

TISCO Financial Group Public Company Limited
and its subsidiary companies
Report and consolidated financial statements
31 December 2016

Independent Auditor's Report

To the Shareholders of TISCO Financial Group Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of TISCO Financial Group Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. 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 Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Allowance for doubtful accounts for loans to customers

As discussed in Note 1.6.9 and 3.6 to the financial statements, as at 31 December 2016, the Group had loans to customers of Baht 224,934 million (accounting for 83% of total assets) and allowance for doubtful accounts of Baht 7,984 million, which is a material amount. The estimation of allowance for doubtful accounts was made based on the criteria established by the Bank of Thailand and adjusted to incorporate the additional amounts that are expected not to be collectible and a reserve to account for cyclical business factors, which relies on various assumptions. Management is required to exercise considerable judgement in determining the assumptions to be used in estimating the losses expected to be incurred as a result of debtors being unable to repay principal and interest, and in determining the timing of such recognition. Therefore, I have focused on examining the adequacy of the allowance for doubtful accounts for the loans to customers.

I have performed audit procedures on the allowance for doubtful accounts as follows:

1. I gained an understanding of the estimation process and the Group's recording of allowance for doubtful accounts.
2. I assessed and tested the internal controls relevant to the recording of allowance for doubtful accounts, collection of debt and the calculation of allowance for doubtful accounts for loans to customers, including the loan classification process and collateral valuation, by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
3. I checked the accuracy of the data used in the calculation of allowance for doubtful accounts to its source.

4. I performed analytical procedures to compare the assumptions that the Group used to calculate allowance for doubtful accounts with historical data, and evaluated the methods that the Group elected to use in estimating allowance for doubtful accounts for each type of product.
5. I reviewed the accuracy of loan's information and tested the accuracy of loan classification as the end of reporting period.
6. I assessed the allowance calculated by the management as follows:
 - 6.1 In cases where the Group set loan loss provisions on a specific basis, I selected a random sample of customers to test the correctness of status of the loan, the loan classification and the existence of collateral, tested the calculation of the valuation of collateral and also tested whether the calculation of the allowance was in accordance with the Group's guidelines.
 - 6.2 In cases where the Group applied a collective approach to loan loss provisioning, I tested the calculation of the probability of default and loss given default and I also tested the allowance calculation.

Interest income recognition

The Group's interest income recognition policy is as discussed in note 1.6.1 to the financial statements. The Group's major source of revenue is interest income from loans, which amounted to Baht 16,012 million in the year 2016, accounting for 72% of total revenues. I focused my audit on recognition of interest income because there are a large number of customers such as retail loans, corporate loans and commercial lending loans. There are various types of credit, and there are a variety of conditions in the agreements, with the conditions for interest income recognition differing for each type of agreement. In addition the Group's recognition of interest income is primarily dependent on information technology. I therefore focused my audit on whether interest income was recognised in the correct amounts.

Most of the Group's revenues are recognised on the basis of data processed by information technology because of the large number of customers and the variety of conditions regarding income recognition in the relevant loan agreements. I assessed and tested the design and the operation of both the IT system controls and internal controls related to loan origination, collection, recognition of interest income and the cessation of the accrual of interest income. I also selected samples of loan agreements to evaluate whether lending, cash receipt and income transactions were recorded in accordance with the conditions in the loan agreement and in compliance with the Group's interest income recognition policy. In addition, I performed analytical procedures on interest income data and, on a sampling basis, examined significant adjustments made through journal vouchers.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 Thai Standards on Auditing 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 Thai Standards on Auditing, I exercise professional judgement 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 Group'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 Group'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 Group 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.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance 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.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Miss Somjai Khunapasut.

Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 9 February 2017

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2016

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Assets					
Cash		1,149,005	1,101,291	70	70
Interbank and money market items - net	3.2	38,067,417	31,162,645	533,562	416,723
Investments - net	3.4, 3.8	7,188,845	8,332,419	781,885	773,250
Investments in subsidiaries and joint venture - net	3.5	442,750	284,107	19,469,082	19,370,077
Loans to customers and accrued interest receivables	3.6, 3.8				
Loans to customers		245,114,243	259,724,989	1,803,100	2,699,200
Accrued interest receivables		520,704	542,488	-	-
Total loans to customers and accrued interest receivables		245,634,947	260,267,477	1,803,100	2,699,200
Less: Deferred revenue		(20,180,240)	(21,465,152)	-	-
Less: Allowance for doubtful accounts	3.7	(7,973,890)	(6,168,270)	-	-
Less: Allowance for loss on debt restructuring	3.7	(9,748)	-	-	-
Loans to customers and accrued interest receivables - net		217,471,069	232,634,055	1,803,100	2,699,200
Properties foreclosed - net	3.8, 3.9	7,366	47,390	-	-
Investment properties - net	3.10	32,157	32,157	778,245	778,245
Premises and equipment - net	3.11	2,652,515	2,633,339	922,233	877,253
Intangible assets - net	3.12	567,053	379,659	196,303	90,562
Deferred tax assets	3.30	513,602	317,686	147,654	130,154
Securities and derivatives business receivables - net		1,373,757	1,130,190	-	-
Dividend receivable from subsidiaries		-	-	2,762,188	1,842,237
Other assets	3.13	1,806,862	2,238,741	141,969	152,048
Total assets		271,272,398	280,293,679	27,536,291	27,129,819

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Liabilities and equity					
Liabilities					
Deposits	3.14	155,067,524	158,344,190	-	-
Interbank and money market items - net	3.15	5,196,603	10,030,060	-	-
Liabilities payable on demand		180,242	356,335	-	-
Derivatives liabilities	3.3	34,118	41,898	-	-
Debts issued and borrowings	3.16	70,328,919	74,518,919	5,930,000	6,900,000
Provision for long-term employee benefits	3.17	576,114	466,933	124,230	106,791
Deferred tax liabilities	3.30	2,581	1,748	-	-
Securities and derivatives business payables - net		1,510,870	1,275,029	-	-
Accrued interest payable		753,021	896,969	18,574	30,285
Income tax payable		565,781	312,895	37,001	28,176
Other liabilities	3.18	5,731,082	5,854,374	1,190,304	1,033,793
Total liabilities		239,946,855	252,099,350	7,300,109	8,099,045

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2016

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Equity					
Share capital	5				
Registered					
33,858 preference shares of Baht 10 each		339	339	339	339
800,669,437 ordinary shares of Baht 10 each		8,006,694	8,006,694	8,006,694	8,006,694
		<u>8,007,033</u>	<u>8,007,033</u>	<u>8,007,033</u>	<u>8,007,033</u>
Issued and paid-up					
10,759 preference shares of Baht 10 each (31 December 2015: 18,558 shares of Baht 10 each)		108	186	108	186
800,644,724 ordinary shares of Baht 10 each (31 December 2015: 800,636,925 shares of Baht 10 each)		8,006,447	8,006,369	8,006,447	8,006,369
		<u>8,006,555</u>	<u>8,006,555</u>	<u>8,006,555</u>	<u>8,006,555</u>
Share premium					
Share premium on preference shares		-	-	95	163
Share premium on ordinary shares		1,018,408	1,018,408	7,031,428	7,031,360
		<u>1,018,408</u>	<u>1,018,408</u>	<u>7,031,523</u>	<u>7,031,523</u>
Other components of equity		1,447,136	1,381,775	104,978	94,016
Retained earnings					
Appropriated-statutory reserve		801,000	709,500	801,000	709,500
Unappropriated		19,951,807	16,979,196	4,292,126	3,189,180
		<u>31,224,906</u>	<u>28,095,434</u>	<u>20,236,182</u>	<u>19,030,774</u>
Equity attributable to equity holders of the Company					
Non-controlling interest of the subsidiaries		100,637	98,895	-	-
		<u>31,325,543</u>	<u>28,194,329</u>	<u>20,236,182</u>	<u>19,030,774</u>
Total equity					
		<u>271,272,398</u>	<u>280,293,679</u>	<u>27,536,291</u>	<u>27,129,819</u>
Total liabilities and equity					

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


 Mrs. Oranuch Apisakskrikul
 (Chairperson of the Executive Board)



บริษัท ทีเอสซีไฟแนนเชียลกรุ๊ป จำกัด (มหาชน)
 TISCO Financial Group Public Company Limited

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TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2016

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Interest income	3.22	16,011,544	16,887,553	49,741	79,673
Interest expenses	3.23	(5,091,110)	(6,757,696)	(101,506)	(150,688)
Net interest income		10,920,434	10,129,857	(51,765)	(71,015)
Fee and service income		5,396,850	5,255,965	-	-
Fee and service expenses		(230,082)	(198,932)	(13,477)	(11,821)
Net fee and service income	3.24	5,166,768	5,057,033	(13,477)	(11,821)
Net gains (losses) on trading and foreign exchange transactions	3.25	(9,468)	96,189	(6,945)	81,694
Net gains (losses) on investments	3.26	12,594	128,907	-	47
Share of profit from investments accounted for under equity method	3.5.2	131,212	97,655	-	-
Dividend income		78,973	92,332	2,762,188	1,842,237
Penalty fee income from loans		364,260	452,694	-	-
Income from business promotion relating to the hire purchase business		273,903	348,001	-	-
Intercompany supporting fee income	3.34	-	-	1,781,876	1,560,722
Other operating income	3.28	121,637	86,258	75,138	65,902
Total operating income		17,060,313	16,488,926	4,547,015	3,467,766
Expense from business promotion relating to the hire purchase business		302,924	396,303	-	-
Total net operating income		16,757,389	16,092,623	4,547,015	3,467,766
Operating expenses					
Employee's expenses		4,298,798	3,379,795	888,837	643,656
Directors' remuneration		12,745	12,680	12,745	12,680
Premises and equipment expenses		970,203	928,890	366,543	352,397
Taxes and duties		208,869	212,862	1,762	1,647
Other operating expenses	3.29	1,050,415	992,794	81,128	87,904
Total operating expenses		6,541,030	5,527,021	1,351,015	1,098,284
Bad debt, doubtful accounts and impairment losses	3.27	3,972,366	5,277,415	-	-
Profit before income tax expenses		6,243,993	5,288,187	3,196,000	2,369,482
Income tax expenses	3.30	1,220,410	1,032,464	77,070	105,888
Profit for the year		5,023,583	4,255,723	3,118,930	2,263,594

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2016

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Other comprehensive income	3.31				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period</i>					
Gains (losses) on change in value of available-for-sale investments	3.20	59,888	(334,715)	15,580	(152,219)
Share of other comprehensive income of joint venture:					
Cash flow hedges of joint venture		27,431	(20,802)	-	-
Income tax effects	3.30, 3.32	(11,978)	66,943	(3,116)	30,444
Other comprehensive income to be reclassified to profit or loss in subsequent period - net of income tax		75,341	(288,574)	12,464	(121,775)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent period</i>					
Actuarial gains (losses)		(40,122)	6,091	(6,745)	(10,328)
Share of other comprehensive income of joint venture:					
Actuarial gains of joint venture		-	26	-	-
Income tax effects	3.30, 3.32	7,995	(1,188)	1,349	2,066
Other comprehensive income not to be reclassified to profit or loss in subsequent period - net of income tax		(32,127)	4,929	(5,396)	(8,262)
Other comprehensive income for the year		43,214	(283,645)	7,068	(130,037)
Total comprehensive income for the year		5,066,797	3,972,078	3,125,998	2,133,557
Profit attributable to					
Equity holders of the Company	3.33	5,005,894	4,250,119	3,118,930	2,263,594
Non-controlling interests of the subsidiaries		17,689	5,604		
		5,023,583	4,255,723		
Total comprehensive income attributable to					
Equity holders of the Company		5,050,062	3,966,053	3,125,998	2,133,557
Non-controlling interests of the subsidiaries		16,735	6,025		
		5,066,797	3,972,078		
Earnings per share of equity holders of the Company					
Basic earnings per share	3.33	6.25	5.31	3.90	2.83

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2016

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from operating activities				
Profit before income tax expenses	6,243,993	5,288,187	3,196,000	2,369,482
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities				
Depreciation and amortisation	252,316	214,709	93,702	80,805
Bad debts and doubtful accounts	6,094,764	7,070,231	-	-
Share of profit from investments accounted for under equity method	(131,212)	(97,655)	-	-
Allowance for impairment of investments (reversal)	4,420	(822)	-	(47)
Allowance for impairment of property foreclosed	11,128	1	-	-
Gains on disposal of investments in securities	(17,682)	(131,268)	(9,142)	-
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	(851)	(80,656)	6,945	(81,694)
Gains on disposal of equipment	(14,127)	(1,619)	-	-
Losses on written-off of equipment	941	2,909	45	17
Losses on written-off intangible assets	6,218	78	-	-
Losses on changes in value of investment properties	-	406	-	-
Gains on disposal of properties foreclosed	(73,175)	(49,810)	-	-
Employee benefit expenses	89,986	95,269	16,643	14,910
(Increase) decrease in accrued income	(19,887)	(14,654)	5,455	(14,215)
Increase (decrease) in accrued expenses	413,512	(279,820)	147,420	(61,956)
Net interest income	(10,920,434)	(10,129,857)	51,765	71,015
Dividend income	(78,973)	(92,332)	(2,762,188)	(1,842,237)
Cash received on interest income	16,335,057	17,201,200	49,707	79,747
Cash paid on interest expenses	(4,234,443)	(5,822,706)	(113,216)	(161,115)
Cash received on dividend income	78,973	92,332	1,842,237	1,693,238
Cash paid on income tax expenses	(1,173,584)	(1,275,371)	(87,512)	(95,573)
Profit from operating activities before changes in operating assets and liabilities	12,866,940	11,988,752	2,437,861	2,052,377
Operating assets (increase) decrease				
Interbank and money market items	(6,904,757)	6,895,479	(116,840)	112,458
Loans to customers	6,771,626	13,993,726	896,100	455,100
Securities and derivatives business receivables	(243,566)	689,068	-	-
Receivables from clearing house	103,127	43,907	-	-
Properties foreclosed	2,376,862	2,801,136	-	-
Other assets	-188,541	-847,155	4,659	27,592

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2016

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Operating liabilities increase (decrease)				
Deposits	(3,276,666)	(47,244,657)	-	-
Interbank and money market items	(4,833,456)	(662,375)	-	-
Liabilities payable on demand	(176,093)	(43,582)	-	-
Securities and derivative business payables	235,841	24,962	-	-
Short-term debts issued and borrowings	(20,370,000)	(6,567,300)	(970,000)	(769,400)
Payable to clearing house	(96,576)	(756,680)	-	-
Provision for long-term employee benefits	(20,927)	(25,959)	(5,948)	(4,271)
Other liabilities	(1,213,333)	(378,844)	9,090	(2,940)
Net cash flows from (used in) operating activities	(14,969,519)	(20,089,522)	2,254,922	1,870,916
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(7,759,049)	(17,004,795)	-	-
Cash received from disposal of investment in securities held for investment	8,968,790	23,346,837	-	-
Cash paid for purchase of equipment	(223,346)	(309,088)	(105,866)	(237,922)
Cash paid for purchase of intangible assets	(242,740)	(102,938)	(138,602)	(31,690)
Cash received from disposal of equipment	14,168	1,619	9,142	-
Cash paid for share capital increase of subsidiary	-	-	(99,006)	-
Net cash flows from (used in) investing activities	757,823	5,931,635	(334,332)	(269,612)
Cash flows from financing activities				
Cash received from issuance of long-term debentures	16,180,000	17,680,000	-	-
Cash paid for the redemption of long-term debentures	-	(2,000,000)	-	-
Dividend paid	(1,920,590)	(1,601,304)	(1,920,590)	(1,601,304)
Net cash flows from (used in) financing activities	14,259,410	14,078,696	(1,920,590)	(1,601,304)
Net increase (decrease) in cash	47,714	(79,191)	-	-
Cash at beginning of the year	1,101,291	1,180,482	70	70
Cash at end of the year	1,149,005	1,101,291	70	70
	-	-	-	-

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in equity

For the year ended 31 December 2016

(Unit: Thousand Baht)

Consolidated financial statements														
Equity attributable to equity holders of the Company														
Other components of equity														
	Note	Issued and paid-up		Share premium on ordinary shares	Surplus (deficit) on changes in value of available-for-sale investments	Surplus on revaluation of assets	Share of other comprehensive income of joint venture	Adjustment from business combination of entities under common control under holding restructuring plan	Total other components of equity	Retained earnings		Total equity attributable to equity holders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total
		Preference shares	Ordinary shares							Appropriated	Unappropriated			
Balance as at 1 January 2015		336	8,006,219	1,018,408	101,480	909,249	(9,641)	679,266	1,680,354	596,300	14,429,068	25,730,685	93,008	25,823,693
Dividend paid	4	-	-	-	-	-	-	-	-	-	(1,601,304)	(1,601,304)	-	(1,601,304)
Transfer inappropriated retained earnings to statutory reserve		-	-	-	-	-	-	-	-	113,200	(113,200)	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	-	4,250,119	4,250,119	5,604	4,255,723
Other comprehensive income for the year		-	-	-	(267,772)	-	(20,802)	-	(288,574)	-	4,508	(284,066)	421	(283,645)
Total comprehensive income for the year		-	-	-	(267,772)	-	(20,802)	-	(288,574)	-	4,254,627	3,966,053	6,025	3,972,078
Transfer surplus on revaluation of assets to retained earnings		-	-	-	-	(10,005)	-	-	(10,005)	-	10,005	-	-	-
Preference shares converted to ordinary shares		(150)	150	-	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(138)	(138)
Balance as at 31 December 2015		<u>186</u>	<u>8,006,369</u>	<u>1,018,408</u>	<u>(166,292)</u>	<u>899,244</u>	<u>(30,443)</u>	<u>679,266</u>	<u>1,381,775</u>	<u>709,500</u>	<u>16,979,196</u>	<u>28,095,434</u>	<u>98,895</u>	<u>28,194,329</u>
Balance as at 1 January 2016		186	8,006,369	1,018,408	(166,292)	899,244	(30,443)	679,266	1,381,775	709,500	16,979,196	28,095,434	98,895	28,194,329
Dividend paid	4	-	-	-	-	-	-	-	-	-	(1,920,590)	(1,920,590)	-	(1,920,590)
Transfer unappropriated retained earnings to statutory reserve		-	-	-	-	-	-	-	-	91,500	(91,500)	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	-	5,005,894	5,005,894	17,689	5,023,583
Other comprehensive income for the year		-	-	-	47,910	-	27,431	-	75,341	-	(31,173)	44,168	(954)	43,214
Total comprehensive income for the year		-	-	-	47,910	-	27,431	-	75,341	-	4,974,721	5,050,062	16,735	5,066,797
Transfer surplus on revaluation of assets to retained earnings		-	-	-	-	(9,980)	-	-	(9,980)	-	9,980	-	-	-
Preference shares converted to ordinary shares		(78)	78	-	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(14,993)	(14,993)
Balance as at 31 December 2016		<u>108</u>	<u>8,006,447</u>	<u>1,018,408</u>	<u>(118,382)</u>	<u>889,264</u>	<u>(3,012)</u>	<u>679,266</u>	<u>1,447,136</u>	<u>801,000</u>	<u>19,951,807</u>	<u>31,224,906</u>	<u>100,637</u>	<u>31,325,543</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the year ended 31 December 2016

(Unit: Thousand Baht)

Separate financial statements										
Note	Issued and paid-up		Share premium		Other components of equity			Retained earnings		Total
	Preference	Ordinary	Preference	Ordinary	Deficit on	Surplus on	Total other	Appropriated	Unappropriated	
	shares	shares	shares	shares	change in value of available-for-sale investments	revaluation of assets	components of equity			
Balance as at 1 January 2015	336	8,006,219	295	7,031,228	(12,198)	229,490	217,292	596,300	2,646,851	18,498,521
Dividend paid	4	-	-	-	-	-	-	-	(1,601,304)	(1,601,304)
Transfer unappropriated retained earnings to statutory reserve		-	-	-	-	-	-	113,200	(113,200)	-
Profit for the year		-	-	-	-	-	-	-	2,263,594	2,263,594
Other comprehensive income for the year		-	-	-	(121,775)	-	(121,775)	-	(8,262)	(130,037)
Total comprehensive income for the year		-	-	-	(121,775)	-	(121,775)	-	2,255,332	2,133,557
Transfer surplus on revaluation of assets to retained earnings		-	-	-	-	(1,501)	(1,501)	-	1,501	-
Preference shares converted to ordinary shares		(150)	150	(132)	132	-	-	-	-	-
Balance as at 31 December 2015	186	8,006,369	163	7,031,360	(133,973)	227,989	94,016	709,500	3,189,180	19,030,774
Balance as at 1 January 2016	186	8,006,369	163	7,031,360	(133,973)	227,989	94,016	709,500	3,189,180	19,030,774
Dividend paid	4	-	-	-	-	-	-	-	(1,920,590)	(1,920,590)
Transfer unappropriated retained earnings to statutory reserve		-	-	-	-	-	-	91,500	(91,500)	-
Profit for the year		-	-	-	-	-	-	-	3,118,930	3,118,930
Other comprehensive income for the year		-	-	-	12,464	-	12,464	-	(5,396)	7,068
Total comprehensive income for the year		-	-	-	12,464	-	12,464	-	3,113,534	3,125,998
Transfer surplus on revaluation of assets to retained earning		-	-	-	-	(1,502)	(1,502)	-	1,502	-
Preference shares converted to ordinary shares		(78)	78	(68)	68	-	-	-	-	-
Balance as at 31 December 2016	108	8,006,447	95	7,031,428	(121,509)	226,487	104,978	801,000	4,292,126	20,236,182

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

TISCO Financial Group Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2016

1. Basis of preparation and presentation of financial statements and significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and the regulation of the Bank of Thailand (“BOT”), and their presentation has been made in compliance with the Bank of Thailand’s Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

1.2 Basis of consolidation financial statements

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared for the same reporting period and using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

1.3 Separate financial statements

The separate financial statements present investments in subsidiaries and joint ventures under the cost method.

1.4 New financial reporting standards

a) Financial reporting standards that became effective in the current year

During the year, the Company and its subsidiaries have adopted the revised (revised 2015) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements.

b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the change directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believes that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves change to key principles, which are summarised below.

TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company's and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

1.5 Change in accounting estimate used in recording allowance for doubtful accounts

During the first quarter of the year 2016, TISCO Bank changed an accounting estimate used in recording allowance for doubtful accounts for loan against auto license receivables, as follows:

TISCO Bank changed to setting aside allowance for doubtful accounts for loan against auto license receivables using a collective approach, based on historical loss and behavioral grading of the loan against auto license receivables, rather than rates of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables for loans classified as pass and special mention, respectively, and at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the year of collateral disposal being set with reference to BOT's Notifications, for non-performing loans that are classified as sub-standard, doubtful and doubtful of loss.

Such allowances are set aside in accordance with the BOT's Notifications issued on 10 June 2016.

The effect of this change in accounting estimate used in recording allowance for doubtful accounts was to decrease the outstanding balance of allowance for doubtful accounts for loans against auto license receivables as at 31 December 2016 by Baht 202 million. However, TISCO Bank did not reverse the decrease in allowance for doubtful accounts to revenue and instead retained the allowance as excess reserves.

1.6 Significant accounting policies

1.6.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase, finance lease and loan against auto license income are recognised over the installment period, using the effective interest rate.

The subsidiaries have policies for corporate loans on which interest payments have been defaulted for more than one month, it is the policy of its subsidiaries to cease accruing income. For other loan accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and after that interest will be recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue for more than two months and interest is then recognised on a cash basis.

The accounts will be reinstated to an accrual basis when the overdue amounts are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred income and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment in securities is recognised as income on an accrual basis. Dividends on investment in securities are recognised as income when the right to receive the dividends is established.

c) Brokerage fees

Brokerage fees on securities and derivatives trading are recognised as income on the transaction dates.

d) Gains (losses) on trading in securities and derivatives

Gains (losses) on trading in securities and derivatives are recognised as income/expenses on the transaction dates.

e) Fee and service income

Fee and service income are recognised as income on an accrual basis.

1.6.2 Expense recognition

a) Interest expenses

Interest expenses are charged to expenses on an accrual basis. Interest included in the face value of the notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

b) Commissions and direct expenses of the hire purchase business

The subsidiaries record the initial commissions and direct expenses arising in respect of hire purchase contracts using the effective interest rate method, and deduct them from deferred revenue over the installment period.

Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of the hire purchase contract.

1.6.3 Securities purchased under resale agreements according to private repurchase transactions

The subsidiary company operating banking business has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the statements of financial position and the securities purchased are used as collateral.

Under securities purchased under resale agreements according to private repurchase transactions, the subsidiary obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction by the effective interest rate method, and are presented as interest income.

1.6.4 Investments

- a) Investments in trading securities are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any). Investment in joint venture is accounted for in the consolidated financial statements using the equity method.
- f) The subsidiary company does not record investments which the subsidiary company holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The subsidiary company is obliged to dispose of these investments within the period stipulated in the Bank of Thailand's regulations.
- g) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- h) Losses on impairment (if any) of the investments in available-for-sale securities, held-to-maturity debt securities and other investments are recognised in profit or loss.
- i) The weighted average method is used for computation of the cost of investments.

- j) In the event the Company and its subsidiaries reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of equity, depending on the type of investment that is reclassified.
- k) Purchases and sales of investments are recorded on settlement date.

1.6.5 Investments in receivable purchased or transferred in

Investments in receivable purchased or transferred in, which are classified as held-to-maturity securities, are valued at acquisition cost net of allowance for impairment (if any). Losses on impairment of investments are included in profit or loss.

If the receivable enters into a troubled debt restructuring process, the investment will be transferred to loans to customers and presented at fair value, net of allowance for doubtful debt. The fair value is based on the outstanding balance of the receivable as at the transfer date or the date of restructuring. Allowance for doubtful debt is based on the same Bank of Thailand's guideline as allowance for loans to customers.

Since 1 January 2013, investments in receivable purchased or transferred in are recorded as loans to customers in statement of financial position at the fair value of consideration given in exchange, plus direct costs. Subsequent to initial recognition, these investments in receivable are valued at balances on the same basis as loans to customers

1.6.6 Receivable from Clearing House/Payable to Clearing House

Receivable from Clearing House comprises the net balance receivable from Thailand Securities Depository (TSD) in respect of securities trades settled through the Clearing House of TSD, and the net balance receivable from Thailand Clearing House (TCH), including amounts pledged with TCH as security for derivatives trading.

Payable to Clearing House comprises the net balance payable to Thailand Securities Depository in relation to securities trading settlements made through the Clearing House of TSD, and the net derivatives balance payable to Thailand Clearing House.

1.6.7 Loans to customers

Loans to customers are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred revenue/discounts on loans to customers are deducted from loans to customers.

Hire purchase and finance lease receivables are stated at outstanding balance, net of deferred revenue. Deferred revenue is stated net of commissions and direct expenses incurred at the initiation of hire purchase contracts and advances received from finance lease receivables.

1.6.8 Securities and derivatives business receivables

Securities and derivatives business receivables comprise the net balance of securities business receivables and derivative business receivables, after deducting allowance for doubtful accounts. Securities business receivables comprise the net receivable balances of cash accounts, securities borrowing and lending receivables, and other receivables such as securities receivables that are subject to legal proceeding, undergoing restructuring or setting in installments.

1.6.9 Allowance for doubtful accounts and loss on debt restructuring

- a) The subsidiary company operating banking business provides allowance for doubtful accounts and loss on debt restructuring in accordance with the Notifications of the Bank of Thailand (“BOT”) and adjusts these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

For all loans to customers classified as pass and special mention, except for hire purchase receivables and auto cash receivables that are classified as pass and special mention, the subsidiary company records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables, respectively.

For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, except for non-performing hire purchase receivables, the subsidiary company records allowance for doubtful accounts at a rate 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the year of collateral disposal being set with reference to BOT’s Notifications.

For hire purchase receivables and loan against auto license receivables that are classified as pass, special mention and non-performing loans, the subsidiary company uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables and loan against auto license receivables.

The subsidiary company has already set provision for all loans to customers in accordance with the BOT's Notifications issued on 10 June 2016.

- b) For the securities business of a subsidiary, an allowance for doubtful accounts is based on a review of debtors' ability to make repayment, taking into consideration of recovery risk and the value of the collateral. An allowance is set aside for doubtful debts that their collaterals are not fully covered and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notification of the Office of the Securities and Exchange Commission and consideration of other relevant factors.
- c) For the subsidiary companies operating hire purchase business, allowance for doubtful accounts is made using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.
- d) Subsidiary companies operating other lending business set aside allowance for doubtful accounts for loans to customers classified as pass and special mention at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables, respectively. For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, the subsidiary companies record allowance for doubtful accounts at a rate 100% of the debt balance net of collateral value.
- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- f) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the allowance for doubtful accounts in the period of recovery.

1.6.10 Troubled debt restructuring

The subsidiary company operating banking business records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Thai Accounting Standard regarding "Accounting for Troubled Debts Restructuring". The subsidiary records the assets or equities transferred to the subsidiary for debt settlement at the fair values of the assets less estimated selling expenses (if any), providing that this does not exceed the legally claimable amount of outstanding debt.

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash inflows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the subsidiary will use the interest rates specified in the term of modifications as the discount rates. The subsidiary records differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.6.11 Recognition and derecognition of customer deposits

Cash which customers have placed with a subsidiary company operating securities business in cash accounts for securities trading and derivative trading is recorded as an asset of the subsidiary company for the customers' position for internal control purposes. At the financial statement date, the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

1.6.12 Borrowing and lending of securities

A subsidiary company operating securities business is engaged in securities borrowing and lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the statement of financial position. At the end of the year, the balances of securities borrowing payables and securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the year. Gains or losses arising from such adjustments are included in part of profit or loss in the statement of comprehensive income. The subsidiary company records cash paid or received as collateral for securities borrowing and lending as "Guarantee deposit receivables" or "Guarantee deposit payables". Fees from borrowing and lending are recognised on an accrual basis over the term of the lending.

1.6.13 Properties foreclosed

Properties foreclosed represents assets transferred in respect of receivables on which the debtors have defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transfer date, not exceeding the legally claimable amount of outstanding debt) or net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The subsidiary company operating banking business is required to record the additional general reserve for declining in value of properties foreclosed in accordance with the notifications of the Bank of Thailand and the management's estimates.

The subsidiary companies will recognise loss on impairment in profit or loss. Gains or losses from disposal of properties foreclosed are recognised upon disposal.

1.6.14 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

On disposal of investment properties, the difference between the net disposal proceed and the carrying amount of the asset is recognised in profit or loss in the year when the asset is derecognised (if any).

1.6.15 Premises and equipment/Depreciation

Land is stated at cost. Office condominiums and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Office condominiums are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of the revaluation of the Company's and its subsidiaries' assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an expenses.
- When an asset's carrying amount is decreased as a result of the revaluation of the Company's and its subsidiaries' assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

The surplus on revaluation of assets is amortised to retained earnings on a straight-line basis over the remaining life of the related assets. The revaluation surplus which is transferred to retained earnings is the difference between the depreciation calculated on book value of the revalued assets and the depreciation calculated on original cost of the assets. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

Depreciation of office condominiums and equipment is calculated by reference to their costs or fair values on the straight-line basis (except for the depreciation of computer and communications equipment, which is calculated using the sum-of-the-year-digits method over estimated useful lives of 3 years) over the following estimated useful lives:

Buildings and office condominiums	-	20	years
Office improvements	-	5, 20	years
Furniture, fixtures and equipment	-	3, 5	years
Motor vehicles	-	5, 6	years

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is included in determining income.

No depreciation is provided on land and assets under installation.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

1.6.16 Intangible assets

The Company and its subsidiaries initially recognise intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

The Company and its subsidiaries amortise intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The Company and its subsidiaries review the amortisation year and the amortisation method of such intangible assets at least at each financial year end. The amortisation expenses is charged to profit or loss.

Intangible assets with finite lives are software license fees that the Company and its subsidiaries amortised over the following estimated useful lives:

- | | | |
|---|---|---|
| The license agreements with specified number of years of usage | - | according to the year of license agreement by the straight-line basis |
| The license agreements with no specified number of years of usage | - | 5 years by the straight-line basis |
| No license agreements | - | 3 years by the sum-of-the-year-digits method |

1.6.17 Income tax

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

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. These will be realised in future years when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

The Company and its subsidiaries recognise deferred tax assets for all deductible temporary differences to the extent that it is probable that the Company and its subsidiaries will generate future taxable profits that will be available against which such deductible deferred tax assets can be utilised. The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences.

The Company and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

At the end of each reporting period, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

1.6.18 Impairment of assets

The Company and its subsidiaries assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss. However in cases where assets was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

1.6.19 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. If the Company and its subsidiaries neither transfer nor retain substantially all risks and rewards of ownership of such financial assets, and retain control of such financial assets, the Company and its subsidiaries continue to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.6.20 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the reference rates announced by the Bank of Thailand at the end of each reporting period.

Gains and losses on exchange are included in determining income.

1.6.21 Employee benefits

Short-term employee benefits

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Part of bonus expenses of the Company and its subsidiaries are annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the Company's share price. The Company and its subsidiaries record this expenses and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting period and any increase or decrease in the expenses according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Company and its subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company's and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Company and its subsidiaries based on actuarial techniques.

Actuarial gains or losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains or losses arising from other long-term benefits are recognised immediately in profit or loss.

1.6.22 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.6.23 Derivatives and hedge accounting

The recording of derivatives and hedge accounting is based on the principles for recording derivatives and hedge accounting under IAS 39 "Financial Instruments: Recognition and Measurement".

- a) A subsidiary operating banking business records derivatives held for trading under fair value method. The subsidiary records gains (losses) from changes in fair value of derivatives in profit or loss. The fair value of derivatives is based on the market price, or a formula which is generally accepted in cases where there is no market price.

- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in profit or loss, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.

1.6.24 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation techniques that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities.

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly.

Level 3 - Use of unobservable inputs such as estimates of future cash flows.

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

1.6.25 Financial instruments

a) Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, securities and derivatives business receivable, receivable from clearing house, loans to customers and accrued interest receivable, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities, debts issued and borrowings, securities and derivative business payables and payable to clearing house. The financial risks associated with these financial instruments and how they are managed is described in Note 3.38 to the financial statements.

b) Fair value of financial instruments

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using the rate used for financial instruments with similar features.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, securities and derivative business payables and payable to clearing house, the carrying amounts in the statement of financial position approximate their fair value.
- For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.

- For equity securities, their fair value is generally derived from quoted market prices, or based on discounted future cash flows and/or comparing with similar companies when no market price is available.
- Loans to customers and accrued interest receivables, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The subsidiary had considered to counterparty credit risk when determining the fair value of derivatives.

1.6.26 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6.27 Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

Allowance for doubtful accounts for loans to customers

Allowances for loan losses are intended to adjust the value of loans to customers for probable credit losses. The management uses judgement to establish reserves for estimated losses on outstanding loans when there is any doubt about the borrower's capacity to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, consideration of the probability of defaults, statistical modeling and estimates, taking into account change in the value of collateral and current economic conditions, in compliance with the principles stipulated by the Bank of Thailand. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosers of fair value hierarchy.

Impairment of investments

The Company and its subsidiaries treat available-for-sale securities and general investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement of the management.

Investment properties

The Company and its subsidiaries present investment properties at the fair value estimated by an independent appraiser, and recognise changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the income approach because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 3.10.

Premises and equipment/Depreciation

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and residual values of premises and equipment and to review estimated useful lives and residual values when there are any changes.

The Company and its subsidiaries measure office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the income approach. The valuation involves certain assumptions and estimates as described in Note 3.11.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefits plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, staff turnover rate.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of each reporting period.

Consolidation and deconsolidation of subsidiaries

In preparation of the consolidated financial statements, the management is required to make judgement whether the Company has control over the subsidiaries that are included in the consolidated financial statements or not.

2. General information

2.1 The Company's information

TISCO Financial Group Public Company Limited ("the Company") is a holding company and is the parent company of TISCO Group. Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

2.2 Share capital

The preference shares have the same rights and benefits as ordinary shares, with added rights and benefits that entitle the holders of preference shares to receive preferential dividend of 1 Baht per share every year that the Company pays dividend to the holders of the ordinary shares. Additionally, the preference shares are entitled to share any leftover dividend with the holders of the ordinary shares. In years that the Company does not declare dividend payment to the ordinary shareholders, the Company may still choose to declare dividend payment at the above-mentioned rate to the preference shareholders. However, the preference shareholders are entitled to receive dividend only in those years in which the Company has declared dividend payment, and the shares are non-cumulative. From 30 June 2009 onwards, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

2.3 Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

2.4 Directors' remuneration

Directors' remuneration represents the benefits paid to the Company's and its subsidiaries' directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries, and related benefits payable to directors who hold executive positions.

2.5 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company. They also include associated companies and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

The Company has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties, which are reference to the terms and price as charged to other customers.

3. Supplemental information

3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2016 and 2015 is provided below.

Company's name	Nature of Business	Country of incorporation	(Unit: Percent)	
			Percentage of shares held by the Company as at 31 December	
			2016	2015
<u>Subsidiaries directly held by the Company</u>				
TISCO Bank Public Company Limited	Banking	Thailand	99.99	99.99
TISCO Securities Co., Ltd.	Securities business	Thailand	99.99	99.99
TISCO Asset Management Co., Ltd.	Asset management	Thailand	99.99	99.99
Hi-Way Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
TISCO Information Technology Co., Ltd.	Services	Thailand	99.99	99.99
TISCO Leasing Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Thailand	99.99	99.99
TISCO Learning Center Co., Ltd.	Services	Thailand	99.99	99.99
All-Ways Co., Ltd.	Services	Thailand	99.99	99.97
<u>Subsidiaries indirectly held by the Company</u>				
Deutsche TISCO Investment Advisory Co., Ltd.	Securities business	Thailand	51.00	51.00

3.2 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2016			2015		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	1,442,149	440,000	1,882,149	1,588,605	-	1,588,605
Commercial banks	165,083	16,112,929	16,278,012	311,976	19,005,148	19,317,124
Specialised Financial Institutions	518	19,899,213	19,899,731	112	10,245,723	10,245,835
Total	1,607,750	36,452,142	38,059,892	1,900,693	29,250,871	31,151,564
Add: Accrued interest	97	7,348	7,445	1,317	9,672	10,989
Less: Allowance for doubtful accounts	-	-	-	-	-	-
Total domestic	1,607,847	36,459,490	38,067,337	1,902,010	29,260,543	31,162,553
<u>Foreign</u>						
Hong Kong dollar	80	-	80	92	-	92
Total foreign	80	-	80	92	-	92
Total domestic and foreign	1,607,927	36,459,490	38,067,417	1,902,102	29,260,543	31,162,645

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2016			2015		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	533,487	-	533,487	416,681	-	416,681
Total	533,487	-	533,487	416,681	-	416,681
Add: Accrued interest	75	-	75	42	-	42
Total domestic	533,562	-	533,562	416,723	-	416,723

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2016	2015	
	Cash at banks of local subsidiary	10	

The subsidiary company operating banking business entered into securities purchased under resale agreements according to private repurchase transactions. Securities received under resale agreements are used as collateral. Details of transactions are as follows:

(Unit: Million Baht)

	Securities purchased under resale agreements according to private repurchase transactions as at 31 December	
	2016	2015
Commercial banks	15,000	17,500
Specialised Financial Institutions	19,750	10,000

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

	Fair value of securities received as collateral as at 31 December	
	2016	2015
Commercial banks	15,157	17,690
Specialised Financial Institutions	19,958	10,106

3.3 Derivatives

The subsidiary company operating banking business entered into interest rate swap agreements to manage the risk associated with its loans to customers, as follows:

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2016			2015		
Type of risk	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Interest rate	-	34,118	1,200,000	-	41,898	1,200,000
Total	-	34,118	1,200,000	-	41,898	1,200,000

All counter parties of these derivative transactions are financial institutions.

3.4.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

	Consolidated financial statements as at 31 December							
	2016				2015			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state								
enterprise securities	4,252	-	2	4,254	4,605	747	-	5,352
Private sector debt securities	182	1,102	-	1,284	107	1,291	-	1,398
Total	4,434	1,102	2	5,538	4,712	2,038	-	6,750
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	4,433	1,102	2	5,537	4,711	2,038	-	6,749
Held-to-maturity debt securities								
Investment in receivables	14	-	-	14	14	-	-	14
Less: Allowance for impairment	(14)	-	-	(14)	(14)	-	-	(14)
Total	-	-	-	-	-	-	-	-
Total debt securities	4,433	1,102	2	5,537	4,711	2,038	-	6,749

3.4.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	Consolidated financial statements as at 31 December		Type of restrictions
	2016	2015	
Government debt securities	2	2	Pledged for electricity usage

3.4.4 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2016		
	Cost	Fair value	Allowance for changes in value
Companies having problems with debt repayment or in default	7,060	-	7,060

(Unit: Thousand Baht)

	Consolidated financial statements		
	as at 31 December 2015		
	Cost	Fair value	Allowance for changes in value
Companies having problems with debt repayment or in default	7,060	-	7,060

3.4.5 Investments in which a subsidiary company operating banking business holds not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	Consolidated financial statements as at 31 December					
	2016			2015		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Juki (Thailand) Co., Ltd. (Formerly known as "Shin Thai Enterprises Co., Ltd.")	331	-	10	5,707	-	10
PDTL Trading Co., Ltd.	4,265	-	10	4,372	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,233	-	10	3,468	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	17,622	-	10	17,127	-	10

3.5 Investment in subsidiaries and joint venture

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2016	2015	2016	2015
Investments in subsidiaries	-	-	19,395,837	19,296,832
Investment in joint venture	442,750	284,107	73,245	73,245
	<u>442,750</u>	<u>284,107</u>	<u>19,469,082</u>	<u>19,370,077</u>

3.5.1 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements							
		Type of investments as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2016	2015	2016	2015	2016	2015	2016	2015
Subsidiaries directly held by the Company				(%)	(%)				
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.99	99.99	17,641	17,641	2,027	1,106
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	110	175
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	460	505
Hi-Way Co., Ltd.	Hire purchase and retail loan	Preference shares	Preference shares	99.99	99.99	3	3	1	-
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	99	-
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	25	48
TISCO Leasing Co., Ltd.	Hire purchase and retail loan	Ordinary shares	Ordinary shares	99.99	99.99	137	137	20	-
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Ordinary shares	Ordinary shares	99.99	99.99	142	142	-	-
TISCO Learning Center Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	5	5	20	8
All-Ways Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.97	100	1	-	-
						<u>19,505</u>	<u>19,406</u>	<u>2,762</u>	<u>1,842</u>
Less: Allowance for impairment						(109)	(109)		
Investment in subsidiaries - net						<u>19,396</u>	<u>19,297</u>		

3.5.2 Investment in joint venture

a) Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other company. Details of this investment is as follows:

(Unit: Thousand Baht)

		Consolidated financial statements					
Jointly controlled entity	Nature of business	Shareholding percentage as at		Cost as at		Carrying amounts based on equity method as at	
		31 December		31 December		31 December	
		2016	2015	2016	2015	2016	2015
		(%)	(%)				
TISCO Tokyo Leasing Co., Ltd.	Leasing	49.00	49.00	73,245	73,245	442,750	284,107

(Unit: Thousand Baht)

		Separate financial statements							
Jointly controlled entity	Nature of business	Shareholding percentage as at		Cost as at		Allowance for impairment of investment as at		Carrying amounts based on cost method as at	
		31 December		31 December		31 December		31 December	
		2016	2015	2016	2015	2016	2015	2016	2015
		(%)	(%)						
TISCO Tokyo Leasing Co., Ltd.	Leasing	49.00	49.00	73,245	73,245	-	-	73,245	73,245

b) Share of other comprehensive income and dividend received

During the year, the Company recognised its share of other comprehensive income from investment in joint venture in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

		Consolidated financial statements				Separate financial statements	
Jointly controlled entity		Share of profit/loss from investment in joint venture for the years ended		Share of other comprehensive income from investments in joint venture for the years ended		Dividend received during the years	
		31 December		31 December		31 December	
		2016	2015	2016	2015	2016	2015
TISCO Tokyo Leasing Co., Ltd.		131,212	97,655	27,431	(20,776)	-	-

c) Summarised information about financial position about material joint venture

The Company holds a 49% interest in TISCO Tokyo Leasing Co., Ltd, which is a joint venture operating a leasing business, and accounts for this investment in the consolidated financial statements using the equity method. Summary of financial information of the jointly controlled entity is presented as follows:

Summary information about financial position

	(Unit: Million Baht)	
	As at 31 December	
	2016	2015
Total assets	10,386	9,713
Total liabilities	(9,124)	(8,828)
Non-controlling interests of the subsidiaries	(358)	306
Net assets	904	579
The Company's proportionate of shareholding	49%	49%
Carrying amounts of joint venture based on equity method	443	284

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 31 December	
	2016	2015
Total revenues	802	720
Total expenses	(483)	453
Profit before income tax expenses	319	267
Tax Income (Income tax expenses)	11	(52)
Non-controlling interest	(62)	(16)
Profit for the year	268	199
Other comprehensive income	56	(42)
Total comprehensive income	324	157

d) Commitments and contingent liabilities of joint venture

Avals, guarantees and commitments

	(Unit: Million Baht)	
	As at 31 December	
	2016	2015
Cross currency interest rate swap agreements	841	962

3.6 Loans to customers and accrued interest receivables

3.6.1 Classified by loans to customers type

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2016	2015
Loans to customers		
Loans	72,305,583	67,597,088
Hire purchase receivables	172,549,566	191,591,969
Finance lease receivables	472,172	794,467
Less: Deferred revenue	(20,180,240)	(21,465,152)
Advances received from finance lease receivables	(213,078)	(258,535)
Total loans to customers	224,934,003	238,259,837
Add: Accrued interest receivables	520,704	542,488
Less: Allowance for doubtful accounts	(7,973,890)	(6,168,270)
Less: Allowance for loss on debt restructuring	(9,748)	-
Loans to customers and accrued interest receivables - net	<u>217,471,069</u>	<u>232,634,055</u>

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2016	2015
Loans to customers		
Loans	1,803,100	2,699,200
Add: Accrued interest receivables	-	-
Loans to customers and accrued interest receivables - net	<u>1,803,100</u>	<u>2,699,200</u>

3.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	218,744,111	6,189,892	224,934,003	232,604,136	5,655,701	238,259,837
Total loans to customers						
net of deferred revenue	<u>218,744,111</u>	<u>6,189,892</u>	<u>224,934,003</u>	<u>232,604,136</u>	<u>5,655,701</u>	<u>238,259,837</u>

(Unit: Thousand Baht)

Separate financial statements as at 31 December

	2016			2015		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,803,100	-	1,803,100	2,699,200	-	2,699,200
Total loans to customers						
net of deferred revenue	1,803,100	-	1,803,100	2,699,200	-	2,699,200

3.6.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2016

	Subsidiary company operating banking business						Other subsidiaries	Total
	Pass	Special	Sub-standard	Doubtful	Doubtful	Total		
		mention			of loss			
Agricultural and mining	426,150	30,352	11,918	7,155	759	476,334	-	476,334
Manufacturing and commerce	18,399,474	1,122,935	154,503	65,785	117,472	19,860,169	-	19,860,169
Real estate and construction	13,414,247	121,882	37,978	23,427	22,444	13,619,978	-	13,619,978
Public utilities and services	27,872,035	348,251	320,057	85,993	145,705	28,772,041	-	28,772,041
Personal consumption								
Hire purchase	118,084,143	12,741,097	1,671,048	1,030,141	792,296	134,318,725	3,122,108	137,440,833
Loan against auto license	15,787,723	1,452,248	253,085	114,016	8,615	17,615,687	317,698	17,933,385
Housing loans	837,582	49,987	26,118	15,851	49,270	978,808	-	978,808
Others	5,275,181	409,920	94,495	54,600	18,259	5,852,455	-	5,852,455
Total loans to customers	200,096,535	16,276,672	2,569,202	1,396,968	1,154,820	221,494,197	3,439,806	224,934,003
Add: Accrued interest receivables	302,295	181,729	-	-	-	484,024	36,680	520,704
Total loans to customers and accrued interest receivables	200,398,830	16,458,401	2,569,202	1,396,968	1,154,820	221,978,221	3,476,486	225,454,707

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2015

	Subsidiary company operating banking business						Other subsidiaries	Total
	Pass	Special	Sub-standard	Doubtful	Doubtful	Total		
		mention			of loss			
Agricultural and mining	544,563	10,828	6,785	609	913	563,698	-	563,698
Manufacturing and commerce	21,029,756	303,367	136,641	66,178	898,003	22,433,945	-	22,433,945
Real estate and construction	13,399,556	104,495	32,558	28,912	41,779	13,607,300	-	13,607,300
Public utilities and services	25,477,605	323,628	190,640	85,785	80,828	26,158,486	-	26,158,486
Personal consumption								
Hire purchase	131,084,288	13,795,644	1,967,760	1,575,046	1,122,520	149,545,258	3,730,552	153,275,810
Loan against auto license	14,045,726	1,269,289	278,552	111,200	18,746	15,723,513	263,003	15,986,516
Housing loans	1,088,462	54,465	17,015	8,227	56,379	1,224,548	-	1,224,548
Others	4,435,633	393,145	83,375	62,019	35,362	5,009,534	-	5,009,534
Total loans to customers	211,105,589	16,254,861	2,713,326	1,937,976	2,254,530	234,266,282	3,993,555	238,259,837
Add: Accrued interest receivables	308,968	193,311	-	-	-	502,279	40,209	542,488
Total loans to customers and accrued interest receivables	211,414,557	16,448,172	2,713,326	1,937,976	2,254,530	234,768,561	4,033,764	238,802,325

3.6.4 Classified by loan classification of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December					
	2016			2015		
	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	200,399	177,089	2,658	211,415	189,112	1,871
- Special mention	16,458	15,567	2,041	16,448	16,195	1,163
- Sub-standard	2,569	2,534	827	2,713	2,690	931
- Doubtful	1,397	1,384	416	1,938	1,931	599
- Doubtful of loss	1,155	1,062	273	2,255	1,695	694
Allowance established in excess	-	-	1,276	-	-	312
Total	221,978	197,636	7,491	234,769	211,623	5,570

⁽¹⁾ Allowance for doubtful accounts for loans to customers is determined based on debt balance less collateral value in accordance with the BOT's guidelines (except for hire purchase and finance lease receivables, for which TISCO Bank does not deduct the collateral value from the outstanding loan balance).

⁽²⁾ As at 31 December 2016, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor 5/2559 minimum requirement by a total of Baht 3,074 million (As at 31 December 2015: total of Baht 1,131 million). TISCO Bank allocated Baht 1,798 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2015: total of Baht 819 million) and so combined with the minimum provision requirement of Baht 4,417 million (As at 31 December 2015: total of Baht 4,439 million), the total provision set aside in accordance with BOT requirements is Baht 6,215 million (As at 31 December 2015: total of Baht 5,258 million).

Percentage of allowance for doubtful accounts set up (%)

	Hire purchase receivables ⁽¹⁾		Loan against auto license receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December		As at 31 December	
	2016	2015	2016	2015 ⁽³⁾	2016	2015
Pass	0.80	0.68	1.57	1.12	1	1
Special mention	5.92	5.34	16.80	16.80	2	2
Sub-standard	28.21	23.38	34.57	100	100	100
Doubtful	24.19	22.91	34.57	100	100	100
Doubtful of loss	22.75	22.57	34.57	100	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽²⁾ These percentages are the rates used to set aside allowance for doubtful accounts in accordance with the BOT's minimum requirement.

⁽³⁾ As at 31 December 2015, TISCO Bank did not use collective approach for loan against auto license receivables.

3.6.5 Hire purchase and finance lease receivables

As at 31 December 2016, net receivables of the subsidiaries under hire purchase and finance lease agreements amount to Baht 152,906 million (31 December 2015: 170,900 million) and mostly comprise hire purchase agreements for cars, and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016					
Amounts of installments due under the long-term lease agreements					
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	58,191	101,931	4,783	8,117	173,022
Less: Deferred revenue ⁽¹⁾	(7,534)	(8,981)	(163)	(3,225)	(19,903)
Advances received from finance lease receivables	(89)	(121)	-	(3)	(213)
Present value of minimum lease pay from agreements	50,568	92,829	4,620	4,889	152,906
Allowance for doubtful accounts ⁽²⁾					(3,427)
Net hire purchase and finance lease receivables					149,479

⁽¹⁾ Net of deferred commissions and deferred direct expenses incurred at the initiation of hire purchase.

⁽²⁾ These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning provisions in excess of BOT's minimum requirement to specific provisions for an individual debtor.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2015					
Amounts of installments due under the long-term lease agreements					
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	63,210	115,256	5,267	8,653	192,386
Less: Deferred revenue ⁽¹⁾	(8,390)	(10,115)	(163)	(2,559)	(21,227)
Advances received from finance lease receivables	(37)	(222)	-	-	(259)
Present value of minimum lease pay from agreements	54,783	104,919	5,104	6,094	170,900
Allowance for doubtful accounts ⁽²⁾					(3,571)
Net hire purchase and finance lease receivables					167,329

⁽¹⁾ Net of deferred commissions and deferred direct expenses incurred at the initiation of hire purchase.

⁽²⁾ These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning provisions in excess of BOT's minimum requirement to specific provisions for an individual debtor.

3.6.6 Loans to customers of subsidiary companies for which the recognition of interest income has ceased

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under TISCO Bank's policy as at 31 December	
	2016	2015	2016	2015
	Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	6,573	7,315	7,395

⁽¹⁾ These amounts are calculated on an account by account basis.

⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

(Unit: Million Baht)

Other subsidiaries	As at 31 December	
	2016	2015
Hire purchase receivables, financial lease receivables and other loans receivables for which the recognition of interest income has been ceased	650	878

3.6.7 Deferred revenue which is presented as a deduction against loans to customers of subsidiary companies

(Unit: Million Baht)

	Consolidated financial statements as at 31 December	
	2016	2015
Deferred revenue ⁽¹⁾	20,180	21,465

⁽¹⁾ These amounts included deferred revenue of hire purchase and finance lease contracts which are stated net of commissions and direct expenses incurred at the initiation of hire purchase.

3.6.8 Troubled debt restructuring of a subsidiary company operating banking business

	For the years ended 31 December	
	2016	2015
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	6,421	9,589
Loan balances before restructuring (Million Baht)	2,805	3,252
Loan balances after restructuring (Million Baht)	2,820	3,273
Loss on debt restructuring (Million Baht)	9	-
Average contract year of debt restructuring (years)		
Hire purchase receivables	5	5
Mortgage loan receivables	2	3
Loan against auto license receivables	4	4
Commercial lending receivables	1	2

Supplemental information for the years ended 31 December 2016 and 2015 relating to the restructured debts is as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2016	2015
Interest income on restructured receivables	343	185
Receipt of principal and interest	1,155	463

As at 31 December 2016 and 2015, a subsidiary company operating banking business has the outstanding balance with troubled debt restructuring debtors as follows:

	(Unit: Million Baht)			
	As at 31 December			
	2016		2015	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	16,638	5,286	11,757	3,754

3.7 Allowance for doubtful accounts and loss on debt restructuring

3.7.1 Allowance for doubtful accounts – classified by the receivables classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2016							
	Pass	Special mention	Sub- Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	1,986,095	1,269,078	1,073,807	712,133	815,222	311,935	6,168,270
Increase in allowance for doubtful accounts during the year	790,553	871,395	18,330	1,830,336	1,616,790	963,591	6,090,995
Bad debt written-off	(987)	(17,290)	(157,026)	(2,047,767)	(2,062,305)	-	(4,285,375)
Balance - end of year	<u>2,775,661</u>	<u>2,123,183</u>	<u>935,111</u>	<u>494,702</u>	<u>369,707</u>	<u>1,275,526</u>	<u>7,973,890</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2015							
	Pass	Special mention	Sub- Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	1,953,919	2,599,444	1,208,484	734,070	263,755	190,751	6,950,423
Increase in allowance for doubtful accounts during the year	34,373	2,327,517	543,692	2,743,797	1,317,153	121,184	7,087,716
Transfer in (Transfer out)	-	(3,636,960)	-	-	3,636,960	-	-
Bad debt written-off	(2,197)	(20,923)	(678,369)	(2,765,734)	(4,402,646)	-	(7,869,869)
Balance - end of year	<u>1,986,095</u>	<u>1,269,078</u>	<u>1,073,807</u>	<u>712,133</u>	<u>815,222</u>	<u>311,935</u>	<u>6,168,270</u>

3.7.2 Allowance for doubtful accounts - classified by loan loss provisioning method

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2016				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	2,300,466	3,555,869	311,935	6,168,270
Increase in allowance for doubtful accounts during the year	601,511	4,525,893	963,591	6,090,995
Bad debt written-off	(271,300)	(4,014,075)	-	(4,285,375)
Balance - end of year	<u>2,630,677</u>	<u>4,067,687</u>	<u>1,275,526</u>	<u>7,973,890</u>

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2015				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	3,492,971	3,266,701	190,751	6,950,423
Increase in allowance for doubtful accounts during the year	3,060,470	3,906,062	121,184	7,087,716
Bad debt written-off	(4,252,975)	(3,616,894)	-	(7,869,869)
Balance - end of year	<u>2,300,466</u>	<u>3,555,869</u>	<u>311,935</u>	<u>6,168,270</u>

3.7.3 Allowance for loss on debt restructuring of a subsidiary company operating banking business

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
Balance - beginning of year	-	-
Increase during the year	9,748	-
Bad debt written-off	-	-
Balance - end of year	<u>9,748</u>	<u>-</u>

3.7.4 Non-performing loans to customers of a subsidiary company operating banking business

(Unit: Million Baht)

	As at 31 December	
	2016	2015
Non-performing loans to customers	5,121	6,906
Allowance for doubtful accounts ⁽¹⁾	1,516	2,224

⁽¹⁾ These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.8 Classification of assets

3.8.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts	
	as at 31 December		as at 31 December		as at 31 December	
	2016	2015	2016	2015	2016	2015
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽²⁾	6	6	-	-	6	6

⁽¹⁾ Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.

⁽²⁾ Investments in securities of companies which are vulnerable to delisting, of companies whose auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.

3.8.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business.

As at 31 December 2016 and 2015, the quality of assets of a subsidiary company operating banking business classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customers ⁽¹⁾		Investments in securities		Investments in receivables		Properties foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Pass	235,147	238,906	-	-	-	-	-	-	235,147	238,906
Special mention	16,277	16,254	-	-	-	-	-	-	16,277	16,254
Sub-standard	2,569	2,713	-	-	-	-	-	-	2,569	2,713
Doubtful	1,397	1,938	-	-	-	-	-	-	1,397	1,938
Doubtful of loss	1,155	2,255	54	49	14	14	12	1	1,235	2,319
Total	256,545	262,066	54	49	14	14	12	1	256,625	262,130

⁽¹⁾ Loans to customers include investment in debt securities under resale agreements of other commercial banks and loan to financial institutions (which are presented as part of interbank and money market items-asset in the statement of financial position).

3.8.3 Classification of assets under the Bank of Thailand's guidelines which a subsidiary company operating banking business sets aside provision using a collective approach

3.8.3.1 Hire purchase receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting the allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful account set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015
Pass	131,798	146,900	131,798	146,900	0.80	0.68	1,052	1,000
Special mention	13,434	14,458	13,434	14,458	5.92	5.34	795	772
Sub-standard	2,134	2,296	2,134	2,296	28.21	23.38	602	537
Doubtful	1,168	1,728	1,168	1,728	24.19	22.91	283	396
Doubtful of loss	1,017	1,306	1,017	1,306	22.75	22.57	231	295
Total	149,551	166,688	149,551	166,688			2,963	3,000

⁽¹⁾ The subsidiary company operating banking business does not deduct the collateral value from the outstanding loan balance for calculation of allowance for doubtful accounts for hire purchase receivables.

⁽²⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽³⁾ These allowance for doubtful accounts of the subsidiary company operating banking business include the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.8.3.2 Loan against auto license receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting		Percentage of allowance for		Allowance for	
	as at 31 December		the allowance for		doubtful account setup ^{(1) (2)}		doubtful accounts ⁽³⁾	
	2016	2015	2016	2015	2016	2015	2016	2015
					(%)	(%)		
Pass	16,665	14,772	16,665	14,772	1.57	1.12	261	165
Special mention	1,527	1,331	1,527	1,331	16.80	16.80	257	223
Sub-standard	269	296	269	296	34.57	100	93	296
Doubtful	125	116	125	116	34.57	100	43	116
Doubtful of loss	9	20	9	20	34.57	100	3	20
Total	18,595	16,535	18,595	16,535			657	820

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

⁽²⁾ As at 31 December 2015, TISCO Bank did not use collective approach for loans against auto license receivables.

⁽³⁾ These allowance for doubtful accounts of the subsidiary company operating banking business included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for an individual debtor.

3.8.4 Hire purchase receivables/financial lease receivables and other loan receivables of the other subsidiaries classified in accordance with the Bank of Thailand's guidelines are as follows:

(Unit: Million Baht)

	Debt balance		Allowance for		Debt balance - net	
	as at 31 December		doubtful accounts		as at 31 December	
	2016	2015	2016	2015	2016	2015
Pass	2,365	2,576	117	114	2,248	2,462
Special mention	486	623	82	105	404	518
Sub-standard	206	276	109	143	97	133
Doubtful	149	220	78	113	71	107
Doubtful of loss	234	299	97	122	137	177
Total	3,440	3,994	483	597	2,957	3,397

3.8.5 Loans to customers includes debts due from companies with weak financial position and operating results of a subsidiary company operating banking business

	Number of debtors as at 31 December		Debt balance as at 31 December		Collateral value as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	1	-	821	-	656	-	821 ⁽¹⁾	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	-	577	-	249	-	7	-
3. Listed companies under rehabilitation	-	1	-	821	-	497	-	324
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	5	1	1,398	821	905	497	828	324

⁽¹⁾ The amount already includes allowance for loss on debt restructuring.

3.9 Properties foreclosed

	(Unit: Thousand Baht)	
	Consolidated financial statements as at 31 December	
	2016	2015
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of year	16,397	70,484
Disposals	(4,684)	(54,087)
Balance - end of year	11,713	16,397
Movable assets		
Balance - beginning of year	31,610	68,522
Additions	4,024,148	5,005,344
Disposals	(4,048,360)	(5,042,256)
Balance - end of year	7,398	31,610
Total properties foreclosed	19,111	48,007
Less: Allowance for impairment		
Balance - beginning of year	617	18,101
Increase	11,721	303
Decrease	(593)	(17,787)
Balance - end of year	11,745	617
Total properties foreclosed - net	7,366	47,390

3.10 Investment properties

The book value of investment properties as at 31 December 2016 and 2015 is as follows:

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	as at 31 December		as at 31 December	
	2016	2015	2016	2015
Book value - beginning of year	32,157	17,267	778,245	778,245
Transfer type of asset	-	15,296	-	-
Gain (loss) from fair value adjustment	-	(406)	-	-
Book value - end of year	<u>32,157</u>	<u>32,157</u>	<u>778,245</u>	<u>778,245</u>

The investment property is an office condominium for rent and stated at fair value at the end of 2016. The fair value of investment properties was calculated by the asset appraisal method based on the market and income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalisation rate, discount rate and other relevant factors. These asset appraisal approach also made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of TISCO Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

Key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at 31 December 2016	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	585 - 1,300	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	11.7	Decrease in fair value

3.11 Premises and equipment

(Unit: Thousand Baht)

Consolidated financial statements

	Revaluation basis	Cost basis				Total
	Building, office condominium and building improvements	Land	Building and improvements	Furniture, fixtures, computer and equipment	Motor vehicles	
Cost:						
As at 1 January 2015	2,125,000	17,509	838,104	1,019,471	150,637	4,150,721
Additions/transfers in	-	-	205,993	112,075	23,073	341,141
Disposals/written-off/transfers out	(21,103)	-	(13,922)	(56,441)	(4,203)	(95,669)
As at 31 December 2015	2,103,897	17,509	1,030,175	1,075,105	169,507	4,396,193
Additions/transfers in	-	-	68,761	96,721	57,864	223,346
Disposals/written-off/transfers out	-	-	(5,341)	(100,180)	(41,190)	(146,711)
As at 31 December 2016	2,103,897	17,509	1,093,595	1,071,646	186,181	4,472,828
Accumulated depreciation:						
As at 1 January 2015	38,704	-	686,660	846,332	95,266	1,666,962
Depreciation for the year	39,450	-	49,103	54,845	21,457	164,855
Depreciation on disposals/written-off/transfers out	(5,808)	-	(11,033)	(47,919)	(4,203)	(68,963)
As at 31 December 2015	72,346	-	724,730	853,258	112,520	1,762,854
Depreciation for the year	39,445	-	55,938	63,273	19,391	178,047
Depreciation on disposals/written-off/transfers out	-	-	(4,365)	(75,041)	(41,182)	(120,588)
As at 31 December 2016	111,791	-	776,303	841,490	90,729	1,820,313
Net book value:						
As at 31 December 2015	2,031,551	17,509	305,445	221,847	56,987	2,633,339
As at 31 December 2016	1,992,106	17,509	317,292	230,156	95,452	2,652,515
Depreciation for the years ended 31 December:						
2015						164,855
2016						178,047

(Unit: Thousand Baht)

Separate financial statements

	Revaluation basis		Cost basis		
	Office condominium and building improvements	Office condominium improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:					
As at 1 January 2015	576,621	9,680	235,425	61,163	882,889
Additions/transfers in	-	179,385	88,280	2,409	270,074
Disposals/written-off/transfers out	-	-	(9,025)	-	(9,025)
As at 31 December 2015	576,621	189,065	314,680	63,572	1,143,938
Additions/transfers in	-	16,919	35,969	52,979	105,867
Disposals/written-off/transfers out	-	-	(2,959)	(26,028)	(28,987)
As at 31 December 2016	576,621	205,984	347,690	90,523	1,220,818
Accumulated depreciation:					
As at 1 January 2015	10,714	9,555	152,907	45,962	219,138
Depreciation for the year	10,714	3,358	24,312	9,571	47,955
Depreciation on disposals/transfer out	-	-	(408)	-	(408)
As at 31 December 2015	21,428	12,913	176,811	55,533	266,685
Depreciation for the year	10,714	7,814	35,836	6,477	60,841
Depreciation on disposals/transfer out	-	-	(2,913)	(26,028)	(28,941)
As at 31 December 2016	32,142	20,727	209,734	35,982	298,585
Net book value:					
As at 31 December 2015	555,193	176,152	137,869	8,039	877,253
As at 31 December 2016	544,479	185,257	137,956	54,541	922,233
Depreciation for the years ended 31 December:					
2015					47,955
2016					60,841

The Company and its subsidiaries arranged for an independent professional appraiser to appraise the value of the office condominium in 2013, using the income approach.

Had the office condominiums been carried in the financial statements based on the cost model, their net book value as at 31 December 2016 and 2015 would have been as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements as at 31 December		financial statements as at 31 December	
	2016	2015	2016	2015
Office condominiums - net of accumulated depreciation	871,342	904,162	256,441	265,278

Key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at	Result to fair value
	31 December 2016	where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	585 - 1,300	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	11.7	Decrease in fair value

3.12 Intangible assets

The book value of intangible assets as at 31 December 2016 and 2015 is presented as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements Computer software	financial statements Computer software
As at 31 December 2016:		
Cost	1,358,693	448,516
Less: Accumulated amortisation	(791,640)	(252,213)
Net book value	567,053	196,303
As at 31 December 2015:		
Cost	1,097,030	309,914
Less: Accumulated amortisation	(717,371)	(219,352)
Net book value	379,659	90,562

A reconciliation of the net book value of intangible assets for the years ended 31 December 2016 and 2015 is presented as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Net book value at beginning of year	379,659	324,927	90,562	89,997
Acquisitions of/transfers in computer software	267,880	104,586	144,820	33,416
Disposals of computer software	(5,963)	-	(5,963)	-
Amortisation	(74,523)	(49,854)	(33,116)	(32,851)
Net book value at end of year	<u>567,053</u>	<u>379,659</u>	<u>196,303</u>	<u>90,562</u>

3.13 Other assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2016	2015	2016	2015
Receivables from clearing house	145,009	248,136	-	-
Value added tax - net	378,538	675,142	4,335	1,089
Accrued interest receivables	14,474	19,911	-	-
Fee and service receivables	268,114	248,227	106,448	111,903
Refundable income tax and prepaid income tax	33,050	29,362	-	-
Deposits	58,350	55,982	2,119	2,106
Other receivables	552,740	558,646	-	54
Other assets	356,587	403,335	29,067	36,896
Total other assets	<u>1,806,862</u>	<u>2,238,741</u>	<u>141,969</u>	<u>152,048</u>

3.14 Deposits

3.14.1 Classified by type of deposits

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2016	2015
Deposits		
Current accounts	3,690,699	3,122,043
Savings accounts	51,928,032	48,272,465
Fixed accounts		
- not over 6 months	7,606,080	15,505,231
- over 6 months but not over 1 year	6,994,920	1,859,691
- over 1 year	238,889	369,246
Certificates of deposit/negotiable certificates of deposit	84,608,904	89,215,514
Total	<u>155,067,524</u>	<u>158,344,190</u>

3.14.2 Classified by the remaining year of contract

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2016	2015
Not over 1 year ⁽¹⁾	154,747,368	157,844,248
Over 1 year	320,156	499,942
Total deposits	<u>155,067,524</u>	<u>158,344,190</u>

⁽¹⁾ Including fully-mature deposit contracts

3.14.3 As at 31 December 2016 and 2015, all outstanding deposits are deposits from domestic depositors and in Baht.

3.15 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2016			2015		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	-	15,007	15,007	-	20,711	20,711
Commercial banks	505,404	250,000	755,404	539,190	50,000	589,190
Specialised Financial Institutions	-	2,444,000	2,444,000	-	2,671,000	2,671,000
Other financial institutions	330,992	1,651,200	1,982,192	997,411	5,751,748	6,749,159
Total	359,396	4,810,207	5,196,603	1,536,601	8,493,459	10,030,060

3.16 Debt issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2016	2015	2016	2015
<u>Domestic borrowings</u>				
Subordinated unsecured debentures	7,323,000	6,643,000	-	-
Unsubordinated unsecured debentures	57,039,000	60,939,000	-	-
Bills of exchange	5,966,122	6,936,122	5,930,000	6,900,000
Promissory notes	797	797	-	-
Total	70,328,919	74,518,919	5,930,000	6,900,000

3.16.1 Subordinated unsecured debentures

As at 31 December 2016 and 2015, a subsidiary company operating banking business has long-term subordinated unsecured debentures as follows:

Issued year	Units as at 31 December		Face value	Balance		Maturity in the year	Interest rate
	2016	2015	per unit	as at 31 December			
	(Million units)	(Million units)	(Baht)	2016	2015		
			(Million Baht)	(Million Baht)			
2012	1.00	1.00	1,000	1,000	1,000	2022	4.85 percent per annum
2012	1.24	1.24	1,000	1,243	1,243	2022	4.60 percent per annum
2014	1.60	1.60	1,000	1,600	1,600	2024	6.00 percent per annum
2014	0.80	0.80	1,000	800	800	2024	6.00 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.50 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.25 percent per annum
2016	0.68	-	1,000	680	-	2026	3.875 percent per annum
Total				<u>7,323</u>	<u>6,643</u>		

3.16.2 Unsubordinated unsecured debentures

As at 31 December 2016 and 2015, a subsidiary company operating banking business has short-term and long-term unsubordinated unsecured debentures as follows:

Issued year	Type of debentures	Units as at 31 December		Face value	Balance as at 31 December		Maturity in the year	Interest rate
		2016	2015	per unit	2016			
		(Million units)	(Million units)	(Baht)	2016	2015		
			(Million Baht)	(Million Baht)				
2015	Short-term debenture	-	5.60	1,000	-	5,600	2016	1.75 percent per annum
2015	Short-term debenture	-	39.659	1,000	-	39,659	2016	1.55 - 1.76 percent per annum
2015	Long-term debenture	15.68	15.68	1,000	15,680	15,680	2017	1.875 - 2.00 percent per annum
2016	Short-term debenture	16.859	-	1,000	16,859	-	2017	1.50 - 1.71 percent per annum
2016	Long-term debenture	5.50	-	1,000	5,500	-	2018	1.95 - 2.00 percent per annum
2016	Long-term debenture	10.00	-	1,000	10,000	-	2019	1.85 - 1.95 percent per annum
2016	Short-term debenture	9.00	-	1,000	9,000	-	2017	1.75 - 1.80 percent per annum
Total					<u>57,039</u>	<u>60,939</u>		

3.16.3 Bills of exchange

Bills of exchange comprise the fixed interest rates bearing are between 1.62 and 2.50 percent per annum, which will gradually mature in 2017.

3.17 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 31 December 2016 and 2015 were as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2016	2015
Defined post-employment benefit obligation at beginning of year	328,677	309,713
Current service cost	29,590	23,301
Interest cost	9,290	9,879
Benefits paid during the year	(10,691)	(8,267)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	(22,023)	(11,467)
Financial assumptions changes	31,488	(10,291)
Other assumptions changes	30,657	15,809
Defined post-employment benefit obligation at end of year	396,988	328,677
Other long-term benefits	179,126	138,256
Total provision for long-term employee benefits at end of year	576,114	466,933

	(Unit: Thousand Baht)	
	Separate financial statements	
	as at 31 December	
	2016	2015
Defined post-employment benefit obligation at beginning of year	88,897	72,443
Current service cost	6,222	4,949
Interest cost	2,130	2,360
Benefits paid during the year	(4,242)	(1,183)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	(5,649)	(28,244)
Financial assumptions changes	5,140	(526)
Other assumptions changes	7,254	39,098
Defined post-employment benefit obligation at end of year	99,752	88,897
Other long-term benefits	24,478	17,894
Total provision for long-term employee benefits at end of year	124,230	106,791

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2016 and 2015 were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Current service cost	48,461	37,970	8,303	6,674
Interest cost	12,083	12,743	2,488	2,752
Actuarial losses	29,442	44,556	5,852	5,277
Total employee benefits expenses	89,986	95,269	16,643	14,703

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Company and its subsidiaries as at 31 December 2016 and 2015 amounted to Baht 108 million and Baht 77 million, respectively (The Company only: Baht 29 million and Baht 24 million, respectively).

As at 31 December 2016 and 2015, the Company and its subsidiaries expect to pay long-term employee benefits during the next year of Baht 16 million and Baht 11 million, respectively. (The Company only: Baht 7 million and Baht 5 million, respectively)

As at 31 December 2016 and 2015, the weighted average duration of the liabilities for long-term employee benefits is 21 years. (The Company only: 16 years and 17 years, respectively.)

Significant actuarial assumptions are summarised below:

(Unit: Percent per annum)

	Consolidated financial statements		Separate financial statements	
	As at 31 December		As at 31 December	
	2016	2015	2016	2015
Discount rate	1.50 - 3.72	1.49 - 4.00	1.50 - 3.70	1.49 - 4.00
Average salary increase rate	3.50	2.99	3.50	2.99

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December			
	2016		2015	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(11,950)	12,489	(9,715)	10,337
Average salary increase rate	12,686	(12,193)	10,795	(10,192)

(Unit: Thousand Baht)

	Separate financial statements as at 31 December			
	2016		2015	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(2,219)	2,301	(1,973)	2,036
Average salary increase rate	2,350	(2,277)	2,152	(2,093)

3.18 Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2016	2015	2016	2015
Payable to clearing housing	-	96,576	-	-
Withholding income tax and other				
tax payables	477,710	449,453	63,324	54,246
Accrued insurance premium	714,434	769,773	-	-
Deferred income	1,066,171	1,148,667	-	-
Accrued expenses	2,737,615	2,324,103	1,126,897	979,477
Suspense creditors	390,459	620,419	-	-
Other liabilities	344,693	445,383	83	70
Total other liabilities	5,731,082	5,854,374	1,190,304	1,033,793

The above accrued expenses included accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses included costs of annual bonus that are determined with reference to the Company's share price, paid to employees whose performance impacts the Company's operation results, as an incentive to work effectively and to build loyalty to the Company. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the Company's shares over the period of five years from grant date to settlement date. As of 31 December 2016 and 2015, the Company and its subsidiaries have issued bonus under this scheme amounting to Baht 758 million and Baht 584 million, respectively. (The Company only: Baht 390 million and Baht 307 million, respectively.)

3.19 Capital funds

3.19.1 The primary objectives of TISCO Group's capital management are to maintain its ability to continue as a going concern and to maintain capital adequacy ratio, cash liquidity and others in accordance with the regulations of the Bank of Thailand or relevant regulatory agencies.

3.19.2 TISCO Group maintains capital adequacy ratio in compliance with Basel III principles which is implementing capital to risk assets requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, loan against auto license receivables, corporate lending, equity exposure and other assets.

Regarding Capital fund as at 31 December 2016 and 2015, TISCO Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of the Financial Business Group (under Basel III principles) are as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	8,006,447	8,006,369
Premium on share capital	1,018,408	1,018,408
Statutory reserve	709,500	596,300
Net profits after appropriation	15,729,622	13,574,757
Other components of equity	1,439,760	1,363,340
Less: Deductions from Common Equity Tier I items	(955,206)	(1,176,479)
Total Common Equity Tier I capital	25,948,531	23,382,695
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	108	185
Total Tier I capital	25,948,639	23,382,880
<u>Tier II capital</u>		
Long-term subordinated debentures	7,323,000	6,643,000
Surplus of provision	804,086	-
Reserve for loans classified as pass	512,063	289,818
Total Tier II capital	8,639,149	6,932,818
Total capital funds	34,587,788	30,315,698

(Unit: Percent)

Capital fund ratios	As at 31 December			
	2016		2015	
	Financial Business Group	Requirement	Financial Business Group	Requirement
Common Equity Tier I capital to risk assets	13.77	5.125	12.71	4.50
Tier I capital to risk assets	13.77	6.625	12.71	6.00
Total capital to risk assets	18.36	9.125	16.48	8.50

Capital funds of the TISCO Bank (under Basel III principles) are as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2016	2015
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	13,501,650	11,761,069
Other components of equity	218,920	223,944
Less: Deductions from Common Equity Tier I items	(481,432)	(738,189)
Total Common Equity Tier I capital	25,981,838	23,989,524
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	25,981,839	23,989,525
<u>Tier II Capital</u>		
Long-term subordinated debentures	7,323,000	6,643,000
Surplus of provision	789,422	-
Reserve for loans classified as pass	447,354	268,512
Total Tier II capital	8,559,776	6,911,512
Total capital funds	34,541,615	30,901,037

(Unit: Percent)

Capital fund ratios	As at 31 December			
	2016		2015	
	TISCO Bank	Requirement	TISCO Bank	Requirement
Common Equity Tier I capital to risk assets	14.73	5.125	13.98	4.50
Tier I capital to risk assets	14.73	6.625	13.98	6.00
Total capital to risk assets	19.59	9.125	18.01	8.50

3.19.3 To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 5/2556 regarding “Public Disclosure of Capital Maintenance for Financial Business Group”, the Company has disclosed capital maintenance information of the Financial Business Group as at 30 June 2016 on its website on 31 October 2016.

3.20 Deficit on changes in value of investments

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2016	2015
Balance - beginning of year	(185,787)	148,928
Increase (decrease) from changes in value of investments during the year	59,888	(334,715)
	(125,899)	(185,787)
Less: The effect of deferred tax assets	7,517	19,495
Balance - end of year	(118,382)	(166,292)

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2016	2015
Balance - beginning of year	(167,466)	(15,247)
Increase (decrease) from changes in value of investments during the year	15,580	(152,219)
	(151,886)	(167,466)
Less: The effect of deferred tax assets	30,377	33,493
Balance - end of year	(121,509)	(133,973)

3.21 Surplus on revaluation of assets

This represents surplus arising from revaluation of office condominiums. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets, which is transferred to retained earnings.

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2016	2015
Balance - beginning of year	1,124,055	1,136,560
Transfer to retained earnings	(12,475)	(12,505)
	1,111,580	1,124,055
Less: The effect of deferred tax liabilities	(222,316)	(224,811)
Balance - end of year	889,264	899,244

(Unit: Thousand Baht)

Separate financial statements

as at 31 December

	2016	2015
Balance - beginning of year	284,986	286,863
Transfer to retained earnings	(1,877)	(1,877)
	283,109	284,986
Less: The effect of deferred tax liabilities	(56,622)	(56,997)
Balance - end of year	226,487	227,989

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

3.22 Interest income

Interest income in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

(Unit: Thousand Baht)

Consolidated financial statements

For the years ended 31 December

	2016	2015
Interbank and money market items	497,296	540,420
Investments in debt securities	196,311	255,816
Loans to customers	5,568,410	5,681,848
Hire purchase and finance lease	9,749,527	10,409,469
Total interest income	16,011,544	16,887,553

(Unit: Thousand Baht)

Separate financial statements

For the years ended 31 December

	2016	2015
Interbank and money market items	5,280	7,635
Loans to customers	44,461	72,038
Total interest income	49,741	79,673

3.23 Interest expenses

Interest expenses in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Deposits	2,473,160	3,901,333
Interbank and money market items	132,077	225,271
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	1,004,772	1,138,798
Issued debt securities		
- Subordinated debentures	348,497	341,715
- Unsubordinated debentures	1,030,184	999,206
Borrowings	102,420	151,373
Total interest expenses	<u>5,091,110</u>	<u>6,757,696</u>

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2016	2015
Borrowings	101,506	150,688
Total interest expenses	<u>101,506</u>	<u>150,688</u>

3.24 Net fee and service income

Net fee and service income in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Fee and service income		
- Acceptance, aval and guarantee	10,171	15,208
- Insurance service	2,423,218	2,355,622
- Brokerage fees	825,265	802,684
- Fund management	966,433	859,832
- Management	15,654	7,013
- Financial advisory	42,373	15,225
- Others	1,113,736	1,207,381
Total fee and service income	5,396,850	5,255,965
Fee and service expenses		
- Information service expenses	(26,275)	(25,713)
- Others	(203,807)	(173,219)
Total fee and service expenses	(230,082)	(198,932)
Net fee and service income	5,166,768	5,057,033
		(Unit: Thousand Baht)
	Separate financial statements	
	For the years ended 31 December	
	2016	2015
Fee and service income	-	-
Fee and service expenses	(13,477)	(11,821)
Net fee and service income	(13,477)	(11,821)

3.25 Net gains (losses) on trading and foreign exchange transactions

Net gains (losses) on trading and foreign exchange transactions in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(6,930)	114,529
- Derivatives on interest rates	(7,606)	(19,108)
- Debt securities	5,068	770
- Others	-	(2)
Net gains (losses) on trading and foreign exchange transactions	<u>(9,468)</u>	<u>96,189</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2016	2015
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies	(6,945)	81,694
Net gains (losses) on trading and foreign exchange transactions	<u>(6,945)</u>	<u>81,694</u>

3.26 Net gains on investments

Net gains on investments in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Gains on disposal		
- Available-for-sale investments	6,761	116,221
- Held-to-maturity securities	-	65
- General investments	10,921	14,983
Total	17,682	131,269
Losses on impairment		
- General investments	(5,088)	(2,362)
Total	(5,088)	(2,362)
Net gains on investments	12,594	128,907

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2016	2015
Reversal of losses on impairment		
- Investment in subsidiaries	-	47
Net gains on investments	-	47

3.27 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Held-to-maturity debt securities	(668)	(3,183)
Loans to customers	3,973,034	5,280,598
Total	3,972,366	5,277,415

3.28 Other operating income

Other operating income in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Gains on disposal of property foreclosed	73,175	49,810
Others	48,462	36,448
Total	121,637	86,258

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2016	2015
Rental income	64,364	64,318
Others	10,774	1,584
Total	75,138	65,902

3.29 Other operating expenses

Other operating expenses in the statement of comprehensive income for the years ended 31 December 2016 and 2015 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2016	2015
Mailing expenses	61,890	62,500
Software amortisation expenses	74,268	49,854
Legal expenses	353,404	325,619
Transportation expenses	91,459	92,827
Advertising and business promotion expenses	105,834	119,232
Others	363,560	342,762
Total	1,050,415	992,794

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2016	2015
Mailing expenses	227	301
Software amortisation expenses	32,860	32,850
Transportation expenses	8,465	9,448
Others	39,576	45,305
Total	81,128	87,904

3.30 Income tax expenses

Income tax expenses of the Company and its subsidiaries for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Current income tax:				
Income tax expenses for the year	1,419,491	1,016,699	96,378	93,375
Adjustment in respect of current income tax of previous year	(31)	-	(41)	-
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	(199,050)	15,765	(19,267)	12,513
Income tax expenses reported in the statement of comprehensive income	1,220,410	1,032,464	77,070	105,888

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
(Gains) losses on change in value of available-for-sale investments	(11,978)	66,943	(3,116)	30,444
Actuarial (gains) losses	7,995	(1,188)	1,349	2,066
Income tax expenses recorded directly to other comprehensive income	<u>(3,983)</u>	<u>65,755</u>	<u>(1,767)</u>	<u>32,510</u>

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2016 and 2015 is as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Accounting profit before tax	<u>6,243,993</u>	<u>5,288,187</u>	<u>3,196,000</u>	<u>2,369,482</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	1,248,799	1,057,637	639,200	473,897
Adjustment in respect of current income tax of previous year	(31)	-	(41)	-
Adjustment in respect of deferred tax assets	6,711	-	-	-
Income tax effect:				
Tax effect of net tax-exempt income and net disallowed expenses	(14,732)	(6,492)	(562,089)	(368,009)
Others	<u>(20,337)</u>	<u>(18,681)</u>	<u>-</u>	<u>-</u>
Total	<u>(35,069)</u>	<u>(25,173)</u>	<u>(562,089)</u>	<u>(368,009)</u>
Income tax expenses reported in the statement of comprehensive income	<u>1,220,410</u>	<u>1,032,464</u>	<u>77,070</u>	<u>105,888</u>

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2016	2015	2016	2015
Allowance for doubtful accounts	350,502	180,719	169,783	29,242
Allowance for impairment of investments	44,731	43,847	884	(4,583)
Allowance for impairment of properties foreclosed	2,349	123	2,226	(3,499)
Non-accrual of interest income	45,283	55,696	(10,413)	(8,874)
Depreciation of assets	(33,127)	(13,933)	(19,194)	(10,472)
Finance leases	16,519	12,441	4,078	(190)
Gains on changes in value of investment properties	(3,371)	(3,371)	-	(3,371)
Surplus on revaluation of assets	(203,190)	(203,190)	-	-
Surplus on changes in value of investments	7,517	19,494	-	-
Unrealised loss on derivatives	6,610	8,165	(1,555)	1,277
Deferred commission and direct expenses incurred at the initiation of hire purchase	(498,693)	(488,862)	(9,831)	(8,156)
Losses on disposal of property foreclosed	27,492	31,792	(4,300)	(57)
Unearned interest income on hire purchase	113,277	142,906	(29,629)	(3,847)
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Accrued expenses	395,359	308,523	86,836	(30,764)
Employee benefit expenses	105,961	85,635	12,855	17,812
Others	114,948	116,266	(1,317)	21,895
Deferred tax assets	513,602	317,686	200,423	(3,586)

(Unit: Thousand Baht)

Consolidated financial statements

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2016	2015	2016	2015
	Depreciation of assets	665	407	258
Gain on changes in value of investment properties	-	-	-	(3,452)
Surplus on revaluation of assets	26,634	26,634	-	-
Gains on changes in value of investments in trading securities	-	-	-	1
Accrued expenses	(16,301)	(17,606)	1,305	7,412
Employee benefit expenses	(8,077)	(7,473)	(64)	3,934
Others	(340)	(214)	(126)	4,005
Deferred tax liabilities	2,581	1,748	1,373	12,179

(Unit: Thousand Baht)

Separate financial statements

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2016	2015	2016	2015
	Allowance for impairment of investments	21,732	21,732	-
Depreciation of assets	(23,361)	(13,651)	(9,710)	(6,165)
Gain on changes in value of investment properties	(89,660)	(89,660)	-	-
Surplus on revaluation of assets	(57,749)	(57,749)	-	-
Surplus on changes in value of investments	30,377	33,493	-	-
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Accrued expenses	220,336	192,938	27,398	(8,434)
Employee benefit expenses	24,399	21,399	1,651	2,169
Others	145	217	(72)	(73)
Deferred tax assets	147,654	130,154	19,267	(12,513)

3.31 Components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2016	2015	2016	2015
Other comprehensive income				
Available-for-sale investments:				
Gains (losses) during the year	66,649	(218,494)	15,580	(152,219)
Less: Reclassification adjustments for gains included in profit or loss	(6,761)	(116,221)	-	-
	59,888	(334,715)	15,580	(152,219)
Actuarial gains (losses)	(40,122)	6,091	(6,745)	(10,328)
Share of other comprehensive income of joint ventures:				
Actuarial gains of joint ventures	-	26	-	-
Cash flow hedges of joint ventures	27,431	(20,802)	-	-
Other comprehensive income	47,197	(349,400)	8,835	(162,547)
Income tax effects relating to components of other comprehensive income	(3,983)	65,755	(1,767)	32,510
Net other comprehensive income for the year	43,214	(283,645)	7,068	(130,037)

3.32 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2016			2015		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
(Gains) losses on change in value of available-for-sale investments	59,888	(11,978)	47,910	(334,715)	66,943	(267,772)
Actuarial (gains) losses	(40,122)	7,995	(32,127)	6,091	(1,188)	4,903
	<u>19,766</u>	<u>(3,983)</u>	<u>15,783</u>	<u>(328,624)</u>	<u>65,755</u>	<u>(262,869)</u>

(Unit: Thousand Baht)

	Separate financial statements					
	For the years ended 31 December					
	2016			2015		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
(Gains) losses on change in value of available-for-sale investments	15,580	(3,116)	12,464	(152,219)	30,444	(121,775)
Actuarial losses	(6,745)	1,349	(5,396)	(10,328)	2,066	(8,262)
	<u>8,835</u>	<u>(1,767)</u>	<u>7,068</u>	<u>(162,547)</u>	<u>32,510</u>	<u>(130,037)</u>

3.33 Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares and preference shares in issue during the year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
	Profit attributable to equity holders of the Company (Thousand Baht)	5,005,894	4,250,119	3,118,930
Weighted average number of shares (Thousand shares)	800,655	800,655	800,655	800,655
Basic earnings per share (Baht/share)	6.25	5.31	3.90	2.83

3.34 Related party transactions

The relationships between the Company and its related parties.

Name of related parties	Relationship
TISCO Bank Public Company Limited	Subsidiary company
Deutsche TISCO Investment Advisory Co., Ltd.	Subsidiary company
TISCO Securities Co., Ltd.	Subsidiary company
TISCO Asset Management Co., Ltd.	Subsidiary company
Hi-Way Co., Ltd.	Subsidiary company
TISCO Information Technology Co., Ltd.	Subsidiary company
TISCO Learning Center Co., Ltd.	Subsidiary company
TISCO Leasing Co., Ltd.	Subsidiary company
All-Ways Co., Ltd.	Subsidiary company
TISCO Tokyo Leasing Co., Ltd.	Joint venture company

As at 31 December 2016 and 2015, the balance of the accounts between the Company and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2016	2015
<u>Outstanding balance</u>		
(Eliminated from the consolidated financial statements)		
Subsidiary companies		
Interbank and money market items (assets):		
TISCO Bank Public Company Limited	533,562	416,723
Dividend receivable:		
TISCO Bank Public Company Limited	2,027,194	1,105,742
TISCO Asset Management Co., Ltd.	459,997	504,997
TISCO Securities Co., Ltd.	110,000	175,000
Hi-Way Co., Ltd.	100,000	-
TISCO Information Technology Co., Ltd.	24,999	47,999
TISCO Leasing Co., Ltd.	19,999	-
TISCO Learning Center Co., Ltd.	19,999	8,499
Other assets:		
TISCO Bank Public Company Limited	106,460	101,343
TISCO Learning Center Co., Ltd.	238	671
Deutsche TISCO Investment Advisory Co., Ltd.	-	10,106
Other liabilities:		
TISCO Learning Center Co., Ltd.	1,539	1,352

Loan to related companies

As at 31 December 2016 and 1 January 2016, the balance of loans between the Company and its related companies and their movement are as follows:

(Unit: Thousand Baht)

	As at 1 January 2016	Increase	decrease	As at 31 December 2016
Subsidiary Companies				
Loan to customers				
Hi-Way Co., Ltd	1,820,000	-	(350,000)	1,470,000
TISCO Leasing Co., Ltd	879,200	-	(546,100)	333,100

(Unit: Thousand Baht)

	<u>Separate financial statements</u>		<u>Terms and pricing policy</u>
	<u>For the years ended 31 December</u>		
	<u>2016</u>	<u>2015</u>	

Transactions occurred during the year

(Eliminated from the consolidated financial statements)

Subsidiary companies

Risk and financial management fee income, human resources management fee income and office administration fee income	1,781,876	1,560,722	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest income	49,741	79,444	With reference to the terms and prices as offered to other customers
Rental income	63,336	63,315	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	163,000	168,000	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	8,462	5,947	With reference to the prices as offered from other service providers
Other expenses	2,017	1,928	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2016	2015
Loans ⁽¹⁾	18,744	29,228

⁽¹⁾ Including employee welfare loan and normal loan

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2016	2015
Deposits	178,804	190,299

Directors and management's benefits

During the years ended 31 December 2016 and 2015, the Company and its subsidiaries had short-term benefit paid to their directors and management during the years and other employee benefit expenses payable to their directors and management as follow:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2016	2015	2016	2015
Short-term benefits	542	510	377	360
Post-employment benefits	40	38	25	24
Other long-term benefits	129	91	86	61
Total	711	639	488	445

3.35 Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Group Chief Executive, TISCO Group.

For management purposes, the Company and its subsidiaries operate four main businesses as follows:

1. Commercial banking business: Provides financial services under the Commercial Banking Business license. Banking services are provided through the TISCO Bank Public Company Limited headquarters and its branches.
2. Securities business: Provides securities business services under the Securities Business license. These businesses are serviced through the headquarters and branches of subsidiaries across the country.
3. Asset management business: Provides asset management services.
4. Support business: Provides all governance and support functions of the Group.

The Company and its subsidiaries have aggregated operating segments that have similar economic characteristics and are similar in the other respects required by the Thai Financial Reporting Standard.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements. However, the Company's and its subsidiaries' income taxes are managed on a group basis. Therefore, these expenses are not allocated to operating segments.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The Company and its subsidiaries operate in Thailand only. As a result, all the revenues and assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

During the years 2016 and 2015, the Company and its subsidiaries did not have income from any customer amounting to or over 10 percent of their income.

The following tables present revenue, profit and total assets information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2016 and 2015, respectively.

(Unit: Million Baht)

	Commercial banking business	Securities business	Asset management business	Support business	Total segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2016							
Revenue							
External customers	14,985	930	1,133	12	17,060	-	17,060
Inter-segment	123	259	1	5,001	5,384	(5,384)	-
Total revenue	15,108	1,189	1,134	5,013	22,444	(5,384)	17,060
Operating results:							
Net interest income	10,950	13	6	(49)	10,920	-	10,920
Net fee and service income	3,334	1,149	1,123	449	6,055	(888)	5,167
Other operating income	824	27	5	4,613	5,469	(4,496)	973
Total operating income	15,108	1,189	1,134	5,013	22,444	(5,384)	17,060
Premises and equipment expenses and amortisation	(923)	(82)	(28)	(473)	(1,506)	462	(1,044)
Other operating expenses	(5,353)	(906)	(470)	(1,333)	(8,062)	2,262	(5,800)
Bad debt, doubtful accounts and impairment losses	(3,972)	-	-	-	(3,972)	-	(3,972)
Total operating expenses	(10,248)	(988)	(498)	(1,806)	(13,540)	2,724	(10,816)
Segment profit	4,860	201	636	3,207	8,904	(2,660)	6,244
Income tax expenses							(1,220)
Non-controlling interests of the subsidiaries							(18)
Profit for the year - equity holders of the Company							5,006
As at 31 December 2016							
Segment total assets	264,221	3,665	1,079	27,868	296,833	(25,561)	271,272
Premises and equipment - net	741	22	223	928	1,914	739	2,653

(Unit: Million Baht)

	Commercial banking business	Securities business	Asset management business	Support business	Total segments	Adjustments and eliminations	Consolidated
For the year ended 31 December 2015							
Revenue							
External customers	14,368	975	1,134	12	16,489	-	16,489
Inter-segment	66	230	2	3,933	4,231	(4,231)	-
Total revenue	14,434	1,205	1,136	3,945	20,720	(4,231)	16,489
Operating results:							
Net interest income	10,165	25	8	(68)	10,130	-	10,130
Net fee and service income	3,266	1,064	1,124	462	5,916	(859)	5,057
Other operating income	1,003	116	4	3,551	4,674	(3,372)	1,302
Total operating income	14,434	1,205	1,136	3,945	20,720	(4,231)	16,489
Premises and equipment expenses and amortisation	(870)	(88)	(30)	(462)	(1,450)	471	(979)
Other operating expenses	(4,584)	(857)	(463)	(1,041)	(6,945)	2,000	(4,945)
Bad debt, doubtful accounts and impairment losses	(5,277)	-	-	-	(5,277)	-	(5,277)
Total operating expenses	(10,731)	(945)	(493)	(1,503)	(13,672)	2,471	(11,201)
Segment profit	3,703	260	643	2,442	7,048	(1,760)	5,288
Income tax expenses							(1,032)
Non-controlling interests of the subsidiaries							(6)
Profit for the year - equity holders of the Company							4,250
As at 31 December 2015							
Segment total assets	273,699	3,463	1,051	27,376	305,589	(25,295)	280,294
Premises and equipment - net	758	15	222	884	1,879	754	2,633

3.36 Provident fund

The Company, its nine subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The provident funds of the Company and its eight subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules. During the years 2016 and 2015, the Company and its subsidiaries recognised the contributions as expenses totaling Baht 211 million and Baht 193 million, respectively. (the Company only: Baht 39 million and Baht 36 million, respectively).

3.37 Commitments and contingent liabilities

3.37.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2016	2015
Avals	268,042	414,867
Other guarantees	728,146	691,788
Undrawn client overdraft facilities	30,000	30,000
Interest rate swap agreements (Note 3.38.5)	1,200,000	1,200,000
Others	6,559,395	13,364,596
Total	<u>8,785,583</u>	<u>15,701,251</u>

3.37.2 Litigation

As at 31 December 2016 and 2015, the subsidiaries have been sued for compensation totaling approximately Baht 312 million and Baht 368 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Company and its subsidiaries believe that no material losses to the consolidated financial statements will be incurred as a result of the mentioned lawsuits.

3.37.3 Other commitments

- a) The subsidiary companies have commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The subsidiary companies have entered into several lease agreements in respect of the lease of office buildings and branch offices. The terms of the agreements are generally 1 - 10 years.

As at 31 December 2016 and 2015, the subsidiary companies have future minimum lease payments required under these non-cancellable operating leases contracts as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2016	2015
Payable within:		
Not over 1 year	164	126
Over 1 to 5 years	150	118
Over 5 years	46	50

3.38 Financial instruments

3.38.1 Credit risk

Credit risk is risk that a counterparty or borrower will be unable to meet their financial commitments under an agreement, causing them to be unable to make settlement of indebtedness to the Company and its subsidiaries on the due date or to intentionally fail to make payments to the Company and its subsidiaries in accordance with the agreement.

TISCO Group is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

TISCO Group has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Company and its subsidiaries (“the Group”) manage credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Group has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. It also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Group therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Group is not exposed to concentrations of credit risk because it has a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans to customers as stated in the financial statements.

Quality of risk from provision of hire purchase receivables by a subsidiary company operating banking business, which comprises the largest portion of credit granted by the Group, is as detailed below.

The risk of hire purchase credit that is not overdue of the subsidiary operating banking business can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

Credit risk of hire purchase receivables classified by quality of credit is as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2016	2015
Neither past due nor impaired		
Very high grade	42,556	45,348
High grade	76,086	90,926
Medium grade	13,156	10,626
Subtotal	131,798	146,900
Hire purchase receivables - overdue for 31 to 90 days	13,434	14,458
Hire purchase receivables - overdue for more than 90 days	4,319	5,330
Total	149,551	166,688

3.38.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices and interest rates, which may affect income or the capital funds of the Group. In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. TISCO Group uses a combination of risk sensitivities, Value at Risk and stress testing to manage market risks and establish limits. The Value at Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value at Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

3.38.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the Group measures is an estimate, using a confidence level of 99%, of TISCO potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

	Market risk as at 31 December	
	2016	2015
Marketable financial assets		
Equity securities	173	248
Debt securities	5	10
Derivatives	10	14
Foreign currencies	53	40

3.38.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over the period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2016	2015
Change in interest rate		
Increase by 1 percent	56.98	(251.25)
Decrease by 1 percent	(56.98)	251.25

However, to better reflect a realistic business environment, the sensitivity to interest rate risk is adjusted taking into account that business growth and interest rate shift are actually gradual. The net interest rate sensitivity incurred would be less than the effect on net interest income as illustrated in the analysis. This market risk sensitivity of interest bearing assets and liabilities does not include the status of marketable debt securities, which is presented in the market risk - marketable portfolio.

3.38.2.3 Interest rate risk

The Company and its subsidiaries have the following significant exposures to interest rate risk related to financial instruments.

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements as at 31 December 2016			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	1,149	1,149
Interbank and money market items	24	36,459	1,584	38,067
Investments - net	-	2,097	5,092	7,189
Loans to customers ⁽¹⁾	15,254	206,731	3,470	225,455
Securities and derivatives business receivables	-	-	1,374	1,374
Receivables from clearing house	-	-	145	145
	<u>15,278</u>	<u>245,287</u>	<u>12,814</u>	<u>273,379</u>
<u>Financial liabilities</u>				
Deposits	55,375	99,448	244	155,067
Interbank and money market items	345	4,811	41	5,197
Liabilities payable on demand	-	-	180	180
Derivatives liabilities	-	-	34	34
Debts issued and borrowings	-	70,329	-	70,329
Securities and derivatives business payables	-	-	1,511	1,511
	<u>55,720</u>	<u>174,588</u>	<u>2,010</u>	<u>232,318</u>

⁽¹⁾ Loans to customers with floating interest rates and fixed interest rates include non-performing loans to customers on an accrual basis.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2015

<u>Transactions</u>	Outstanding balances of financial instruments			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
<u>Financial assets</u>				
Cash	-	-	1,101	1,101
Interbank and money market items	176	29,162	1,825	31,163
Investments - net	-	3,186	5,146	8,332
Loans to customers ⁽¹⁾	25,525	208,397	4,880	238,802
Securities and derivatives business receivables	-	-	1,130	1,130
Receivables from clearing house	-	-	248	248
	<u>25,701</u>	<u>240,745</u>	<u>14,330</u>	<u>280,776</u>
<u>Financial liabilities</u>				
	51,127	106,950	267	158,344
Deposits	333	9,654	43	10,030
Interbank and money market items	-	-	356	356
Liabilities payable on demand	-	-	42	42
Derivatives liabilities	-	74,519	-	74,519
Debts issued and borrowings	-	-	1,275	1,275
Securities and derivatives business payables	-	-	97	97
Payables to clearing house	<u>51,460</u>	<u>191,123</u>	<u>2,080</u>	<u>244,663</u>

⁽¹⁾ Loans to customers with floating interest rates and fixed interest rates include non-performing loans to customers on an accrual basis.

(Unit: Million Baht)

Separate financial statements as at 31 December 2016

<u>Transactions</u>	Outstanding balances of financial instruments			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
<u>Financial assets</u>				
Interbank and money market items	8	526	-	534
Investments - net	-	-	782	782
Loans to customers	-	1,803	-	1,803
	<u>8</u>	<u>2,329</u>	<u>782</u>	<u>3,119</u>
<u>Financial liabilities</u>				
Debts issued and borrowings	-	5,930	-	5,930
	<u>-</u>	<u>5,930</u>	<u>-</u>	<u>5,930</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2015				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Interbank and money market items	9	408	-	417
Investments - net	-	-	773	773
Loans to customers	-	2,699	-	2,699
	<u>9</u>	<u>3,107</u>	<u>773</u>	<u>3,889</u>
Financial liabilities				
Debts issued and borrowings	-	6,900	-	6,900
	<u>-</u>	<u>6,900</u>	<u>-</u>	<u>6,900</u>

Financial instruments which bear interest rate at fixed rates are classified below by the year from the financial statements date to the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements as at 31 December 2016							
Repricing or maturity date							
<u>Transactions</u>	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	Interest rates (%)
Financial assets							
Interbank and money market items	99	36,359	1	-	-	36,459	1.5869
Investments - net	-	742	251	1,102	2	2,097	3.7354
Loans to customers	22,559	22,561	49,345	107,253	5,013	206,731	7.5118
	<u>22,658</u>	<u>59,662</u>	<u>49,597</u>	<u>108,355</u>	<u>5,015</u>	<u>245,287</u>	
Financial liabilities							
Deposits	3,661	61,634	33,833	320	-	99,448	1.6042
Interbank and money market items	451	639	1,277	-	2,444	4,811	1.4656
Debts issued and borrowings	37	24,730	22,739	15,500	7,323	70,329	2.2208
	<u>3,699</u>	<u>87,453</u>	<u>57,849</u>	<u>15,820</u>	<u>9,767</u>	<u>174,588</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2015							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	29,161	-	1	-	29,162	1.4787
Investments - net	-	196	952	2,038	-	3,186	4.0413
Loans to customers	2,718	20,209	47,385	121,401	16,684	208,397	7.5326
	<u>2,718</u>	<u>49,566</u>	<u>48,337</u>	<u>123,440</u>	<u>16,684</u>	<u>240,745</u>	
Financial liabilities							
Deposits	3,160	77,903	25,387	500	-	106,950	1.8136
Interbank and money market items	1,160	1,346	4,456	21	2,671	9,654	1.4786
Debts issued and borrowings	37	33,365	18,794	15,680	6,643	74,519	2.0411
	<u>4,357</u>	<u>112,614</u>	<u>48,637</u>	<u>16,201</u>	<u>9,314</u>	<u>191,123</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2016							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	526	-	-	-	-	526	0.8500
Loans to customers	1,803	-	-	-	-	1,803	1.7500
	<u>2,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,329</u>	
Financial liabilities							
Debts issued and borrowings	-	4,930	1,000	-	-	5,930	1.6575
	<u>-</u>	<u>4,930</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>5,930</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2015							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	408	-	-	-	-	408	0.9000
Loans to customers	2,699	-	-	-	-	2,699	1.8200
	<u>3,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,107</u>	
Financial liabilities							
Debts issued and borrowings	-	4,000	2,900	-	-	6,900	1.7190
	<u>-</u>	<u>4,000</u>	<u>2,900</u>	<u>-</u>	<u>-</u>	<u>6,900</u>	

The balances of loans to customers (including those on which interest recognition has been ceased) shown in the above table are presented before deducting allowance for doubtful accounts.

3.38.3 Liquidity risk

Liquidity risk is uncertainty that the subsidiary operating banking business is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy of the subsidiary operating banking business and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserve assets and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the subsidiary operating banking business's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserve assets. The procurement and concentration of funding sources will be well-planned to optimise risk and return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, those subsidiary sets the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

Additionally, the subsidiary operating banking business has set stress testing scenarios for liquidity risk where the scenarios cover the subsidiary's specific scenarios and industry-based scenarios, which cause unusual cash outflow from the subsidiary operating banking business.

The main sources of fund came from deposits. In the past, there was high rollover rate for matured deposits. Besides, the subsidiary operating banking business also issued subordinated and unsubordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets as cushion against liquidity risk. Moreover, the subsidiary provides credit line to other companies under TISCO Group to support liquidity position if required.

3.38.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

	As at 31 December 2016			
	Remaining contractual maturity			
	Less than 3 months	3 - 12 months	More than 1 year	Total
	Liabilities	150,827	56,850	25,621

(Unit: Million Baht)

	As at 31 December 2015			
	Remaining contractual maturity			
	Less than 3 months	3 - 12 months	More than 1 year	Total
	Liabilities	172,690	45,738	25,557

The matured liabilities are generally rolled-over with 90 percent average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity less than three months comprised current deposit and saving deposit. Both current deposit and saving deposit are considered to be more stable than term deposit in terms of cash outflow.

3.38.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at 31 December	
	2016	2015
Composition of highly liquid assets		
Cash	1,148	1,100
Interbank and money market - net	37,062	29,663
Current investments - net	5,127	6,749
Total highly liquid assets ⁽¹⁾	43,337	37,512
Liquid asset requirement ⁽¹⁾	9,507	9,974

⁽¹⁾ Highly liquid assets and liquid asset requirement are based on internal measurement.

The subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As at 31 December 2016 and 2015, the subsidiary operating banking business has highly liquid assets, which are daily calculated, at Baht 43,337 million and Baht 37,512 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 9,507 million and Baht 9,974 million, respectively. In addition, the subsidiary operating banking business has operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.38.3.3 Counting from the financial statement date, as at 31 December 2016 and 2015, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016								
Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non-	Total
		Months	months	years	years		performing	
Financial assets							Loans	
Cash	1,149	-	-	-	-	-	-	1,149
Interbank and money market items	1,707	36,359	1	-	-	-	-	38,067
Investments - net	-	1,851	2,164	1,102	2	2,070	-	7,189
Loans to customers	24,464	23,437	49,886	111,272	10,686	-	5,710	225,455
Securities and derivatives business								
receivables	-	1,374	-	-	-	-	-	1,374
Receivables from clearing house	-	145	-	-	-	-	-	145
	<u>27,320</u>	<u>63,166</u>	<u>52,051</u>	<u>112,374</u>	<u>10,688</u>	<u>2,070</u>	<u>5,710</u>	<u>273,379</u>
Financial liabilities	59,280	61,634	33,833	320	-	-	-	155,067
Deposits	837	639	1,277	-	2,444	-	-	5,197
Interbank and money market items	180	-	-	-	-	-	-	180
Liabilities payable on demand	-	-	-	34	-	-	-	34
Derivatives liabilities	37	24,730	22,739	15,500	7,323	-	-	70,329
Debts issued and borrowings								
Securities and derivatives business								
payables	-	1,511	-	-	-	-	-	1,511
	<u>59,884</u>	<u>88,964</u>	<u>57,849</u>	<u>15,854</u>	<u>9,767</u>	<u>-</u>	<u>-</u>	<u>232,318</u>
Commitment and contingent liabilities								
Aval to bills and guarantees of loans	5	298	16	31	1	645	-	996
Other commitments	-	-	4,410	3,349	-	30	-	7,789

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2015

<u>Transactions</u>	At call	0 - 3 Months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing Loans	
Financial assets								
Cash	1,101	-	-	-	-	-	-	1,101
Interbank and money market items	2,001	29,161	-	1	-	-	-	31,163
Investments - net	-	3,327	1,384	2,038	-	1,583	-	8,332
Loans to customers	1,216	20,492	50,388	129,835	29,170	-	7,701	238,802
Securities and derivatives business receivables	-	1,130	-	-	-	-	-	1,130
Receivables from clearing house	-	248	-	-	-	-	-	248
	<u>4,318</u>	<u>54,358</u>	<u>51,772</u>	<u>131,874</u>	<u>29,170</u>	<u>1,583</u>	<u>7,701</u>	<u>280,776</u>
Financial liabilities								
	54,555	77,902	25,387	500	-	-	-	158,344
Deposits	1,537	1,345	4,456	21	2,671	-	-	10,030
Interbank and money market items	356	-	-	-	-	-	-	356
Liabilities payable on demand	-	-	-	42	-	-	-	42
Derivatives liabilities	37	33,365	18,794	15,680	6,643	-	-	74,519
Debts issued and borrowings Securities and derivatives business payables	-	1,275	-	-	-	-	-	1,275
Payables to clearing house	-	97	-	-	-	-	-	97
	<u>56,485</u>	<u>113,984</u>	<u>48,637</u>	<u>16,243</u>	<u>9,314</u>	<u>-</u>	<u>-</u>	<u>244,663</u>
Commitment and contingent liabilities								
Aval to bills and guarantees of loans	1	7	434	26	-	639	-	1,107
Other commitments	-	-	9,756	4,808	-	30	-	14,594

(Unit: Million Baht)

Separate financial statements as at 31 December 2016

<u>Transactions</u>	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing Loans	
Financial assets								
Interbank and money market items	534	-	-	-	-	-	-	534
Investments - net	-	-	-	-	-	782	-	782
Loans to customers	1,803	-	-	-	-	-	-	1,803
	<u>2,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782</u>	<u>-</u>	<u>3,119</u>
Financial liabilities								
Debts issued and borrowings	-	4,930	1,000	-	-	-	-	5,930
	<u>-</u>	<u>4,930</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,930</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2015

<u>Transactions</u>	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing Loans	
Financial assets								
Interbank and money market items	417	-	-	-	-	-	-	417
Investments - net	-	-	-	-	-	773	-	773
Loans to customers	2,699	-	-	-	-	-	-	2,699
	<u>3,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>773</u>	<u>-</u>	<u>3,889</u>
Financial liabilities								
Debts issued and borrowings	-	4,000	2,900	-	-	-	-	6,900
	<u>-</u>	<u>4,000</u>	<u>2,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,900</u>

3.38.4 Foreign exchange risk

As at 31 December 2016 and 2015, the Company and its subsidiaries had no significant financial position in foreign currency.

3.38.5 Derivatives

The subsidiaries have a policy to enter into transactions involving financial derivatives instruments, for hedging risks and trading.

As at 31 December 2016 and 2015, the subsidiaries have the following trading financial derivatives instruments.

Interest rate swap agreement

The subsidiary operating banking business entered into interest rate swap agreements to manage the risk associated with its interest-bearing financial assets as follows:

(Unit: Million Baht)

As at 31 December 2016		
Maturity	Notional amount	Fair value gain (loss)
2019	1,200	(34)

(Unit: Million Baht)

As at 31 December 2015		
Maturity	Notional amount	Fair value gain (loss)
2019	1,200	(42)

3.38.6 Fair value of financial instruments

The estimated fair value of financial instruments, in comparison with the related amounts carried in the statement of financial position is as follows:

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements			
	As at 31 December			
	2016		2015	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	1,149	1,149	1,101	1,101
Interbank and money market items - net	38,067	38,067	31,163	31,163
Investments - net	7,190	8,332	8,332	9,474
Loans to customers and accrued interest receivables - net	218,747 ⁽¹⁾	221,104	232,946 ⁽¹⁾	234,491
Securities and derivatives business receivables	1,374	1,374	1,130	1,130
Receivables from clearing house	145	145	248	248
<u>Financial liabilities</u>				
Deposits	155,068	155,068	158,344	158,344
Interbank and money market items - net	5,197	5,197	10,030	10,030
Liabilities payable on demand	180	180	356	356
Derivatives liabilities	34	34	42	42
Debt issued and borrowings	70,329	70,678	74,519	74,929
Securities and derivatives business payables	1,511	1,511	1,275	1,275
Payables to clearing house	-	-	97	97

⁽¹⁾ As at 31 December 2016 and 2015, book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 1,276 million and Baht 312 million, respectively.

(Unit: Million Baht)

<u>Transactions</u>	Separate financial statements			
	As at 31 December			
	2016		2015	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	70	70	70	70
Interbank and money market items - net	534	534	417	417
Investments - net	782	782	773	773
Loans to customers and accrued interest receivables - net	1,803	1,803	2,699	2,699
<u>Financial liabilities</u>				
Debt issued and borrowings	5,930	5,930	6,900	6,900

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book value of financial instruments is the value net of the full amount of such allowance for doubtful debt, after adjusting for loan loss reserve.

3.39 Fair value hierarchy

As of 31 December 2016 and 2015, the Company and its subsidiaries have the following assets and liabilities that were measured at fair value or disclosed using different levels of inputs as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	As at 31 December 2016				
	Book value	Fair value			Total
Level 1		Level 2	Level 3		
Assets measured at fair value					
Available-for-sale investments					
Equity securities	405	405	-	-	405
Debt securities	5,538	-	5,538	-	5,538
Unit trusts	811	782	29	-	811
Investment properties	32	-	-	32	32
Office condominiums	2,032	-	-	2,032	2,032
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	34	-	34	-	34
Assets for which fair value is disclosed					
Cash	1,149	1,149	-	-	1,149
Interbank and money market items - net	38,067	2,059	36,008	-	38,067
General investments	436	-	-	1,881	1,881
Loans to customers and accrued interest					
receivables	218,747 ⁽¹⁾	-	37,943	183,161	221,104
Securities and derivatives business					
receivables	1,374	-	1,374	-	1,374
Receivables from clearing house	145	-	145	-	145
Liabilities for which fair value is disclosed					
Deposit	155,068	55,619	99,449	-	155,068
Interbank and money market items - net	5,197	612	4,585	-	5,197
Liabilities payable on demand	180	180	-	-	180
Debts issued and borrowings	70,329	-	70,678	-	70,678
Securities and derivatives business					
payables	1,511	-	1,511	-	1,511

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 1,276 million.

(Unit: Million Baht)

Consolidated financial statements					
As at 31 December 2015					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Available-for-sale investments	335	335	-	-	335
Equity securities	6,749	-	6,749	-	6,749
Debt securities	802	773	29	-	802
Unit trusts	32	-	-	32	32
Investment properties	2,032	-	-	2,032	2,032
Office condominiums					
Liabilities measured at fair value					
Derivatives	42	-	42	-	42
Interest rate swap agreements					
Assets for which fair value is disclosed					
Cash	31,163	1,901	29,262	-	31,163
Interbank and money market items - net	446	-	-	1,588	1,588
General investments	232,946 ⁽¹⁾	-	37,084	197,407	234,491
Loans to customers and accrued interest					
receivables	1,130	-	1,130	-	1,130
Securities and derivatives business					
receivables	248	-	248	-	248
Receivables from clearing house					
Liabilities for which fair value is disclosed					
disclosed	158,344	51,394	106,950	-	158,344
Deposit	10,030	613	9,417	-	10,030
Interbank and money market items - net	356	356	-	-	356
Liabilities payable on demand	74,519	-	74,929	-	74,929
Debts issued and borrowings	1,273	-	1,275	-	1,275
Securities and derivatives business					
payables	97	-	97	-	97

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 312 million.

(Unit: Million Baht)

Separate financial statements					
As at 31 December 2016					
Book value	Fair value			Total	
	Level 1	Level 2	Level 3		
Assets measured at fair value					
Available-for-sale investments					
Unit trusts	782	782	-	-	782
Investment properties	778	-	-	778	778
Office condominiums	555	-	-	555	555
Assets for which fair value is disclosed					
Cash	70	70	-	-	70
Interbank and money market items - net	534	7	527	-	534
Loans to customers and accrued interest receivables	1,803	-	-	1,803	1,803
Liabilities for which fair value is disclosed					
Debts issued and borrowings	5,930	-	-	5,930	5,930

(Unit: Million Baht)

Separate financial statements					
As at 31 December 2015					
Book value	Fair value			Total	
	Level 1	Level 2	Level 3		
Assets measured at fair value					
Available-for-sale investments					
Unit trusts	773	773	-	-	773
Investment properties	778	-	-	778	778
Office condominiums	555	-	-	555	555
Assets for which fair value is disclosed					
Cash	70	70	-	-	70
Interbank and money market items - net	417	9	408	-	417
Loans to customers and accrued interest receivables	2,699	-	-	2,699	2,699
Liabilities for which fair value is disclosed					
Debts issued and borrowings	6,900	-	-	6,900	6,900

Sensitivity to changes in unobservable inputs for non-financial assets

The Company and its subsidiaries have hired an appraiser licensed by the Securities and Exchange Commission, who used the Income Approach to calculate the fair value of investment properties and office condominiums. Under this approach the free cash flows that the Company and its subsidiaries expect to receive annually are discounted using rates that take into account borrowing rates and various risk factors.

The significant unobservable inputs used in the fair value measurement of investment properties and office condominiums are the growth rate of rental income and discount rate. The growth rate of rental income and discount rate used as inputs are 5% and 9%, respectively. Significant decreases in growth rates of rental income or increases in discount rates, in isolation, would result in a significantly lower fair value measurement of investment properties and office condominiums.

During the current year, there were no transfer within the fair value hierarchy.

4. Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid (Million Baht)	Dividend payment period
		Preference share	Ordinary share		
		(Baht per share)	(Baht per share)		
Annual dividends for 2014	The 2015 Annual General Meeting of the Shareholders on 22 April 2015	2.00	2.00	1,601	May 2015
Total dividend payment in year 2015				<u>1,601</u>	
Annual dividends for 2015	The 2016 Annual General Meeting of the Shareholders on 21 April 2016	2.40	2.40	1,921	May 2016
Total dividend payment in year 2016				<u>1,921</u>	

5. Significant events during the year

Acquisition of retail business

On 22 December 2016, TISCO Bank Plc. and All-Way Co., Ltd. (which are subsidiaries of TISCO Group) agreed to purchase retail banking business from Standard Chartered Bank (Thai) Plc. and entered into a business acquisition agreement under which TISCO Bank is the transferee of the personal lending business, mortgage business, retail banking business, wealth-management and individual deposits business while All-Way is the transferee of the credit card business. The transfer is expected to be completed within 2017 after obtaining approval from the Bank of Thailand and the shareholders of the transferor and transferees.

The consolidated financial statements of the Company and subsidiaries as at 31 December 2016 do not include the business acquisition transactions.

Increase in registered share capital of a subsidiary company

A resolution passed by the Extraordinary General Meeting of the Shareholders of All-Ways Co., Ltd. (a subsidiary company) No. 1/2559, on 21 October 2016, approved an increase of Baht 99 million in its registered share capital, from Baht 1 million to Baht 100 million, by issuing 990,000 new ordinary shares. As a result, the number of ordinary shares will increase from 10,000 shares to 1,000,000 shares of Baht 100 each and they are to be 100% paid up. The meeting also approved the amendment of item No.5 in the memorandum of association, to state that the subsidiary's issued and fully paid-up registered capital is Baht 100 million, consisting of 1,000,000 ordinary shares of Baht 100 each. On 25 October 2016, the Company registered the increase in its share capital and the amendment of its memorandum of association with the Ministry of Commerce.

6. Approval of financial statements

These financial statements were approved by the Company's Audit Committee on 9 February 2017.