

Deutsche Bank Aktiengesellschaft, Bangkok Branch

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



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Independent Auditor's Report

To the Management of Deutsche Bank Aktiengesellschaft, Bangkok Branch

I have audited the accompanying financial statements of Deutsche Bank Aktiengesellschaft, Bangkok Branch (the "Branch"), which comprise the statement of financial position as at 31 December 2015, the statement 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinion

In my opinion, the financial statements 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 2015, and its financial performance and cash flows in Thailand for the year then ended in accordance with Thai Financial Reporting Standards.

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
27 April 2016

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Statement of financial position

Assets	Note	31 December	
		2015	2014
		(in Baht)	
Cash		43,173,480	45,414,872
Interbank and money market items, net	8	14,611,681,258	22,798,852,139
Derivative assets	9, 23	29,397,478,697	27,945,312,751
Investments, net	10	29,628,714,778	25,446,670,729
Loans to customers and accrued interest receivables, net	11		
Loans to customers		22,543,044,702	19,971,490,628
Accrued interest receivables		33,136,594	12,925,617
Total loans to customers and accrued interest receivables		22,576,181,296	19,984,416,245
Less allowance for doubtful accounts	11.4, 12	(340,438,643)	(309,753,726)
Total loans to customers and accrued interest receivables, net		22,235,742,653	19,674,662,519
Leasehold building improvements and equipment, net	13	116,539,073	143,105,348
Deferred tax assets, net	14	173,784,213	154,919,382
Trading securities receivable		1,028,606,034	1,040,841,459
Collateral per Credit Support Annex		-	715,414,000
Other assets	15	122,616,337	186,799,146
Total assets		97,358,336,523	98,151,992,345

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	Note	31 December	
		2015	2014
		<i>(in Baht)</i>	
Liabilities			
Deposits	17	25,378,918,980	29,942,431,000
Interbank and money market items	18	5,469,783,107	8,937,014,820
Liabilities payable on demand		1,911,932,269	2,221,607,823
Liabilities to deliver security		494,182,968	-
Derivative liabilities	9, 23	32,877,726,000	30,709,716,084
Debt issued and borrowings	19, 23	441,125,062	677,639,430
Provisions against derivative products	20	86,365,389	91,105,527
Employee benefit obligations		71,863,471	63,124,436
Trading securities payable		490,020,307	275,323,312
Collateral per Credit Support Annex		486,657,197	109,000,000
Other liabilities	21	656,059,250	672,817,968
Total liabilities		68,364,634,000	73,699,780,400
Accounts with head office and other branches of the same juristic person			
Funds brought in to maintain assets under the Act	7, 23	17,800,000,000	17,800,000,000
Balance of inter-office accounts with head office and other branches of the same juristic person, net	7, 23	10,830,510,876	6,097,789,600
Retained earnings		363,191,647	554,422,345
Total accounts with head office and other branches of the same juristic person		28,993,702,523	24,452,211,945
Total liabilities and accounts with head office and other branches of the same juristic person		97,358,336,523	98,151,992,345

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	
		2015	2014
		<i>(in Baht)</i>	
Interest income	23, 25	1,164,488,870	1,622,916,747
Interest expense	23, 26	586,433,664	691,980,761
Net interest income		578,055,206	930,935,986
Fees and service income		303,399,967	348,173,091
Fees and service expenses		110,563,668	139,800,971
Net fees and service income	27	192,836,299	208,372,120
Net gains on trading and foreign exchange transactions	28	471,541,134	347,781,291
Other operating income		182,256,119	244,809,291
Total operating income		1,424,688,758	1,731,898,688
Other operating expenses			
Employee expenses	23, 30	511,769,039	527,172,894
Premises and equipment expenses		152,562,099	154,804,240
Taxes and duties		27,748,206	28,657,305
Expenses allocated from head office	23	540,608,313	615,073,287
Other expenses		119,494,014	92,278,375
Total other operating expenses		1,352,181,671	1,417,986,101
Bad debts, allowance for doubtful accounts and impairment loss	29	30,250,230	31,974,776
Operating profit before income tax expense		42,256,857	281,937,811
Income tax (income)	31	8,454,138	(17,457,090)
Net profit		33,802,719	299,394,901
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Actuarial losses on defined benefit plans		(6,291,772)	-
Income tax on other comprehensive income	31	1,258,355	-
Total other comprehensive income for the year, net of income tax		(5,033,417)	-
Total comprehensive income for the year		28,769,302	299,394,901

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

	Note	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 Baht)</i>	Retained earnings	Total
Year ended 31 December 2014					
Balance at 1 January 2014		17,800,000,000	10,221,384,682	605,027,444	28,626,412,126
Comprehensive income for the year		-	-	299,394,901	299,394,901
Net profit		-	-	299,394,901	299,394,901
Total comprehensive income for the year		-	-	299,394,901	299,394,901
Change in balance of inter-office accounts with head office and other branches of the same juristic person, net	23	-	(4,123,595,082)	-	(4,123,595,082)
Profit remitted to head office		-	-	(315,000,000)	(315,000,000)
Income tax on remitted profits		-	-	(35,000,000)	(35,000,000)
Balance at 31 December 2014		<u>17,800,000,000</u>	<u>6,097,789,600</u>	<u>554,422,345</u>	<u>24,452,211,945</u>
Year ended 31 December 2015					
Balance at 1 January 2015		17,800,000,000	6,097,789,600	554,422,345	24,452,211,945
Comprehensive income for the year		-	-	33,802,719	33,802,719
Net profit		-	-	33,802,719	33,802,719
Other comprehensive income		-	-	(5,033,417)	(5,033,417)
Total comprehensive income for the year		-	-	28,769,302	28,769,302
Change in balance of inter-office accounts with head office and other branches of the same juristic person, net	23	-	4,732,721,276	-	4,732,721,276
Profit remitted to head office		-	-	(198,000,000)	(198,000,000)
Income tax on remitted profits		-	-	(22,000,000)	(22,000,000)
Balance at 31 December 2015		<u>17,800,000,000</u>	<u>10,830,510,876</u>	<u>363,191,647</u>	<u>28,993,702,523</u>

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Statement of cash flows

	Year ended 31 December	
	2015	2014
	<i>(in Baht)</i>	
<i>Cash flows from operating activities</i>		
Operating profit before income tax expenses	42,256,857	281,937,811
<i>Adjustments to reconcile profit from operations before income tax expense to net cash provided by (used in) operating activities</i>		
Depreciation	37,871,397	38,661,815
Bad debt and doubtful accounts expense	35,370,810	32,219,538
Losses (gains) on revaluation of securities	20,140,917	(2,727,254)
Losses on disposal of equipment	-	2,209,363
Losses from write off available-for-sale securities	2	-
Unrealised losses on forward and derivative contracts, net	715,843,970	4,490,307,323
Decrease in provision against derivative products	(4,740,138)	(171,092,808)
Decrease in other provisions	-	(2,797,836)
Decrease in liquidity provision for investments	(7,465)	(1,133,838)
Net interest income	(578,055,206)	(930,935,986)
Proceeds from interest received	1,204,436,914	1,629,085,158
Interest paid	(523,773,752)	(684,048,704)
Income tax paid	(45,514,787)	(30,206,089)
Operating profit before changes in operating assets and liabilities	903,829,519	4,651,478,493
<i>Decrease (increase) in operating assets</i>		
Interbank and money market items	8,160,037,221	4,272,158,264
Investment in securities for trading	(3,975,252,549)	2,717,114,906
Loans to customers	(2,571,554,074)	(3,942,216,186)
Collateral per Credit Support Annex	715,414,000	11,147,000
Other assets	27,729,909	(58,528,400)
<i>Increase (decrease) in operating liabilities</i>		
Deposits	(4,563,512,020)	(3,795,618,318)
Interbank and money market items	(3,467,231,713)	1,013,737,088
Liabilities payable on demand	(309,675,554)	(141,244,232)
Liabilities to deliver security	494,182,968	(86,072,952)
Employee benefit obligations	(7,068,347)	1,489,416
Collateral per Credit Support Annex	377,657,197	109,090,893
Other liabilities	(28,214,104)	(260,649,104)
Net cash provided by (used in) operating activities	(4,243,657,547)	4,491,886,868

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Statement of cash flows

	Year ended 31 December	
	2015	2014
	<i>(in Baht)</i>	
<i>Cash flows from investing activities</i>		
Purchase of equipment	(11,305,121)	(6,511,199)
Proceeds from sale of equipment	-	44,860
Net cash provided by (used in) investing activities	(11,305,121)	(6,466,339)
<i>Cash flows from financing activities</i>		
Long-term borrowings	(260,000,000)	-
Profit remitted to head office	(198,000,000)	(315,000,000)
Income tax paid on profit remitted to head office	(22,000,000)	(35,000,000)
Increase (decrease) in balance of inter-office accounts with head office and other branches of the same juristic person, net	4,732,721,276	(4,123,595,083)
Net cash provided by (used in) financing activities	4,252,721,276	(4,473,595,083)
Net increase (decrease) in cash	(2,241,392)	11,825,446
Cash at 1 January	45,414,872	33,589,426
Cash at 31 December	43,173,480	45,414,872
<i>Supplementary disclosures of cash flows information</i>		
Non-cash transactions		
Trading securities receivable	12,235,425	(725,004,641)
Trading securities payable	214,696,995	265,221,043
Actuarial loss on defined benefit plan	(6,291,772)	-

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

Deutsche Bank Aktiengesellschaft, Bangkok Branch

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Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from and are consistent with the Thai language statutory financial statements, and both English and Thai language financial statements were approved and authorised for issue by the management of Deutsche Bank Aktiengesellschaft, Bangkok Branch ("the Branch") on 27 April 2016.

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 ("TFRS") and guidelines promulgated by the Federation of Accounting Professions ("FAP") and presented as prescribed by the Bank of Thailand ("BoT") notification number Sor Nor Sor 21/2015, dated 4 December 2015, regarding the "The preparation and announcement of the financial statements of commercial banks and holding companies which are parent company of group of companies offering financial services".

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2015. The initial application of these new and revised TFRS has resulted in changes in certain of the Branch's accounting policies. These changes have no material effects on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2016 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Branch's operations are disclosed in note 32.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

Items	Measurement bases
Derivative instruments	Fair value
Trading and available-for-sale financial assets	Fair value

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

(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 significant areas of estimation uncertainty 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 6	Fair value of financial assets and liabilities
Note 9	Derivatives
Note 12	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 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.

The Branch recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 6 Fair value of financial assets and liabilities.

3 Changes in accounting policy

(a) *Overview*

From 1 January 2015, the Branch have adopted the following new TFRS which requires additional information to be disclosed in the financial statements (note 6) but has no material impact on the Branch reported results included herein.

A description of the nature and effect of the changes in accounting policy consequent to the adoption of these new TFRS is included in notes 3(b) below:

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

(b) *Fair value measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs.

In accordance with the transitional provisions of IFRS 13, the Branch has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures.

4 Significant accounting policies

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

(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.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Foreign exchange differences arising on translation 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 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 being 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.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

Initial recognition

Purchases and 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.

(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, at a minimum, the allowance for doubtful accounts according to the BoT regulations.

With reference to the BoT's directive, 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.

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Notes to the financial statements

(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 of leasehold improvements and equipment.

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

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
Vehicles	5 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.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

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 case of impairment 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.

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.

Deutsche Bank Aktiengesellschaft, Bangkok Branch

Notes to the financial statements

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.

(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 annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Branch, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

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Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized 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 recognized 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).

- 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.

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(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.

(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 it relates 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.

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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.

(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.

5 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:

5.1 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 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.

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Off-financial reporting of financial instruments classified by types of instruments at regulatory credit equivalent as at 31 December 2015 and 2014 were as follow:

	2015	2014
	<i>(in million Baht)</i>	
Foreign exchange forward and currency swap contracts	16,364	19,487
Interest rate swap, forward rate agreement and interest rate option contracts	7,206	5,956
Commodity forward contracts	74	-
Total	23,644	25,443

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.

5.2 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.

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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.

(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	2015		Total
		Fixed interest rate (in thousand Baht)	Non interest bearing	
Financial assets				
Cash	-	-	43,173	43,173
Interbank and money market items*	35,863	14,277,305	311,430	14,624,598
Investments, net	1,396,852	28,231,863	-	29,628,715
Loans to customers and accrued interest receivables**	157,670	20,107,721	2,310,790	22,576,181
Trading securities receivable	-	-	1,028,606	1,028,606
Other assets	-	-	44,699	44,699
Total financial assets	1,590,385	62,616,889	3,738,698	67,945,972

	Floating interest rate	2015		Total
		Fixed interest rate (in thousand Baht)	Non interest bearing	
Financial liabilities				
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	-	-	490,020	490,020
Collateral per Credit Support Annex	486,657	-	-	486,657
Other liabilities	-	-	293,297	293,297
Total financial liabilities	22,726,912	2,242,104	9,502,717	34,471,733
Effect of derivatives held for risk management	35,029,686	(35,029,686)	(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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	2014			
	Floating interest rate	Fixed interest rate <i>(in thousand Baht)</i>	Non interest bearing	Total
<i>Financial assets</i>				
Cash	-	-	45,415	45,415
Interbank and money market items*	51,857	22,294,833	460,393	22,807,083
Investments, net	999,176	24,447,495	-	25,446,671
Loans to customers and accrued interest receivables**	482,394	17,209,734	2,292,288	19,984,416
Trading securities receivable	-	-	1,040,841	1,040,841
Collateral per Credit Support Annex	715,414	-	-	715,414
Other assets	-	-	82,410	82,410
Total financial assets	<u>2,248,841</u>	<u>63,952,062</u>	<u>3,921,347</u>	<u>70,122,250</u>
<i>Financial liabilities</i>				
Deposits	21,666,475	964,255	7,311,701	29,942,431
Interbank and money market items	4,412,533	4,419,631	104,851	8,937,015
Liabilities payable on demand	-	-	2,221,608	2,221,608
Debt issued and borrowings	260,000	417,639	-	677,639
Trading securities payable	-	-	275,323	275,323
Collateral per Credit Support Annex	109,176	-	-	109,176
Other liabilities	-	-	254,425	254,425
Total financial liabilities	<u>26,448,184</u>	<u>5,801,525</u>	<u>10,167,908</u>	<u>42,417,617</u>
Effect of derivatives held for risk management	<u>125,875,572</u>	<u>(125,875,572)</u>	<u>(2,585,711)</u>	<u>(2,585,711)</u>

* Before deducting allowance for doubtful accounts amounting to Baht 8.23 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 2015 and 2014 were as follows:

	2015					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	-	-	-	-	-	-	43,173	-
Interbank and money market items*	35,863	14,220,473	56,832	-	-	-	14,624,598	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	116,423	22,576,181	3.42
Trading securities receivable	-	-	-	-	-	-	1,028,606	-
Other assets	-	-	-	-	-	-	44,699	-
Total financial assets	4,025,281	37,967,177	18,463,586	3,698,905	52,325	116,423	67,945,972	
Financial liabilities								
Deposits	17,712,808	992,186	2,420	5,500	873	-	25,378,919	0.23
Interbank and money market items	204,363	4,228,705	94,379	-	800,000	-	5,469,783	1.06
Liabilities payable on demand	-	-	-	-	-	-	1,911,932	-
Debt issued and borrowings	-	-	-	441,125	-	-	441,125	6.46
Trading securities payable	-	-	-	-	-	-	490,020	-
Collateral per Credit Support Annex	486,657	-	-	-	-	-	486,657	1.53
Other liabilities	-	-	-	-	-	-	293,297	-
Total financial liabilities	18,403,828	5,220,891	96,799	446,625	800,873	-	34,471,733	
Effect of derivatives held for risk management	-	9,233,763	(12,301,228)	(293,486)	3,360,951	-	(393,718,567)	

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

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	2014						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- accrual loans	
<i>Financial assets</i>							
Cash	-	-	-	-	-	-	45,415
Interbank and money market items*	51,857	22,230,287	64,546	-	-	-	22,807,083
Investments, net	-	6,799,240	13,381,386	3,696,833	1,569,212	-	25,446,671
Loans to customers and accrued interest receivables**	2,631,564	14,656,029	301,588	102,947	-	111,302	19,984,416
Trading securities receivable	-	-	-	-	-	-	1,040,841
Collateral per Credit Support Annex	715,414	-	-	-	-	-	715,414
Other assets	-	-	-	-	-	-	82,410
Total financial assets	3,398,835	43,685,556	13,747,520	3,799,780	1,569,212	111,302	70,122,250
<i>Financial liabilities</i>							
Deposits	21,666,475	918,994	39,321	5,940	-	-	29,942,431
Interbank and money market items	174,950	7,862,835	94,379	-	700,000	-	8,937,015
Liabilities payable on demand	-	-	-	-	-	-	2,221,608
Debt issued and borrowings	-	260,000	-	417,639	-	-	677,639
Trading securities payable	-	-	-	-	-	-	275,323
Collateral per Credit Support Annex	109,176	-	-	-	-	-	109,176
Other liabilities	-	-	-	-	-	-	254,425
Total financial liabilities	21,950,601	9,041,829	133,700	423,579	700,000	-	42,417,617
Effect of derivatives held for risk management	-	6,586,137	53,014,345	(53,087,852)	(6,512,630)	-	(2,585,711)

* Before deducting allowance for doubtful accounts amounting to Baht 8.23 million

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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 2015 and 2014, the Branch has financial assets (liabilities) denominated in various currencies, in Baht equivalent, as follows:

	2015	2014
	<i>(in thousand Baht)</i>	
Net foreign currency exposure*		
US Dollar	767,334,495	669,637,936
Euro	(100,325,429)	(466,576,476)
Others	(118,626,611)	65,915,674

* Including long-term borrowing from head office to maintain assets under Act amounting to Baht 17,800 million (2014: Baht 17,800 million) and including non-performing loans amounting to Baht 59.12 million (2014: Baht 54.00 million).

5.3 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 2015 and 2014 were as follows:

	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 assets							
Cash	-	-	-	-	-	43,173	43,173
Interbank and money market items*	344,751	14,222,942	56,905	-	-	-	14,624,598
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	-	282	22,576,181
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	24,041,596	19,107,746	5,236,553	43,455	97,343,451
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	-	490,020	-	-	-	-	490,020
Collateral per Credit Support Annex	486,657	-	-	-	-	-	486,657
Other liabilities	-	262,359	30,866	72	-	-	293,297
Total financial liabilities	27,123,228	6,069,800	8,265,414	18,982,977	6,881,040	-	67,349,459
Net liquidity gap	(22,762,053)	38,456,126	15,776,182	124,769	(1,644,487)	43,455	29,993,992

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

** Including non-performing loans

	At call	Less than 3 months	3 months to 1 year	2014 1 to 5 years (in thousand Baht)	over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	45,415	45,415
Interbank and money market items*	487,261	22,255,276	64,546	-	-	-	22,807,083
Derivative assets	-	3,555,815	5,851,098	12,803,090	5,735,310	-	27,945,313
Investments, net	-	6,799,240	13,381,386	3,696,833	1,569,212	-	25,446,671
Loans to customers and accrued interest receivables**	2,631,869	16,947,009	302,429	103,109	-	-	19,984,416
Trading securities receivable	-	1,040,841	-	-	-	-	1,040,841
Collateral per Credit Support Annex	715,414	-	-	-	-	-	715,414
Other assets	-	16,467	33,484	25,826	6,633	-	82,410
Total financial assets	3,834,544	50,614,648	19,632,943	16,628,858	7,311,155	45,415	98,067,563
Financial liabilities							
Deposits	28,978,176	918,994	39,321	5,940	-	-	29,942,431
Interbank and money market items	279,800	3,719,631	-	1,030,000	3,907,584	-	8,937,015
Liabilities payable on demand	2,221,608	-	-	-	-	-	2,221,608
Derivative liabilities	-	4,935,447	6,624,292	14,462,806	4,687,171	-	30,709,716
Debt issued and borrowings	-	260,000	-	417,639	-	-	677,639
Trading securities payable	-	275,323	-	-	-	-	275,323
Collateral per Credit Support Annex	109,176	-	-	-	-	-	109,176
Other liabilities	-	226,459	27,947	19	-	-	254,425
Total financial liabilities	31,588,760	10,335,854	6,691,560	15,916,404	8,594,755	-	73,127,333
Net liquidity gap	(27,754,216)	40,278,794	12,941,383	712,454	(1,283,600)	45,415	24,940,230

* Before deducting allowance for doubtful accounts amounting to Baht 8.23 million

** Including non-performing loans

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6 Fair value of financial assets and liabilities

Fair value hierarchy

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

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

6.1 Financial instruments measured at fair value

The following table analyses financial instruments 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 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	-	20,360,772	-	20,360,772
- Interest rate swap, forward rate agreement contracts and interest rate option contracts	-	12,473,006	-	12,473,006

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 transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the year ended 31 December 2015.

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Notes to the financial statements

6.2 Financial instruments not measured at fair value

The carrying value of significant financial instruments 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 instruments as disclosed herein.

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, available-for-sale securities and held-to-maturity debt instruments

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.

Investments in receivables

The fair value of investments in receivables are the expected recoverable amount determined based on the net present value of expected future cash flow collections calculated using discount rates equivalent to the market interest rate, adjusted by a risk premium. In cases where the discount rates cannot be reasonably estimated, the discount rates are equivalent to the rates that make the net present value of expected future cash flow collection equals to the carrying value of investments in the receivables.

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.

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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.

7 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 assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand as at 31 December 2015 and 2014 can be summarised as follows:

	2015	2014
	<i>(in thousand Baht)</i>	
Thai Government bonds	3,512,729	6,830,840
Bank of Thailand's bonds	14,670,325	12,125,384
Total	<u>18,183,054</u>	<u>18,956,224</u>

As at 31 December 2015 and 2014, the Branch's capital fund can be summarised as follows:

	2015	2014
	<i>(in thousand Baht)</i>	
Assets maintained under Section 32	<u>18,183,054</u>	<u>18,956,224</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	10,830,511	6,097,790
Total	<u>28,630,511</u>	<u>23,897,790</u>
Capital Fund <i>(in thousand Baht)</i>	17,800,000	17,800,000
Capital Adequacy Ratio (%)	18.28	18.55

According to Bank of Thailand notification number For Nor Sor (23) Wor 263/2556 dated 22 February 2013 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 2015, the Bank has capital after deducting capital add-on arising from Single Lending Limit amounting to Baht 17,557 million, 18.03% of total risk-weighted asset.

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As at 31 December 2015 and 2014, 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 2015 and 2014, the Branch met the minimum Capital Adequacy Ratio requirements set down by the Bank of Thailand, which is in compliance with the Basel III, for total capital at minimum of 8.5%.

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 2015 within 4 months after year end date as indicated in the notification through the Branch’s website “www.db.com/thailand”.

8 Interbank and money market items, net (assets)

	2015			2014		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Domestic						
The Bank of Thailand	308,887	-	308,887	435,403	-	435,403
Commercial banks	19,219	13,978,286	13,997,505	23,421	17,734,140	17,757,561
Specialised financial institutions*	-	-	-	-	4,000,000	4,000,000
Total	328,106	13,978,286	14,306,392	458,824	21,734,140	22,192,964
Add accrued interest receivable	-	2,420	2,420	-	24,583	24,583
Less allowance for doubtful accounts	-	(9,926)	(9,926)	-	(2,624)	(2,624)
Total domestic	328,106	13,970,780	14,298,886	458,824	21,756,099	22,214,923
Foreign						
US Dollar	-	299,018	299,018	-	560,693	560,693
Other currencies	16,645	-	16,645	28,437	-	28,437
Total	16,645	299,018	315,663	28,437	560,693	589,130
Add accrued interest receivables	-	122	122	-	406	406
Less allowance for doubtful accounts	-	(2,990)	(2,990)	-	(5,607)	(5,607)
Total foreign	16,645	296,150	312,795	28,437	555,492	583,929
Total domestic and foreign	344,751	14,266,930	14,611,681	487,261	22,311,591	22,798,852

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

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9 Derivatives

9.1 Derivatives held for trading

As at 31 December 2015 and 2014, the fair value and notional amount classified by type of risks are as follows:

Type of risk	Fair value		2015		Total
	Assets	Liabilities	Notional amount		
			Up to 1 year	Over 1 year	
			<i>(in thousand Baht)</i>		
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

Type of risk	Fair value		2014		Total
	Assets	Liabilities	Notional amount		
			Up to 1 year	Over 1 year	
			<i>(in thousand Baht)</i>		
Foreign exchange forward and currency swap contracts	16,114,345	16,095,861	826,295,603	217,407,181	1,043,702,784
Interest rate swap, forward rate agreement contracts and interest rate option contracts	11,830,968	14,613,855	1,262,032,307	1,019,383,111	2,281,415,418
Total	27,945,313	30,709,716	2,088,327,910	1,236,790,292	3,325,118,202

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 2015 and 2014, proportions of the notional amount of derivative transactions, classified by counterparties, consist of:

Counterparties	2015	2014
	(%)	
Financial institutions	93	97
Third parties	7	3
Total	100	100

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10 Investments, net

As at 31 December 2015 and 2014, the Branch classifies by investment type, as follow:

	2015 Fair value	2014 Fair value
	<i>(in thousand Baht)</i>	
<i>Trading investments</i>		
Government and state enterprise securities	29,628,715	25,446,671
Total investments, net	<u>29,628,715</u>	<u>25,446,671</u>

11 Loans to customers and accrued interest receivables, net

11.1 Classified by type of loans

	2015	2014
	<i>(in thousand Baht)</i>	
Overdrafts	3,995,235	2,637,381
Loans	18,547,810	17,334,110
Total loans	22,543,045	19,971,491
<i>Add</i> accrued interest receivables	33,137	12,925
Total loans and accrued interest receivables	22,576,182	19,984,416
<i>Less</i> allowance for doubtful accounts		
- BoT's minimum requirement - individual approach	(340,439)	(309,754)
Total loans to customers and accrued interest receivables, net	<u>22,235,743</u>	<u>19,674,662</u>

11.2 Classified by currency and residency of customers

	2015			2014		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	21,494,715	-	21,494,715	19,501,605	-	19,501,605
US Dollar	606,726	441,604	1,048,330	296,093	165,782	461,875
EURO	-	-	-	8,011	-	8,011
Total	<u>22,101,441</u>	<u>441,604</u>	<u>22,543,045</u>	<u>19,805,709</u>	<u>165,782</u>	<u>19,971,491</u>

11.3 Classified by type of business and loan classification

	Pass	2015 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>116,423</u>	<u>22,543,045</u>

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	Pass	2014 Doubtful of loss (in thousand Baht)	Total
Agriculture and mining	-	54,003	54,003
Manufacturing and commerce	15,367,628	57,299	15,424,927
Property development and construction	293,467	-	293,467
Infrastructure and services	369,898	-	369,898
Others	3,829,196	-	3,829,196
Total	19,860,189	111,302	19,971,491

11.4 Classified by loan grade

	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount for setting allowance for doubtful accounts	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

	Loans to customers and accrued interest receivables (in thousand Baht)	Net amount for setting allowance for doubtful accounts	2014 Rate used for setting allowance for doubtful accounts (%)	Allowance for doubtful accounts (in thousand Baht)
Allowance as per BoT's minimum requirement				
- Pass	19,873,114	19,845,189	1	198,452
- Doubtful of loss	111,302	111,302	100	111,302
Total	19,984,416	19,956,491		309,754

11.5 Non-performing loans

As at 31 December 2015 and 2014 the Branch had non-performing loans ("NPLs Gross") on accrual basis (including financial institutions) based on the BoT notification as follows:

	2015	2014
NPLs, gross (in thousand Baht)	116,423	111,302
Total loans used for NPLs ratio calculation ⁽¹⁾ (in thousand Baht)	36,820,350	42,266,324
Percentage of total loans ⁽²⁾	0.32	0.26

⁽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 2015 and 2014, the Branch had non-performing loans, net (“NPLs Net”) (including financial institutions) based on the BoT notification as follows:

	2015	2014
NPLs, net (<i>in thousand Baht</i>)	-	-
Total loans used for NPLs net ratio calculation ⁽¹⁾ (<i>in thousand Baht</i>)	36,703,928	42,155,021
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 2015, allowance for doubtful account of Baht 116 million (*2014: Baht 111 million*) have been provided against the Branch’s non-performing loans being those classified as doubtful loss.

12 Allowance for doubtful account

Movements in allowance for doubtful accounts for loans to customers during the years ended 31 December 2015 and 2014 consisted of:

	2015			
	Pass	Special Mention <i>(in thousand Baht)</i>	Doubtful of loss	Total
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>340,439</u>
	2014			
	Pass	Special Mention <i>(in thousand Baht)</i>	Doubtful of loss	Total
Beginning balance	158,932	-	111,057	269,989
Doubtful accounts	39,520	-	-	39,520
Others	-	-	245	245
Ending balance	<u>198,452</u>	<u>-</u>	<u>111,302</u>	<u>309,754</u>

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13 Leasehold building improvements and equipment, net

Changes in leasehold building improvements and equipment during the year ended 31 December 2015 and 2014 were as follows:

	Net book value at 1 January 2015	Cost			Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation			Ending balance	Net book value at 31 December 2015
		Beginning balance	Additions	Disposals			Depreciation	Disposals	Depreciation		
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	

	Net book value at 1 January 2014	Cost			Ending balance	Beginning balance (in thousand Baht)	Accumulated depreciation			Ending balance	Net book value at 31 December 2014
		Beginning balance	Additions	Disposals			Depreciation	Disposals	Depreciation		
Leasehold building improvement	105,569	207,060	-	(5,104)	201,956	101,491	20,534	(2,849)	119,176	82,780	
Furniture, fixtures and equipment	71,941	248,782	6,511	-	255,293	176,841	18,127	-	194,968	60,325	
Total	177,510	455,842	6,511	(5,104)	457,249	278,332	38,661	(2,849)	314,144	143,105	

The gross amount of the Branch's fully depreciated leasehold building improvements and equipment that was still in use as at 31 December 2015 amounted to Baht 105.6 million (2014: Baht 113.8 million).

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14 Deferred tax assets, net

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

	2015	2014
	<i>(in thousand Baht)</i>	
Deferred tax assets	177,967	164,673
Deferred tax liabilities	(4,183)	(9,754)
Net	<u>173,784</u>	<u>154,919</u>

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

	At 1 January 2015	<i>(Charged) / credited to</i>		At 31 December 2015
		Profit or loss	Other Comprehensive income	
		<i>(Note 31)</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	<u>164,673</u>	<u>12,036</u>	<u>1,258</u>	<u>177,967</u>
<i>Deferred tax liabilities</i>				
Investments	3,997	(3,997)	-	-
Leasehold building improvement and equipment	5,757	(1,574)	-	4,183
Total	<u>9,754</u>	<u>(5,571)</u>	<u>-</u>	<u>4,183</u>
Net	<u>154,919</u>	<u>17,607</u>	<u>1,258</u>	<u>173,784</u>

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	At 1 January 2014	<i>(Charged) / credited to</i> Profit or loss <i>(Note 31)</i> <i>(in thousand Baht)</i>	At 31 December 2014
Deferred tax assets			
Loss on revaluation of structured borrowing	83,597	45,645	129,242
Loans to customers and accrued interest receivables	1,026	-	1,026
Other assets	1,076	205	1,281
Provisions against derivative products	52,440	(34,219)	18,221
Employee benefit obligations	12,327	1,511	13,838
Other liabilities	1,909	(844)	1,065
Total	152,375	12,298	164,673
Deferred tax liabilities			
Investments	3,079	918	3,997
Leasehold building improvement and equipment	6,513	(756)	5,757
Total	9,592	162	9,754
Net	142,783	12,136	154,919

15 Other assets, net

	2015	2014
	<i>(in thousand Baht)</i>	
Accrued interest receivables	44,699	82,410
Others	77,917	104,389
Total	122,616	186,799

16 Classified assets

As at 31 December 2015 and 2014, classified assets of the Branch were categorised 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:

	2015			
	Investments	Interbank and money market items	Loans to customers and accrued interest receivables	Total
	<i>(in thousand Baht)</i>			
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

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	2014			
	Investments	Interbank and money market items	Loans to customers and accrued interest receivables	Total
	<i>(in thousand Baht)</i>			
Pass	-	22,319,822	19,873,114	42,192,936
Doubtful loss	17,499	-	111,302	128,801
Total	17,499	22,319,822	19,984,416	42,321,737

17 Deposits

17.1 Classified by type of deposits

	2015	2014
	<i>(in thousand Baht)</i>	
Current	6,665,132	7,311,701
Savings	17,712,808	21,666,475
Term		
- Less than 6 months	972,059	918,994
- 6 months but less than 1 year	20,480	-
- 1 year and over	8,440	45,261
Total	25,378,919	29,942,431

17.2 Classified by currency and residency of depositors

	2015			2014		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in thousand Baht)</i>					
Baht	21,184,174	175,579	21,359,753	20,737,523	287,408	21,024,931
US Dollar	2,051,051	10,253	2,061,304	7,790,710	168,848	7,959,558
Others	1,952,415	5,447	1,957,862	956,227	1,715	957,942
Total	25,187,640	191,279	25,378,919	29,484,460	457,971	29,942,431

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18 Interbank and money market items (liabilities)

	2015			2014		
	At call	Term	Total	At call	Term	Total
	<i>(in thousand Baht)</i>					
Domestic						
Commercial banks	203,401	-	203,401	154,303	2,219,631	2,373,934
Specialised financial institutions*	1	-	1	3,050	1,500,000	1,503,050
Other financial institutions**	1,570	5,123,084	5,124,654	1,577	4,937,584	4,939,161
Total domestic	204,972	5,123,084	5,328,056	158,930	8,657,215	8,816,145
Foreign						
Baht	140,265	-	140,265	102,342	-	102,342
Other currencies	1,462	-	1,462	18,528	-	18,528
Total foreign	141,727	-	141,727	120,870	-	120,870
Total domestic and foreign	346,699	5,123,084	5,469,783	279,800	8,657,215	8,937,015

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

** Other financial institutions mean financial institutions which operate under the Interest on Loans of Finance Institution Act and apart from those listed above such as Finance company, Securities company, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and Credit Union League of Thailand Limited

19 Debt issued and borrowings

	2015	2014
	<i>(in thousand Baht)</i>	
Domestic		
Bills of exchange	441,125	417,639
Promissory notes	-	260,000
Total	441,125	677,639

As at 31 December 2015, borrowings of Baht 441 million (2014: Baht 678 million) are promissory notes and bills of exchange issued by the Branch in Thai Baht and non bearing interest (2014: 5.25% - 6.55% per annum).

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20 Provisions against derivative products

	Liquidity provision	Other provision <i>(in thousand Baht)</i>	Total
At 1 January 2014	147,622	114,576	262,198
Provision made	42,898	4,755	47,653
Provision used	(110,926)	(80,731)	(191,657)
Provision reversed	(11,881)	(15,208)	(27,089)
At 31 December 2014 and 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	57,896	28,469	86,365

21 Other liabilities

	2015 <i>(in thousand Baht)</i>	2014
Accrued staff bonus	109,047	140,968
Income tax payable	6,625	26,079
Accrued interest expense	293,775	254,601
Accrued deposit protection agency fee	52,505	56,745
Cheque payable	118,963	119,060
Others	75,144	75,365
Total	656,059	672,818

22 Commitments and contingent liabilities

Commitments and contingent liabilities as at 31 December 2015 and 2014 were as follows:

(a)	2015 <i>(in thousand Baht)</i>	2014
Other guarantees	26,721,903	27,397,919
Letters of credit	1,263,746	491,742
Unmatured import bills	44,820	57,024
Committed line	1,067,787	632,713
Total	29,098,256	28,579,398

(b) Non-cancellable operating lease agreement

(1) Lease and service agreement

As at 31 December 2015, the Branch had a 6 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:

	2015 <i>(in thousand Baht)</i>	2014
Within one year	39,819	39,467
After one year but within five years	171,422	177,420
After five years	-	33,814
Total	211,241	250,701

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(2) Operating leases

	2015	2014
	<i>(in thousand Baht)</i>	
<i>Non- cancellable operating lease commitments</i>		
Within one year	664	1,252
After one year but within five years	-	313
Total	664	1,565

(3) Other commitments

	2015	2014
	<i>(in thousand Baht)</i>	
Business Continuity Facility Charge agreement	85,964	18,516
Facility Management Solution agreement	9,014	8,456
Total	94,978	26,972

23 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 Operation Officer - Head of Global Transaction Banking - Chief Head of Finance - Head of Compliance - Head of Corporate Banking and Securities
Head Office and other Branches		
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
Deutsche Bank AG, Hong Kong	Hong Kong	Other Branches

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Name of entities / person	Country of incorporation/ nationality	Nature of relationships
Deutsche Bank AG, New York	U.S.A	Other Branches
Deutsche Bank AG, London	U.K.	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 Bank AG, Paris	France	Other Branches
Deutsche Bank AG, Shanghai	China	Other Branches
Deutsche Knowledge Services Pte. Ltd., Manila	Philippines	Other Branches
Deutsche Bank Trust Company Americas	U.S.A	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, Canada	Canada	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, Prag	Czech	Other Branches
Deutsche Bank AG, Dubai	U.A.E	Other Branches
<i>Other Group entities</i>		
Deutsche Securities Inc. Tokyo	Japan	Other Group entity
DWS Holding & Service GmbH	Germany	Other Group entity
Deutsche Bank Securities Inc.	U.S.A	Other Group entity
Deutsche Group Services Pty Limited	Australia	Other Group entity
Deutsche Bank, Madrid	Spain	Other Group entity
Deutsche Bank, Luxembourg S.A.	Luxembourg	Other Group entity
DB Services New Jersey, Inc.	U.S.A	Other Group entity
DBOI Global Services Private Limited	India	Other Group entity
DBOI Global Services (UK) Limited	U.K.	Other Group entity
DB Group Services (EURO)	U.K.	Other Group entity
Deutsche Bank Moscow	Russia	Other Group entity
Deutsche Bank (China) Co., Ltd.	China	Other Group entity
Deutsche Investor Service Private Limited	India	Other Group entity
DB Service Americas, Inc.	U.S.A	Other Group entity
DB Service Centre Limited	U.K.	Other Group entity
Deutsche Bank AG, Malaysia	Malaysia	Other Group entity
Deutsche Investment Management Americas Inc.	U.S.A	Other Group entity
Deutsche Bank (Suisse) S.A.	Switzerland	Other Group entity
DB UK Bank Limited	U.K.	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	U.S.A	Other Group entity
DB Energy Trading LLC	U.S.A	Other Group entity
DWS Investments Distributors, Inc.	U.S.A	Other Group entity
DB Trust Company Limited Japan	Japan	Other Group entity
DB Service Centre Limited	Ireland	Other Group entity

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Name of entities / person	Country of incorporation/ nationality	Nature of relationships
RREEF Management L.L.C.	U.S.A	Other Group entity
DB Investment Partners, Inc.	U.S.A	Other Group entity
Deutsche CIB Centre Private Limited	U.K.	Other Group entity
Deutsche Asset Management (Japan) Limited	Japan	Other Group entity
Deutsche Bank International Limited	U.S.A	Other Group entity
Deutsche Bank TechCentre	Russia	Other Group entity
Deutsche Securities ASIA	Hong Kong	Other Group entity

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 2015 and 2014 with key management and related parties were as follows:

<i>For the year ended 31 December</i>	2015	2014
	<i>(in thousand Baht)</i>	
Head Office and other Branches		
Interest income	40	53
Interest expense	151,614	86,887
Expense allocated from head office	516,980	596,071
Profit remitted to head office	198,000	315,000
Other operating income from head office	156,627	112,280
Other Group entities		
Expense allocated	23,628	19,002

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:

	2015	2014
	<i>(in thousand Baht)</i>	
Key management personnel compensation		
Short-term benefits	133,922	120,856
Post-employment benefits	16,870	8,560
Total	150,792	129,416

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Significant balances as at 31 December 2015 and 2014 with related parties were as follows:

	2015 <i>(in thousand Baht)</i>	2014
<i>Funds brought in to maintain assets under the Act</i>		
Deutsche Bank AG, Singapore	<u>17,800,000</u>	<u>17,800,000</u>
<i>Debts issued and borrowings</i>		
Deutsche Bank AG, Singapore	7,427,701	5,242,785
Deutsche Bank AG, London	6,315,496	-
Deutsche Bank AG, Zentral Frankfurt	-	988,890
Total	<u>13,743,197</u>	<u>6,231,675</u>
<i>Accrued interest payable</i>		
Deutsche Bank AG, Singapore	40,065	12,799
Deutsche Bank AG, London	8,491	-
Deutsche Bank AG, Zentral Frankfurt	-	11
Total	<u>48,556</u>	<u>12,810</u>
Unrealised gains on derivative contracts, net	<u>(916,862)</u>	<u>(275,552)</u>
Interbranch accounts	<u>(2,044,380)</u>	<u>128,857</u>
<i>Derivatives - Foreign currency related (notional amount)</i>		
Head office and other branches	<u>83,639,463</u>	<u>77,606,181</u>
<i>Derivatives - Interest rate related (notional amount)</i>		
Head office and other branches	<u>1,251,762,876</u>	<u>1,267,648,387</u>
<i>Derivatives - Commodities (notional amount)</i>		
Head office and other branches	<u>733,211</u>	<u>-</u>

As at 31 December 2015, debts issued and borrowings from related parties were due to mature from 25 January 2016 to 16 June 2016 (2014: 5 January 2015 to 11 March 2015) and carried interest between 0.55% - 1.05% per annum (2014: 0.20% - 0.34% per annum).

24 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.

25 Interest income

	2015 <i>(in thousand Baht)</i>	2014
Interbank and money market items	359,366	629,039
Investments and trading transactions	402,762	577,661
Loans to customers	402,360	416,217
Total	<u>1,164,488</u>	<u>1,622,917</u>

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26 Interest expenses

	2015	2014
	<i>(in thousand Baht)</i>	
Deposits	71,440	180,941
Interbank and money market items	379,364	347,478
Contribution to Deposit Protection Agency	113,875	140,233
Debt issued and borrowings	21,755	23,329
Total	<u>586,434</u>	<u>691,981</u>

27 Net fees and service income

	2015	2014
	<i>(in thousand Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	71,080	77,199
- Fund transfer and collection services	100,630	101,122
- Custody of customers securities	51,938	43,082
- Others	79,752	126,770
Total	<u>303,400</u>	<u>348,173</u>
Fees and service expenses		
- Transfer fees between financial institutions	36,314	35,840
- Others	74,250	103,961
Total	<u>110,564</u>	<u>139,801</u>
Net	<u>192,836</u>	<u>208,372</u>

28 Net gains on trading and foreign exchange transactions

	2015	2014
	<i>(in thousand Baht)</i>	
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and foreign currencies related derivatives	544,180	(3,062,481)
- Interest rate related derivatives	(254,134)	3,206,127
- Debt securities	181,495	204,135
Total	<u>471,541</u>	<u>347,781</u>

29 Bad debts, allowance for doubtful accounts and impairment loss

	2015	2014
	<i>(in thousand Baht)</i>	
Interbank and money market items (reversal)	4,686	(7,545)
Loans to customers	25,564	39,520
Total	<u>30,250</u>	<u>31,975</u>

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30 Employee expenses

	2015	2014
	<i>(in thousand Baht)</i>	
Salaries, wages and bonus	395,194	421,985
Legal severance payment plan	31,997	21,880
Long service award	3,206	1,870
Termination	-	-
Share-based payment transaction	18,061	24,493
Others	63,311	56,945
Total	<u>511,769</u>	<u>527,173</u>

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.

31 Income tax

Income tax recognised in profit or loss

	Note	2015	2014
		<i>(in thousand Baht)</i>	
Current tax expense			
Current year		21,649	55,529
Under (over) adjustment for prior years		4,412	(60,850)
		<u>26,061</u>	<u>(5,321)</u>
Deferred tax expense			
Movements in temporary differences	14	(17,607)	(12,136)
		<u>(17,607)</u>	<u>(12,136)</u>
Total		<u>8,454</u>	<u>(17,457)</u>

Income tax recognized in other comprehensive income

	Before Tax	2015 Tax Benefit	Net	Before Tax	2014 Tax Benefit	Net
	<i>(thousand Baht)</i>					
Actuarial losses on defined benefit plans	(6,292)	1,258	(5,034)	-	-	-
Total	<u>(6,292)</u>	<u>1,258</u>	<u>(5,034)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deutsche Bank Aktiengesellschaft, Bangkok Branch
Notes to the financial statements

<i>Reconciliation of effective tax rate</i>	2015		2014	
	<i>Rate (%)</i>	<i>(in thousand Baht)</i>	<i>Rate (%)</i>	<i>(in thousand Baht)</i>
Profit before income tax expense		42,257		281,938
Income tax using Thai corporation tax rate	20.0	8,451	20.0	56,388
Expenses not deductible (income not taxable) for tax purposes	0.0	3	(6.3)	(17,859)
Under (over) provided in prior years	10.4	4,412	(21.6)	(60,850)
Adjustment for prior year - deferred	(10.4)	(4,412)	1.7	4,864
Total	20.0	8,454	(6.2)	(17,457)

Income tax reduction

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

32 Thai Financial Reporting Standards (TFRS) not yet adopted

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

TFRS	Topic
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2015)	Related Party Disclosures
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TFRS 2 (revised 2015)	Share-based Payment
TFRS 5 (revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 13 (revised 2015)	Fair Value Measurement

The Branch has made a preliminary assessment of the potential initial impact on the Branch's financial statements of these revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.