 December	
		2016	2015
		<i>(in thousand Baht)</i>	
Cash		29,915	43,173
Interbank and money market items, net	7	15,324,947	14,611,681
Derivative assets	8	20,982,436	29,397,479
Investments, net	9	24,457,467	29,628,715
Loans to customers and accrued interest receivables, net	10		
Loans to customers		18,524,939	22,543,045
Accrued interest receivables		39,275	33,137
Total loans to customers and accrued interest receivables		18,564,214	22,576,182
Less allowance for doubtful accounts	10.4, 11	(345,334)	(340,439)
Total loans to customers and accrued interest receivables, net		18,218,880	22,235,743
Leasehold building improvements and equipment, net	12	85,614	116,539
Deferred tax assets, net	13	142,359	173,784
Trading securities receivable		952,335	1,028,606
Other assets	14	110,448	122,616
Total assets		80,304,401	97,358,336

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of financial position

Liabilities and accounts with head office and other branches of the same juristic person

31 December

Note

2016

2015

(in thousand Baht)

Liabilities

Deposits	16	24,917,546	25,378,919
Interbank and money market items	17	4,313,652	5,469,783
Liabilities payable on demand		1,418,757	1,911,932
Liabilities to deliver security		239,897	494,183
Derivative liabilities	8	20,715,106	32,877,726
Debt issued and borrowings	18	464,675	441,125
Provisions against derivative products	19	68,282	86,365
Employee benefit obligations		74,938	71,864
Trading securities payable		667,058	490,021
Collateral per Credit Support Annex		282,235	486,657
Other liabilities	20	1,283,770	656,059
Total liabilities		54,445,916	68,364,634

Accounts with head office and other branches of the same juristic person

Funds brought in to maintain assets under the Act	6, 22	17,800,000	17,800,000
Balance of inter-office accounts with head office and other branches of the same juristic person, net	6, 22	7,550,782	10,830,511
Retained earnings		507,703	363,191
Total accounts with head office and other branches of the same juristic person		25,858,485	28,993,702
Total liabilities and accounts with head office and other branches of the same juristic person		80,304,401	97,358,336

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Statement of profit or loss and other comprehensive income

	Note	Year ended 31 December	
		2016	2015
		<i>(in thousand Baht)</i>	
Interest income	22, 24	1,007,530	1,164,488
Interest expense	22, 25	1,182,604	586,434
Net interest income		(175,074)	578,054
Fees and service income		320,104	303,400
Fees and service expenses		95,996	110,564
Net fees and service income	26	224,108	192,836
Net gains on trading and foreign exchange transactions	27	1,163,265	471,541
Other operating income	22	143,108	182,256
Total operating income		1,355,407	1,424,687
Other operating expenses			
Employee expenses	22, 29	359,965	511,769
Premises and equipment expenses		156,097	152,562
Taxes and duties		29,314	27,748
Expenses allocated from head office	22	439,922	540,608
Other expenses		110,881	119,494
Total other operating expenses		1,096,179	1,352,181
Bad debts, allowance for doubtful accounts and impairment loss	28	69,647	30,250
Profit from operations before income tax		189,581	42,256
Income tax	30	45,069	8,454
Profit for the year		144,512	33,802
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Defined benefit plan actuarial losses		-	(6,291)
Income tax on other comprehensive income	30	-	1,258
Total other comprehensive income for the year, net of income tax		-	(5,033)
Total comprehensive income for the year		144,512	28,769

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of changes in accounts with head office and other branches of the same juristic person

	Funds brought in to maintain assets under the Act	Balance of inter- office accounts with head office and other branches of the same juristic person, net <i>(in thousand Baht)</i>	Retained earnings	Total
Year ended 31 December 2015				
Balance at 1 January 2015	17,800,000	6,097,789	554,422	24,452,211
Comprehensive income for the year				
Profit for the year	-	-	33,802	33,802
Other comprehensive income	-	-	(5,033)	(5,033)
Total comprehensive income for the year	-	-	28,769	28,769
Change in balance of inter-office accounts with head office and other branches of the same juristic person, net	-	4,732,722	-	4,732,722
Profit remitted to head office	-	-	(198,000)	(198,000)
Income tax on remitted profits	-	-	(22,000)	(22,000)
Balance at 31 December 2015	17,800,000	10,830,511	363,191	28,993,702
Year ended 31 December 2016				
Balance at 1 January 2016	17,800,000	10,830,511	363,191	28,993,702
Comprehensive income for the year				
Profit for the year	-	-	144,512	144,512
Total comprehensive income for the year	-	-	144,512	144,512
Change in balance of inter-office accounts with head office and other branches of the same juristic person, net	-	(3,279,729)	-	(3,279,729)
Balance at 31 December 2016	17,800,000	7,550,782	507,703	25,858,485

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Statement of cash flows

Year ended 31 December
2016 2015
(in thousand Baht)

Cash flows from operating activities

Profit from operations before income tax expense	189,581	42,256
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>		
Depreciation	38,113	37,871
Bad debt and doubtful accounts expense	69,647	30,250
Losses (gains) on revaluation of securities	(5,307)	20,141
Losses on disposal of equipment	124	-
Unrealised losses (gains) on forward and derivative contracts, net	(3,748,000)	720,964
Decrease in provision against derivative products	(18,083)	(4,740)
Decrease in liquidity provision for investments	(1,420)	(7)
Net interest income	175,074	(578,054)
Proceeds from interest received	1,017,271	1,204,436
Interest paid	(644,387)	(523,773)
Income tax paid	(19,669)	(45,514)
Profit (losses) from operations before changes in operating assets and liabilities	(2,947,056)	903,830
 <i>Decrease (increase) in operating assets</i>		
Interbank and money market items	(774,437)	8,160,037
Investment in trading securities	5,176,555	(4,202,185)
Loans to customers	4,018,106	(2,571,554)
Collateral per Credit Support Annex	-	715,414
Trading securities receivables	76,271	12,235
Other assets	(6,869)	27,730
 <i>Increase (decrease) in operating liabilities</i>		
Deposits	(461,373)	(4,563,512)
Interbank and money market items	(1,156,131)	(3,467,232)
Liabilities payable on demand	(493,175)	(309,676)
Liabilities to deliver security	(254,286)	494,183
Employee benefit obligations	3,074	(7,068)
Collateral per Credit Support Annex	(204,422)	377,657
Trading securities payables	177,037	214,697
Other liabilities	120,489	(28,214)
Net cash provided by (used in) operating activities	3,273,783	(4,243,658)

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Statement of cash flows

Year ended 31 December
2016 2015
(in thousand Baht)

Cash flows from investing activities

Purchase of equipment	(7,312)	(11,305)
Net cash used in investing activities	(7,312)	(11,305)

Cash flows from financing activities

Long-term borrowings	-	(260,000)
Profit remitted to head office	-	(198,000)
Income tax paid on profit remitted to head office	-	(22,000)
Increase (decrease) in balance of inter-office accounts with head office and other branches of the same juristic person, net	(3,279,729)	4,732,722
Net cash provided by (used in) financing activities	(3,279,729)	4,252,722

Net decrease in cash	(13,258)	(2,241)
Cash at 1 January	43,173	45,414
Cash at 31 December	29,915	43,173

Supplementary disclosures of cash flows information

Non-cash transaction		
Actuarial loss on defined benefit plan	-	(6,291)

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2016

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Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

For the year ended 31 December 2016

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 management of Deutsche Bank Aktiengesellschaft, Bangkok Branch (“the Branch”) on 27 April 2017.

1 General information

The Branch was granted a license by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act. The Branch was granted a license to undertake its commercial banking business in October 1988.

The Branch has its registered office at 63 Athenee Tower, Wireless Road, Lumpini, Phatumwan, Bangkok.

2 Basis of preparation of the financial statements

The Branch is a part of Deutsche Bank Aktiengesellschaft and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

(a) Statement of compliance

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

The FAP has issued new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2016. The initial application of these new and revised TFRSs has resulted in changes in certain of the Branch’s accounting policies. These changes have no material effects on the financial statements.

In addition to the above new and revised TFRSs, the FAP has issued a number of other new and revised TFRSs which are effective for annual financial periods beginning on or after 1 January 2017 and have not been adopted in the preparation of these financial statements. Those new and revised TFRSs that are relevant to the Branch’s operations are disclosed in note 31.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Items</i>	<i>Measurement bases</i>
Derivative financial instruments	Fair value
Trading and available-for-sale financial assets	Fair value

Deutsche Bank Aktiengesellschaft, Bangkok Branch
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(c) *Functional and presentation currency*

The financial statements are presented in Thai Baht, which is the Branch's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand, 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 accounting policies and the 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.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustments to the amounts recognised in the financial statements is included in the following notes:

Note 5	Fair value of assets and liabilities
Note 8	Derivatives
Note 11	Allowance for doubtful accounts

Measurement of fair values

A number of the Branch's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Branch has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements.

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.

Further information about the assumptions made in measuring fair values is included in Note 5 Fair value of assets and liabilities.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) *Foreign currency*

Foreign currency transactions

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch
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For the year ended 31 December 2016

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on transactions are recognised in profit or loss.

(b) Cash

Cash comprise cash on hand and cash on collection.

(c) Investments

Investments in debt securities 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 and marketable equity securities, other than those securities held for trading, 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 the accounts with head office and other branches of the same juristic person. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in the accounts with head office and other branches of the same juristic person is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of investments classified as held-for-trading and available-for-sale is determined as the quoted investments bid price at the reporting date.

Initial recognition

Purchases or sales of investments are initially recognised on trade date which is the date that the Branch commits to purchase or sell the investments.

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 the accounts with head office and other branches of the same juristic person is recognised in profit or loss.

If the Branch disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(d) Loans to customers

Loans to customers are presented using the outstanding principal amount, except for overdrafts which include accrued interest receivable. Bills purchased at a discount are stated at the face value of the bills, net of unearned discount.

Deutsche Bank Aktiengesellschaft, Bangkok Branch
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For the year ended 31 December 2016

(e) Allowance for doubtful accounts

The Branch provides allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of loans and receivables. The estimated losses are based on historical collection experience and a review of the current status of the loans and receivables.

The BoT has guidelines for establishing a minimum level of allowance for doubtful accounts, which is primarily determined by applying specified percentages to the different classifications of financing in conjunction with the consideration of collateral valuation. Financing classifications are based principally on the period that a financing is past due. The Branch has set up, the minimum allowance for doubtful accounts according to the BoT regulations.

Based on the BoT's regulations, the Branch has classified its loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowance on these accounts will be set at 100 percent of the difference between the outstanding book value of the debt and the present value of future cashflows expected to be received or the expected proceeds from the disposal of collateral, in accordance with BoT criteria.

The allowance for doubtful accounts established during the year is charged as an expense in profit or loss.

Bad debts written off or recovered are recorded as charges or credit, respectively, to the allowance for doubtful accounts.

(f) Leasehold building improvements and equipment

Recognition and measurement

Owned assets

Leasehold building improvements and equipment are stated at cost less accumulated depreciation and impairment losses.

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 leasehold building improvements and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold building improvements and equipment.

Gains and losses on disposal of an item of leasehold building improvements and equipment are determined by comparing the proceeds from disposal with the carrying amount of leasehold building improvements and equipment, and are recognised net within other income in profit or loss.

Deutsche Bank Aktiengesellschaft, Bangkok Branch
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Subsequent costs

The cost of replacing a part of an item of leasehold building improvements 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 Branch, 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 leasehold building improvements and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or replacement cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of assets. The estimated useful lives are as follows:

Leasehold building improvements	10 years (or remaining lease term)
Furniture, fixtures and office equipment	4-20 years

No depreciation is provided on assets under construction.

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

(g) *Impairment*

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses revaluation credited to account with the accounts with head office and other branches of the same juristic person, in which case it is charged to the accounts with head office and other branches of the same juristic person.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the accounts with head office and other branches of the same juristic person and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in the accounts with head office and other branches of the same juristic person 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 impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

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

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Notes to the financial statements
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The recoverable amount of a non-financial assets is the greater of the assets' 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 financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

Impairment losses recognised in prior periods in respect of 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.

(h) *Derivative financial instruments*

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is based on broker quotes at the reporting date. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

The fair value of forward exchange contracts is based on their listed market price at the reporting date, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate such as government bonds.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Branch accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in statements of financial position together with the host contract.

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Notes to the financial statements
For the year ended 31 December 2016

(i) Provisions against derivative products

Certain provisions have been established against the Branch's derivative products in order to reflect an economic assessment of their value to the Branch. The most significant provisions are as follows:

- Liquidity provision; the liquidity provision has been established in order to cover any potential costs that would be incurred if the Branch had to close out the portfolio.
- Funding cost provision; the funding cost provision has been established to reflect the cost of obtaining domestic funding from the onshore swap market.
- Other provision; the other provision has been established in order to cover any market risk under normal market conditions (Value at Risk) and potential defaults under contractual agreements (default risk).

(j) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Branch's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Branch determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Branch recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

- Severance payment

The severance payment plan covers on the requirement of Thai Labour Protection Act B.E.2541 (1998).

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- Other long-term benefits

Long service award

The Branch provides other long-term benefits to the eligible employees in return for their long-serving.

Termination benefits

Termination benefits are expected at the earlier of when the Branch can no longer withdraw the offer of those benefits and when the Branch recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

(k) Provisions

A provision is recognised if, as a result of a past event, the Branch has 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.

(l) Interest income recognition

The Branch recognises interest income on loans to customer as income on an accruals basis, except for interest income on non-performing loans, including accounts where principal or interest payments are more than three months overdue, is recognised when received. In accordance with the BoT's regulations, interest in arrears more than three months overdue, regardless of whether it is covered by collateral is reversed from profit or loss.

Interest income on deposits and investments is recognised on an accruals basis. Discounts received on the purchase of debt securities are recognised on a straight-line basis over the period to maturity.

(m) Interest expense recognition

The Branch recognises interest expenses on an accruals basis.

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(n) Income tax

Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in the accounts with head office and other branches of the same juristic person 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 and ventures 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 Branch 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 Branch takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Branch believes that its accruals for tax liabilities are adequate for all open tax years based on its 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 judgments about future events. New information may become available that causes the Branch to change its judgment 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.

A deferred tax asset is recognised only 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.

(o) Claims on security and liabilities to deliver security

The Branch records "Claims on security" and "Liabilities to deliver security" in the statements of financial position as assets and liabilities respectively, according to the BoT's guidance.

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(p) *Offsetting*

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

4 Financial risk management

Financial risk management policies

The Branch uses a comprehensive range of quantitative tools for monitoring and managing its major risks. Some of these tools are common to a number of risk factors, while others are tailored to the particular features of specific risk categories. These quantitative tools generate information to quantify the susceptibility of the market value of single positions or portfolios to changes in market parameters (sensitivity analysis), measure aggregate risk using statistical techniques, and capture exposure to risks from extreme movements in market prices through scenario analysis.

The most important risks the Branch is exposed to are credit risk, market risk and liquidity risk. These 3 categories of risks are further described below:

4.1 Credit risk

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower or obligor (which refer to collectively as “counterparties”) exist. These transactions are typically part of traditional non-traded lending activities (such as loans to customers and contingent liabilities), or direct trading activity with clients (such as OTC derivatives, FX forwards and Forward Rate Agreements). Some are related to positions in traded credit products (such as bonds). “Traded Default Risk” is managed using both credit and market risk parameters. Credit risk can be categorised into three types as follow:

- Default risk is the risk that counterparties fail to meet contractual payment obligations.
- Country risk is the risk that the Branch may suffer a loss, in any given country, due to any of the following reasons: a possible deterioration of economic conditions, political and social upheaval, nationalisation and expropriation of assets, government repudiation of indebtedness, exchange controls and disruptive currency depreciation or devaluation. Country risk includes transfer risk which arises when debtors are unable to meet their obligations owing to an inability to transfer assets to nonresidents due to direct sovereign intervention.
- Settlement risk is the risk that the settlement or clearance of transactions will fail. It arises whenever the exchange of cash, securities and/or other assets is not simultaneous.

Off-financial reporting of financial instruments classified by types of instruments at regulatory credit equivalent as at 31 December 2016 and 2015 were as follow:

	2016	2015
	<i>(in thousand Baht)</i>	
Commodity forward contracts	-	73,725
Foreign exchange forward and currency swap contracts	11,323,417	16,364,151
Interest rate swap, forward rate contracts and interest rate option contracts	4,942,549	7,206,318
Total	<u>16,265,966</u>	<u>23,644,194</u>

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The Branch measures and manages credit risk by following philosophy and principles:

- The key principle of credit risk management is client due diligence, which is aligned with country and industry portfolio strategies. Prudent client selection is achieved in collaboration with business line counterparts as a first line of defense. In the Group, consistent standards are applied in the respective credit decision processes.
- The Branch actively aims to prevent undue concentration and long tail-risks (large unexpected losses) by ensuring a diversified and marketable credit portfolio, effectively protecting the Branch's capital in all market conditions. Client, industry, country and product-specific concentrations are actively assessed and managed against the Branch's risk appetite.
- The Branch aims to avoid large directional credit risk on a counterparty and portfolio level by applying stringent underwriting standards combined with a pro-active hedging and distribution model and collateralization of existing portfolio where feasible.
- The Branch is selective in taking outright cash risk positions unless secured, guaranteed and/or adequately hedged. Exceptions to this general principle are lower risk, short-term transactions and facilities supporting specific trade finance requests as well as low risk businesses where the margin allows for adequate loss coverage.
- The Branch aims to secure derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. The Branch assigns credit approval authorities to individuals according to their qualifications, experience and training, and the Branch reviews these periodically.

4.2 Market risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, foreign exchange rates, equity prices and commodity price), the correlations among them and their levels of volatility.

Risk management objectives, policies and processes for managing the risk

Deutsche Bank Global Group entities, including the Group and the Branch use a combination of risk sensitivities, Value at Risk (VaR), stress testing and economic capital metrics to manage market risks and establish limits. Steered by the Group Risk Committee, the Market Risk Management team, which is part of independent risk management function, is responsible for managing the market risk of the Branch. Limits set appropriate to the risk appetite in terms of VaR are communicated to the appropriate personnel through the limits policy and current limit structure for each business division.

The majority of the interest rate and foreign exchange risks arising from non-trading assets and liability positions has been transferred through internal hedges to Global Markets team and is thus managed on the basis of value-at-risk as reflected in trading value-at-risk numbers. For the remaining risks that have not been transferred through those hedges, such as foreign exchange risk, it is mitigated by matching the funding of investment in the same currency.

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(a) Interest rate risk

Interest rate risk refers to the risk that arises from the change in interest rates which may affect the value of the Branch's financial instruments or may cause volatility in the Branch's earnings or fluctuation in the value of the Branch's financial assets and liabilities both in the current reporting period, and in future years. Interest rate risk also arises from the structure and characteristics of the Branch's assets, liabilities and the accounts with head office and other branches of the same juristic person.

Significant financial assets and liabilities classified by types of interest rate are as follows:

	Floating interest rate	Fixed interest rate <i>(in thousand Baht)</i>	2016	
			Non interest bearing	Total
Financial assets				
Cash	-	-	29,915	29,915
Interbank and money market items*	485,469	14,517,048	399,675	15,402,192
Investments, net	3,394,454	21,063,013	-	24,457,467
Loans to customers and accrued interest receivables**	23,854	15,925,567	2,614,793	18,564,214
Trading securities receivable	-	-	952,335	952,335
Other assets	-	-	25,662	25,662
Total financial assets	3,903,777	51,505,628	4,022,380	59,431,785
Financial liabilities				
Deposits	16,911,438	1,258,113	6,747,995	24,917,546
Interbank and money market items	3,381,993	800,000	131,659	4,313,652
Liabilities payable on demand	-	-	1,418,757	1,418,757
Debt issued and borrowings	-	464,675	-	464,675
Trading securities payable	-	-	667,058	667,058
Collateral per Credit Support Annex	282,235	-	-	282,235
Other liabilities	-	-	808,442	808,442
Total financial liabilities	20,575,666	2,522,788	9,773,911	32,872,365
Effect of derivatives held for risk management				
	13,380,132	(13,380,132)	(227,654,583)	(227,654,583)

* Before deducting allowance for doubtful accounts amounting to Baht 77.24 million

** Including non-performing loans

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	Floating interest rate	2015		Total
		Fixed interest rate <i>(in thousand Baht)</i>	Non interest bearing	
<i>Financial assets</i>				
Cash	-	-	43,173	43,173
Interbank and money market items*	35,863	14,277,305	311,429	14,624,597
Investments, net	1,396,852	28,231,863	-	29,628,715
Loans to customers and accrued interest receivables**	157,670	20,107,721	2,310,791	22,576,182
Trading securities receivable	-	-	1,028,606	1,028,606
Other assets	-	-	44,699	44,699
Total financial assets	<u>1,590,385</u>	<u>62,616,889</u>	<u>3,738,698</u>	<u>67,945,972</u>
<i>Financial liabilities</i>				
Deposits	17,712,808	1,000,979	6,665,132	25,378,919
Interbank and money market items	4,527,447	800,000	142,336	5,469,783
Liabilities payable on demand	-	-	1,911,932	1,911,932
Debt issued and borrowings	-	441,125	-	441,125
Trading securities payable	-	-	490,021	490,021
Collateral per Credit Support Annex	486,657	-	-	486,657
Other liabilities	-	-	293,297	293,297
Total financial liabilities	<u>22,726,912</u>	<u>2,242,104</u>	<u>9,502,718</u>	<u>34,471,734</u>
Effect of derivatives held for risk management	<u>35,029,686</u>	<u>(35,029,686)</u>	<u>(393,718,567)</u>	<u>(393,718,567)</u>

* Before deducting allowance for doubtful accounts amounting to Baht 12.92 million

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Details of interest rate risk based on the period to the earlier of the contractual repricing date or maturity at 31 December 2016 and 2015 were as follows:

	2016					Non-accrual loans	Total	Average interest rate (% per annum)
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years (in thousand Baht)	Over 5 years			
Financial assets								
Cash	-	-	-	-	-	-	29,915	-
Interbank and money market items*	485,469	14,451,592	65,456	-	-	-	15,402,192	1.07
Investments, net	-	5,939,490	12,142,852	6,161,300	213,825	-	24,457,467	1.22
Loans to customers and accrued interest receivables**	768,738	13,207,603	1,098,096	862,786	12,198	116,000	18,564,214	3.13
Trading securities receivable	-	-	-	-	-	-	952,335	-
Other assets	-	-	-	-	-	-	25,662	-
Total financial assets	1,254,207	33,598,685	13,306,404	7,024,086	226,023	116,000	59,431,785	
Financial liabilities								
Deposits	16,912,311	1,228,000	29,240	-	-	-	24,917,546	0.12
Interbank and money market items	298,159	2,989,455	94,379	-	800,000	-	4,313,652	2.84
Liabilities payable on demand	-	-	-	-	-	-	1,418,757	-
Debt issued and borrowings	-	-	-	464,675	-	-	464,675	6.5
Trading securities payable	-	-	-	-	-	-	667,058	-
Collateral per Credit Support Annex	282,235	-	-	-	-	-	282,235	1.42
Other liabilities	-	-	-	-	-	-	808,442	-
Total financial liabilities	17,492,705	4,217,455	123,619	464,675	800,000	-	32,872,365	
Effect of derivatives held for risk management	-	17,712,286	65,886	(18,581,126)	802,954	-	(227,654,583)	

* Before deducting allowance for doubtful accounts amounting to Baht 77.24 million

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	2015							Average interest rate (% per annum)	
	On demand	Less than 3 months	3 months to 1 year	1 to 5 years (in thousand Baht)	Over 5 years	Non-interest bearing	Non-accrual loans		Total
Financial assets									
Cash	-	-	-	-	-	43,173	-	43,173	-
Interbank and money market items*	35,863	14,220,473	56,832	-	-	311,429	-	14,624,597	1.31
Investments, net	-	9,326,691	16,713,268	3,563,431	25,325	-	-	29,628,715	1.65
Loans to customers and accrued interest receivables**	3,989,418	14,420,013	1,693,486	135,474	27,000	2,194,368	116,423	22,576,182	3.42
Trading securities receivable	-	-	-	-	-	1,028,606	-	1,028,606	-
Other assets	-	-	-	-	-	44,699	-	44,699	-
Total financial assets	4,025,281	37,967,177	18,463,586	3,698,905	52,325	3,622,275	116,423	67,945,972	
Financial liabilities									
Deposits	17,712,808	992,186	2,420	5,500	873	6,665,132	-	25,378,919	0.23
Interbank and money market items	204,363	4,228,705	94,379	-	800,000	142,336	-	5,469,783	1.06
Liabilities payable on demand	-	-	-	-	-	1,911,932	-	1,911,932	-
Debt issued and borrowings	-	-	-	441,125	-	-	-	441,125	6.46
Trading securities payable	-	-	-	-	-	490,021	-	490,021	-
Collateral per Credit Support Annex	486,657	-	-	-	-	-	-	486,657	1.53
Other liabilities	-	-	-	-	-	293,297	-	293,297	-
Total financial liabilities	18,403,828	5,220,891	96,799	446,625	800,873	9,502,718	-	34,471,734	
Effect of derivatives held for risk management	-	9,233,763	(12,301,228)	(293,486)	3,360,951	(393,718,567)	-	(393,718,567)	

* Before deducting allowance for doubtful accounts amounting to Baht 12.92 million

** Including non-performing loans

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(b) Foreign currency risk

The Branch is exposed to foreign currency risk through transactions in foreign currencies and through the translation of assets and liabilities denominated in foreign currencies into Thai Baht at the reporting date.

As at 31 December 2016 and 2015, the Branch has financial assets (liabilities) denominated in various currencies, in Baht equivalent, as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Net foreign currency exposure*		
US Dollar	1,415,910,586	767,334,495
Euro	(165,799,339)	(100,325,429)
Others	(94,925,751)	(118,626,611)

* Including long-term borrowing from head office to maintain assets under Act amounting to Baht 17,800 million (2015: Baht 17,800 million) and including non-performing loans amounting to Baht 58.70 million (2015: Baht 59.12 million).

4.3 Liquidity risk

Liquidity risk management safeguards ability to meet all payment obligations when they come due.

In Thailand, the Branch manages its liquidity position under the Bank of Thailand's liquidity reserve regulations and other applicable regulations. Treasury function is responsible for the management of liquidity and funding risk of Deutsche Bank globally as defined in the liquidity risk strategy. The liquidity risk management framework is designed to identify, measure and manage the liquidity risk position of the Group. Liquidity risk management is discussed at the Asset and Liability Committee "ALCO" meeting in Thailand.

Liquidity risk management approach starts at the intraday level (operational liquidity) by managing the daily payments queue, forecasting cash flows and factoring in our access to central Banks. It then covers tactical liquidity risk management dealing with access to secure and unsecure funding sources. Finally, the strategic perspective comprises the maturity profile of all assets and liabilities and the Branch's issuance strategy.

The Branch's cash-flow based reporting system provides daily liquidity risk information for global and regional management.

Stress testing and scenario analysis play a central role in the liquidity risk management framework. This also incorporates an assessment of asset liquidity i.e. the characteristics of asset, under various stress scenarios as well as contingent funding requirements from commitments.

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A maturity analysis for financial assets and liabilities as at 31 December 2016 and 2015 were as follows:

	At call	Less than 3 months	3 months to 1 year	2016 1 to 5 years	over 5 years	No maturity	Total
	(in thousand Baht)						
Financial assets							
Cash	-	-	-	-	-	29,915	29,915
Interbank and money market items*	879,468	14,457,268	65,456	-	-	-	15,402,192
Derivative assets	-	2,423,107	3,300,493	11,197,710	4,061,126	-	20,982,436
Investments, net	-	5,939,490	12,142,852	6,161,300	213,825	-	24,457,467
Loans to customers and accrued interest receivables**	780,940	15,812,018	1,104,679	866,531	-	46	18,564,214
Trading securities receivable	-	952,335	-	-	-	-	952,335
Other assets	-	-	543	22,741	2,378	-	25,662
Total financial assets	1,660,408	39,584,218	16,614,023	18,248,282	4,277,329	29,961	80,414,221
Financial liabilities							
Deposits	23,660,306	1,228,000	29,240	-	-	-	24,917,546
Interbank and money market items	429,818	-	-	1,771,834	2,112,000	-	4,313,652
Liabilities payable on demand	1,418,757	-	-	-	-	-	1,418,757
Derivative liabilities	-	2,473,226	3,703,536	11,601,208	2,937,136	-	20,715,106
Debt issued and borrowings	-	-	-	464,675	-	-	464,675
Trading securities payable	-	667,058	-	-	-	-	667,058
Collateral per Credit Support Annex	282,235	-	-	-	-	-	282,235
Other liabilities	-	773,212	35,230	-	-	-	808,442
Total financial liabilities	25,791,116	5,141,496	3,768,006	13,837,717	5,049,136	-	53,587,471
Net liquidity gap	(24,130,708)	34,442,722	12,846,017	4,410,565	(771,807)	29,961	26,826,750

* Before deducting allowance for doubtful accounts amounting to Baht 77.24 million

** Including non-performing loans

	At call	Less than 3 months	3 months to 1 year	2015 1 to 5 years	over 5 years	No maturity	Total
	(in thousand Baht)						
Financial assets							
Cash	-	-	-	-	-	43,173	43,173
Interbank and money market items*	344,751	14,222,942	56,904	-	-	-	14,624,597
Derivative assets	-	3,242,061	5,564,394	15,379,957	5,211,067	-	29,397,479
Investments, net	-	9,326,691	16,713,268	3,563,431	25,325	-	29,628,715
Loans to customers and accrued interest receivables**	4,016,424	16,727,611	1,695,178	136,686	-	283	22,576,182
Trading securities receivable	-	1,028,606	-	-	-	-	1,028,606
Other assets	-	5,015	11,851	27,672	161	-	44,699
Total financial assets	4,361,175	44,552,926	24,041,595	19,107,746	5,236,553	43,456	97,343,451

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	At call	Less than 3 months	3 months to 1 year	2015 1 to 5 years (in thousand Baht)	over 5 years	No maturity	Total
Financial liabilities							
Deposits	24,377,940	993,059	2,420	5,500	-	-	25,378,919
Interbank and money market items	346,699	-	1,150,000	1,912,084	2,061,000	-	5,469,783
Liabilities payable on demand	1,911,932	-	-	-	-	-	1,911,932
Derivative liabilities	-	4,351,362	7,082,128	16,624,196	4,820,040	-	32,877,726
Debt issued and borrowings	-	-	-	441,125	-	-	441,125
Trading securities payable	-	490,021	-	-	-	-	490,021
Collateral per Credit Support Annex	486,657	-	-	-	-	-	486,657
Other liabilities	-	262,359	30,866	72	-	-	293,297
Total financial liabilities	27,123,228	6,096,801	8,265,414	18,982,977	6,881,040	-	67,349,460
Net liquidity gap	(22,762,053)	38,456,125	15,776,181	124,769	(1,644,487)	43,456	29,993,991

* Before deducting allowance for doubtful accounts amounting to Baht 12.92 million

** Including non-performing loans

5 Fair value of assets and liabilities

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Branch uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

5.1 Financial assets and liabilities measured at fair value

The following table analyses financial assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Fair value			Total
	Level 1	Level 2	Level 3	
31 December 2016				
Financial assets				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	13,455,300	-	13,455,300
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	7,527,136	-	7,527,136
Debt securities held for trading	-	24,457,467	-	24,457,467
Financial liabilities				
Derivatives				
- Foreign exchange forward and currency swap contracts	-	11,912,544	-	11,912,544
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	8,802,562	-	8,802,562

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	Fair value			Total
	Level 1	Level 2 (in thousand Baht)	Level 3	
31 December 2015				
<i>Financial assets</i>				
Derivatives				
- Commodity Forward contracts	-	50,706	-	50,706
- Foreign exchange forward and currency swap contracts	-	19,088,872	-	19,088,872
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	10,257,901	-	10,257,901
Debt securities held for trading	-	29,628,715	-	29,628,715
<i>Financial liabilities</i>				
Derivatives				
- Commodity Forward contracts	-	43,948	-	43,948
- Foreign exchange forward and currency swap contracts	-	19,803,889	-	19,803,889
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	13,029,889	-	13,029,889

The Branch determine Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative are based on inputs which are observable from independent and reliable market data sources. 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 derivative financial assets reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the counterparty when appropriate.

The Branch recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2016 and 2015.

5.2 Financial assets and liabilities not measured at fair value

The carrying value of significant financial assets and liabilities not measured at fair value approximates the fair value.

The following methods and assumptions were used by the Branch in estimating the fair value of financial assets and liabilities as disclosed herein.

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Interbank and money market items (assets and liabilities)

The fair value of interbank and money market items (assets and liabilities) which bear variable rates of interest approximates their carrying value at the reporting date. The fair value of fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying interest rates currently being offered on similar instruments.

Trading securities and available-for-sale securities

The fair value is based on quoted market prices, where available. If quoted market prices are not available, fair value is based on quoted market prices of comparable instruments after adjustment for the risk involved or the net asset values of such securities.

General investments

The fair value of foreign non-marketable equity securities is determined based on value quoted by reliable international financial institution.

Loans to customers

For floating-rate loans to customers that reprice frequently and have no significant change in credit risk, fair value approximates carrying value at the reporting date. The fair value of fixed rate loans to customers that reprice within 1 year of the reporting date approximates the carrying value at the reporting date. The fair value of other fixed interest loans to customers is estimated using discounted cash flow analysis and using interest rates currently being offered for loans to customers with similar credit quality.

Deposits

The fair value of deposits which are payable on demand by the depositor is equal to the carrying value of such deposits. The carrying amounts of floating-rate, fixed-term money market accounts, certificates of deposit and fixed rate deposits repricing within 1 year approximate their market value at the reporting date. The fair value for other fixed interest deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered on deposits to a schedule of aggregate expected monthly maturities on time deposits.

Debts issued and borrowings

The fair value of debts issued and borrowings which bear variable rates of interest approximates their carrying value at the reporting date. The fair value of fixed rate instruments with remaining maturities greater than 1 year is estimated by using a discounted cash flow calculation applying interest rates currently being offered on similar instruments.

Liabilities payable on demand

The carrying value of liabilities payable on demand approximates carrying amount.

Other financial instruments

The fair value of the above financial assets and liabilities approximate the carrying value at which they are stated on the statement of financial position.

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6 Maintenance of capital fund

The Branch maintains its capital funds in accordance with Section 32 of 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 at 31 December 2016 and 2015 can be summarised as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Thai Government bonds	986,819	3,512,729
Bank of Thailand's bonds	17,123,077	14,670,325
Total	<u>18,109,896</u>	<u>18,183,054</u>

As at 31 December 2016 and 2015, the Branch's capital fund can be summarised as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Assets maintained under Section 32	<u>18,109,896</u>	<u>18,183,054</u>
Sum of net capital fund for maintenance of assets under Section 32 and net balance of inter-office accounts		
Net fund brought in to maintenance assets under Section 32	17,800,000	17,800,000
Net balance of inter-office accounts which the branch is the debtor (the creditor) to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office	7,550,782	10,830,511
Total	<u>25,350,782</u>	<u>28,630,511</u>
Capital Fund (in thousand Baht)	17,800,000	17,800,000
Capital Adequacy Ratio (%)	21.82	18.28

According to Bank of Thailand notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013, the Branch is required to disclose capital after deducting capital add-on arising from Single Lending Limit, effective at the end of January 2015.

As at 31 December 2016, the Branch has capital after deducting capital add-on arising from Single Lending Limit amounting to Baht 17,635 million, 21.62% of total risk-weighted asset (2015: Baht 17,557 million, 18.03% of total risk-weighted asset).

As at 31 December 2016 and 2015, the Branch has applied the calculation for credit risk capital and market risk capital under "the Standard Approach (SA)" and operational risk capital under "Basic Indicator Approach (BIA)" as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification.

As at 31 December 2016 and 2015, the Branch met the minimum Capital Adequacy Ratio requirements established by the Bank of Thailand, which is in compliance with the requirements of Basel III, for total Capital Adequacy Ratio at minimum of 9.125% and 8.5%, respectively.

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In accordance with the Bank of Thailand Notification No. Sor Nor Sor. 4/2556 dated 2 May 2013, Re: "The Public Disclosure of Capital Maintenance for Commercial Banks", the Branch intends to disclose Capital maintenance information as of 31 December 2016 within 4 months after year end date as indicated in the notification through the Branch's website "www.db.com/thailand".

Capital management

The Branch'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.

7 Interbank and money market items, net (assets)

	2016		2015			
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Domestic						
The Bank of Thailand	393,975	450,000	843,975	308,887	-	308,887
Commercial banks	516	13,617,270	13,617,786	19,219	13,978,286	13,997,505
Other financial institutions	-	800,000	800,000	-	-	-
Total	394,491	14,867,270	15,261,761	328,106	13,978,286	14,306,392
Add accrued interest receivable	-	5,700	5,700	-	2,420	2,420
Less allowance for doubtful accounts	-	(76,247)	(76,247)	-	(9,926)	(9,926)
Total domestic	394,491	14,796,723	15,191,214	328,106	13,970,780	14,298,886
Foreign						
US Dollar	-	54,120	54,120	-	299,018	299,018
Other currencies	34,953	45,658	80,611	16,645	-	16,645
Total	34,953	99,778	134,731	16,645	299,018	315,663
Add accrued interest receivables	-	-	-	-	122	122
Less allowance for doubtful accounts	-	(998)	(998)	-	(2,990)	(2,990)
Total foreign	34,953	98,780	133,733	16,645	296,150	312,795
Total domestic and foreign	429,444	14,895,503	15,324,947	344,751	14,266,930	14,611,681

8 Derivatives

8.1 Derivatives held for trading

As at 31 December 2016 and 2015, the fair value and notional amount classified by type of risks are as follows:

Type of risk	Fair value		2016		Total
	Assets	Liabilities	Up to 1 year	Notional amount Over 1 year	
	<i>(in thousand Baht)</i>				
Foreign exchange forward and currency swap contracts	13,455,300	11,912,544	337,371,050	158,469,640	495,840,690
Interest rate swap, forward rate agreement contracts and interest rate option contracts	7,527,136	8,802,562	774,398,487	797,144,532	1,571,543,019
Total	20,982,436	20,715,106	1,111,769,537	955,614,172	2,067,383,709

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Type of risk	Fair value		2015		Total
	Assets	Liabilities	Up to 1 year (in thousand Baht)	Notional amount Over 1 year	
Commodity Forward contracts	50,706	43,948	1,470,457	-	1,470,457
Foreign exchange forward and currency swap contracts	19,088,872	19,803,889	620,984,448	196,970,840	817,955,288
Interest rate swap, forward rate agreement contracts and interest rate option contracts	10,257,901	13,029,889	874,540,977	1,182,820,734	2,057,361,711
Total	29,397,479	32,877,726	1,496,995,882	1,379,791,574	2,876,787,456

The Branch was a party to financial instruments with off-financial reporting credit risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to transactions in interest rates and foreign exchange rates. These financial instruments included foreign exchange forward and other derivative contracts.

The “notional amount” is a measure of volume, which may be used for examining changes in derivative activities over time. The notional amount is the face value of the contract. Unlike on-financial reporting financial instruments, the notional amount of a derivative does not necessarily reflect the amount at risk, which is generally only a small fraction of this value.

As at 31 December 2016 and 2015, proportions of the notional amount of derivative transactions, classified by counterparties, consist of:

Counterparties	2016	2015
	(%)	
Financial institutions	95	93
Third parties	5	7
Total	100	100

9 Investments, net

As at 31 December 2016 and 2015, the Branch classifies by investment type, as follow:

	2016	2015
	Fair value (in thousand Baht)	Fair value
<i>Trading investments</i>		
Government and state enterprise securities	24,457,467	29,628,715
Total investments, net	24,457,467	29,628,715

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10 Loans to customers and accrued interest receivables, net

10.1 Classified by type of loans

	2016	2015
	<i>(in thousand Baht)</i>	
Overdrafts	768,276	3,995,235
Loans	<u>17,756,663</u>	<u>18,547,810</u>
Total loans	18,524,939	22,543,045
Add accrued interest receivables	<u>39,275</u>	<u>33,137</u>
Total loans and accrued interest receivables	18,564,214	22,576,182
Less allowance for doubtful accounts		
- BoT's minimum requirement - individual approach	(293,896)	(340,439)
- Excess allowance	<u>(51,438)</u>	<u>-</u>
Total loans to customers and accrued interest receivables, net	<u>18,218,880</u>	<u>22,235,743</u>

10.2 Classified by currency and residency of customers

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	17,543,685	-	17,543,685	21,494,715	-	21,494,715
US Dollar	<u>665,010</u>	<u>316,244</u>	<u>981,254</u>	<u>606,726</u>	<u>441,604</u>	<u>1,048,330</u>
Total	<u>18,208,695</u>	<u>316,244</u>	<u>18,524,939</u>	<u>22,101,441</u>	<u>441,604</u>	<u>22,543,045</u>

10.3 Classified by type of business and loan classification

	2016			
	Pass	Special mention	Doubtful of loss	Total
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	58,701	58,701
Manufacturing and commerce	13,039,766	12,198	57,299	13,109,263
Property development and construction	399,207	-	-	399,207
Infrastructure and services	932,384	35,000	-	967,384
Others	3,990,384	-	-	3,990,384
Total	<u>18,361,741</u>	<u>47,198</u>	<u>116,000</u>	<u>18,524,939</u>

	2015			
	Pass	Special mention	Doubtful of loss	Total
	<i>(in thousand Baht)</i>			
Agriculture and mining	-	-	59,124	59,124
Manufacturing and commerce	15,112,333	-	57,299	15,169,632
Property development and construction	381,900	-	-	381,900
Infrastructure and services	1,634,528	-	-	1,634,528
Others	5,297,861	-	-	5,297,861
Total	<u>22,426,622</u>	<u>-</u>	<u>116,423</u>	<u>22,543,045</u>

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10.4 Classified by loan grade

	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount for setting allowance for doubtful accounts (in thousand Baht)	2016 Rate used for setting allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Allowance as per BoT's minimum requirement				
- Pass	18,400,864	17,695,251	1	176,952
- Special mention	47,350	47,198	2	944
- Doubtful of loss	116,000	116,000	100	116,000
Total	18,564,214	17,858,449		293,896
Excess allowance				51,438
Total				345,334

	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount for setting allowance for doubtful accounts (in thousand Baht)	2015 Rate used for setting allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Allowance as per BoT's minimum requirement				
- Pass	22,459,759	22,401,622	1	224,016
- Doubtful of loss	116,423	116,423	100	116,423
Total	22,576,182	22,518,045		340,439

10.5 Non-performing loans

As at 31 December 2016 and 2015 the Branch had non-performing loans ("NPLs Gross") on accrual basis (including financial institutions) based on the BoT notification as follows:

	2016	2015
NPLs, gross (in thousand Baht)	116,000	116,423
Total loans used for NPLs ratio calculation ⁽¹⁾ (in thousand Baht)	33,041,987	36,820,350
Percentage of total loans ⁽²⁾	0.35	0.32

⁽¹⁾ Total loans used for NPLs ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items.

⁽²⁾ The ratio of NPLs gross to total loans before allowance for doubtful accounts of non-performing loans.

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As at 31 December 2016 and 2015, the Branch had non-performing loans, net (“NPLs Net”) (including financial institutions) based on the BoT notification as follows:

	2016	2015
NPLs, net <i>(in thousand Baht)</i>	-	-
Total loans used for NPLs net ratio calculation ⁽¹⁾ <i>(in thousand Baht)</i>	32,925,987	36,703,928
Percentage of total loans ⁽²⁾	-	-

⁽¹⁾ Total loans used for NPLs net ratio calculation are loans to customers as presented in the statements of financial position and loans to financial institutions as included in interbank and money market items net, after allowance for doubtful accounts.

⁽²⁾ The ratio of NPLs net to total loans after allowance for doubtful accounts of non-performing loans.

As at 31 December 2016, allowance for doubtful account of Baht 116 million *(2015: Baht 116 million)* have been provided against the Branch’s non-performing loans being those classified as doubtful loss.

11 Allowance for doubtful account

Movements in allowance for doubtful accounts for loans to customers during the years ended 31 December 2016 and 2015 consisted of:

	2016				Total
	Pass	Special Mention	Doubtful of loss	Excess allowance	
	<i>(in thousand Baht)</i>				
Beginning balance	224,016	-	116,423	-	340,439
Doubtful accounts	(47,064)	944	-	51,438	5,318
Others	-	-	(423)	-	(423)
Ending balance	<u>176,952</u>	<u>944</u>	<u>116,000</u>	<u>51,438</u>	<u>345,334</u>
	2015				
	Pass	Special Mention	Doubtful of loss	Excess allowance	Total
	<i>(in thousand Baht)</i>				
Beginning balance	198,452	-	111,302	-	309,754
Doubtful accounts	25,564	-	-	-	25,564
Others	-	-	5,121	-	5,121
Ending balance	<u>224,016</u>	<u>-</u>	<u>116,423</u>	<u>-</u>	<u>340,439</u>

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12 Leasehold building improvements and equipment, net

Changes in leasehold building improvements and equipment during the year ended 31 December 2016 and 2015 were as follows:

	Net book value at 1 January 2016	Cost			Ending balance	Beginning balance (<i>in thousand Baht</i>)	Accumulated depreciation			Ending balance	Net book value at 31 December 2016
		Beginning balance	Additions	Disposals			Depreciation	Disposals	Depreciation		
Leasehold building improvement	62,587	201,956	-	-	201,956	139,369	20,194	-	159,563	42,393	
Furniture, fixtures and equipment	53,952	247,993	7,312	(3,639)	251,666	194,041	17,919	(3,515)	208,445	43,221	
Total	116,539	449,949	7,312	(3,639)	453,622	333,410	38,113	(3,515)	368,008	85,614	
		Cost				Accumulated depreciation					
	Net book value at 1 January 2015	Beginning balance	Additions	Disposals	Ending balance	Beginning balance (<i>in thousand Baht</i>)	Depreciation	Disposals	Ending balance	Net book value at 31 December 2015	
Leasehold building improvement	82,780	201,956	-	-	201,956	119,176	20,193	-	139,369	62,587	
Furniture, fixtures and equipment	60,325	255,293	11,305	(18,605)	247,993	194,968	17,678	(18,605)	194,041	53,952	
Total	143,105	457,249	11,305	(18,605)	449,949	314,144	37,871	(18,605)	333,410	116,539	

The gross amount of the Branch's fully depreciated leasehold building improvements and equipment that was still in use as at 31 December 2016 amounted to Baht 105.8 million (2015: Baht 105.6 million).

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13 Deferred tax assets, net

Deferred tax assets and liabilities determined after offsetting are included in the statements of financial position as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Deferred tax assets	144,900	177,967
Deferred tax liabilities	<u>(2,541)</u>	<u>(4,183)</u>
Net	<u>142,359</u>	<u>173,784</u>

Movements in deferred tax assets and liabilities during the year ended 31 December 2016 and 2015 were as follows:

	At 1 January 2016	<i>(Charged) / credited to</i>		At 31 December 2016
		Profit or loss	Other Comprehensive income	
		<i>(Note 30)</i>		
		<i>(in thousand Baht)</i>		
<i>Deferred tax assets</i>				
Investments	19	645	-	664
Loss on revaluation of structured borrowing	139,825	(125,079)	-	14,746
Loans to customers and accrued interest receivables	1,026	-	-	1,026
Other assets	1,486	205	-	1,691
Provisions against derivative products	10,913	(3,725)	-	7,188
Employee benefit obligations	14,373	615	-	14,988
Other liabilities	10,325	94,272	-	104,597
Total	<u>177,967</u>	<u>(33,067)</u>	<u>-</u>	<u>144,900</u>
<i>Deferred tax liabilities</i>				
Leasehold building improvement and equipment	4,183	(1,642)	-	2,541
Total	<u>4,183</u>	<u>(1,642)</u>	<u>-</u>	<u>2,541</u>
Net	<u>173,784</u>	<u>(31,425)</u>	<u>-</u>	<u>142,359</u>

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	At 1 January 2015	<i>(Charged) / credited to</i>		At 31 December 2015
		Profit or loss	Other Comprehensive income <i>(Note 30)</i> <i>(in thousand Baht)</i>	
<i>Deferred tax assets</i>				
Investments	-	19	-	19
Loss on revaluation of structured borrowing	129,242	10,583	-	139,825
Loans to customers and accrued interest receivables	1,026	-	-	1,026
Other assets	1,281	205	-	1,486
Provisions against derivative products	18,221	(7,308)	-	10,913
Employee benefit obligations	13,838	(723)	1,258	14,373
Other liabilities	1,065	9,260	-	10,325
Total	164,673	12,036	1,258	177,967
<i>Deferred tax liabilities</i>				
Investments	3,997	(3,997)	-	-
Leasehold building improvement and equipment	5,757	(1,574)	-	4,183
Total	9,754	(5,571)	-	4,183
Net	154,919	17,607	1,258	173,784

14 Other assets

	2016	2015
	<i>(in thousand Baht)</i>	
Accrued interest receivables	25,662	44,699
Tax receivables	55,968	55,968
Others	28,818	21,949
Total	110,448	122,616

15 Classified assets

As at 31 December 2016 and 2015, classified assets of the Branch were categorized by quality in compliance with the BoT's regulations, taking into account analyses of each loan and appraisal of the financial standing of each borrower, as follows:

	2016			Total
	Investments	Interbank and money market items <i>(in thousand Baht)</i>	Loans to customers and accrued interest receivables	
Pass	-	14,522,723	18,400,864	32,923,587
Special mention	-	-	47,350	47,350
Doubtful of loss	19,688	-	116,000	135,688
Total	19,688	14,522,723	18,564,214	33,106,625

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	2015			
	Investments	Interbank and money market items <i>(in thousand Baht)</i>	Loans to customers and accrued interest receivables	Total
Pass	-	14,279,847	22,459,759	36,739,606
Doubtful loss	18,328	-	116,423	134,751
Total	18,328	14,279,847	22,576,182	36,874,357

16 Deposits

16.1 Classified by type of deposits

	2016	2015
	<i>(in thousand Baht)</i>	
Current	6,747,995	6,665,132
Savings	16,911,438	17,712,808
Term		
- Less than 6 months	1,202,573	972,059
- 6 months but less than 1 year	43,180	20,480
- 1 year and over	12,360	8,440
Total	24,917,546	25,378,919

16.2 Classified by currency and residency of depositors

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	19,916,149	132,529	20,048,678	21,184,174	175,579	21,359,753
US Dollar	2,644,928	3,294	2,648,222	2,051,051	10,253	2,061,304
Others	2,213,886	6,760	2,220,646	1,952,415	5,447	1,957,862
Total	24,774,963	142,583	24,917,546	25,187,640	191,279	25,378,919

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17 Interbank and money market items (liabilities)

	2016		2015			
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Domestic						
Commercial banks	297,825	-	297,825	203,401	-	203,401
Specialised financial institutions	36	-	36	1	-	1
Other financial institutions	426	3,883,834	3,884,260	1,570	5,123,084	5,124,654
Total domestic	298,287	3,883,834	4,182,121	204,972	5,123,084	5,328,056
Foreign						
Baht	131,438	-	131,438	140,265	-	140,265
US Dollar	93	-	93	1,462	-	1,462
Total foreign	131,531	-	131,531	141,727	-	141,727
Total domestic and foreign	429,818	3,883,834	4,313,652	346,699	5,123,084	5,469,783

18 Debt issued and borrowings

	2016	2015
	<i>(in thousand Baht)</i>	
Domestic		
Bills of exchange	464,675	441,125
Total	464,675	441,125

As at 31 December 2016, borrowings of Baht 465 million (2015: Baht 441 million) is bills of exchange issued by the Branch in Thai Baht which are non bearing interest (2015: non bearing interest) and will be matured on 4 July 2018 (2015: 4 July 2018).

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19 Provisions against derivative products

	Liquidity provision	Other provision <i>(in thousand Baht)</i>	Total
At 1 January 2015	67,713	23,392	91,105
Provision made	13,087	14,851	27,938
Provision used	(22,904)	(9,774)	(32,678)
At 31 December 2015 and 1 January 2016	57,896	28,469	86,365
Provision made	348	16,108	16,456
Provision used	(21,979)	(10,081)	(32,060)
Provision reversed	1	(2,480)	(2,479)
At 31 December 2016	36,266	32,016	68,282

20 Other liabilities

	2016	2015
	<i>(in thousand Baht)</i>	
Income tax payable	600	6,625
Accrued interest expense	808,442	293,775
Accrued Deposit Protection Agency and Bank of Thailand fees	56,461	52,505
Cheque payable	312,381	118,963
Others	105,886	184,191
Total	1,283,770	656,059

21 Commitments and contingent liabilities

Commitments and contingent liabilities as at 31 December 2016 and 2015 were as follows:

(a)	2016	2015
	<i>(in thousand Baht)</i>	
Other guarantees	27,360,762	26,721,903
Letters of credit	627,823	1,263,746
Unmatured import bills	6,177	44,820
Committed line	1,264,291	1,067,787
Total	29,259,053	29,098,256

(b) Non-cancellable operating lease agreement

(1) Lease and service agreement

As at 31 December 2016, the Branch had a 12-year lease and service agreement in respect of office premises and utilities. Under the terms of the above lease, the Branch has committed to pay rental and service fees as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Within one year	42,129	39,819
After one year but within five years	129,293	171,422
Total	171,422	211,241

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(2) *Operating leases*

	2016	2015
	<i>(in thousand Baht)</i>	
<i>Non-cancellable operating lease commitments</i>		
Within one year	1,348	664
After one year but within five years	5,393	-
Total	<u>6,741</u>	<u>664</u>

(3) *Other commitments*

	2016	2015
	<i>(in thousand Baht)</i>	
Business Continuity Facility agreement	72,615	85,964
Facility Management Solution agreement	6,329	9,014
Total	<u>78,944</u>	<u>94,978</u>

22 Related parties

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

Relationships with significant key management personnel and related parties were as follows:

Name of entities / person	Country of incorporation/ nationality	Nature of relationships
Key Management Personnel	Various nationalities	Persons having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly. The Branch's key management personnel consisted of: <ul style="list-style-type: none"> - Chief Country Officer and General Manager - Chief Operating Officer - Head of Global Transaction Banking - Chief Head of Finance - Head of Compliance - Head of Corporate Banking and Securities
<i>Head Office and other Branches</i>		
Deutsche Bank AG, Zentral Frankfurt	Germany	Head Office
Deutsche Bank AG, Asia Pacific Head office	Singapore	Asia Pacific Head Office
Deutsche Bank AG, Singapore	Singapore	Other Branches
Deutsche Bank AG, Mumbai	India	Other Branches

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Name of entities / person	Country of incorporation/ nationality	Nature of relationships
Deutsche Bank AG, Hong Kong	Hong Kong	Other Branches
Deutsche Bank AG, New York	United States	Other Branches
Deutsche Bank AG, London	United Kingdom	Other Branches
Deutsche Bank AG, Amsterdam	Netherlands	Other Branches
Deutsche Bank AG, Colombo	Sri Lanka	Other Branches
Deutsche Bank AG, Jakarta	Indonesia	Other Branches
Deutsche Bank AG, Brussels	Belgium	Other Branches
Deutsche Knowledge Services Pte. Ltd., Manila	Philippines	Other Branches
Deutsche Bank Trust Company Americas	United States	Other Branches
Deutsche Bank AG, Budapest	Hungary	Other Branches
Deutsche Bank AG, Vienna	Austria	Other Branches
Deutsche Bank AG, Manila	Philippines	Other Branches
Deutsche Bank AG, Karachi	Pakistan	Other Branches
Deutsche Bank AG, Seoul	South Korea	Other Branches
Deutsche Bank AG, Tokyo	Japan	Other Branches
Deutsche Bank AG, Ho-Chi Minh	Vietnam	Other Branches
Deutsche Bank AG, Zürich	Switzerland	Other Branches
Deutsche Bank AG, Dubai	U.A.E	Other Branches
Deutsche Bank AG, Stockholm	Sweden	Other Branches
Deutsche Bank AG, Malaysia	Malaysia	Other Branches
Other Group entities		
Deutsche Securities Inc. Tokyo	Japan	Other Group entity
Deutsche Bank Securities Inc.	United States	Other Group entity
Deutsche Group Services Pty Limited	Australia	Other Group entity
Deutsche Bank, Madrid	Spain	Other Group entity
DB Services New Jersey, Inc.	United States	Other Group entity
DBOI Global Services Private Limited	India	Other Group entity
DBOI Global Services (UK) Limited	United Kingdom	Other Group entity
DB Group Services (EURO)	United Kingdom	Other Group entity
Deutsche Bank Moscow	Russia	Other Group entity
Deutsche Investor Service Private Limited	India	Other Group entity
DB Service Centre Limited	United Kingdom	Other Group entity
Deutsche Bank (Suisse) S.A.	Switzerland	Other Group entity
DB UK Bank Limited	United Kingdom	Other Group entity
Deutsche Bank Nederland N.V.	Netherland	Other Group entity
Deutsche Bank Società per Azioni	Italy	Other Group entity
Deutsche Bank National Trust Company	United States	Other Group entity
DB Trust Company Limited Japan	Japan	Other Group entity
DB Service Centre Limited	Ireland	Other Group entity
DB Investment Partners, Inc.	United States	Other Group entity
Deutsche Bank International Limited	United States	Other Group entity
Deutsche Bank Tech Centre	Russia	Other Group entity
Deutsche Securities ASIA	Hong Kong	Other Group entity
DB Global Technology, Inc.	United States	Other Group entity

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

Transactions	Pricing policies
Interest income	Market rate
Interest expense	Market rate
Derivative	Market rate
Expense allocated	Contractually agreed price
Other operating income from head office	Market rate

Significant transactions for the years ended 31 December 2016 and 2015 with key management personnel and related parties were as follows:

<i>For the year ended 31 December</i>	2016	2015
	<i>(in thousand Baht)</i>	
Head Office and other Branches		
Interest income	19	40
Interest expense	307,084	151,614
Expense allocated from head office	405,742	516,980
Profit remitted to head office	-	198,000
Other operating income from head office	97,190	156,627
Other Group entities		
Expense allocated	34,180	23,628

Key management personnel

The Branch's management who are members of executive committee shall not be entitled to any other benefits than the normal benefits, for instance, salaries, directors' bonuses, post employment benefits and share based payments in the group of its major shareholder as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Key management personnel compensation		
Short-term benefits	116,023	133,922
Post-employment benefits	21,502	16,870
Total	137,525	150,792

Significant balances as at 31 December 2016 and 2015 with related parties were as follows:

	2016	2015
	<i>(in thousand Baht)</i>	
Funds brought in to maintain assets under the Act		
Deutsche Bank AG, Singapore	<u>17,800,000</u>	<u>17,800,000</u>
Balance of inter-office accounts with head office and other branches of the same juristic person, net		
Debts issued and borrowings		
Deutsche Bank AG, Singapore	9,038,948	7,427,701
Deutsche Bank AG, London	-	6,315,496
	<u>9,038,948</u>	<u>13,743,197</u>

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	2016	2015
	<i>(in thousand Baht)</i>	
<i>Accrued interest payable</i>		
Deutsche Bank AG, Singapore	50,049	40,065
Deutsche Bank AG, London	-	8,491
	<u>50,049</u>	<u>48,556</u>
<i>Unrealised gains on derivative contracts, net</i>	<u>(422,009)</u>	<u>(916,862)</u>
<i>Interbranch accounts</i>	<u>(1,116,206)</u>	<u>(2,044,380)</u>
Total	<u>7,550,782</u>	<u>10,830,511</u>
<i>Derivatives - Foreign currency related (notional amount)</i>		
Head office and other branches	<u>52,068,423</u>	<u>83,639,463</u>
<i>Derivatives - Interest rate related (notional amount)</i>		
Head office and other branches	<u>970,738,700</u>	<u>1,251,762,876</u>
<i>Derivatives - Commodities (notional amount)</i>		
Head office and other branches	<u>-</u>	<u>733,211</u>

As at 31 December 2016, debts issued and borrowings from related parties were due to mature from 31 January 2017 to 5 April 2017 (2015: 25 January 2016 to 16 June 2016) and carried interest between 1.47% - 1.75% per annum (2015: 0.55% - 1.05% per annum). Interest expenses will be paid at maturity date and may be revolving for principal amount.

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

The Branch does not present the financial position and results of operations classified by domestic and foreign business in the financial statements since the Branch is engaged in only one domestic business in Thailand.

24 Interest income

	2016	2015
	<i>(in thousand Baht)</i>	
Interbank and money market items	268,045	359,366
Investments and trading transactions	322,664	402,762
Loans to customers	416,821	402,360
Total	<u>1,007,530</u>	<u>1,164,488</u>

25 Interest expenses

	2016	2015
	<i>(in thousand Baht)</i>	
Deposits	36,890	71,440
Interbank and money market items	1,005,325	379,364
Contribution to Deposit Protection Agency and Bank of Thailand	116,839	113,875
Debt issued and borrowings	23,550	21,755
Total	<u>1,182,604</u>	<u>586,434</u>

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26 Net fees and service income

	2016	2015
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	72,621	71,080
- Fund transfer and collection services	104,657	100,630
- Custody of customers securities	66,602	51,938
- Others	76,224	79,752
Total	<u>320,104</u>	<u>303,400</u>
Fees and service expenses		
- Transfer fees between financial institutions	38,819	36,314
- Others	57,177	74,250
Total	<u>95,996</u>	<u>110,564</u>
Net	<u>224,108</u>	<u>192,836</u>

27 Net gains on trading and foreign exchange transactions

	2016	2015
	<i>(in thousand Baht)</i>	
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and foreign currencies related derivatives	1,153,282	544,180
- Interest rate related derivatives	(76,701)	(254,134)
- Debt securities	86,684	181,495
Total	<u>1,163,265</u>	<u>471,541</u>

28 Bad debts, allowance for doubtful accounts and impairment loss

	2016	2015
	<i>(in thousand Baht)</i>	
Interbank and money market items	64,329	4,686
Loans to customers	5,318	25,564
Total	<u>69,647</u>	<u>30,250</u>

29 Employee expenses

	2016	2015
	<i>(in thousand Baht)</i>	
Salaries, wages and bonus	291,823	395,194
Legal severance payment plan	7,702	31,997
Long service award	1,673	3,206
Share-based payment transaction	9,863	18,061
Others	48,904	63,311
Total	<u>359,965</u>	<u>511,769</u>

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The Branch has established contributory provident funds for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates of 10% of their basic salaries and by the Branch at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

30 Income tax

Income tax recognised in profit or loss

	Note	2016 (in thousand Baht)	2015
Current tax			
Current year		7,159	21,649
Adjustment for prior years		6,485	4,412
		<u>13,644</u>	<u>26,061</u>
Deferred tax			
Movements in temporary differences		31,425	(17,607)
	13	<u>31,425</u>	<u>(17,607)</u>
Total		<u>45,069</u>	<u>8,454</u>

Income tax recognised in other comprehensive income

	Before Tax	2016 Tax Benefit	Net (thousand Baht)	Before Tax	2015 Tax Benefit	Net
Actuarial losses on defined benefit plans	-	-	-	(6,291)	1,258	(5,033)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,291)</u>	<u>1,258</u>	<u>(5,033)</u>

Reconciliation of effective tax rate

	2016		2015	
	Rate (%)	(in thousand Baht)	Rate (%)	(in thousand Baht)
Profit before income tax		189,581		42,256
Income tax using Thai corporation tax rate	20.0	37,916	20.0	8,451
Expenses not deductible for tax purposes	3.7	7,051	-	3
Under provided in prior years	3.4	6,485	10.4	4,412
Adjustment for prior year - deferred	(3.3)	(6,383)	(10.4)	(4,412)
Total	<u>23.8</u>	<u>45,069</u>	<u>20.0</u>	<u>8,454</u>

Income tax reduction

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

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31 Thai Financial Reporting Standards (TFRSs) 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 Branch's operations, which become effective for annual financial periods beginning on or after 1 January 2017 are set out below. The Branch does not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2016)	Presentation of Financial Statements
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 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 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2016)	Related Party Disclosures
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 104 (revised 2016)	Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
TFRS 2 (revised 2016)	Share-based Payment
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 13 (revised 2016)	Fair Value Measurement
FAP Announcement no. 5/2559	Accounting guidance for derecognition of financial assets and financial liabilities

The Branch has made a preliminary assessment of the potential initial impact on the Branch's 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.