

Citibank, N.A. Bangkok Branch

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



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Independent Auditor's Report

To the Management of Citibank, N.A. Bangkok Branch

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
28 April 2017

Citibank, N.A. Bangkok Branch

Statement of financial position

| Assets | Note | 31 December | |
|--|------------|---------------------------|---------------------------|
| | | 2016 | 2015 |
| | | <i>(in thousand Baht)</i> | |
| Cash | | 338,001 | 324,668 |
| Interbank and money market items, net | 7, 23 | 37,895,296 | 56,368,399 |
| Derivative assets | 8, 23 | 19,993,572 | 22,932,721 |
| Investments, net | 9 | 64,300,386 | 43,623,092 |
| Loans to customers and accrued interest receivables, net | 10, 11, 23 | | |
| Loans to customers | | 88,693,059 | 94,613,992 |
| Accrued interest receivables | | 83,112 | 162,613 |
| Total loans to customers and accrued interest receivables | | 88,776,171 | 94,776,605 |
| <i>Less</i> deferred revenue | | (24,536) | (14,134) |
| <i>Less</i> allowance for doubtful accounts | 10.4, 12 | (3,261,961) | (3,166,921) |
| <i>Less</i> revaluation allowance for debt restructuring | 10.4, 13 | (696,705) | (646,391) |
| Total loans to customers and accrued interest receivables, net | | 84,792,969 | 90,949,159 |
| Leasehold building improvements and equipment, net | 14 | 446,559 | 410,049 |
| Deferred tax assets, net | 15 | 313,327 | 288,985 |
| Other assets, net | 16, 23 | 3,248,122 | 4,021,823 |
| Total assets | | <u>211,328,232</u> | <u>218,918,896</u> |

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

Citibank, N.A. Bangkok Branch

Statement of financial position

| | Note | 31 December | |
|---|--------|---------------------------|--------------------|
| | | 2016 | 2015 |
| Liabilities and accounts with head office and other branches of the same juristic person | | <i>(in thousand Baht)</i> | |
| Liabilities | | | |
| Deposits | 18, 23 | 135,185,919 | 140,357,816 |
| Interbank and money market items | 19, 23 | 16,617,531 | 12,530,029 |
| Liabilities payable on demand | | 4,666,464 | 5,270,827 |
| Derivative liabilities | 8, 23 | 19,863,257 | 24,667,009 |
| Employee benefit obligations | 20 | 409,925 | 426,860 |
| Accrued expenses | 23 | 2,211,881 | 2,372,266 |
| Other liabilities | 21, 23 | 5,096,009 | 5,448,585 |
| Total liabilities | | 184,050,986 | 191,073,392 |
| Accounts with head office and other branches of the same juristic person | | | |
| Funds brought into maintain assets under the Act | 6 | 21,743,094 | 21,743,094 |
| Balance of inter-office accounts with head office and other branches of the same juristic person, net | 6, 23 | 1,597,052 | 1,980,705 |
| Other components of accounts with head office and other branches of the same juristic person | 9 | (189,594) | (1,186) |
| Retained earnings | | 4,126,694 | 4,122,891 |
| Total accounts with head office and other branches of the same juristic person | | 27,277,246 | 27,845,504 |
| Total liabilities and accounts with head office and other branches of the same juristic person | | 211,328,232 | 218,918,896 |

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

Citibank, N.A. Bangkok Branch

Statement of profit or loss and other comprehensive income

| | Note | Year ended 31 December | |
|---|--------|---------------------------|-------------------|
| | | 2016 | 2015 |
| | | <i>(in thousand Baht)</i> | |
| Interest income | 23, 25 | 9,235,876 | 9,371,992 |
| Interest expense | 23, 26 | 1,078,769 | 1,182,633 |
| Net interest income | | 8,157,107 | 8,189,359 |
| Fees and service income | 23 | 5,019,891 | 4,892,386 |
| Fees and service expenses | 23 | 1,527,770 | 1,636,610 |
| Net fees and service income | 27 | 3,492,121 | 3,255,776 |
| Gains on trading and foreign exchange transactions | 28 | 2,314,031 | 1,983,449 |
| Net gain from investments | 29 | 112,031 | 44,766 |
| Other operating income | | 739,005 | 726,725 |
| Total operating income | | 14,814,295 | 14,200,075 |
| Other operating expenses | | | |
| Employee expenses | 23, 31 | 2,671,854 | 2,440,953 |
| Premises and equipment expenses | | 791,349 | 775,911 |
| Taxes and duties | | 510,588 | 467,313 |
| Intragroup charges | 23 | 683,792 | 101,223 |
| Others | 23, 32 | 3,267,713 | 3,141,114 |
| Total other operating expenses | | 7,925,296 | 6,926,514 |
| Bad debts, allowance for doubtful accounts and impairment loss | 30 | 2,088,498 | 2,359,695 |
| Profit from operations before income tax expense | | 4,800,501 | 4,913,866 |
| Income tax | 33 | 999,210 | 1,052,775 |
| Profit for the year | | 3,801,291 | 3,861,091 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Defined benefit plan actuarial gain | 20 | 45,524 | 18,116 |
| Income tax on other comprehensive income | 33 | (9,105) | (3,623) |
| | | 36,419 | 14,493 |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | | | |
| Net change in fair value of available-for-sale investments | 9 | (235,510) | (75,267) |
| Income tax on other comprehensive income | 33 | 47,102 | 15,054 |
| | | (188,408) | (60,213) |
| Other comprehensive income for the year, net of income tax | | (151,989) | (45,720) |
| Total comprehensive income for the year | | 3,649,302 | 3,815,371 |

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

Citibank, N.A. Bangkok Branch

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

| | Note | Funds brought into maintenance of assets under the Act | Balance of inter-office accounts with head office and other branches of the same juristic person, net | Other components of accounts with head office and other branches of the same juristic person | Retained earnings | Total |
|--|------|--|---|--|--------------------|--------------------|
| Year ended 31 December 2015 | | | | | | |
| Balance 1 January 2015 | | 21,743,094 | 1,112,443 | 59,027 | 4,806,370 | 27,720,934 |
| Transactions with head office and other branches, recorded directly in head office and other branches of the same juristic person | | | | | | |
| <i>Contributions by and distributions to head office and other branches of the same juristic person of the Branch</i> | | | | | | |
| Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net | | - | 868,262 | - | - | 868,262 |
| Profit remitted to head office | 23 | - | - | - | (4,103,157) | (4,103,157) |
| Income tax on remitted profits | 23 | - | - | - | (455,906) | (455,906) |
| Total contributions by and distributions to head office and other branches of the same juristic person of the Branch | | - | 868,262 | - | (4,559,063) | (3,690,801) |
| Comprehensive income for the year | | | | | | |
| Profit for the year | | - | - | - | 3,861,091 | 3,861,091 |
| Other comprehensive income | | | | | | |
| Net change in fair value of available-for-sale investments, net of income tax | 33 | - | - | (60,213) | - | (60,213) |
| Defined benefit plan actuarial gain, net of income tax | 33 | - | - | - | 14,493 | 14,493 |
| Total other comprehensive income | | - | - | (60,213) | 14,493 | (45,720) |
| Total comprehensive income for the year | | - | - | (60,213) | 3,875,584 | 3,815,371 |
| Balance as at 31 December 2015 | | 21,743,094 | 1,980,705 | (1,186) | 4,122,891 | 27,845,504 |

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

Citibank, N.A. Bangkok Branch

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

| | Funds brought into maintenance of assets under the Act | Balance of inter-office accounts with head office and other branches of the same juristic person, net | Other components of accounts with head office and other branches of the same juristic person Fair value changes in available-for-sale investments (in thousand Baht) | Retained earnings | Total |
|--|---|---|--|----------------------|--------------------|
| Year ended 31 December 2016 | | | | | |
| Balance 1 January 2016 | 21,743,094 | 1,980,705 | (1,186) | 4,122,891 | 27,845,504 |
| Transactions with head office and other branches, recorded directly in head office and other branches of the same juristic person | | | | | |
| <i>Contributions by and distributions to head office and other branches of the same juristic person of the Branch</i> | | | | | |
| Movement in balance of inter-office accounts with head office and other branches of the same juristic person, net | - | (383,653) | - | - | (383,653) |
| Profit remitted to head office | - | - | - | (3,450,516) | (3,450,516) |
| Income tax on remitted profits | - | - | - | (383,391) | (383,391) |
| Total contributions by and distributions to head office and other branches of the same juristic person of the Branch | - | (383,653) | - | (3,833,907) | (4,217,560) |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 3,801,291 | 3,801,291 |
| Other comprehensive income | | | | | |
| Net change in fair value of available-for-sale investments, net of income tax | - | - | (188,408) | - | (188,408) |
| Defined benefit plan actuarial gain, net of income tax | - | - | - | 36,419 | 36,419 |
| Total other comprehensive income | - | - | (188,408) | 36,419 | (151,989) |
| Total comprehensive income for the year | - | - | (188,408) | 3,837,710 | 3,649,302 |
| Balance as at 31 December 2016 | 21,743,094 | 1,597,052 | (189,594) | 4,126,694 | 27,277,246 |

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

Citibank, N.A. Bangkok Branch

Statement of cash flows

| | Year ended 31 December | |
|--|---------------------------|------------------|
| | 2016 | 2015 |
| | <i>(in thousand Baht)</i> | |
| <i>Cash flows from operating activities</i> | | |
| Profit from operations before income tax expense | 4,800,501 | 4,913,866 |
| <i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i> | | |
| Depreciation and amortisation | 117,442 | 129,076 |
| Bad debts, allowance for doubtful accounts and impairment loss | 2,089,106 | 2,362,789 |
| Net gain from investments | (112,031) | (44,766) |
| Net loss on disposal and written off leasehold building improvements and equipments | 1,282 | 178 |
| Unrealized loss (gain) on forward and derivatives contracts, net | (1,906,713) | (44,613) |
| Unrealized loss (gain) on translation of foreign currencies | 16,992 | (49,795) |
| Provision for employee benefits | 41,794 | 40,092 |
| Employee benefit obligation paid | (13,205) | (618) |
| Net interest income | (8,157,107) | (8,189,359) |
| Interest received | 9,284,236 | 9,424,336 |
| Interest paid | (1,096,306) | (1,263,778) |
| Income tax paid | (826,183) | (1,233,269) |
| Profit from operations before changes in operating assets and liabilities | 4,239,808 | 6,044,139 |
| <i>Decrease (increase) in operating assets</i> | | |
| Interbank and money market items | 18,476,658 | (13,289,418) |
| Investments in securities held for trading | (2,474,834) | 7,942,515 |
| Loans to customers | 3,740,710 | (7,647,096) |
| Other assets | 804,230 | (351,979) |
| <i>Increase (decrease) in operating liabilities</i> | | |
| Deposits | (4,896,126) | 13,030,591 |
| Interbank and money market items | 4,085,911 | 247,220 |
| Liabilities payable on demand | (604,364) | 1,035,814 |
| Other liabilities | (651,077) | 1,185,165 |
| Net cash provided by operating activities | 22,720,916 | 8,196,951 |

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

Citibank, N.A. Bangkok Branch

Statement of cash flows

| | Year ended 31 December | |
|---|------------------------------|------------------------------|
| | 2016 | 2015 |
| | <i>(in thousand Baht)</i> | |
| <i>Cash flows from investing activities</i> | | |
| Net proceeds from purchase and sale of available-for-sale investments | (18,325,937) | (4,509,389) |
| Purchases of equipment | (155,366) | (62,051) |
| Proceeds from sales of equipment | 133 | 14,184 |
| Net cash used in investing activities | <u>(18,481,170)</u> | <u>(4,557,256)</u> |
| <i>Cash flows from financing activities</i> | | |
| Profit remitted to head office | (3,450,516) | (4,103,157) |
| Income tax paid on profit remitted to head office | (383,391) | (455,906) |
| Increase (decrease) in balance of inter-office accounts with head office and other branches of the same juristic person, net | <u>(392,506)</u> | <u>921,469</u> |
| Net cash used in financing activities | <u>(4,226,413)</u> | <u>(3,637,594)</u> |
| Net increase in cash | 13,333 | 2,101 |
| Cash at 1 January | <u>324,668</u> | <u>322,567</u> |
| Cash at 31 December | <u><u>338,001</u></u> | <u><u>324,668</u></u> |
| Supplementary disclosures of cash flows information | | |
| Non-cash transactions | | |
| Net change in fair value of available-for-sales investment | (235,510) | 75,267 |

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

Citibank, N.A. Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2016

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| 31 | Employee expense |
| 32 | Other expense |
| 33 | Income tax |
| 34 | Thai Financial Reporting Standards (TFRSs) not yet adopted |

Citibank, N.A. Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2016

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the management of Citibank, N.A. Bangkok Branch (“the Branch”) on 28 April 2017.

1 General information

The Branch was granted a license by the Ministry of Finance to carry out domestic banking business in Thailand under the Commercial Banking Act. The Branch was granted a license to undertake its commercial banking business in September 1985.

The Branch has its registered office at 399, Interchange 21 Building Sukhumvit Road, Klongtoey Nua, Wattana, Bangkok.

2 Basis of preparation of the financial statements

The Branch is a part of Citibank, N.A. and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRSs”); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and presented as prescribed by the Bank of Thailand notification number Sor Nor Sor 21/2015, directive 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 TFRSs effective for annual accounting periods beginning on or after 1 January 2016. The initial application of these new and revised TFRSs has resulted in changes in certain of the Branch’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRSs which are effective for annual financial periods beginning on or after 1 January 2017 and have not been adopted in the preparation of these financial statements. Those new and revised TFRSs that are relevant to the Branch’s operations are disclosed in note 34.

(b) Basis of measurement

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

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

Citibank, N.A. Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2016

(c) *Functional and presentation currency*

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

(d) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

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

| | |
|---------|--|
| Note 5 | Fair value of financial assets and liabilities |
| Note 8 | Derivatives |
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| 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 both financial and non-financial assets and liabilities.

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

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Branch recognises 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 5 Fair value of financial assets and liabilities.

Citibank, N.A. Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2016

3 Significant accounting policies

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

(a) Foreign currencies

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 rates at the reporting date. Foreign currency differences arising from translation are recognised in profit or loss.

(b) Cash

Cash comprises cash on hand and cash on collection.

(c) Investments

Investments in other debt and equity securities

Debt securities and marketable equity securities held for trading are classified as trading securities and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities that the Branch has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as 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.

Initial recognition

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

Citibank, N.A. Bangkok Branch
Notes to the financial statements
For the year ended 31 December 2016

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 FIFO 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.

(f) *Troubled debt restructuring*

Losses on troubled debt restructuring resulting from the reduction of principal and accrued interest and other restructuring concessions including modification of terms are recognised as expenses in profit or loss.

In case the troubled debt restructuring modifies the terms of payment, the Branch complies with the BoT's criteria requiring the Branch to choose between the collateral method by which a loss amount is to be estimated and/or the net present value method which represents expected cash flow in the future and applying the market interest rate on the restructuring date for discounting purposes to calculate fair value. Losses from such debt restructuring are recognised in profit or loss.

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Subsequent to the troubled debt restructuring, the Branch recalculates fair value of restructured debt based on the aforementioned discount rates as of the reporting date and makes an adjustment for the valuation on the restructured debt, if the fair value has changed. The recalculation made to the financial statements is in accordance with the aforementioned BoT criteria. The adjustment in the valuation of restructured debt shall not cause the book value of restructured debt to exceed the investment value of restructured debt.

(g) Leasehold building improvements and equipment

Recognition and measurement

Owned assets

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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 other amount substituted for 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 | 5 - 15 years |
| Furniture, fixtures and equipment | 2 - 10 years |
| Vehicles | 5 years |

No depreciation is provided on assets under construction.

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

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(h) Impairment

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses revaluation credited to account with the accounts with head office and other branches of the same juristic person, in 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 held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

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.

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(i) Financial instruments

Derivative

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

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.

The fair value of interest rate swaps is the estimated amount that the Branch would receive or pay to terminate the swap at the reporting date, taking into account current interest rates.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

The Branch records forward exchange and currency swap contract transactions as off-financial reporting items and calculates gains or losses on remeasurement by adjusting to market value.

Deposit and borrowing transactions with embedded derivatives

Deposit and borrowing transactions with embedded derivatives are carried at fair value, consistent with FASB 155 "Accounting for Certain Hybrid Financial Instruments" and FASB 159 "The Fair Value Option for Financial Assets and Financial Liabilities" issued by the Financial Accounting Standards Board of U.S.A. The Branch adopts FASB 155 for deposits and borrowings transactions with embedded derivatives that are not interest rate linked and FASB 159 for deposits and borrowings transactions with embedded derivatives that contain interest rate derivatives. The change in fair value is recognised in profit or loss.

(j) Employee benefits

Define 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.

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

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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.

Other Long-term employee benefits - Share-based payments

The Branch participates in equity-settled share based compensation plans for its employees that are offered by the ultimate parent company of the Group, Citigroup Inc. The fair value of the services received in exchange for the grant of the stock options is recognised as an expense in the profit or loss over the vesting periods of the grant.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options grants, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Branch revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the profit or loss.

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.

(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.

Asset retirement obligations

The Branch estimates and recognises a liability for costs associated with the retirement or removal of an asset from service, regardless of the uncertainty of timing or whether performance will be required. For the Branch, this applies to certain real estate restoration activities in the office space, which are rented under lease agreements.

(l) Interest income

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.

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(m) Loyalty programmes

The Branch has a customer loyalty programme whereby customers are awarded credits (Points) entitling customers to the right to purchase products from the Branch at a discount or qualify for a free gift. The fair value of the consideration received or receivable in respect of initial sale is allocated between the Points and other components of the sale. The amount allocated to the Point is estimated by reference to the fair value of the right to purchase products at a discount or fair value of the free gift. The fair value is estimated based on the amount of the discount adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised only when the Points are redeemed and the Branch has fulfilled its obligations to supply the products. The amount of revenue recognised in those circumstances is based on the number of Points that have been redeemed in exchange for discounted products, relative to the total number of Points that is expected to be redeemed. Deferred revenue is also released to profit or loss when it is no longer considered probable that the Points will be redeemed.

(n) Interest expense

The Branch recognises interest expenses on an accruals basis.

(o) 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 joint 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.

(p) *Loan origination costs*

The Branch follows Statement of Financial Accounting Standards No. 91 of the Financial Accounting Standards Board of the U.S.A., in deferring the direct origination cost of loans to be amortized over the maturities of the related loans.

(q) *Offsetting*

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

4 Financial risk management

Financial risk management policies

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

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

4.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Branch. The Branch has adopted a policy of dealing with credit worthy counterparts and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating the risk of financial losses from defaults.

In respect of recognised financial assets, the carrying amount of the assets recorded in the statements of financial position, net of allowance for doubtful accounts, represents the Branch's exposure to credit loss.

The Branch's exposure to credit loss in case of non-performance by a counterparty to the financial instruments is represented by the contractual notional amount of those instruments.

Credit risk also arises from the possibility that a counterparty to derivatives contracts will not adhere to the terms of the contract with the Branch when settlement becomes due.

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Derivatives contracts classified by type and at regulatory credit equivalent values as at 31 December 2016 and 2015 were as follows:

| | 2016 | 2015 |
|---------------------------------|--------------------------|----------------------|
| | <i>(in million Baht)</i> | |
| Forward exchange contracts | 10,912 | 8,553 |
| Forward interest rate contracts | 5,504 | 5,051 |
| Commodity option | 2,355 | 2,450 |
| Total | <u>18,771</u> | <u>16,054</u> |

4.2 Market risk

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

The Branch is party to financial instruments in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in foreign exchange rates and interest rates. These financial instruments include commitments to extend credit, standby letters of credit, financial guarantees, options, forwards and swap contracts. These instruments involve, to varying degrees, elements of credit, foreign exchange and interest in excess of the amount recognized in the financial statements. The contract or notional amounts of those instruments reflect the extent of the Branch's involvement in particular classes of financial instruments. The Branch does not engage in speculation with derivative financial instruments.

The Branch enters into options, forwards and swap contracts as part of its risk management strategy primarily to manage market risk arising from the Branch's underlying assets and liabilities and to offset risk created by its customers. The utilization of options, forwards and swap contracts for these purposes is governed by the Risk Management Committee's approved guidelines and monitored by a risk manager.

(a) Interest rate risk

Interest rate risk arises from the potential for a change in market interest rates to have an adverse effect on the net interest earnings of the Branch in the current year, and in future years. Interest rate risk arises from the structure and characteristics of the Branch's assets, liabilities and accounts with head office and other branches of the same juristic person, and in the mismatch in repricing dates of its assets and liabilities.

An analysis of loans to customers at fixed and floating interest rates as at 31 December 2016 and 2015 is as follows:

| | 2016 | 2015 |
|------------------------|--------------------------|----------------------|
| | <i>(in million Baht)</i> | |
| Fixed interest rate | 69,358 | 74,822 |
| Floating interest rate | 16,933 | 17,340 |
| Total loans | <u>86,291</u> | <u>92,162</u> |

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Notes to the financial statements
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Significant financial assets and liabilities classified by types of interest rate are as follows:

| | 31 December 2016 | | | Total |
|---|-------------------|----------------------------------|----------------------|--------------------|
| | Floating rate | Fixed rate (in thousand Baht) | Non-interest bearing | |
| Financial assets | | | | |
| Cash | - | - | 338,001 | 338,001 |
| Interbank and money market items* | - | 37,937,874 | 1,573 | 37,939,447 |
| Investments, net | - | 64,300,186 | 200 | 64,300,386 |
| Loans to customer and accrued interest receivable** | 16,932,833 | 69,357,953 | 2,460,849 | 88,751,635 |
| Total financial assets | 16,932,833 | 171,596,013 | 2,800,623 | 191,329,469 |
| Financial liabilities | | | | |
| Deposits | - | 118,283,628 | 16,902,291 | 135,185,919 |
| Interbank and money market items | - | 10,561,783 | 6,055,748 | 16,617,531 |
| Liabilities payable on demand | - | - | 4,666,464 | 4,666,464 |
| Total financial liabilities | - | 128,845,411 | 27,624,503 | 156,469,914 |
| Guarantee of loans | - | - | 2,208,650 | 2,208,650 |
| Letters of credit | - | - | 1,349,573 | 1,349,573 |
| Other contingencies | - | - | 9,892,752 | 9,892,752 |

* Excluding allowance for doubtful accounts amounting to Baht 44.2 million

** Including non-performing loans and net of deferred revenue

| | 31 December 2015 | | | Total |
|---|-------------------|----------------------------------|----------------------|--------------------|
| | Floating rate | Fixed rate (in thousand Baht) | Non-interest bearing | |
| Financial assets | | | | |
| Cash | - | - | 324,668 | 324,668 |
| Interbank and money market items* | - | 56,638,190 | 4,137 | 56,642,327 |
| Investments, net | - | 43,622,874 | 218 | 43,623,092 |
| Loans to customer and accrued interest receivable** | 17,340,748 | 74,821,659 | 2,600,064 | 94,762,471 |
| Total financial assets | 17,340,748 | 175,082,723 | 2,929,087 | 195,352,558 |
| Financial liabilities | | | | |
| Deposits | - | 124,443,128 | 15,914,688 | 140,357,816 |
| Interbank and money market items | - | 6,570,699 | 5,959,330 | 12,530,029 |
| Liabilities payable on demand | - | - | 5,270,827 | 5,270,827 |
| Total financial liabilities | - | 131,013,827 | 27,144,845 | 158,158,672 |
| Guarantee of loans | - | - | 2,169,844 | 2,169,844 |
| Letters of credit | - | - | 2,254,953 | 2,254,953 |
| Other contingencies | - | - | 7,160,986 | 7,160,986 |

* Excluding allowance for doubtful accounts amounting to Baht 273.9 million

** Including non-performing loans and net of deferred revenue

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

| | 2016 | | | | | | | Average interest rate (% per annum) | |
|--|---------------------------|--------------------|--------------------|-------------------|------------------|----------------------|-------------------|--|------|
| | On demand | Less than 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | Non-accrual loans | Total | |
| | <i>(in thousand Baht)</i> | | | | | | | | |
| Financial assets | | | | | | | | | |
| Cash | - | - | - | - | - | 338,001 | - | 338,001 | - |
| Interbank and money market items* | 1,977,384 | 35,950,945 | 9,545 | - | - | 1,573 | - | 37,939,447 | 0.90 |
| Investments, net | - | 5,026,038 | 10,945,978 | 45,929,668 | 2,398,502 | 200 | - | 64,300,386 | 1.50 |
| Loans to customers and accrued interest receivable** | 71,278,996 | 6,621,759 | 6,649,869 | 1,250,307 | 489,855 | 83,112 | 2,377,737 | 88,751,635 | 9.23 |
| Total financial assets | 73,256,380 | 47,598,742 | 17,605,392 | 47,179,975 | 2,888,357 | 422,886 | 2,377,737 | 191,329,469 | |
| Financial liabilities | | | | | | | | | |
| Deposits | 110,882,404 | 5,399,141 | 1,797,652 | 204,431 | - | 16,902,291 | - | 135,185,919 | 0.39 |
| Interbank and money market items | 6,947,923 | 3,613,860 | - | - | - | 6,055,748 | - | 16,617,531 | 0.64 |
| Liabilities payable on demand | - | - | - | - | - | 4,666,464 | - | 4,666,464 | - |
| Total financial liabilities | 117,830,327 | 9,013,001 | 1,797,652 | 204,431 | - | 27,624,503 | - | 156,469,914 | |
| Guarantee of loans | - | - | - | - | - | 2,208,650 | - | 2,208,650 | |
| Letters of credit | - | - | - | - | - | 1,349,573 | - | 1,349,573 | |
| Other contingencies | - | - | - | - | - | 9,892,752 | - | 9,892,752 | |

* Excluding allowance for doubtful accounts amounting to Baht 44.2 million

** Including non-performing loans and net of deferred revenue

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| | 2015 | | | | | | | Average interest rate (% per annum) |
|--|---------------------------|--------------------|--------------------|-------------------|----------------|----------------------|-------------------|--|
| | On demand | Less than 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | Non-accrual loans | Total |
| | <i>(in thousand Baht)</i> | | | | | | | |
| Financial assets | | | | | | | | |
| Cash | - | - | - | - | - | 324,668 | - | 324,668 |
| Interbank and money market items* | 1,181,781 | 55,340,800 | 115,609 | - | - | 4,137 | - | 56,642,327 |
| Investments, net | - | 8,892,849 | 7,625,580 | 26,979,020 | 125,425 | 218 | - | 43,623,092 |
| Loans to customers and accrued interest receivable** | 70,330,665 | 8,368,337 | 7,824,427 | 4,914,833 | 724,145 | 162,613 | 2,437,451 | 94,762,471 |
| Total financial assets | 71,512,446 | 72,601,986 | 15,565,616 | 31,893,853 | 849,570 | 491,636 | 2,437,451 | 195,352,558 |
| Financial liabilities | | | | | | | | |
| Deposits | 116,136,135 | 5,676,926 | 2,458,293 | 171,774 | - | 15,914,688 | - | 140,357,816 |
| Interbank and money market items | 6,420,897 | 149,802 | - | - | - | 5,959,330 | - | 12,530,029 |
| Liabilities payable on demand | - | - | - | - | - | 5,270,827 | - | 5,270,827 |
| Total financial liabilities | 122,557,032 | 5,826,728 | 2,458,293 | 171,774 | - | 27,144,845 | - | 158,158,672 |
| Guarantee of loans | - | - | - | - | - | 2,169,844 | - | 2,169,844 |
| Letters of credit | - | - | - | - | - | 2,254,953 | - | 2,254,953 |
| Other contingencies | - | - | - | - | - | 7,160,986 | - | 7,160,986 |

* Excluding allowance for doubtful accounts amounting to Baht 273.9 million

** Including non-performing loans and net of deferred revenue

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(b) Foreign exchange risk

Foreign exchange rate risk is the risk that occurs from changes in exchange rates which may affect the value of the Branch's financial instruments. The Branch is exposed to foreign exchange risk through transactions in foreign currencies and through the translation of assets and liabilities denominated in foreign currencies into Thai Baht at the reporting date.

As at 31 December 2016 and 2015, the Branch has net open position assets (liabilities) denominated in the various currencies as follows;

| | 2016 | 2015 |
|--------------------------------------|---------------------------|-----------|
| | <i>(in thousand Baht)</i> | |
| Net foreign currency exposure | | |
| US Dollar | 267,369 | 1,508,032 |
| EURO | (55,430) | (10,114) |
| Yen | 754 | 7,903 |
| Others | (145,338) | 37,913 |

4.3 Liquidity risk

Liquidity risk is the risk that the Branch either does not have sufficient financial resources available to meet the obligations as they fall due, or can only access these financial resources at excessive cost.

The Branch manages its liquidity position under the Bank of Thailand's liquidity reserve regulations and other applicable regulations. The Treasury Department is responsible for managing the Branch's liquidity position by providing short-term and long-term funding sources as well as investing in highly liquid assets in both Thai Baht and foreign currencies. The Branch also ensures that its liquidity position is suitable and sufficient for the current and foreseeable market conditions. The Assets and Liabilities Management Sub-committee supervises management of liquidity risk.

Liquidity risk management ensures the protection of the Branch's solvency and the ability to support asset portfolios with funding of appropriate term and at reasonable cost.

The Branch monitors liquidity risk for each currency. An internal system used for cash flow monitoring captures future expected cash flows, both by day and by currency. The monitoring process also includes the ongoing assessment of the ability to sell liquid assets, mostly trading securities.

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Details of the maturities of financial assets and liabilities as at 31 December 2016 and 2015 were as follows:

| | At call | Less than 3 months | 3 months to 1 year | 2016 | | Over 5 years | No maturity | Total |
|--|---------------------|--------------------|--------------------|-------------------|--------------------|----------------|----------------|--------------------|
| | | | | 1 to 5 years | (in thousand Baht) | | | |
| Financial assets | | | | | | | | |
| Cash | - | - | - | - | - | - | 338,001 | 338,001 |
| Interbank and money market items* | 1,977,384 | 35,952,517 | 9,546 | - | - | - | - | 37,939,447 |
| Derivative assets | - | 6,118,754 | 3,863,792 | 7,438,948 | - | 2,572,078 | - | 19,993,572 |
| Investments, net | - | 5,026,038 | 10,945,978 | 45,929,667 | - | 2,398,502 | 200 | 64,300,385 |
| Loans to customers and accrued interest receivable** | 68,099,249 | 8,955,896 | 5,582,915 | 5,623,720 | - | 489,855 | - | 88,751,635 |
| Other assets, net | - | 3,009,553 | - | - | - | - | - | 3,009,553 |
| Total financial assets | 70,076,633 | 59,062,758 | 20,402,231 | 58,992,335 | 5,460,435 | 338,201 | 338,201 | 214,332,593 |
| Financial liabilities | | | | | | | | |
| Deposits | 127,784,694 | 5,399,141 | 1,797,652 | 204,432 | - | - | - | 135,185,919 |
| Interbank and money market items | 13,003,671 | 3,613,860 | - | - | - | - | - | 16,617,531 |
| Liabilities payable on demand | 4,666,464 | - | - | - | - | - | - | 4,666,464 |
| Derivative liabilities | - | 5,979,196 | 3,281,847 | 8,215,126 | 2,387,088 | - | - | 19,863,257 |
| Other liabilities | - | 4,755,445 | - | - | - | - | - | 4,755,445 |
| Total financial liabilities | 145,454,829 | 19,747,642 | 5,079,499 | 8,419,558 | 2,387,088 | - | - | 181,088,616 |
| Net liquidity gap | (75,378,196) | 39,315,116 | 15,322,732 | 50,572,777 | 3,073,347 | 338,201 | 338,201 | 33,243,977 |

* Excluding allowance for doubtful accounts amounting to Baht 44.2 million

** Including non-performing loans

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| | At call | 2015 | | | | | Total |
|--|---------------------|--------------------|--------------------|-------------------|------------------|----------------|--------------------|
| | | Less than 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | No maturity | |
| <i>(in thousand Baht)</i> | | | | | | | |
| Financial assets | | | | | | | |
| Cash | - | - | - | - | - | 324,668 | 324,668 |
| Interbank and money market items* | 1,181,781 | 55,344,937 | 115,609 | - | - | - | 56,642,327 |
| Derivative assets | - | 4,570,456 | 4,579,552 | 9,694,232 | 4,088,481 | - | 22,932,721 |
| Investments, net | - | 8,892,849 | 7,625,580 | 26,979,020 | 125,425 | 218 | 43,623,092 |
| Loans to customers and accrued interest receivable** | 66,621,395 | 11,822,442 | 8,179,024 | 7,415,465 | 724,145 | - | 94,762,471 |
| Other assets, net | - | 3,776,745 | - | - | - | - | 3,776,745 |
| Total financial assets | 67,803,176 | 84,407,429 | 20,499,765 | 44,088,717 | 4,938,051 | 324,886 | 222,062,024 |
| Financial liabilities | | | | | | | |
| Deposits | 132,050,823 | 5,676,925 | 2,458,293 | 171,775 | - | - | 140,357,816 |
| Interbank and money market items | 12,380,227 | 149,802 | - | - | - | - | 12,530,029 |
| Liabilities payable on demand | 5,270,827 | - | - | - | - | - | 5,270,827 |
| Derivative liabilities | - | 4,641,061 | 4,732,217 | 11,117,914 | 4,175,817 | - | 24,667,009 |
| Other liabilities | - | 5,145,559 | - | - | - | - | 5,145,559 |
| Total financial liabilities | 149,701,877 | 15,613,347 | 7,190,510 | 11,289,689 | 4,175,817 | - | 187,971,240 |
| Net liquidity gap | (81,898,701) | 68,794,082 | 13,309,255 | 32,799,028 | 762,234 | 324,886 | 34,090,784 |

* Excluding allowance for doubtful accounts amounting to Baht 273.9 million

** Including non-performing loans

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5 Fair value of Financial asset and liabilities

Fair value hierarchy

These fair value are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

5.1 Financial assets and liabilities measured at fair value

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

| | Fair value | | | Total |
|--------------------------------|--------------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | |
| | <i>(in million Baht)</i> | | | |
| 31 December 2016 | | | | |
| <i>Financial assets</i> | | | | |
| Derivative assets | | | | |
| - Foreign exchange rate | - | 9,076 | - | 9,076 |
| - Interest rate | - | 9,725 | - | 9,725 |
| - Commodity option | - | 1,192 | - | 1,192 |
| Trading investments | - | 4,954 | - | 4,954 |
| Available-for-sale investments | - | 59,346 | - | 59,346 |
| <i>Financial liabilities</i> | | | | |
| Derivative liabilities | | | | |
| - Foreign exchange rate | - | 9,023 | - | 9,023 |
| - Interest rate | - | 9,649 | - | 9,649 |
| - Commodity option | - | 1,192 | - | 1,192 |
| | | | | |
| | Fair value | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| | <i>(in million Baht)</i> | | | |
| 31 December 2015 | | | | |
| <i>Financial assets</i> | | | | |
| Derivative assets | | | | |
| - Foreign exchange rate | - | 8,619 | - | 8,619 |
| - Interest rate | - | 13,080 | - | 13,080 |
| - Commodity option | - | 1,234 | - | 1,234 |
| Trading investments | - | 2,500 | - | 2,500 |
| Available-for-sale investments | - | 41,123 | - | 41,123 |
| <i>Financial liabilities</i> | | | | |
| Derivative liabilities | | | | |
| - Foreign exchange rate | - | 10,182 | - | 10,182 |
| - Interest rate | - | 13,251 | - | 13,251 |
| - Commodity option | - | 1,234 | - | 1,234 |

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| | Fair value | | | Total | Carrying amount |
|-------------------------------------|------------|---------|---------|---------|-----------------|
| | Level 1 | Level 2 | Level 3 | | |
| <i>(in million Baht)</i> | | | | | |
| 31 December 2015 | | | | | |
| <i>Financial assets</i> | | | | | |
| Cash | - | 325 | - | 325 | 325 |
| Interbank and money market Items* | - | 56,642 | - | 56,642 | 56,642 |
| Loan to customers** | - | - | 94,294 | 94,294 | 94,614 |
| <i>Financial liabilities</i> | | | | | |
| Deposits | - | 140,357 | - | 140,357 | 140,358 |
| Interbank and money market items | - | 12,530 | - | 12,530 | 12,530 |
| Liabilities payable on demand | - | 5,271 | - | 5,271 | 5,271 |

* Excluding allowance for doubtful accounts amounting to Baht 273.9 million.

** Excluded accrued interest receivable and deferred revenue

Methods and assumptions in estimating fair values of financial assets and liabilities as disclosed herein:

Cash, Interbank and money market items (asset and liabilities) and liabilities payable on demand

The fair values of cash, interbank and money market items (assets and liabilities) and liabilities payable on demand approximate the carrying values at which they are stated in the statement of financial position, as these predominantly carry market variable rates of interest and/or are short term.

Loan 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 report 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 calculation that applies interest rates currently being offered on deposit to schedule of aggregate expected monthly maturities on time deposits.

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6 Maintenance of capital funds

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 2016 and 2015, can be summarised as follows:

| | 2016 | 2015 |
|------------------|--------------------------|----------------------|
| | <i>(in million Baht)</i> | |
| Government bonds | 21,743 | 21,832 |
| Total | <u>21,743</u> | <u>21,832</u> |

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

| | 2016 | 2015 |
|--|--------------------------|----------------------|
| | <i>(in million Baht)</i> | |
| Assets maintained under Section 32 | <u>21,743</u> | <u>21,743</u> |
| Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts | | |
| Net fund brought into maintenance assets under Section 32 | 21,743 | 21,743 |
| 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 | 1,346 | 1,981 |
| Total | <u>23,089</u> | <u>23,724</u> |
| Capital fund before deductible items | 21,743 | 21,743 |
| Deductible items | (48) | (53) |
| Capital Fund (in million Baht) | <u>21,695</u> | <u>21,690</u> |
| Capital Adequacy Ratio (%) | <u>14.75</u> | <u>14.00</u> |

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 2016 and 2015, the Branch does not have a capital add-on arising from single lending limit.

As at 31 December 2016 and 2015, the Branch adopted the Standardised Approach for credit risk and operational risk and used Hybrid Approach, and a combination of Standardised and Internal Models, for market risk as approved by the Bank of Thailand and in accordance with the Bank of Thailand notification to calculate minimum capital requirements.

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

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

7 Interbank and money market items, net (assets)

| | At call | 2016 Term (in thousand Baht) | Total |
|--|------------------|------------------------------------|-------------------|
| Domestic items | | | |
| Bank of Thailand | 1,181,899 | - | 1,181,899 |
| Commercial banks | 691,443 | 6,054,011 | 6,745,454 |
| Specialised financial institutions | 3,840 | - | 3,840 |
| Other financial institutions | 5,956 | - | 5,956 |
| Total | 1,883,138 | 6,054,011 | 7,937,149 |
| Add accrued interest receivable | - | 428 | 428 |
| Less allowance for doubtful accounts | - | (40,270) | (40,270) |
| Total domestic items, net | 1,883,138 | 6,014,169 | 7,897,307 |
| Foreign items | | | |
| US Dollar | - | 28,144,606 | 28,144,606 |
| Euro | - | 1,321,518 | 1,321,518 |
| Other currencies | 94,246 | 440,355 | 534,601 |
| Total | 94,246 | 29,906,479 | 30,000,725 |
| Add accrued interest receivable | - | 1,145 | 1,145 |
| Less allowance for doubtful accounts | - | (3,881) | (3,881) |
| Total foreign items, net | 94,246 | 29,903,743 | 29,997,989 |
| Total domestic and foreign items, net | 1,977,384 | 35,917,912 | 37,895,296 |
| | At call | 2015 Term (in thousand Baht) | Total |
| Domestic items | | | |
| Bank of Thailand | 193,818 | - | 193,818 |
| Commercial banks | 898,786 | 19,839,625 | 20,738,411 |
| Specialised financial institutions | 3,837 | 7,000,000 | 7,003,837 |
| Other financial institutions | 1,170 | - | 1,170 |
| Total | 1,097,611 | 26,839,625 | 27,937,236 |
| Add accrued interest receivable | - | 3,531 | 3,531 |
| Less allowance for doubtful accounts | - | (271,804) | (271,804) |
| Total domestic items, net | 1,097,611 | 26,571,352 | 27,668,963 |
| Foreign items | | | |
| US Dollar | - | 28,616,784 | 28,616,784 |
| Yen | 81,219 | - | 81,219 |
| Other currencies | 2,951 | - | 2,951 |
| Total | 84,170 | 28,616,784 | 28,700,954 |
| Add accrued interest receivable | - | 606 | 606 |
| Less allowance for doubtful accounts | - | (2,124) | (2,124) |
| Total foreign items, net | 84,170 | 28,615,266 | 28,699,436 |
| Total domestic and foreign items, net | 1,181,781 | 55,186,618 | 56,368,399 |

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8 Derivatives

8.1 Trading derivatives

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

| Type of risk | Fair value | | 2016 | | Total |
|---------------------------------|-------------------|-------------------|---------------------------|----------------------|----------------------|
| | Assets | Liabilities | Up to 1 year | Notional amount | |
| | | | <i>(in thousand Baht)</i> | | |
| Forward exchange contracts | 9,076,174 | 9,022,753 | 725,531,455 | 85,209,286 | 810,740,741 |
| Forward interest rate contracts | 9,725,460 | 9,648,566 | 638,887,016 | 920,044,902 | 1,558,931,918 |
| Commodity option | 1,191,938 | 1,191,938 | 22,652,710 | 784,227 | 23,436,937 |
| Total | 19,993,572 | 19,863,257 | 1,387,071,181 | 1,006,038,415 | 2,393,109,596 |

| Type of risk | Fair value | | 2015 | | Total |
|---------------------------------|-------------------|-------------------|---------------------------|--------------------|----------------------|
| | Assets | Liabilities | Up to 1 year | Notional amount | |
| | | | <i>(in thousand Baht)</i> | | |
| Forward exchange contracts | 8,618,998 | 10,181,758 | 645,009,223 | 58,129,516 | 703,138,739 |
| Forward interest rate contracts | 13,079,557 | 13,251,085 | 574,244,409 | 854,718,276 | 1,428,962,685 |
| Commodity option | 1,234,166 | 1,234,166 | 24,151,234 | 157,310 | 24,308,544 |
| Total | 22,932,721 | 24,667,009 | 1,243,404,866 | 913,005,102 | 2,156,409,968 |

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

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

| Counterparties | 2016 | 2015 |
|------------------------|------------|------------|
| | <i>(%)</i> | |
| Financial institutions | 94 | 93 |
| Third parties | 6 | 7 |
| Total | 100 | 100 |

9 Investments, net

9.1 Classification of investment in securities

As at 31 December 2016 and 2015, the Branch classifies investment types, as follows:

| | 2016 | 2015 |
|--|---------------------------|------------------|
| | <i>(in thousand Baht)</i> | |
| Trading investments - Fair value | | |
| Government and state enterprise securities | 4,953,809 | 2,499,961 |
| Total | 4,953,809 | 2,499,961 |

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| | 2016 <i>(in thousand Baht)</i> | 2015 |
|--|-----------------------------------|-------------------|
| <i>Available-for-sale investments - Fair value</i> | | |
| Government and state enterprise securities | 59,346,377 | 41,122,913 |
| Total | 59,346,377 | 41,122,913 |
| <i>General investments - Cost</i> | | |
| Non-marketable equity securities | 1,000 | 1,000 |
| Less allowance for impairment | (800) | (782) |
| Net | 200 | 218 |
| Total investments, net | 64,300,386 | 43,623,092 |

Trading securities have contractual maturities of 23 days to 25 years. However, these are expected to be liquidated on a short term basis.

9.2 Fair value changes of available-for-sale investments, are as follows:

| | 2016 <i>(in thousand Baht)</i> | 2015 |
|---|-----------------------------------|----------------|
| Unrealised loss on fair value change of available-for-sale investments, net | (236,993) | (1,483) |
| Less deferred income tax | 47,399 | 297 |
| Net | (189,594) | (1,186) |

9.3 Debt securities classified by the remaining contractual maturity period are as follows:

| | 2016 Maturity Within 1 year | 2016 Maturity over 1 to 5 years <i>(in thousand Baht)</i> | Total |
|--|-----------------------------------|--|-------------------|
| <i>Available-for-sale investments</i> | | | |
| Government and state enterprise debt securities | 13,713,959 | 45,869,410 | 59,583,369 |
| Unrealized loss on fair value changes of available-for-sale investments | (948) | (236,044) | (236,992) |
| Total | 13,713,011 | 45,633,366 | 59,346,377 |
| | | | |
| | 2015 Maturity Within 1 year | 2015 Maturity over 1 to 5 years <i>(in thousand Baht)</i> | Total |
| <i>Available-for-sale investments</i> | | | |
| Government and state enterprise debt securities | 15,101,747 | 26,022,649 | 41,124,396 |
| Unrealized gain (loss) on fair value changes of available-for-sale investments | 2,563 | (4,046) | (1,483) |
| Total | 15,104,310 | 26,018,603 | 41,122,913 |

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10 Loans to customers and accrued interest receivables, net

10.1 Classified by type of loans

| | 2016 | 2015 |
|---|---------------------------|--------------------------|
| | <i>(in thousand Baht)</i> | |
| Overdrafts | 308,977 | 315,013 |
| Loans | 87,753,272 | 92,940,770 |
| Bills | 630,810 | 1,358,209 |
| <i>Less</i> deferred revenue | <u>(24,536)</u> | <u>(14,134)</u> |
| Total loans net from deferred revenue | 88,668,523 | 94,599,858 |
| <i>Add</i> accrued interest receivables | <u>83,112</u> | <u>162,613</u> |
| Total loans net of deferred revenue and accrued interest receivables | 88,751,635 | 94,762,471 |
| <i>Less</i> allowance for doubtful accounts | | |
| - BoT's minimum requirement | | |
| - individual approach | (1,671,272) | (1,718,363) |
| - collective approach | (1,199,080) | (977,362) |
| - Allowance in excess | (391,609) | (471,196) |
| <i>Less</i> revaluation allowance for debt restructuring | <u>(696,705)</u> | <u>(646,391)</u> |
| Total loans to customers and accrued interest receivables, net | <u>84,792,969</u> | <u>90,949,159</u> |

On 15 December 2016, the Branch entered into an asset purchase agreement with a related company, Citi Consumer Products (Thailand) Limited (the "Seller"), whereby the Seller transferred rights, title, interest, obligations and liabilities in relation to the performing credit cards to the Branch. The selling price of the transaction was the book value as at 31 December 2016 amounting to Baht 149.85 million, which was subsequently paid on 28 February 2017.

10.2 Classified by currency and residency of debtors

| | 2016 | | | 2015 | | |
|------------------|---------------------------|-----------------------|--------------------------|--------------------------|-----------------------|--------------------------|
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| | <i>(in thousand Baht)</i> | | | | | |
| Baht | 84,465,684 | 405,198 | 84,870,882 | 91,754,643 | 326,230 | 92,080,873 |
| US Dollar | 3,566,480 | 17,581 | 3,584,061 | 2,141,803 | 165,816 | 2,307,619 |
| Other currencies | <u>143,380</u> | <u>70,200</u> | <u>213,580</u> | <u>121,351</u> | <u>90,015</u> | <u>211,366</u> |
| Total* | <u>88,175,544</u> | <u>492,979</u> | <u>88,668,523</u> | <u>94,017,797</u> | <u>582,061</u> | <u>94,599,858</u> |

* Loans to customers net of deferred revenue

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10.3 Classified by type of business and loan classification

| | 2016 | | | | | Total |
|---------------------------------------|---------------------------|------------------|------------------|----------------|------------------|-------------------|
| | Pass | Special mention | Substandard | Doubtful | Doubtful of loss | |
| | <i>(in thousand Baht)</i> | | | | | |
| Agriculture and Mining | 365,262 | - | - | - | - | 365,262 |
| Manufacturing and Commerce | 22,907,609 | 1,308,577 | - | - | 793,685 | 25,009,871 |
| Property development and construction | 47,219 | - | - | - | - | 47,219 |
| Infrastructure and services | 887,332 | 20,261 | - | - | - | 907,593 |
| Housing loans | 487,817 | 3,482 | 51 | - | - | 491,350 |
| Others* | 58,418,195 | 1,845,032 | 1,360,372 | 103,128 | 120,501 | 61,847,228 |
| Total** | 83,113,434 | 3,177,352 | 1,360,423 | 103,128 | 914,186 | 88,668,523 |

* Consist of credit cards and other retail lending.

** Loans to customers net of deferred revenue.

| | 2015 | | | | | Total |
|---------------------------------------|---------------------------|------------------|------------------|----------------|------------------|-------------------|
| | Pass | Special mention | Substandard | Doubtful | Doubtful of loss | |
| | <i>(in thousand Baht)</i> | | | | | |
| Agriculture and Mining | 587,287 | 324,797 | - | - | - | 912,084 |
| Manufacturing and Commerce | 23,854,719 | 1,714,063 | - | - | 802,167 | 26,370,949 |
| Property development and construction | 263,361 | 240,212 | - | - | - | 503,573 |
| Infrastructure and services | 957,453 | 23,314 | - | - | - | 980,767 |
| Housing loans | 723,184 | 2,703 | - | - | - | 725,887 |
| Others* | 61,599,439 | 1,871,874 | 1,401,989 | 105,632 | 127,664 | 65,106,598 |
| Total** | 87,985,443 | 4,176,963 | 1,401,989 | 105,632 | 929,831 | 94,599,858 |

* Consist of credit cards and other retail lending.

** Loans to customers net of deferred revenue.

10.4 Classified by loan grade

| | 2016 | | | |
|---|---|---|---|--|
| | Loans to customers and accrued interest receivable <i>(in thousand Baht)</i> | Net amount for setting allowance for doubtful accounts <i>(in thousand Baht)</i> | Rate used for setting allowance for doubtful accounts <i>(%)</i> | Allowance for doubtful accounts** <i>(in thousand Baht)</i> |
| Allowance as per BoT's minimum requirements | | | | |
| - Pass | 83,184,051 | 82,113,437 | 1 | 1,024,553 |
| - Special mention | 3,189,847 | 3,137,926 | 2 | 170,145 |
| - Substandard | 1,360,423 | 1,360,423 | 100 | 1,360,423 |
| - Doubtful | 103,128 | 103,128 | 100 | 103,128 |
| - Doubtful loss | 914,186 | 908,808 | 100 | 908,808 |
| Total | 88,751,635 | 87,623,722 | | 3,567,057 |
| Allowance in excess | | | | 391,609 |
| Total* | | | | 3,958,666 |

* Loans to customers net of deferred revenue and interest receivable.

** This also includes provision for other items i.e. trouble debt restructuring.

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| | 2015 | | | |
|--|--|---|---|--|
| | Loans to customers and accrued interest receivable <i>(in thousand Baht)</i> | Net amount for setting allowance for doubtful accounts <i>(in thousand Baht)</i> | Rate used for setting allowance for doubtful accounts <i>(%)</i> | Allowance for doubtful accounts** <i>(in thousand Baht)</i> |
| Allowance as per BoT's minimum requirements | | | | |
| - Pass | 88,132,721 | 86,504,928 | 1 | 1,036,388 |
| - Special mention | 4,192,298 | 4,082,462 | 2 | 149,265 |
| - Substandard | 1,401,989 | 1,125,445 | 100 | 1,125,445 |
| - Doubtful | 105,632 | 105,632 | 100 | 105,632 |
| - Doubtful loss | 929,831 | 925,386 | 100 | 925,386 |
| Total | <u>94,762,471</u> | <u>92,743,853</u> | | <u>3,342,116</u> |
| Allowance in excess | | | | <u>471,196</u> |
| Total* | | | | <u>3,813,312</u> |

* Loans to customers net of deferred revenue and interest receivable.

** This also includes provision for other items i.e. trouble debt restructuring.

10.5 Non-performing loans

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

| | 2016 | 2015 |
|--|------------|-------------|
| Non-performing loans, gross <i>(in thousand Baht)</i> | 2,377,737 | 2,437,452 |
| Total loans used for NPLs ratio calculation ⁽¹⁾ <i>(in thousand Baht)</i> | 94,925,523 | 121,547,505 |
| Percentage of total loans ⁽²⁾ | 2.50 | 2.01 |

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

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

As of 31 December 2016 and 2015, non-performing loans, net ("NPLs Net") (including financial institutions) based on the BoT notification are as follows:

| | 2016 | 2015 |
|--|------------|-------------|
| Non-performing loans, net <i>(in thousand Baht)</i> | 5,373 | 279,878 |
| Total loans used for NPLs net ratio calculation ⁽¹⁾ <i>(in thousand Baht)</i> | 90,922,706 | 117,460,264 |
| Percentage of total loans ⁽²⁾ | 0.01 | 0.24 |

⁽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 inter-bank and money market items, after allowance for doubtful accounts of non-performing loans.

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

As at 31 December 2016, allowance for doubtful account of 2,372 million (2015: Baht 2,156 million) have been provided against the Branch's non-performing loans classified as substandard, doubtful and doubtful loss.

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11 Troubled debt restructuring

Losses on debt restructuring for the year ended 31 December 2016 and 2015 were as follows:

| Types of Restructuring | Cases* | 2016 | | Loss on debt restructuring |
|---------------------------------|--------------|----------------------|---|----------------------------|
| | | Outstanding debt | | |
| | | Before restructuring | After restructuring (in thousand Baht) | |
| Changes of repayment conditions | 8,995 | 1,033,482 | 831,361 | 216,541 |
| Total | 8,995 | 1,033,482 | 831,361 | 216,541 |

| Types of Restructuring | Cases* | 2015 | | Loss on debt restructuring |
|---------------------------------|--------------|----------------------|---|----------------------------|
| | | Outstanding debt | | |
| | | Before restructuring | After restructuring (in thousand Baht) | |
| Changes of repayment conditions | 9,659 | 1,133,263 | 929,077 | 215,976 |
| Total | 9,659 | 1,133,263 | 929,077 | 215,976 |

* incurred during the year

As at 31 December 2016 and 2015, the Branch has balances of restructured loans as follows:

| | 2016 | | 2015 | |
|---|---------------|---|---------------|---|
| | Cases | Total outstanding debt before restructuring (in thousand Baht) | Cases | Total outstanding debt before restructuring (in thousand Baht) |
| Restructured loans which are classified as NPLs | | 384,571 | | 382,133 |
| Restructured loans which are not classified as NPLs | | 1,284,567 | | 1,282,947 |
| Total | 23,177 | 1,669,138 | 23,155 | 1,665,080 |

The Branch recognised interest income from debt restructuring for the years ended 31 December 2016 and 2015 as follows:

| | 2016 | 2015 |
|-----------------|--------------------|---------------|
| | (in thousand Baht) | |
| Interest income | 122,289 | 97,250 |
| Total | 122,289 | 97,250 |

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12 Allowance for doubtful accounts

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

| | 2016 | | | | | | Total |
|--------------------------|--------------------|--------------------|------------------|---------------|------------------|------------------------|------------------|
| | Pass | Special mention | Sub standard | Doubtful | Doubtful loss | Excess of allowance | |
| | (in thousand Baht) | | | | | | |
| Beginning balance | 847,524 | 73,871 | 827,101 | 36,937 | 910,292 | 471,196 | 3,166,921 |
| Doubtful accounts | (16,754) | (21,277) | 239,318 | (9,608) | 612,335 | (79,587) | 724,427 |
| Recovery | - | - | - | - | (546,515) | - | (546,515) |
| Bad debts written off | - | - | - | - | (76,895) | - | (76,895) |
| Others | - | - | - | - | (5,977) | - | (5,977) |
| Ending balance | 830,770 | 52,594 | 1,066,419 | 27,329 | 893,240 | 391,609 | 3,261,961 |

| | 2015 | | | | | | Total |
|--------------------------|--------------------|--------------------|-----------------|---------------|------------------|------------------------|------------------|
| | Pass | Special mention | Sub standard | Doubtful | Doubtful loss | Excess of allowance | |
| | (in thousand Baht) | | | | | | |
| Beginning balance | 781,086 | 101,368 | 821,363 | 29,652 | 918,994 | 414,382 | 3,066,845 |
| Doubtful accounts | 66,438 | (27,497) | 5,738 | 7,285 | 795,562 | 56,814 | 904,340 |
| Recovery | - | - | - | - | (675,872) | - | (675,872) |
| Bad debts written off | - | - | - | - | (135,103) | - | (135,103) |
| Others | - | - | - | - | 6,711 | - | 6,711 |
| Ending balance | 847,524 | 73,871 | 827,101 | 36,937 | 910,292 | 471,196 | 3,166,921 |

13 Revaluation allowance for debt restructuring

| | 2016 | 2015 |
|---------------------------------|--------------------|----------------|
| | (in thousand Baht) | |
| Beginning balance | 646,391 | 523,514 |
| Increase | 172,603 | 220,127 |
| Amortisation of interest income | (122,289) | (97,250) |
| Ending balance | 696,705 | 646,391 |

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14 Leasehold building improvements and equipment, net

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

| | Net book value as of 1 January 2016 | Cost | | | | | Accumulated depreciation | | | Net book value as of 31 December 2016 | |
|--------------------------------------|---|----------------------|----------------|-----------------|--|--|--------------------------|----------------|------------------------|---|--------------------|
| | | Beginning balance | Additions | Transfers | Disposals | Ending balance <i>(in thousand Baht)</i> | Beginning balance | Depreciation | Transfer/ Disposals | | Ending balances |
| Leasehold building improvements | 267,324 | 536,407 | 75,186 | (26,297) | (2,935) | 582,361 | 269,083 | 55,610 | (3,356) | 321,337 | 261,024 |
| Furniture, fixtures and equipment | 141,997 | 851,676 | 106,842 | 116 | (26,608) | 932,026 | 709,679 | 61,831 | (25,018) | 746,492 | 185,534 |
| Vehicles | - | - | - | - | - | - | - | - | - | - | - |
| Asset under construction | 728 | 728 | 2,985 | (3,712) | - | 1 | - | - | - | - | 1 |
| Total | 410,049 | 1,388,811 | 185,013 | (29,893) | (29,543) | 1,514,388 | 978,762 | 117,441 | (28,374) | 1,067,829 | 446,559 |
| | | | | | | | | | | | |
| | Net book value as of 1 January 2015 | Cost | | | | | Accumulated depreciation | | | Net book value as of 31 December 2015 | |
| | Beginning balance | Additions | Transfers | Disposals | Ending balance <i>(in thousand Baht)</i> | Beginning balance | Depreciation | Disposals | Ending balances | | |
| Leasehold building improvements | 291,351 | 509,324 | 23,887 | 8,965 | (5,769) | 536,407 | 217,973 | 56,429 | (5,319) | 269,083 | 267,324 |
| Furniture, fixtures and equipment | 191,597 | 835,643 | 19,430 | 107 | (3,504) | 851,676 | 644,046 | 72,647 | (7,014) | 709,679 | 141,997 |
| Vehicles | 3,687 | 18,434 | - | - | (18,434) | - | 14,747 | - | (14,747) | - | - |
| Asset under construction | 1,413 | 1,413 | 10,309 | - | (10,994) | 728 | - | - | - | - | 728 |
| Total | 488,048 | 1,364,814 | 53,626 | 9,072 | (38,701) | 1,388,811 | 876,766 | 129,076 | (27,080) | 978,762 | 410,049 |

Depreciation for the year ended 31 December 2016 of Baht 117.4 million was included in profit or loss (2015: Baht 129.1 million).

The cost of the Branch's fully depreciated leasehold building improvements and equipment that was still in use as at 31 December 2016 amounted to Baht 606.3 million (2015: Baht 538.9 million).

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15 Deferred tax assets, net

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

| | 2016 | 2015 |
|--------------------------|---------------------------|-----------------------|
| | <i>(in thousand Baht)</i> | |
| Deferred tax assets | 319,049 | 296,502 |
| Deferred tax liabilities | <u>(5,722)</u> | <u>(7,517)</u> |
| Net | <u>313,327</u> | <u>288,985</u> |

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

| | At 1 January 2016 | (Charged)/credited to: | | At 31 December 2016 |
|---|-------------------------|---------------------------|----------------------------------|---------------------------|
| | | Profit or loss | Other comprehensive income | |
| | | <i>(Note 34)</i> | | |
| | | <i>(in thousand Baht)</i> | | |
| <i>Deferred tax assets</i> | | | | |
| Interest income | 17,576 | 5,337 | - | 22,913 |
| Provision for employee benefit and deferred revenue on customer loyalty programme | 278,064 | (23,299) | (9,105) | 245,660 |
| Unrealised loss on fair value changes of available-for-sale securities | 297 | - | 47,102 | 47,399 |
| Loss from trading securities | - | 2,461 | - | 2,461 |
| Others | 565 | 51 | - | 616 |
| Total | <u>296,502</u> | <u>(15,450)</u> | <u>37,997</u> | <u>319,049</u> |
| <i>Deferred tax liabilities</i> | | | | |
| Equipment depreciation | 7,205 | (1,483) | - | 5,722 |
| Gain from trading securities | 312 | (312) | - | - |
| Total | <u>7,517</u> | <u>(1,795)</u> | <u>-</u> | <u>5,722</u> |
| Net | <u>288,985</u> | <u>(13,655)</u> | <u>37,997</u> | <u>313,327</u> |

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| | At 1 January 2015 | (Charged)/credited to: | | At 31 December 2015 |
|---|-------------------------|---------------------------------|----------------------------------|---------------------------|
| | | Profit or loss | Other comprehensive income | |
| | | (Note 34) (in thousand Baht) | | |
| Deferred tax assets | | | | |
| Interest income | 10,422 | 7,154 | - | 17,576 |
| Provision for employee benefit and deferred revenue on customer loyalty programme | 257,313 | 24,374 | (3,623) | 278,064 |
| Unrealised loss on fair value changes of available-for-sale securities | - | - | 297 | 297 |
| Others | 522 | 43 | - | 565 |
| Total | 268,257 | 31,571 | (3,326) | 296,502 |
| Deferred tax liabilities | | | | |
| Equipment depreciation | 5,579 | 1,626 | - | 7,205 |
| Gain from trading securities | 614 | (302) | - | 312 |
| Unrealised gain on fair value changes of available-for-sale securities | 14,757 | - | (14,757) | - |
| Total | 20,950 | 1,324 | (14,757) | 7,517 |
| Net | 247,307 | 30,247 | 11,431 | 288,985 |

16 Other assets, net

| | 2016 | 2015 |
|--|--------------------|------------------|
| | (in thousand Baht) | |
| Other accounts receivable | 2,559,023 | 3,274,657 |
| Accrued income | 344,621 | 306,263 |
| Prepaid expenses and deferred expenses | 222,303 | 227,831 |
| Refundable deposits | 16,266 | 17,247 |
| Others | 105,909 | 195,825 |
| Total | 3,248,122 | 4,021,823 |

17 Classified assets

As of 31 December 2016 and 2015, 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:

| | Investments | 2016 | | Total |
|-----------------|----------------|-------------------------------|--|-------------------|
| | | Interbank and money market | Loans to customers and accrued interest receivables | |
| | | (in thousand Baht) | | |
| Pass | - | 6,257,478 | 83,184,051 | 89,441,529 |
| Special mention | - | - | 3,189,847 | 3,189,847 |
| Sub-standard | - | - | 1,360,423 | 1,360,423 |
| Doubtful | - | - | 103,128 | 103,128 |
| Doubtful loss | 252,529 | - | 914,186 | 1,166,715 |
| Total | 252,529 | 6,257,478 | 88,751,635 | 95,261,642 |

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| | | 2015 | | |
|-----------------|---------------|--|--|--------------------|
| | Investments | Interbank and money market <i>(in thousand Baht)</i> | Loans to customers and accrued interest receivables | Total |
| Pass | - | 26,951,198 | 88,132,721 | 115,083,919 |
| Special mention | - | - | 4,192,298 | 4,192,298 |
| Sub-standard | - | - | 1,401,989 | 1,401,989 |
| Doubtful | - | - | 105,632 | 105,632 |
| Doubtful loss | 16,228 | - | 929,831 | 946,059 |
| Total | 16,228 | 26,951,198 | 94,762,471 | 121,729,897 |

18 Deposits

18.1 Classified by type of deposits

| | 2016 | 2015 |
|---------------------------------|---------------------------|--------------------|
| | <i>(in thousand Baht)</i> | |
| Current | 16,902,291 | 15,914,688 |
| Savings | 110,882,404 | 116,136,135 |
| Term | | |
| - Less than 6 months | 3,937,427 | 4,505,721 |
| - 6 months but less than 1 year | 2,755,264 | 2,235,440 |
| - 1 year and over | 708,533 | 1,565,832 |
| Total | 135,185,919 | 140,357,816 |

18.2 Classified by currency and residency of depositors

| | 2016 | | | 2015 | | |
|------------------|---------------------------|------------------|--------------------|--------------------|------------------|--------------------|
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| | <i>(in thousand Baht)</i> | | | | | |
| Baht | 103,009,000 | 4,879,689 | 107,888,689 | 106,274,131 | 5,400,227 | 111,674,358 |
| US Dollar | 24,838,550 | 704,891 | 25,543,441 | 24,738,855 | 2,627,941 | 27,366,796 |
| Other currencies | 765,941 | 987,848 | 1,753,789 | 972,422 | 344,240 | 1,316,662 |
| Total | 128,613,491 | 6,572,428 | 135,185,919 | 131,985,408 | 8,372,408 | 140,357,816 |

19 Interbank and money market items (liabilities)

| | At call | 2016 Term | Total |
|---|---------------------------|------------------|-------------------|
| | <i>(in thousand Baht)</i> | | |
| Domestic items | | | |
| Commercial banks | 1,753 | - | 1,753 |
| Specialised financial institutions | 366 | - | 366 |
| Other financial institutions | 6,766,288 | - | 6,766,288 |
| Total domestic items | 6,768,407 | - | 6,768,407 |
| Foreign items | | | |
| Baht | 5,361,483 | - | 5,361,483 |
| Yen | 855 | 30,795 | 31,650 |
| US Dollar | 3,544 | 3,583,065 | 3,586,609 |
| Other currencies | 869,382 | - | 869,382 |
| Total foreign items | 6,235,264 | 3,613,860 | 9,849,124 |
| Total domestic and foreign items | 13,003,671 | 3,613,860 | 16,617,531 |

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| | At call | 2015 Term <i>(in thousand Baht)</i> | Total |
|---|-------------------|---|-------------------|
| <i>Domestic items</i> | | | |
| Commercial banks | 4,451 | - | 4,451 |
| Specialised financial institutions | 682 | - | 682 |
| Other financial institutions | 6,484,155 | - | 6,484,155 |
| Total domestic items | 6,489,288 | - | 6,489,288 |
| <i>Foreign items</i> | | | |
| Baht | 4,977,794 | - | 4,977,794 |
| Yen | - | 149,802 | 149,802 |
| US Dollar | 3,646 | - | 3,646 |
| Other currencies | 909,499 | - | 909,499 |
| Total foreign items | 5,890,939 | 149,802 | 6,040,741 |
| Total domestic and foreign items | 12,380,227 | 149,802 | 12,530,029 |

20 Employee benefit obligations

| | 2016 | 2015 |
|---|---------------------------|----------------|
| | <i>(in thousand Baht)</i> | |
| Statement of financial position obligations for: | | |
| Post-employment benefits (Legal Severance Payment Plan) | 409,925 | 426,860 |
| Other long-term employee benefits* | 62,021 | 62,467 |
| Total | 471,946 | 489,327 |

* Other long-term employee benefits are included under other liabilities in the statement of financial position.

Year ended 31 December

Statement of comprehensive income:

Recognised in profit or loss:

| | | |
|---|---------------|---------------|
| Post-employment benefits (Legal Severance Payment Plan) | 41,794 | 40,092 |
| Other long-term employee benefits | 1,198 | 8,174 |
| Total | 42,992 | 48,266 |

Recognised in other comprehensive income:

| | | |
|---------------------------------------|----------------|---------------|
| Actuarial gain recognised in the year | (45,524) | (18,116) |
| Total | (2,532) | 30,150 |

The statement of financial position obligation was determined as follow:

| | 2016 | 2015 |
|---|---------------------------|----------------|
| | <i>(in thousand Baht)</i> | |
| Present value of unfunded obligations | 409,925 | 426,860 |
| Statement of financial position obligation | 409,925 | 426,860 |

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Movement in the present value of defined benefit obligations:

| | <i>Notes</i> | 2016 <i>(in thousand Baht)</i> | 2015 |
|---|--------------|-----------------------------------|-----------------------|
| Defined benefit obligation at 1 January | | 426,860 | 405,502 |
| Include in profit or loss: | | | |
| Current service cost | | 30,198 | 27,949 |
| Interest on obligation | | 11,596 | 12,143 |
| | <i>31</i> | <u>41,794</u> | <u>40,092</u> |
| Include in other comprehensive income | | | |
| Actuarial gain | | (45,524) | (18,116) |
| Other: | | | |
| Benefit paid | | <u>(13,205)</u> | <u>(618)</u> |
| Defined benefit obligations at 31 December | | <u>409,925</u> | <u>426,860</u> |

Actuarial gain recognised in other comprehensive income arising from:

| | 2016 <i>(in thousand Baht)</i> | 2015 |
|-------------------------|-----------------------------------|------------------------|
| Demographic assumptions | (85) | - |
| Financial assumptions | - | 13,432 |
| Experience adjustment | <u>(45,439)</u> | <u>(31,548)</u> |
| Total | <u>(45,524)</u> | <u>(18,116)</u> |

Actuarial assumptions

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

| | 2016 | 2015 |
|-------------------------------------|-----------|-----------|
| Discount rate (%) | 2.8 | 2.8 |
| Future salary growth (%) | 4.0 - 8.0 | 4.0 - 8.0 |
| Retirement age (<i>years old</i>) | 55 - 60 | 55 - 60 |

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

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Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| Defined benefit obligation 31 December 2016 | Increase | Decrease |
|--|---------------------------|----------|
| | <i>(in thousand Baht)</i> | |
| Discount rate (1% movement) | (42,307) | 49,415 |
| Future salary growth (1% movement) | 47,975 | (42,008) |

| Defined benefit obligation 31 December 2015 | Increase | Decrease |
|--|---------------------------|----------|
| | <i>(in thousand Baht)</i> | |
| Discount rate (1% movement) | (43,317) | 51,559 |
| Future salary growth (1% movement) | 50,056 | (42,999) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

21 Other liabilities

| | 2016 | 2015 |
|-------------------------|---------------------------|-------------------------|
| | <i>(in thousand Baht)</i> | |
| Other accounts payable | 4,209,293 | 4,606,375 |
| Unearned income | 217,845 | 208,512 |
| Withholding tax payable | 55,984 | 46,194 |
| VAT payable | 66,735 | 48,320 |
| Others | 546,152 | 539,184 |
| Total | <u>5,096,009</u> | <u>5,448,585</u> |

22 Commitments and contingent liabilities

(a) Lease and service agreement

At 31 December 2016 and 2015, the Branch had 4 years and 10 months lease and service agreements in respect of new office premises and utilities. Under the terms of the above agreements, the Branch has committed to pay annual rental and service fees as follows:

| | 2016 | 2015 |
|--------------------------------------|--------------------------|---------------------|
| | <i>(in million Baht)</i> | |
| Within one year | 204 | 201 |
| After one year but within five years | 763 | 796 |
| After five years | - | 166 |
| Total | <u>967</u> | <u>1,163</u> |

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(b) *Commitments and contingent liabilities were as follows:*

| | 2016 | 2015 |
|--|---------------------------|---------------------------|
| | <i>(in thousand Baht)</i> | |
| Guarantees of loans | 2,208,650 | 2,169,844 |
| Liabilities under unmatured import bills | 495,870 | 337,159 |
| Letters of credit | 1,349,573 | 2,254,953 |
| Other contingencies | | |
| - Undrawn committed line | 176,407,390 | 158,825,807 |
| - Other guarantees | 7,814,468 | 4,836,301 |
| - Others | 1,582,414 | 1,987,526 |
| Total | <u>189,858,365</u> | <u>170,411,590</u> |

23 Related parties

For the purposes 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 jointly 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 key management personnel and other related parties were as follows:

| Name of entities | Country of incorporation/ nationality | Nature of relationships |
|---|--|--|
| Key management personnel | Thai/ Foreigners | Persons having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly including any director (whether executive or otherwise) of the Branch |
| Citigroup Inc. | United States of America | Ultimate parent of the Group |
| Citibank Oversea Investment Corporation | United States of America | Parent, 99.99 % shareholding and subsidiary of Citigroup Inc. |
| Citibank, N.A. New York | United States of America | Head office of the Branch |
| Citicorp Securities (Thailand) Limited | Thailand | The same major shareholder which is Citibank Overseas Investment Corporation |
| Citicorp Leasing (Thailand) Ltd. | Thailand | The same major shareholder which is Citibank Overseas Investment Corporation |
| Citi Consumer Products (Thailand) Limited | Thailand | The same major shareholder which is Citibank Overseas Investment Corporation |
| B.E.S. Limited | Thailand | The same major shareholder which is Citibank Overseas Investment Corporation |
| Citigroup Global Markets Limited | United Kingdom | Subsidiaries of Citigroup Inc. |
| Citigroup Global Markets Inc. | United States of America | Subsidiaries of Citigroup Inc. |
| Citibank, N.A. Hong Kong | Hong Kong | Subsidiaries of Citigroup Inc. |
| Citi (Nominees) Limited | United States of America | Subsidiaries of Citigroup Inc. |
| Citibank, N.A. Singapore | Singapore | Subsidiaries of Citigroup Inc. |

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| Name of entities | Country of incorporation/ nationality | Nature of relationships |
|---|--|--------------------------------|
| Citicorp Investment Bank Singapore | Singapore | Subsidiaries of Citigroup Inc. |
| Citicorp International Limited | United States of America | Subsidiaries of Citigroup Inc. |
| Citibank Japan Limited. | Japan | Subsidiaries of Citigroup Inc. |
| Citibank, BHD. Kuala Lumpur | Malaysia | Subsidiaries of Citigroup Inc. |
| Citibank Europe Plc. | Ireland | Subsidiaries of Citigroup Inc. |
| Citibank, N.A. London | United Kingdom | Subsidiaries of Citigroup Inc. |
| Citibank Finance Limited (Singapore) | Singapore | Subsidiaries of Citigroup Inc. |
| Citibank Technology Inc. (CTI) | United States of America | Subsidiaries of Citigroup Inc. |
| Citibank Taiwan Limited | Taiwan | Subsidiaries of Citigroup Inc. |
| Citigroup Global Market Hong Kong | Hong Kong | Subsidiaries of Citigroup Inc. |
| N.C.B. Trust Limited | United States of America | Subsidiaries of Citigroup Inc. |
| Citibank Korea Inc. | Korea | Subsidiaries of Citigroup Inc. |
| Citibank, N.A. Sydney | Australia | Subsidiaries of Citigroup Inc. |

The pricing policies for transactions with related parties are explained further below:

| Transactions | Pricing policies |
|---------------------------|----------------------------|
| Income | |
| Interest income | Market rate |
| Fees and service income | Market rate |
| Expense | |
| Interest expense | Market rate |
| Fees and service expenses | Contractually agreed price |
| Intragroup charges | Contractually agreed price |
| Other expenses | Contractually agreed price |

Significant transactions for the years ended 31 December with related parties were as follows:

| | 2016 | 2015 |
|-------------------------------------|---------------------------|----------------|
| | <i>(in thousand Baht)</i> | |
| Related companies | | |
| Interest income | | |
| Citicorp Leasing (Thailand) Limited | 55,508 | 66,584 |
| Citicorp Investment Bank Singapore | 56,891 | 28,614 |
| Citibank Taiwan Limited | 53,443 | 7,828 |
| Others | 14,732 | 15,243 |
| Total | 180,574 | 118,269 |
| Fees and service income | | |
| B.E.S. Limited | 107,746 | 110,485 |
| Citicorp Leasing (Thailand) Ltd. | 92,040 | 95,625 |
| Others | 260,353 | 130,519 |
| Total | 460,139 | 336,629 |

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| | 2016 | 2015 |
|--------------------------------------|---------------------------|----------------|
| | <i>(in thousand Baht)</i> | |
| Interest expense | | |
| Others | 30,882 | 23,989 |
| Fees and services expenses | | |
| Citibank, N.A. Singapore | 410,342 | 287,063 |
| B.E.S. Limited | 247,135 | 338,572 |
| Others | 13,520 | 32,334 |
| Total | 670,997 | 657,969 |
| Intragroup charges | | |
| Others | 683,792 | 101,223 |
| Other expenses | | |
| Citibank Finance Limited (Singapore) | 314,594 | 421,936 |
| Citigroup Technology Inc. (CTI) | 96,986 | 25,202 |
| Others | 96,898 | 60,013 |
| Total | 508,478 | 507,151 |

The above fees and service expenses, other expense and intragroup charges and other expenses include the charges relating to the services provided by the head office and other related entities.

Profit remitted

| | | |
|-------------------------|------------------|------------------|
| Citibank, N.A. New York | 3,833,907 | 4,559,063 |
|-------------------------|------------------|------------------|

Key management personnel compensation

The Branch's directors and management levels from manager or vice president upwards including other equivalent positions shall not be entitled to any other benefits than the normal benefits, for instance, salaries, directors' bonuses, post employment benefits and share based payments of a company in the group of its major shareholder as follows:

| | 2016 | 2015 |
|--|---------------------------|----------------|
| | <i>(in thousand Baht)</i> | |
| Key management personnel compensation | | |
| Short-term employee benefits | 235,099 | 186,427 |
| Post-employment benefits | 3,006 | 2,763 |
| Other long-term benefits | 14,538 | 13,407 |
| Total | 252,643 | 202,597 |

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

| | 2016 | 2015 |
|---|---------------------------|-------------------|
| | <i>(in thousand Baht)</i> | |
| Assets | | |
| Interbank and money market items | | |
| Citicorp Investment Bank Singapore | 24,365,774 | 28,510,541 |
| Citibank Taiwan Limited | 5,345,104 | - |
| Citicorp Leasing (Thailand) Limited | 2,100,013 | 2,150,035 |
| Citi Consumer Products (Thailand) Limited | 300,000 | 300,000 |
| Others | 1,512 | 83,641 |
| Total | 32,112,403 | 31,044,217 |

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| | 2016 | 2015 |
|---|---------------------------|-------------------------|
| | <i>(in thousand Baht)</i> | |
| <i>Derivative assets</i> | | |
| Citibank, N.A. London | 2,749,191 | 391,367 |
| Citibank, N.A. New York | 1,382,851 | 3,531,966 |
| Citigroup Global Markets Limited | 510,942 | 45,572 |
| Citibank, N.A. Singapore | 297,720 | 16,460 |
| Citicorp Leasing (Thailand) Limited | 52,479 | 6,834 |
| Citibank Japan Limited | 51,221 | 60,002 |
| Others | 59,440 | 92,200 |
| Total | <u>5,103,844</u> | <u>4,144,401</u> |
| <i>Accrued interest receivable</i> | | |
| Others | <u>10,710</u> | <u>26,727</u> |
| <i>Other assets</i> | | |
| Citibank, N.A. Singapore | 411,383 | 264,439 |
| Citibank N.A. Hong Kong | 140,320 | 108,445 |
| Others | 45,705 | 45,081 |
| Total | <u>597,408</u> | <u>417,965</u> |
| Liabilities | | |
| <i>Deposits and interbank and money market items</i> | | |
| Citibank Taiwan Limited | 3,613,860 | 149,802 |
| Citicorp Securities (Thailand) Limited | 1,099,346 | 967,046 |
| Citicorp Leasing (Thailand) Limited | 315,869 | 238,232 |
| Citigroup Global Markets Limited | 183,726 | 13,191 |
| Citigroup Global Markets Inc. | 82,648 | 67,593 |
| Others | 8,072 | 63,113 |
| Total | <u>5,303,521</u> | <u>1,498,977</u> |
| <i>Derivative liabilities</i> | | |
| Citicorp Leasing (Thailand) Limited | 16,084 | 361,344 |
| Citigroup Global Market Limited | 440,181 | 115,778 |
| Citigroup Inc. | 21,486 | 61,725 |
| Citibank, N.A. Singapore | 861,026 | 1,815,826 |
| Citibank, N.A. London | 998,489 | 563,435 |
| Citibank, N.A. New York | 1,805,546 | 2,131,034 |
| Citibank Japan Limited | 103,298 | 69,020 |
| Others | 26,014 | 157,975 |
| Total | <u>4,272,124</u> | <u>5,276,137</u> |
| <i>Accrued interest expense</i> | | |
| Others | <u>3,401</u> | <u>3,059</u> |

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| | 2016 | 2015 |
|---|---------------------------|--------------------|
| | <i>(in thousand Baht)</i> | |
| <i>Other liabilities</i> | | |
| Citigroup Global Markets Inc. | 141,565 | 8,566 |
| Others | 48,132 | 62,859 |
| Total | 189,697 | 71,425 |
| <i>Balances of inter-office accounts with head office and other branches of same juristic person</i> | | |
| Citibank, N.A. New York | 977,280 | 1,568,091 |
| Citibank, N.A. London | 595,462 | (104,044) |
| N.C.B. Trust Limited | 76,643 | 113,754 |
| Citi (Nominees) Limited | 56,071 | 93,087 |
| Citibank, N.A. Singapore | 68,015 | 229,039 |
| Citibank, N.A. Sydney | (23,665) | (74,121) |
| Citibank, N.A. Hong Kong | (135,005) | 172,967 |
| Others | (17,749) | (18,068) |
| Total | 1,597,052 | 1,980,705 |
| <i>Commitments</i> | | |
| Citicorp Leasing (Thailand) Limited | 4,996,961 | 6,037,832 |
| Citigroup Global Market Limited | 103,466,894 | 14,714,002 |
| Citigroup Global Market Inc. | 1,178,735 | 172,631 |
| Citigroup Global Market Hong Kong | - | 2,024,468 |
| Citibank, N.A. Hong Kong | 276,294 | 3,178,137 |
| Citibank Japan Limited | 4,226,435 | 5,040,212 |
| Citibank, Korea Inc. | 3,299,718 | - |
| Citibank, N.A. Singapore | 203,770,053 | 108,436,616 |
| Citibank, N.A. New York | 81,757,069 | 106,363,971 |
| Citibank, N.A. London | 86,048,330 | 53,237,269 |
| Citicorp Investment Bank Singapore | 179,153 | 200,049 |
| Others | 121,051 | 145,563 |
| Total | 489,320,693 | 299,550,750 |

As at 31 December 2016, loans to related parties were due to mature on 29 July 2019 (2015: 6 January 2016 and 28 July 2017) and carried interest at 2.47% per annum (2015: 1.99% - 2.76% per annum).

Commitments to related parties comprise the notional amounts of derivatives assets and liabilities disclosed under note 8.

As at 31 December 2016, commitments with related parties were due to mature on 3 January 2017 - 20 January 2049 (2015: 4 January 2016 - 20 January 2049).

Significant agreements with related parties

(a) *Operational support service agreements*

The Branch entered into a service agreement with related companies. Under the terms of the agreement, the Branch provides the related party several services including technological support, financial control, staff training, quality assurance, compliance and others. The agreement is open-ended. However, it can be terminated by either party by giving at least three months prior written notice to the other party. For the year ended 31 December 2016, the Branch earned service fees of Baht 215.4 million (2015: Baht 226.7 million).

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(b) *Collection service agreement*

The Branch entered into a collection service agreement with a related company. Under these agreements which is annually renewed, the Branch has collection service expenses for the year ended 31 December 2016 of Baht 247.1 million (2015: Baht 338.6 million).

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

| | 2016 | 2015 |
|----------------------------------|---------------------------|------------------|
| | <i>(in thousand Baht)</i> | |
| Interbank and money market items | 400,100 | 395,206 |
| Investment in debt securities | 897,248 | 883,700 |
| Loans to customers | 7,938,528 | 8,093,086 |
| Total | 9,235,876 | 9,371,992 |

26 Interest expense

| | 2016 | 2015 |
|---|---------------------------|------------------|
| | <i>(in thousand Baht)</i> | |
| Deposits | 417,775 | 546,270 |
| Interbank and money market items | 67,037 | 59,208 |
| Contribution to Deposit Protection Agency | 593,957 | 577,155 |
| Total | 1,078,769 | 1,182,633 |

27 Net fees and service income

| | 2016 | 2015 |
|------------------------------------|---------------------------|------------------|
| | <i>(in thousand Baht)</i> | |
| Fees and service income | | |
| - Acceptances, aval and guarantees | 199,198 | 174,737 |
| - Credit card, ATM and others | 2,948,937 | 2,779,704 |
| - Others | 1,871,756 | 1,937,945 |
| Total | 5,019,891 | 4,892,386 |
| Fees and service expense | | |
| - Fees from related parties | 670,997 | 657,969 |
| - Others | 856,773 | 978,641 |
| Total | 1,527,770 | 1,636,610 |
| Net | 3,492,121 | 3,255,776 |

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28 Net gains on tradings and foreign exchange transactions

| | 2016 | 2015 |
|--|---------------------------|-------------------------|
| | <i>(in thousand Baht)</i> | |
| Gains (losses) on trading and foreign exchange transactions | | |
| - Foreign exchange currency and foreign currency related derivatives | 2,211,972 | 1,906,125 |
| - Interest rate related derivatives | 102,059 | (63,689) |
| - Others | - | 141,013 |
| Total | <u>2,314,031</u> | <u>1,983,449</u> |

29 Net gains from investments

| | 2016 | 2015 |
|--|---------------------------|----------------------|
| | <i>(in thousand Baht)</i> | |
| Gain from sale of available for sale investment | 157,866 | 143,382 |
| Loss from sale of trading investments | (31,867) | (97,206) |
| Unrealized loss on remeasuring of fair value on trading investments, net | (13,950) | (1,396) |
| Impairment on general investment | (18) | (14) |
| Total | <u>112,031</u> | <u>44,766</u> |

30 Bad debts, allowance for doubtful accounts and impairment loss

| | 2016 | 2015 |
|-------------------------------------|---------------------------|-------------------------|
| | <i>(in thousand Baht)</i> | |
| Interbank and money market items | (229,777) | 19,695 |
| Loans to customers | 2,101,561 | 2,086,687 |
| Loss on troubled debt restructuring | 216,714 | 253,313 |
| Total | <u>2,088,498</u> | <u>2,359,695</u> |

31 Employee expenses

| | <i>Note</i> | 2016 | 2015 |
|--|-------------|---------------------------|-------------------------|
| | | <i>(in thousand Baht)</i> | |
| Wages, salaries and bonus | | 1,653,949 | 1,680,996 |
| Post employment benefit - defined benefit plans | 20 | 41,794 | 40,092 |
| Post employment benefit - defined contribution plans | | 122,980 | 124,489 |
| Others | | 853,131 | 595,376 |
| Total | | <u>2,671,854</u> | <u>2,440,953</u> |

The defined contribution plan comprises a provident fund established by the Branch for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 10% of their basic salaries and by the Branch at rates ranging from 10% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

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32 Other expenses

| | 2016 | 2015 |
|--|---------------------------|-------------------------|
| | <i>(in thousand Baht)</i> | |
| Sales and marketing expenses | 1,643,431 | 1,510,540 |
| Amortisation for acquisition cost of loans | 243,807 | 172,051 |
| Others | 1,380,475 | 1,458,523 |
| Total | <u>3,267,713</u> | <u>3,141,114</u> |

33 Income tax

Income tax recognised in profit or loss

| | Note | 2016 | 2015 |
|-------------------------------------|------|---------------------------|-------------------------|
| | | <i>(in thousand Baht)</i> | |
| Current tax | | | |
| Current year | | 991,624 | 1,066,865 |
| Under (over) provided in prior year | | (6,069) | 16,157 |
| | | <u>985,555</u> | <u>1,083,022</u> |
| Deferred tax | | | |
| Movements in temporary differences | 15 | 13,655 | (30,247) |
| Total | | <u>999,210</u> | <u>1,052,775</u> |

Income tax recognised in other comprehensive income

| | Before tax | 2016 Tax (expense) benefit | Net of tax | Before Tax | 2015 Tax (expense) benefit | Net of tax |
|--------------------------------|---------------------------|-------------------------------------|-------------------------|------------------------|-------------------------------------|------------------------|
| | <i>(in thousand Baht)</i> | | | | | |
| Available-for-sale investments | (235,510) | 47,102 | (188,408) | (75,267) | 15,054 | (60,213) |
| Actuarial gains | 45,524 | (9,105) | 36,419 | 18,116 | (3,623) | 14,493 |
| Total | <u>(189,986)</u> | <u>37,997</u> | <u>(151,989)</u> | <u>(57,151)</u> | <u>11,431</u> | <u>(45,720)</u> |

Reconciliation of effective tax rate

| | Rate (%) | 2016 <i>(in thousand Baht)</i> | Rate (%) | 2015 <i>(in thousand Baht)</i> |
|--|--------------------|-----------------------------------|--------------------|-----------------------------------|
| Profit before tax | | 4,800,501 | | 4,913,866 |
| Income tax using the Thai corporation tax rate | 20.0 | 960,100 | 20.0 | 982,773 |
| Expenses not deductible for tax purposes | 0.9 | 44,287 | 1.1 | 53,300 |
| Under (over) provided in prior year | (0.1) | (6,069) | 0.3 | 16,157 |
| Others | 0.0 | 892 | 0.0 | 545 |
| Total | <u>20.8</u> | <u>999,210</u> | <u>21.4</u> | <u>1,052,775</u> |

Income tax reduction

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

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34 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Branch's operations, which become effective for annual financial periods beginning on or after 1 January 2017, are set out below. The Branch does not plan to adopt these TFRS early.

| TFRS | Topic |
|--------------------------------|---|
| TAS 1 (revised 2016) | Presentation of Financial Statements |
| TAS 7 (revised 2016) | Statement of Cash Flows |
| TAS 8 (revised 2016) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (revised 2016) | Events after the Reporting Period |
| TAS 12 (revised 2016) | Income Taxes |
| TAS 16 (revised 2016) | Property, Plant and Equipment |
| TAS 17 (revised 2016) | Leases |
| TAS 18 (revised 2016) | Revenue |
| TAS 19 (revised 2016) | Employee Benefits |
| TAS 21 (revised 2016) | The Effects of Changes in Foreign Exchange Rates |
| TAS 24 (revised 2016) | Related Party Disclosures |
| TAS 36 (revised 2016) | Impairment of Assets |
| TAS 37 (revised 2016) | Provisions, Contingent Liabilities and Contingent Assets |
| TAS 38 (revised 2016) | Intangible Assets |
| TAS 104 (revised 2016) | Troubled Debt Restructuring |
| TAS 105 (revised 2016) | Accounting for Investments in Debt and Equity Securities |
| TAS 107 (revised 2016) | Financial Instruments: Disclosure and Presentation |
| TFRS 13 (revised 2016) | Fair Value Measurement |
| TFRIC 13 (revised 2016) | Customer Loyalty Programmes |
| FAP Announcement no. 5/2559 | Accounting guidance for derecognition of financial assets and financial liabilities |

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