

TISCO Financial Group Public Company Limited
and its subsidiary companies
Report and consolidated financial statements
31 December 2017

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 2017, 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 2017, 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 2017, the Group had loans to customers of Baht 251,384 million (accounting for 83% of total assets) and allowance for doubtful accounts of Baht 11,447 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, which relies on various estimation 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. 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 by gaining an understanding of the estimation process and the Group's recording of allowance for doubtful accounts, assessing and testing the internal controls relevant to the recording of allowance for doubtful accounts, the collection of debt and the calculation of allowance for doubtful accounts for loans to customers, including the loan classification process and the collateral valuation, by making enquiry of responsible executives and selecting representative samples to test the operation of the designed controls. I checked the accuracy of the data used in the calculation of allowance for doubtful accounts to its source. I performed analytical procedures to compare the assumptions that the Group used to calculate allowance for doubtful accounts with historical data, the regularity in applying the assumptions, and evaluated the methods that the Group elected to use in estimating allowance for doubtful accounts for each type of product. I reviewed the accuracy of loan's information and tested the accuracy of loan classification as at the end of reporting period.

In addition, I assessed the allowance for doubtful accounts calculated by the management by randomly selecting sample of customers to test the correctness of status of the loan, the loan classification and the existence of collateral, testing the calculation of the valuation of collateral and also testing whether the calculation of the allowance for doubtful accounts was in accordance with the Group's guidelines in cases where the Group sets loan loss provisions on a specific basis and by testing the calculation of the probability of default and loss given default as well as the allowance calculation in cases where the Group applies a collective approach to loan loss provisioning.

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 16,469 million in the year 2017, accounting for 68% 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 data processing by IT system. I therefore focused my audit to determine whether the interest income was recognised in the correct amounts.

I performed my audit by gaining an understanding of, assessing and testing at random 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 recognition 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.

Business acquisition

As discussed in Note 1.5 to the financial statements, on 1 October 2017 subsidiaries of TISCO Group, namely TISCO Bank Public Company Limited and All-Ways Co., Ltd., acquired retail banking business from a financial institution including mortgage loans, personal loans, business loans, wealth management, retail deposit business and credit card business. As at the date of acquisition, the subsidiaries recognised and measured the assets acquired and liabilities assumed at their fair value by applying the acquisition method. I have focused on this business acquisition since it is material to the financial statements as a whole, and management was required to exercise substantial judgement when appraising the fair value of the assets acquired and liabilities assumed. The values of acquired assets and liabilities were Baht 33,965 million and 15,576 million, respectively, which accounted for 11 percent of total assets and 6 percent of total liabilities in the Company's consolidated financial statements. Therefore, I focused my audit on the assessment of the fair value of the acquired assets and liabilities assumed to ensure that the recognized amount is appropriate.

I reviewed the terms and conditions of the business acquisition agreement and inquired of management as to the nature and objectives of the acquisition in order to evaluate whether the acquisition was in compliance with the Thai Financial Reporting Standard regarding "Business Combinations". In addition, I checked the value of the acquisition against supporting documents. I also assessed the fair value of assets acquired and liabilities assumed specified in the documentation of measurement under the acquisition method as prepared by the subsidiaries by considering the methods and significant assumptions used in calculating the fair value of assets and liabilities, checking significant assumptions against the subsidiaries' historical information and industry information such as interest rate, testing the fair value calculation, and reviewing the disclosures related to the business acquisition in the note to the financial statements.

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.
- 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.

I am responsible for the audit resulting in this independent auditor's report.



Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 12 February 2018

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2017

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Assets				
Cash	1,324,808	1,149,005	70	70
Interbank and money market items - net	3.2	44,647,149	38,067,417	237,201
Investments - net	3.4, 3.8	7,547,143	7,188,845	869,582
Investments in subsidiaries and joint venture - net	3.5	573,925	442,750	20,069,104
Loans to customers and accrued interest receivables	3.6, 3.8			
Loans to customers	271,125,255	245,114,243	3,540,000	1,803,100
Accrued interest receivables	715,653	520,704	-	-
Total loans to customers and accrued interest receivables	271,840,908	245,634,947	3,540,000	1,803,100
Less: Deferred revenue	(19,741,455)	(20,180,240)	-	-
Less: Allowance for doubtful accounts	3.7	(11,447,166)	(7,973,890)	-
Less: Allowance for loss on debt restructuring	3.7	(8,948)	(9,748)	-
Loans to customers and accrued interest receivables - net	240,643,339	217,471,069	3,540,000	1,803,100
Properties foreclosed - net	3.8, 3.9	5,274	7,366	-
Investment properties - net	3.10	32,396	32,157	834,503
Premises and equipment - net	3.11	2,653,195	2,652,515	864,555
Intangible assets - net	3.12	537,696	567,053	182,482
Deferred tax assets	3.30	743,145	513,602	150,550
Securities and derivatives business receivables - net		2,342,040	1,373,757	-
Dividend receivable from subsidiaries		-	-	4,132,342
Other assets	3.13	2,338,299	1,806,862	165,801
Total assets		303,388,409	271,272,398	31,046,190
				27,536,291

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 2017

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Liabilities and equity				
Liabilities				
Deposits	3.14	180,803,844	155,067,524	-
Interbank and money market items - net	3.15	4,017,507	5,196,603	-
Liabilities payable on demand		431,361	180,242	-
Derivatives liabilities	3.3	29,815	34,118	-
Debts issued and borrowings	3.16	71,078,619	70,328,919	7,440,000 5,930,000
Provision for long-term employee benefits	3.17	734,853	576,114	154,228 124,230
Deferred tax liabilities	3.30	15,633	2,581	-
Securities and derivatives business payables - net		2,216,256	1,510,870	-
Accrued interest payable		729,377	753,021	34,268 18,574
Income tax payable		849,052	565,781	24,690 37,001
Other liabilities	3.18	7,750,327	5,731,082	1,433,367 1,190,304
Total liabilities		268,656,644	239,946,855	9,086,553 7,300,109

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 2017

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
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					
9,859 preference shares of Baht 10 each					
(31 December 2016: 10,758 shares of Baht 10 each)		99	108	99	108
800,645,624 ordinary shares of Baht 10 each		8,006,456	8,006,447	8,006,456	8,006,447
(31 December 2016: 800,644,724 shares of Baht 10 each)		<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		-	-	87	95
Share premium on ordinary shares		1,018,408	1,018,408	7,031,436	7,031,428
		<u>1,018,408</u>	<u>1,018,408</u>	<u>7,031,523</u>	<u>7,031,523</u>
Other components of equity		1,653,202	1,447,136	241,442	104,978
Retained earnings					
Appropriated-statutory reserve		801,000	801,000	801,000	801,000
Unappropriated		23,125,364	19,951,807	5,879,117	4,292,126
		<u>34,604,529</u>	<u>31,224,906</u>	<u>21,959,637</u>	<u>20,236,182</u>
Equity attributable to equity holders of the Company					
Non-controlling interest of the subsidiaries		127,236	100,637	-	-
Total equity		34,731,765	31,325,543	21,959,637	20,236,182
Total liabilities and equity		303,388,409	271,272,398	31,046,190	27,536,291

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



Mrs. Oranuch Apisaksirikul

(Chairperson of the Executive Board)

Mr Suthas Ruangmanamongkol

(Group Chief Executive)

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2017

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

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Interest income	3.22	16,469,499	16,011,544	52,349	49,741
Interest expenses	3.23	(4,814,713)	(5,091,110)	(96,201)	(101,506)
Net interest income		11,654,786	10,920,434	(43,852)	(51,765)
Fee and service income		6,395,607	5,396,850	-	-
Fee and service expenses		(250,021)	(230,082)	(16,983)	(13,477)
Net fee and service income	3.24	6,145,586	5,166,768	(16,983)	(13,477)
Net losses on trading and foreign exchange transactions	3.25	(86,773)	(9,468)	(84,761)	(6,945)
Net gains on investments	3.26	41,968	12,594	-	-
Share of profit from investments accounted for under equity method	3.5.2	130,420	131,212	-	-
Dividend income		138,178	78,973	4,132,342	2,762,188
Penalty fee income from loans		375,524	364,260	-	-
Income from business promotion relating to the business		751,879	273,903	-	-
Intercompany supporting fee income	3.34	-	-	2,117,903	1,781,876
Other operating income	3.28	125,952	121,637	88,995	75,138
Total operating income		19,277,520	17,060,313	6,193,644	4,547,015
Expense from business promotion relating to the business		774,535	302,924	-	-
Total net operating income		18,502,985	16,757,389	6,193,644	4,547,015
Operating expenses					
Employee's expenses		5,081,799	4,298,798	1,153,393	888,837
Directors' remuneration		12,740	12,745	12,740	12,745
Premises and equipment expenses		1,149,814	970,203	431,075	366,543
Taxes and duties		256,526	208,869	2,214	1,762
Other operating expenses	3.29	1,260,224	1,050,415	116,603	81,128
Total operating expenses		7,761,103	6,541,030	1,716,025	1,351,015
Bad debt, doubtful accounts and impairment losses	3.27	3,098,265	3,972,366	-	-
Profit before income tax expenses		7,643,617	6,243,993	4,477,619	3,196,000
Income tax expenses	3.30	1,526,310	1,220,410	60,530	77,070
Profit for the year		6,117,307	5,023,583	4,417,089	3,118,930

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 2017

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

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Other comprehensive income	3.31				
Other comprehensive income to be reclassified					
<i>to profit or loss in subsequent period</i>					
Gains on change in value of available-for-sale investments	3.20	270,399	59,888	172,458	15,580
Share of other comprehensive income of joint venture:					
Cash flow hedges of joint venture		755	27,431	-	-
Income tax effects	3.30, 3.32	(55,109)	(11,978)	(34,492)	(3,116)
Other comprehensive income to be reclassified					
to profit or loss in subsequent period - net of income tax		216,045	75,341	137,966	12,464
Other comprehensive income not to be reclassified					
<i>to profit or loss in subsequent period</i>					
Actuarial losses		(155,385)	(40,122)	(36,641)	(6,745)
Income tax effects	3.30, 3.32	30,909	7,995	7,328	1,349
Other comprehensive income not to be reclassified					
to profit or loss in subsequent periods - net of income tax		(124,476)	(32,127)	(29,313)	(5,396)
Other comprehensive income for the year		91,569	43,214	108,653	7,068
Total comprehensive income for the year		6,208,876	5,066,797	4,525,742	3,125,998
Profit attributable to					
Equity holders of the Company	3.33	6,090,008	5,005,894	4,417,089	3,118,930
Non-controlling interests of the subsidiaries		27,299	17,689		
		6,117,307	5,023,583		
Total comprehensive income attributable to					
Equity holders of the Company		6,181,910	5,050,062	4,525,742	3,125,998
Non-controlling interests of the subsidiaries		26,966	16,735		
		6,208,876	5,066,797		
Earnings per share of equity holders of the Company					
Basic earnings per share	3.33	7.61	6.25	5.52	3.90

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 2017

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before income tax expenses	7,643,617	6,243,993	4,477,619	3,196,000
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities				
Depreciation and amortisation	350,638	252,316	135,767	93,702
Bad debts and doubtful accounts	5,064,167	6,094,764	-	-
Share of profit from investments accounted for under equity method	(130,420)	(131,212)	-	-
Allowance for impairment of investments (reversal)	(3,671)	4,420	-	-
Allowance for impairment of property foreclosed	394	11,128	-	-
Gains on disposal of investments in securities	(38,157)	(17,682)	-	(9,142)
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	83,376	(851)	84,761	6,945
Gains on disposal of equipment	(12,997)	(14,127)	(7,594)	-
Losses on written-off of equipment	3,441	941	-	45
Losses on written-off intangible assets	-	6,218	-	-
Gains on changes in value of investment properties	(239)	-	(15,568)	-
Gains on disposal of properties foreclosed	(81,678)	(73,175)	-	-
Employee benefit expenses	42,708	89,986	7,996	16,643
(Increase) decrease in accrued income	(317,317)	(19,887)	(23,793)	5,455
Increase in accrued expenses	601,873	413,512	215,440	147,420
Net interest income	(11,654,786)	(10,920,434)	43,852	51,765
Dividend income	(138,178)	(78,973)	(4,132,342)	(2,762,188)
Cash received on interest income	16,743,707	16,335,057	52,365	49,707
Cash paid on interest expenses	(3,824,667)	(4,234,443)	(80,507)	(113,216)
Cash received on dividend income	138,178	78,973	2,762,188	1,842,237
Cash paid on income tax expenses	(1,484,013)	(1,173,584)	(102,900)	(87,512)
Profit from operating activities before changes in operating assets and liabilities	12,985,976	12,866,940	3,417,284	2,437,861
Operating assets (increase) decrease				
Interbank and money market items	(6,579,740)	(6,904,757)	296,362	(116,840)
Loans to customers	3,718,910	6,771,626	(1,736,900)	896,100
Securities and derivatives business receivables	(968,284)	(243,566)	-	-
Receivables from clearing house	144,621	103,127	-	-
Properties foreclosed	2,071,939	2,376,862	-	-
Other assets	-883,412	-188,541	-59	4,659

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 2017

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Operating liabilities increase (decrease)				
Deposits	11,114,657	(3,276,666)	-	-
Interbank and money market items	(1,179,096)	(4,833,456)	-	-
Liabilities payable on demand	251,119	(176,093)	-	-
Securities and derivative business payables	705,386	235,841	-	-
Short-term debts issued and borrowings	8,072,700	(20,370,000)	1,510,000	(970,000)
Payable to clearing house	113,385	(96,576)	-	-
Provision for long-term employee benefits	(39,353)	(20,927)	(14,639)	(5,948)
Other liabilities	(395,852)	(1,213,333)	27,623	9,090
Net cash flows from (used in) operating activities	29,132,956	(14,969,519)	3,499,671	2,254,922
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(7,578,768)	(7,759,049)	-	-
Cash received from disposal of investment in securities				
held for investment	7,447,916	8,968,790	-	-
Cash paid for purchase of equipment	(203,271)	(223,346)	(56,175)	(105,866)
Cash paid for purchase of intangible assets	(116,253)	(242,740)	(48,781)	(138,602)
Cash received from disposal of equipment	13,006	14,168	7,594	9,142
Cash paid for share capital increase of subsidiary	-	-	(600,022)	(99,006)
Cash paid on business acquisition	(18,394,496)	-	-	-
Net cash flows from (used in) investing activities	(18,831,866)	757,823	(697,384)	(334,332)
Cash flows from financing activities				
Cash received from issuance of long-term debentures	19,600,000	16,180,000	-	-
Cash paid for the redemption of long-term debentures	(26,923,000)	-	-	-
Dividend paid	(2,802,287)	(1,920,590)	(2,802,287)	(1,920,590)
Net cash flows from (used in) financing activities	(10,125,287)	14,259,410	(2,802,287)	(1,920,590)
Net increase in cash	175,803	47,714	-	-
Cash at beginning of the year	1,149,005	1,101,291	70	70
Cash at end of the year	1,324,808	1,149,005	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 2017

(Unit: Thousand Baht)

Consolidated financial statements															
Equity attributable to equity holders of the Company															
Note	Other components of equity														Equity attributable to the Company 98,895 28,194,329
	Issued and paid-up	Share premium on	Surplus (deficit) on	Share of other	of entities under	Adjustment from		business		combination					
	Preference shares	Ordinary shares	changes in value of	Surplus on	comprehensive	common control	Total other	components	of equity	Retained earnings	Attributed to	Equity attributable to non-controlling interests of			
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	-	-	-	47,910	-	27,431	-	75,341	-	5,005,894	5,005,894	17,689	5,023,583	43,214	
Other comprehensive income for the year	-	-	-	47,910	-	27,431	-	75,341	-	(31,173)	44,168	(954)	5,050,062	16,735	
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	108	8,006,447	1,018,408	(118,382)	889,264	(3,012)	679,266	1,447,136	801,000	19,951,807	31,224,906	100,637	31,325,543		
Balance as at 1 January 2017	108	8,006,447	1,018,408	(118,382)	889,264	(3,012)	679,266	1,447,136	801,000	19,951,807	31,224,906	100,637	31,325,543		
Dividend paid	4	-	-	-	-	-	-	-	-	(2,802,287)	(2,802,287)	-	(2,802,287)		
Profit for the year	-	-	-	215,290	-	755	-	216,045	-	6,090,008	6,090,008	27,299	6,117,307	91,569	
Other comprehensive income for the year	-	-	-	215,290	-	755	-	216,045	-	(124,143)	91,902	(333)	5,965,865	6,181,910	
Total comprehensive income for the year	-	-	-	215,290	-	755	-	216,045	-	5,965,865	6,181,910	26,966	6,208,876		
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(9,979)	-	-	(9,979)	-	9,979	-	-	-	-	
Preference shares converted to ordinary shares	(9)	9	-	-	-	-	-	-	-	-	-	-	-	-	
Decrease in non-controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(367)	(367)		
Balance as at 31 December 2017	99	8,006,456	1,018,408	96,908	879,285	(2,257)	679,266	1,653,202	801,000	23,125,364	34,604,529	127,236	34,731,765		
The accompanying notes are an integral part of the financial statements.															

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 2017

(Unit: Thousand Baht)

Separate financial statements											
	Note	Other components of equity									
		Issued and paid-up		Share premium		Surplus (Deficit) on		Surplus on		Total other	
		Preference	Ordinary	Preference	Ordinary	available-for-sale investments	revaluation of assets	components of equity	Appropriated	Unappropriated	Total
Note		shares	shares	shares	shares						
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		-	-	-	-	12,464	-	12,464	-	3,118,930	3,118,930
Other comprehensive income for the year		-	-	-	-	-	-	-	(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 earnings		-	-	-	-	-	(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
Balance as at 1 January 2017		108	8,006,447	95	7,031,428	(121,509)	226,487	104,978	801,000	4,292,126	20,236,182
Dividend paid	4	-	-	-	-	-	-	-	-	(2,802,287)	(2,802,287)
Profit for the year		-	-	-	-	137,966	-	137,966	-	4,417,089	4,417,089
Other comprehensive income for the year		-	-	-	-	-	-	-	(29,313)	108,653	
Total comprehensive income for the year		-	-	-	-	137,966	-	137,966	-	4,387,776	4,525,742
Transfer surplus on revaluation of assets to retained earnings		-	-	-	-	-	(1,502)	(1,502)	-	1,502	-
Preference shares converted to ordinary shares		(9)	9	(8)	8	-	-	-	-	-	-
Balance as at 31 December 2017		99	8,006,456	87	7,031,436	16,457	224,985	241,442	801,000	5,879,117	21,959,637

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 2017

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 financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are 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 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 and its subsidiaries' financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believes that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

1.5 Retail banking business acquisition

On 22 December 2016 TISCO Bank Public Company Limited and All-Ways 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. The transfer of the retail banking business of Standard Chartered Bank (Thai) Public Company Limited was completed on 1 October 2017, and the Bank's acquisition included the mortgage loan, personal loan, business loan, wealth management and retail deposit businesses as well as 4 new bank branches, while All-Ways Co., Ltd. acquired the credit card business.

On 1 October 2017, the management of TISCO Bank and the subsidiary of TISCO Group preliminarily estimated the fair value of each asset and liability for the purpose of allocating the cost of business combination as follows.

1. TISCO Bank and the subsidiary have assessed the value of the assets and liabilities in the accounts of the acquired retail banking business and noted that the fair value of the net assets at the payment date was Baht 18,389 million, which was Baht 393 million lower than the book value.
2. Intangible assets are defined as assets that will generate future economic benefit. TISCO Bank and the subsidiary have performed assessment and noted no additional intangible assets that would need to be recognised.
3. Identifiable liabilities or contingent liabilities: TISCO Bank and the subsidiary have performed assessment and noted no additional contingent liabilities that would need to be recognised.

Following the business acquisition, the management of TISCO Bank and the subsidiary of TISCO Group estimated the fair value of the assets and liabilities of the retail banking business and the carrying value of each significant account as at the date TISCO Bank and the subsidiary assumed control, as follows:

	(Unit: Million Baht)	
	Book value	Fair value
Loans	34,079*	33,744
Other assets	221	221
Deposits	(14,622)	(14,622)
Reward point liabilities from credit card business	(253)	(311)
Other liabilities	(643)	(643)
Net assets	<u>18,782</u>	18,389
Adjustment		5
Cost of business combination		<u>18,394</u>

* Net of allowance for doubtful accounts for loans

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 subsidiary recognises interest on credit card receivables relating to overdue credit card installments from the positing date and interest on credit card receivables arising from cash advances from the date of the cash withdrawals. Interest on credit card receivables paid in installments is recognised on an accrual basis.

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.

Fee and service income as card issuer, fees received from users of other banks and other fees are recognised as income on a cash 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 loan against auto license 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 and loan against auto license 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 period 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 set aside using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.
- For the subsidiary company operating credit card business, allowance for doubtful accounts is set aside using a collective approach, based on historical loss and behavioral grading of the credit card 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 Deferred revenue from customer loyalty programs

Obligations resulting from the reward points that can be exchanged for products or services in the future are recognised and measured at the fair value of the consideration received or receivable, based on multiplying the total number of points that are expected to be redeemed in the future by the estimated fair value per point, which is determined with reference to the fair value of the rewards to which customers are entitled.

These obligations are recorded as "Deferred revenue from customer loyalty programs" and recognised in the statement of profit or loss as "Fee and service income" when the points are redeemed by customers.

1.6.23 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.

1.6.24 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.

1.6.25 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.

1.6.26 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 of greater than one year, fair value is 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.

1.6.27 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.

1.6.28 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 and 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 securities

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 in securities

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 and prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" and "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, and 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 the 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 2017 and 2016 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	
			2017	2016
<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 Insurance solution Co., Ltd. (Previously known as "TISCO Leasing Co., Ltd.")	Insurance Broker	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	99.99
<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)

	Consolidated financial statements as at 31 December					
	2017			2016		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	1,148,951	800,000	1,948,951	1,442,149	440,000	1,882,149
Commercial banks	500,213	20,172,622	20,672,835	165,083	16,112,929	16,278,012
Specialised Financial Institutions	452	22,010,897	22,011,349	518	19,899,213	19,899,731
Total	1,649,616	42,983,519	44,633,135	1,607,750	36,452,142	38,059,892
Add: Accrued interest	2,832	11,172	14,004	97	7,348	7,445
Total domestic	1,652,448	42,994,691	44,647,139	1,607,847	36,459,490	38,067,337
<u>Foreign</u>						
Hong Kong dollar	10	-	10	80	-	80
Total foreign	10	-	10	80	-	80
Total domestic and foreign	1,652,458	42,994,691	44,647,149	1,607,927	36,459,490	38,067,417

(Unit: Thousand Baht)

Separate financial statements as at 31 December

	2017			2016		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	237,142	-	237,142	533,487	-	533,487
Total	237,142	-	237,142	533,487	-	533,487
Add: Accrued interest	59	-	59	75	-	75
Total domestic	237,201	-	237,201	533,562	-	533,562

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2017	2016	
Cash at banks of local subsidiary	10	10	To secure facilities provided for bank overdraft

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	
	2017	2016
Commercial banks	18,800	15,000
Specialised Financial Institutions	21,900	19,750

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

	Fair value of securities received as collateral as at 31 December	
	2017	2016
Commercial banks	18,290	15,157
Specialised Financial Institutions	22,008	19,958

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						
	2017			2016		
Type of risk	Fair value		Notional	Fair value		Notional
	Assets	Liabilities	amount	Assets	Liabilities	amount
Interest rate	-	29,815	1,200,000	-	34,118	1,200,000
Total	-	29,815	1,200,000	-	34,118	1,200,000

All counterparties of these derivative transactions are financial institutions.

3.4 Investments

3.4.1 Classified by type of investment

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December		
	2017	2016
Available-for-sale investments - fair value		
Government and state enterprise securities	4,642,792	4,253,685
Private sector debt securities	692,187	870,470
Foreign sector debt securities	408,961	414,163
Domestic marketable equity securities	449,179	375,295
Other securities - domestic unit trusts	65,540	58,722
Other securities - foreign unit trusts	869,582	781,885
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	7,126,781	6,752,760
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	13,683	13,559
Less: Allowance for impairment	(13,683)	(13,543)
Total held-to-maturity debt securities	-	16
General investments - cost		
Domestic non-marketable equity securities	456,014	488,479
Less: Allowance for impairment	(35,652)	(52,410)
Total general investments	420,362	436,069
Investments - net	7,547,143	7,188,845

(Unit: Thousand Baht)

Separate financial statements

as at 31 December

	2017	2016
Available-for-sale investments - fair value		
Other securities - foreign unit trusts	869,582	781,885
Investment - net	869,582	781,885

3.4.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

Consolidated financial statements as at 31 December

	2017				2016			
	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	4,641	-	2	4,643	4,252	-	2	4,254
Private sector debt securities	812	289	-	1,101	182	1,102	-	1,284
Total	5,453	289	2	5,744	4,434	1,102	2	5,538
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	5,452	289	2	5,743	4,433	1,102	2	5,537
Held-to-maturity debt securities								
Investment in receivables	14	-	-	14	14	-	-	14
Less: Allowance for impairment	(14)	-	-	(14)	(14)	-	-	(14)
Total	-	-	-	-	-	-	-	-
Total debt securities	5,452	289	2	5,743	4,433	1,102	2	5,537

3.4.3 Investments subject to restriction

(Unit: Million Baht)

Consolidated financial statements as at 31 December

Type of investment	2017		2016		Type of restrictions
Government debt securities		2		2	Pledged for electricity usage
Government debt securities		774		-	Pledge for the use of credit balance on clearing position

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 2017

	Cost	Fair value	Allowance for changes in value
Companies having problems with debt repayment or in default			
	1,460	-	1,460

(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

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)

Consolidated financial statements as at 31 December

Securities' name	2017			2016		
	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.	3,240	-	10	331	-	10
PDTL Trading Co., Ltd.	4,275	-	10	4,265	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,659	-	10	3,233	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	18,062	-	10	17,622	-	10

3.5 Investments in subsidiaries and joint venture

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2017	2016	2017	2016
Investments in subsidiaries	-	-	19,995,859	19,395,837
Investment in joint venture	573,925	442,750	73,245	73,245
	<u>573,925</u>	<u>442,750</u>	<u>20,069,104</u>	<u>19,469,082</u>

3.5.1 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of Business	Separate financial statements								
		Type of investments		Percentage of holding		Investment value - cost		Dividend received for the years ended 31 December		
		as at 31 December	as at 31 December	2017	2016	method as at 31 December	2017	2016	2017	
<u>Subsidiaries directly held by the Company</u>										
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.99	99.99	17,641	17,641	2,764	2,027	
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	200	110	
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	798	460	
Hi-Way Co., Ltd.	Hire purchase and retail loan	Preference shares	Preference shares	99.99	99.99	3	3	1	1	
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	99	99	
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	80	25	
TISCO Insurance Solution Co., Ltd. (Previously known as "Tisco Leasing Co., Ltd.")	Insurance broker	Ordinary shares	Ordinary shares	99.99	99.99	137	137	165	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	25	20	
All-Ways Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	700	100	-	-	
						20,105	19,505	4,132	2,762	
Less: Allowance for impairment						(109)	(109)			
Investment in subsidiaries - net						19,996	19,396			

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				Carrying amounts based on equity method as at 31 December				
		percentage as at		Cost as at						
		31 December		31 December		31 December		31 December		
		2017	2016	2017	2016	2017	2016	2017	2016	
		(%)	(%)							
TISCO Tokyo Leasing Co., Ltd.	Leasing	49.00	49.00			73,245	73,245	573,925	442,750	

										(Unit: Thousand Baht)		
										Separate financial statements		
Jointly controlled entity	Nature of business	Shareholding				Allowance for impairment of investment as at				Carrying amounts based on cost method as at 31 December		
		percentage as at		Cost as at						31 December		
		31 December		31 December		31 December		31 December		31 December		
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
		(%)	(%)									
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	
Jointly controlled entity	Share of other comprehensive income				Dividend received				Separate financial statements
	Share of profit/loss from investment in joint venture for the years ended		from investments in joint venture for the years ended						
	31 December		31 December		31 December		31 December		31 December
	2017	2016	2017	2016	2017	2016	2017	2016	
TISCO Tokyo Leasing Co., Ltd.	130,420	131,212	755	27,431	-	-	-	-	-

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	
	2017	2016
Total assets	10,327	10,386
Total liabilities	(8,794)	(9,124)
Non-controlling interests of the subsidiaries	(361)	(358)
Net assets	1,172	904
The Company's proportionate of shareholding	49%	49%
Carrying amounts of joint venture based on equity method	<u>574</u>	<u>443</u>

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 31 December	
	2017	2016
Total revenues	771	802
Total expenses	(511)	(483)
Profit before income tax expenses	260	319
Tax Income (Income tax expenses)	40	11
Non-controlling interest	(34)	(62)
Profit for the year	266	268
Other comprehensive income	2	56
Total comprehensive income	<u>268</u>	<u>324</u>

d) Commitments and contingent liabilities of joint venture

Avals, guarantees and commitments

	(Unit: Million Baht)	
	As at 31 December	
	2017	2016
Cross currency interest rate swap agreements	1,008	841

3.6 Loans to customers and accrued interest receivables

3.6.1 Classified by type of loans to customers

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2017	2016
Loans to customers		
Overdrafts	551,542	-
Loans	109,917,587	72,305,583
Hire purchase receivables	160,573,930	172,549,566
Finance lease receivables	197,102	472,172
Less: Deferred revenue	(19,741,455)	(20,180,240)
Advances received from finance lease receivables	<u>(114,906)</u>	<u>(213,078)</u>
Total loans to customers	251,383,800	224,934,003
Add: Accrued interest receivables	715,653	520,704
Less: Allowance for doubtful accounts	(11,447,166)	(7,973,890)
Less: Allowance for loss on debt restructuring	<u>(8,948)</u>	<u>(9,748)</u>
Loans to customers and accrued interest receivables - net	<u>240,643,339</u>	<u>217,471,069</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	as at 31 December	
	2017	2016
Loans to customers		
Loans	3,540,000	1,803,100
Add: Accrued interest receivables	-	-
Loans to customers and accrued interest receivables - net	<u>3,540,000</u>	<u>1,803,100</u>

3.6.2 Classified by currency and residency of debtors

	(Unit: Thousand Baht)					
	Consolidated financial statements as at 31 December					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	245,051,902	6,331,898	251,383,800	218,744,111	6,189,892	224,934,003
Total loans to customers						
net of deferred revenue	<u>245,051,902</u>	<u>6,331,898</u>	<u>251,383,800</u>	<u>218,744,111</u>	<u>6,189,892</u>	<u>224,934,003</u>

(Unit: Thousand Baht)

Separate financial statements as at 31 December

	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	3,540,000	-	3,540,000	1,803,100	-	1,803,100
Total loans to customers						
net of deferred revenue	3,540,000	-	3,540,000	1,803,100	-	1,803,100

3.6.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2017

	Subsidiary company operating banking business						Other	
	Special		Doubtful				subsidiaries	Total
	Pass	mention	Sub-standard	Doubtful	of loss	Total		
Agricultural and mining	1,859,787	42,769	14,857	7,275	1,495	1,926,183	-	1,926,183
Manufacturing and commerce	20,920,245	1,173,805	133,149	66,408	107,190	22,400,797	-	22,400,797
Real estate and construction	15,178,993	167,588	50,014	18,649	17,639	15,432,883	-	15,432,883
Public utilities and services	24,636,419	967,676	118,683	62,829	65,073	25,850,680	-	25,850,680
Personal consumption								
Hire purchase	109,400,504	11,560,962	1,419,507	791,511	560,880	123,733,364	3,433,890	127,167,254
Loan against auto license	18,386,159	1,616,539	263,194	131,052	30,203	20,427,147	60,671	20,487,818
Housing loans	19,278,784	631,250	246,650	195,621	405,025	20,757,330	-	20,757,330
Credit card	-	-	-	-	-	-	2,952,195	2,952,195
Others	12,817,635	997,250	189,195	126,847	277,733	14,408,660	-	14,408,660
Total loans to customers	222,478,526	17,157,839	2,435,249	1,400,192	1,465,238	244,937,044	6,446,756	251,383,800
Add: Accrued interest receivables	474,676	192,766	1,883	133	3	669,461	46,192	715,653
Total loans to customers and accrued interest receivables	222,953,202	17,350,605	2,437,132	1,400,325	1,465,241	245,606,505	6,492,948	252,099,453

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2016

	Subsidiary company operating banking business						Other	
	Special		Doubtful				subsidiaries	Total
	Pass	mention	Sub-standard	Doubtful	of loss	Total		
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

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

(Unit: Million Baht)

	As at 31 December					
	2017			2016		
	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	222,953	185,825	3,320	200,399	177,089	2,658
- Special mention	17,351	15,503	3,591	16,458	15,567	2,041
- Sub-standard	2,437	2,214	889	2,569	2,534	827
- Doubtful	1,400	1,170	423	1,397	1,384	416
- Doubtful of loss	1,465	852	389	1,155	1,062	273
Allowance established in excess	-	-	2,088	-	-	1,276
Total	245,606	205,564	10,700	221,978	197,636	7,491

⁽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 2017, 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 6,140 million (As at 31 December 2016: total of Baht 3,158 million). TISCO Bank allocated Baht 4,051 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2016: total of Baht 1,882 million) and so combined with the minimum provision requirement of Baht 4,561 million (As at 31 December 2016: total of Baht 4,333 million), the total provision set aside in accordance with BOT requirements is Baht 8,612 million (As at 31 December 2016: total of Baht 6,215 million).

Percentage of allowance for doubtful accounts set up (%)

	Loan against auto					
	Hire purchase receivables ⁽¹⁾		license receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December		As at 31 December	
	2017	2016	2017	2016	2017	2016
Pass	0.94	0.80	1.63	1.57	1	1
Special mention	10.44	5.92	16.80	16.80	2	2
Sub-standard	30.33	28.21	35.75	34.57	100	100
Doubtful	26.43	24.19	35.75	34.57	100	100
Doubtful of loss	25.32	22.75	35.75	34.57	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.

3.6.5 Hire purchase and finance lease receivables

As at 31 December 2017, net receivables of the subsidiaries under hire purchase and finance lease agreements amount to Baht 141,107 million (31 December 2016: 152,906 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 2017				
	Amounts of installments due under the long-term lease agreements				
	Over 1 year				
	Not over 1 year	but not over 5 years	Over 5 years	Non-performing loans	Total
Gross investment in the agreements	53,110	94,869	5,533	7,259	160,771
Less: Deferred revenue ⁽¹⁾	(7,082)	(8,677)	(212)	(3,578)	(19,549)
Advances received from finance lease receivables	(80)	(34)	-	(1)	(115)
Present value of minimum lease pay from agreements	45,948	86,158	5,321	3,680	141,107
Allowance for doubtful accounts ⁽²⁾					(3,869)
Net hire purchase and finance lease receivables					137,238

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

⁽²⁾ These allowance for doubtful accounts 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 2016				
	Amounts of installments due under the long-term lease agreements				
	Over 1 year				
	Not 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 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

TISCO Bank	(Unit: Million Baht)			
	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under TISCO Bank's policy as at 31 December	
	2017	2016	2017	2016
Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾				
	6,122	6,573	6,860	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.

Other subsidiaries	(Unit: Million Baht)	
	As at 31 December	
	2017	2016
Hire purchase receivables, financial lease receivables and other loans receivables for which the recognition of interest income has been ceased		
	559	650

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

Deferred revenue ⁽¹⁾	(Unit: Million Baht)	
	Consolidated financial statements as at 31 December	
	2017	2016
Deferred revenue ⁽¹⁾	19,741	20,180

⁽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	
	2017	2016
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	3,648	6,421
Loan balances before restructuring (Million Baht)	1,152	2,805
Loan balances after restructuring (Million Baht)	1,136	2,820
Loss on troubled debt restructuring (Million Baht)	-	9
Average contract year of debt restructuring (years)		
Hire purchase receivables	4	5
Mortgage loan receivables	4	2
Loan against auto license receivables	4	4
Commercial lending receivables	-	1

Supplemental information for the years ended 31 December 2017 and 2016 relating to the restructured debts is as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2017	2016
Interest income on restructured receivables	365	343
Receipt of principal and interest	1,478	1,155

As at 31 December 2017 and 2016, a subsidiary company operating banking business has the outstanding balance with troubled debt restructuring debtors as follows:

	As at 31 December			
	2017		2016	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	17,265	4,646	16,638	5,286

3.7 Allowance for doubtful accounts and loss on debt restructuring

3.7.1 Allowance for doubtful accounts - classified by the receivables classification

	Consolidated financial statements as at 31 December 2017						(Unit: Thousand Baht)
	Pass	Special mention	Sub-Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	2,775,661	2,123,183	935,111	494,702	369,707	1,275,526	7,973,890
Increase in allowance for doubtful accounts during the year	835,353	1,578,102	276,639	1,327,506	2,012,151	926,435	6,956,186
Bad debt written-off	(2,241)	(23,299)	(215,110)	(1,333,575)	(1,908,685)	-	(3,482,910)
Balance - end of year	<u>3,608,773</u>	<u>3,677,986</u>	<u>996,640</u>	<u>488,633</u>	<u>473,173</u>	<u>2,201,961</u>	<u>11,447,166</u>

	Consolidated financial statements as at 31 December 2016						(Unit: Thousand Baht)
	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>

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

	Consolidated financial statements as at 31 December 2017				(Unit: Thousand Baht)
	Individual impairment	Collective impairment	established in excess	Total	
Balance - beginning of year	2,630,677	4,067,687	1,275,526	7,973,890	
Increase in allowance for doubtful accounts during the year	2,553,187	3,476,564	926,435	6,956,186	
Bad debt written-off	(655,328)	(2,827,582)	-	(3,482,910)	
Balance - end of year	<u>4,528,536</u>	<u>4,716,669</u>	<u>2,201,961</u>	<u>11,447,166</u>	

	Consolidated financial statements as at 31 December 2016				(Unit: Thousand Baht)
	Individual impairment	Collective impairment	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>	

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

	(Unit: Thousand Baht)	
	As at 31 December	
	2017	2016
Balance - beginning of year	9,748	-
Increase during the year	-	9,748
Bad debt written-off	(800)	-
Balance - end of year	8,948	9,748

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

	(Unit: Million Baht)	
	As at 31 December	
	2017	2016
Non-performing loans to customers	5,300	5,121
Allowance for doubtful accounts ⁽¹⁾	1,701	1,516

⁽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)					
	Allowance for possible loss					
	Cost		Fair value		provided in the accounts	
	as at 31 December	as at 31 December	as at 31 December	as at 31 December	as at 31 December	as at 31 December
	2017	2016	2017	2016	2017	2016
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽²⁾	-	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 2017 and 2016, 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)													
	Investments in 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		as at 31 December		as at 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Pass	263,479	235,147	-	-	-	-	-	-	-	-	263,479	235,147		
Special mention	17,158	16,277	-	-	-	-	-	-	-	-	17,158	16,277		
Sub-standard	2,435	2,569	-	-	-	-	-	-	-	-	2,435	2,569		
Doubtful	1,400	1,397	-	-	-	-	-	-	-	-	1,400	1,397		
Doubtful of loss	1,465	1,155	37	54	14	14	12	12	12	12	1,528	1,235		
Total	285,937	256,545	37	54	14	14	12	12	12	12	286,000	256,625		

⁽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)							
	Net amount used for setting up allowance for doubtful accounts ⁽¹⁾				Percentage of allowance for doubtful account set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	Debt balance		as at 31 December		as at 31 December		as at 31 December	
	as at 31 December	as at 31 December	2017	2016	2017	2016	2017	2016
	2017	2016					(%)	(%)
Pass	122,116	131,798	122,116	131,798	0.94	0.80	1,142	1,052
Special mention	12,298	13,434	12,298	13,434	10.44	5.92	1,284	795
Sub-standard	1,638	2,134	1,638	2,134	30.33	28.21	497	602
Doubtful	891	1,168	891	1,168	26.43	24.19	236	283
Doubtful of loss	660	1,017	660	1,017	25.32	22.75	167	231
Total	137,603	149,551	137,603	149,551			3,326	2,963

⁽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 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)

	Net amount used for setting up allowance for doubtful accounts as at 31 December							
	Debt balance as at 31 December		up allowance for doubtful accounts as at 31 December		Percentage of allowance for doubtful account set up ⁽¹⁾ as at 31 December		Allowance for doubtful accounts ⁽²⁾ as at 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016
Pass	20,027	16,665	20,027	16,665	1.63	1.57	327	261
Special mention	1,731	1,527	1,731	1,527	16.80	16.80	291	257
Sub-standard	288	269	288	269	35.75	34.57	103	93
Doubtful	143	125	143	125	35.75	34.57	51	43
Doubtful of loss	33	9	33	9	35.75	34.57	12	3
Total	22,222	18,595	22,222	18,595			784	657

⁽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 allowance for doubtful accounts 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)

	Allowance for doubtful accounts					
	Debt balance as at 31 December		doubtful accounts as at 31 December		Debt balance - net as at 31 December	
	2017	2016	2017	2016	2017	2016
Pass	5,407	2,365	338	117	5,069	2,248
Special mention	512	486	127	82	385	404
Sub-standard	195	206	108	109	87	97
Doubtful	124	149	66	78	58	71
Doubtful of loss	209	234	108	97	101	137
Total	6,447	3,440	747	483	5,700	2,957

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 ⁽²⁾ as at 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET ⁽¹⁾	1	1	737	821	635	656	737 ⁽³⁾	821 ⁽³⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	4	662	577	255	249	8	7
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	<u>5</u>	<u>5</u>	<u>1,399</u>	<u>1,398</u>	<u>890</u>	<u>905</u>	<u>745</u>	<u>828</u>

⁽¹⁾ The company is currently under rehabilitation.

⁽²⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

⁽³⁾ The amount already includes allowance for loss on debt restructuring.

3.9 Properties foreclosed

(Unit: Thousand Baht)

Consolidated financial statements

as at 31 December

Acquisition of assets for debt repayment

Immovable assets

Appraisal by an internal appraiser

Balance - beginning of year	11,713	16,397
Disposals	-	(4,684)
Balance - end of year	11,713	11,713

(Unit: Thousand Baht)

Consolidated financial statements

as at 31 December

	2017	2016
Movable assets		
Balance - beginning of year	7,398	31,610
Additions	3,284,008	4,024,148
Disposals	<u>(3,285,706)</u>	<u>(4,048,360)</u>
Balance - end of year	5,700	7,398
Total properties foreclosed	<u>17,413</u>	<u>19,111</u>
Less: Allowance for impairment		
Balance - beginning of year	11,745	617
Increase	923	11,632
Decrease	<u>(529)</u>	<u>(504)</u>
Balance - end of year	12,139	11,745
Total properties foreclosed - net	<u>5,274</u>	<u>7,366</u>

3.10 Investment properties

The book value of investment properties as at 31 December 2017 and 2016 is as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2017	2016	2017	2016
Book value - beginning of year	32,157	32,157	778,245	778,245
Transfer type of asset	-	-	40,690	-
Gain from fair value adjustment	<u>239</u>	<u>-</u>	<u>15,568</u>	<u>-</u>
Book value - end of year	<u>32,396</u>	<u>32,157</u>	<u>834,503</u>	<u>778,245</u>

The investment property is an office condominium for rent and stated at fair value at the end of 2017. 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 2017	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				
	Cost basis				
Revaluation basis	Land	Building and improvements	Furniture, fixtures, computer and equipment	Motor vehicles	Total
Building, office condominium and building improvements					
Cost:					
As at 1 January 2016	2,103,897	17,509	1,030,175	1,075,105	169,507
Additions/transfers in	-	-	68,761	96,721	57,864
Disposals/written-off/transfers out	-	-	(5,341)	(100,180)	(41,190)
As at 31 December 2016	2,103,897	17,509	1,093,595	1,071,646	186,181
Additions/transfers in	-	-	111,346	89,494	8,319
Disposals/written-off/transfers out	-	-	(25,248)	(7,379)	(37,700)
As at 31 December 2017	2,103,897	17,509	1,179,693	1,153,761	156,800
Accumulated depreciation:					
As at 1 January 2016	72,346	-	724,730	853,258	112,520
Depreciation for the year	39,445	-	55,938	63,273	19,391
Depreciation on disposals/written-off/transfers out	-	-	(4,365)	(75,041)	(41,182)
As at 31 December 2016	111,791	-	776,303	841,490	90,729
Depreciation for the year	39,902	-	66,774	71,803	24,284
Depreciation on disposals/written-off/transfers out	-	-	(20,007)	(6,913)	(37,691)
As at 31 December 2017	151,693	-	823,070	906,380	77,322
Net book value:					
As at 31 December 2016	1,992,106	17,509	317,292	230,156	95,452
As at 31 December 2017	1,952,204	17,509	356,623	247,381	79,478
Depreciation for the years ended 31 December:					
2016					178,047
2017					202,763

(Unit: Thousand Baht)

Separate financial statements

	Revaluation				
	basis	Cost basis			
	Office	condominium	Office	Furniture, fixtures and equipment	Motor vehicles
	and building	condominium	improvements	improvements	Total
<u>Cost:</u>					
As at 1 January 2016	576,621		189,065	314,680	63,572
Additions/transfers in	-		16,919	35,969	52,979
Disposals/written-off/transfers out	-		-	(2,959)	(26,028)
As at 31 December 2016	576,621		205,984	347,690	90,523
Additions/transfers in	-		6,747	49,428	-
Disposals/written-off/transfers out	-		(43,935)	(132)	(23,830)
As at 31 December 2017	576,621		168,796	396,986	66,693
<u>Accumulated depreciation:</u>					
As at 1 January 2016	21,428		12,913	176,811	55,533
Depreciation for the year	10,714		7,814	35,836	6,477
Depreciation on disposals/transfer out	-		-	(2,913)	(26,028)
As at 31 December 2016	32,142		20,727	209,734	35,982
Depreciation for the year	10,714		10,748	41,367	10,335
Depreciation on disposals/transfer out	-		(3,246)	(132)	(23,830)
As at 31 December 2017	42,856		28,229	250,969	22,487
<u>Net book value:</u>					
As at 31 December 2016	544,479		185,257	137,956	54,541
As at 31 December 2017	533,765		140,567	146,017	44,206
<u>Depreciation for the years ended 31 December:</u>					
2016					60,841
2017					73,164

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 2017 and 2016 would have been as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements as at 31 December		Separate financial statements as at 31 December	
	2017	2016	2017	2016
Office condominiums - net of accumulated depreciation				
	838,065	871,342	247,605	256,441

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

	As at 31 December 2017	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

3.12 Intangible assets

The book value of intangible assets as at 31 December 2017 and 2016 is presented as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	Computer software	Computer software
As at 31 December 2017:		
Cost	1,477,211	497,298
Less: Accumulated amortisation	(939,515)	(314,816)
Net book value	537,696	182,482
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

A reconciliation of the net book value of intangible assets for the years ended 31 December 2017 and 2016 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	
	2017	2016	2017	2016
Net book value at beginning of year	567,053	379,659	196,303	90,562
Acquisitions of/transfers in computer software	135,661	267,880	48,782	144,820
Disposals of computer software	(17,143)	(5,963)	-	(5,963)
Amortisation	(147,875)	(74,523)	(62,603)	(33,116)
Net book value at end of year	<u>537,696</u>	<u>567,053</u>	<u>182,482</u>	<u>196,303</u>

3.13 Other assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2017	2016	2017	2016
Receivables from clearing house	387	145,009	-	-
Value added tax - net	478,262	378,538	3,810	4,335
Accrued interest receivables	27,468	14,474	-	-
Fee and service receivables	585,431	268,114	130,240	106,448
Refundable income tax and prepaid income tax	29,122	33,050	-	-
Deposits	74,638	58,350	2,118	2,119
Other receivables	732,083	552,740	3	-
Other assets	<u>410,908</u>	<u>356,587</u>	<u>29,630</u>	<u>29,067</u>
Total other assets	<u>2,338,299</u>	<u>1,806,862</u>	<u>165,801</u>	<u>141,969</u>

3.14 Deposits

3.14.1 Classified by type of deposits

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2017	2016
Deposits		
Current accounts	3,785,003	3,690,699
Savings accounts	64,544,344	51,928,032
Fixed accounts		
- not over 6 months	8,978,148	7,606,080
- over 6 months but not over 1 year	10,389,836	6,994,920
- over 1 year	492,353	238,889
Certificates of deposit/negotiable certificates of deposit	92,614,160	84,608,904
Total	180,803,844	155,067,524

3.14.2 Classified by the remaining year of contract

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2017	2016
Not over 1 year ⁽¹⁾	180,398,973	154,747,368
Over 1 year	404,871	320,156
Total deposits	180,803,844	155,067,524

⁽¹⁾ Including fully-mature deposit contracts

3.14.3 As at 31 December 2017 and 2016, 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					
	2017			2016		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial						
Institutions Development Fund	-	-	-	-	15,007	15,007
Commercial banks	133,861	800,000	933,861	505,404	250,000	755,404
Specialised Financial Institutions	-	2,269,000	2,269,000	-	2,444,000	2,444,000
Other financial institutions	406,107	408,539	814,646	330,992	1,651,200	1,982,192
Total	539,968	3,477,539	4,017,507	836,396	4,360,207	5,196,603

3.16 Debt issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2017	2016	2017	2016
<u>Domestic borrowings</u>				
Subordinated unsecured debentures				
Subordinated unsecured debentures	6,680,000	7,323,000	-	-
Unsubordinated unsecured debentures	56,921,700	57,039,000	-	-
Bills of exchange	7,476,122	5,966,122	7,440,000	5,930,000
Promissory notes	797	797	-	-
Total	71,078,619	70,328,919	7,440,000	5,930,000

3.16.1 Subordinated unsecured debentures

As at 31 December 2017 and 2016, a subsidiary company operating banking business has long-term subordinated unsecured debentures as follows:

Issued year	Face value		Balance		Maturity in the year	Interest rate	
	Units as at 31 December		as at 31 December				
	2017	2016	per unit (Baht)	2017	2016 (Million Baht)		
	(Million units)	(Million units)					
2012	-	1.00	1,000	-	1,000	2022	4.85 percent per annum
2012	-	1.24	1,000	-	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	0.68	1,000	680	680	2026	3.875 percent per annum
2017	1.00	-	1,000	1,000	-	2027	4.00 percent per annum
2017	0.60	-	1,000	600	-	2027	3.70 percent per annum
Total				6,680	7,323		
				<u>6,680</u>	<u>7,323</u>		

3.16.2 Unsubordinated unsecured debentures

As at 31 December 2017 and 2016, 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		Maturity in the year	Interest rate		
		31 December		per unit		as at 31 December					
		2017	2016	(Baht)		2017	2016				
		(Million units)	(Million units)			(Million Baht)	(Million Baht)				
2015	Long-term debenture	-	15.68	1,000		-	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	5.50	1,000		5,500	5,500	2018	1.95 - 2.00 percent per annum		
2016	Long-term debenture	10.00	10.00	1,000		10,000	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		
2017	Short-term debenture	7.50	-	1,000		7,500	-	2018	1.75 - 1.80 percent per annum		
2017	Short-term debenture	15.922	-	1,000		15,922	-	2018	1.38 - 1.55 percent per annum		
2017	Long-term debenture	5.00	-	1,000		5,000	-	2019	1.85 percent per annum		
2017	Long-term debenture	5.00	-	1,000		5,000	-	2018	1.85 percent per annum		
2017	Long-term debenture	8.00	-	1,000		8,000	-	2019	1.75 percent per annum		
Total						56,922	57,039				
						<u>56,922</u>	<u>57,039</u>				

3.16.3 Bills of exchange

Bills of exchange comprise the fixed interest rates bearing are between 1.40 and 2.50 percent per annum, which will gradually mature in 2018.

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 2017 and 2016 is as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2017	2016
Defined post-employment benefit obligation at beginning of year	396,988	328,677
Past service cost	160	-
Current service cost	36,039	29,590
Interest cost	13,467	9,290
Benefits paid during the year	(26,243)	(10,691)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	40,463	(22,023)
Financial assumptions changes	89,787	31,488
Other assumptions changes	25,135	30,657
Defined post-employment benefit obligation at end of year	575,796	396,988
Other long-term benefits	159,057	179,126
Total provision for long-term employee benefits at end of year	<u>734,853</u>	<u>576,114</u>
	(Unit: Thousand Baht)	
	Separate financial statements	
	as at 31 December	
	2017	2016
Defined post-employment benefit obligation at beginning of year	99,752	88,897
Current service cost	7,692	6,222
Interest cost	3,188	2,130
Benefits paid during the year	(13,139)	(4,242)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	5,772	(5,649)
Financial assumptions changes	17,954	5,140
Other assumptions changes	12,915	7,254
Defined post-employment benefit obligation at end of year	134,134	99,752
Other long-term benefits	20,094	24,478
Total provision for long-term employee benefits at end of year	<u>154,228</u>	<u>124,230</u>

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Past service cost	160	-	-	-
Current service cost	54,821	48,461	9,683	8,303
Interest cost	16,718	12,083	3,595	2,488
Actuarial (gains) losses	(28,991)	29,442	(5,282)	5,852
Total employee benefits expenses	42,708	89,986	7,996	16,643

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 2017 and 2016 amounted to Baht 233 million and Baht 108 million, respectively (The Company only: Baht 58 million and Baht 29 million, respectively).

As at 31 December 2017 and 2016, the Company and its subsidiaries expect to pay long-term employee benefits during the next year of Baht 12 million and Baht 16 million, respectively. (The Company only: Baht 3 million and Baht 7 million, respectively)

As at 31 December 2017 and 2016, the weighted average duration of the liabilities for long-term employee benefits is 20 years and 21 years, respectively (The Company only: 15 years and 16 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	
	2017	2016	2017	2016
Discount rate	1.45 - 3.67	1.50 - 3.72	1.45 - 3.60	1.50 - 3.70
Average salary increase rate	5.00	3.50	5.00	3.50

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December			
	2017		2016	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(19,200)	20,115	(11,950)	12,489
Average salary increase rate	19,797	(19,000)	12,686	(12,193)

	Separate financial statements as at 31 December			
	2017		2016	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(3,324)	3,451	(2,219)	2,301
Average salary increase rate	3,399	(3,292)	2,350	(2,277)

3.18 Other liabilities

	(Unit: Thousand Baht)			
	Consolidated financial statements as at 31 December		Separate financial statements as at 31 December	
	2017	2016	2017	2016
Payable to clearing housing	113,385	-	-	-
Withholding income tax and other				
tax payables	492,052	477,710	90,939	63,324
Accrued insurance premium	628,572	714,434	-	-
Deferred income	1,080,943	1,066,171	-	-
Deferred revenue from customer				
loyalty programs	296,865	-	-	-
Accrued expenses	3,339,489	2,737,615	1,342,337	1,126,897
Suspense creditors	1,282,132	390,459	-	-
Other liabilities	516,889	344,693	91	83
Total other liabilities	7,750,327	5,731,082	1,433,367	1,190,304

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 2017 and 2016, the Company and its subsidiaries have issued bonus under this scheme amounting to Baht 972 million and Baht 758 million, respectively. (The Company only: Baht 530 million and Baht 390 million, respectively.)

3.19 Capital funds

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.

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, floor-plan loans, equity exposure and other assets.

Regarding Capital fund as at 31 December 2017 and 2016, 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	
	2017	2016
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	8,006,456	8,006,447
Premium on share capital	1,018,408	1,018,408
Statutory reserve	801,000	709,500
Net profits after appropriation	17,711,512	15,729,622
Other components of equity	1,649,726	1,439,760
Less: Deductions from Common Equity Tier I items	<u>(1,285,612)</u>	<u>(955,206)</u>
Total Common Equity Tier I capital	27,901,490	25,948,531
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	99	108
Total Tier I capital	27,901,589	25,948,639
<u>Tier II capital</u>		
Long-term subordinated debentures	6,680,000	7,323,000
Surplus of provision	685,518	804,086
Reserve for loans classified as pass	<u>903,089</u>	<u>512,063</u>
Total Tier II capital	8,268,607	8,639,149
Total capital funds	36,170,196	34,587,788

	(Unit: Percent)	
	As at 31 December	
	2017	2016
Capital fund ratios		
Common Equity Tier I capital to risk assets	14.96	5.75
Tier I capital to risk assets	14.96	7.25
Total capital to risk assets	19.39	9.75
Financial Business Group	Requirement	Financial Business Group
		Requirement

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

	(Unit: Thousand Baht)	
	As at 31 December	
	2017	2016
<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	15,036,972	13,501,650
Other components of equity	218,860	218,920
Less: Deductions from Common Equity Tier I items	<u>(734,918)</u>	<u>(481,432)</u>
Total Common Equity Tier I capital	27,263,614	25,981,838
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	27,263,615	25,981,839
<u>Tier II Capital</u>		
Long-term subordinated debentures	6,680,000	7,323,000
Surplus of provision	668,708	789,422
Reserve for loans classified as pass	739,109	447,354
Total Tier II capital	8,087,817	8,559,776
Total capital funds	35,351,432	34,541,615

	(Unit: Percent)			
	As at 31 December			
	2017		2016	
Capital fund ratios	TISCO Bank	Requirement	TISCO Bank	Requirement
Common Equity Tier I capital to risk assets	15.98	5.75	14.73	5.125
Tier I capital to risk assets	15.98	7.25	14.73	6.625
Total capital to risk assets	20.72	9.75	19.59	9.125

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 2017 on its website on 31 October 2017.

3.20 Surplus (deficit) on changes in value of investments

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2017	2016
Balance - beginning of year	(125,899)	(185,787)
Increase from changes in value of investments during the year	270,399	59,888
	144,500	(125,899)
Less: The effect of deferred tax assets (liabilities)	(47,592)	7,517
Balance - end of year	<u>96,908</u>	<u>(118,382)</u>

(Unit: Thousand Baht)

	Separate financial statements as at 31 December	
	2017	2016
Balance - beginning of year	(151,886)	(167,466)
Increase from changes in value of investments during the year	172,458	15,580
	20,572	(151,886)
Less: The effect of deferred tax assets (liabilities)	(4,115)	30,377
Balance - end of year	<u>16,457</u>	<u>(121,509)</u>

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.

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December	
	2017	2016
Balance - beginning of year	1,111,580	1,124,055
Transfer to retained earnings	(12,474)	(12,475)
	1,099,106	1,111,580
Less: The effect of deferred tax liabilities	(219,821)	(222,316)
Balance - end of year	<u>879,285</u>	<u>889,264</u>

(Unit: Thousand Baht)

	Separate financial statements as at 31 December	
	2017	2016
Balance - beginning of year	283,109	284,986
Transfer to retained earnings	(1,878)	(1,877)
	281,231	283,109
Less: The effect of deferred tax liabilities	(56,246)	(56,622)
Balance - end of year	<u>224,985</u>	<u>226,487</u>

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 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Interbank and money market items	584,938	497,296
Investments in debt securities	194,158	196,311
Loans to customers	6,696,663	5,568,410
Hire purchase and finance lease	8,993,740	9,749,527
Total interest income	<u>16,469,499</u>	<u>16,011,544</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Interbank and money market items	7,945	5,280
Loans to customers	44,404	44,461
Total interest income	<u>52,349</u>	<u>49,741</u>

3.23 Interest expenses

Interest expenses in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Deposits	2,313,868	2,473,160
Interbank and money market items	29,148	132,077
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	1,014,368	1,004,772
Issued debt securities		
- Subordinated debentures	358,945	348,497
- Unsubordinated debentures	983,432	1,030,184
Borrowings	<u>114,952</u>	<u>102,420</u>
Total interest expenses	<u>4,814,713</u>	<u>5,091,110</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Interbank and money market items	6	-
Borrowings	<u>96,195</u>	<u>101,506</u>
Total interest expenses	<u>96,201</u>	<u>101,506</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 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Fee and service income		
- Acceptance, aval and guarantee	8,784	10,171
- Insurance service	2,670,365	2,393,714
- Brokerage fees	830,756	825,265
- Fund management	1,418,815	966,433
- Financial advisory	31,414	42,373
- Underwriting fee	164,360	70,762
- Others	<u>1,271,113</u>	<u>1,088,132</u>
Total fee and service income	6,395,607	5,396,850
Fee and service expenses		
- Information service expenses	(44,492)	(26,275)
- Others	<u>(205,529)</u>	<u>(203,807)</u>
Total fee and service expenses	(250,021)	(230,082)
Net fee and service income	6,145,586	5,166,768
	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Fee and service income	-	-
Fee and service expenses	(16,983)	(13,477)
Net fee and service income	<u>(16,983)</u>	<u>(13,477)</u>

3.25 Net losses on trading and foreign exchange transactions

Net losses on trading and foreign exchange transactions in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(87,680)	(6,930)
- Derivatives on interest rates	(13,831)	(7,606)
- Debt securities	14,738	5,068
Net losses on trading and foreign exchange transactions	<u>(86,773)</u>	<u>(9,468)</u>
(Unit: Thousand Baht)		
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Losses on trading and foreign exchange transactions		
- Foreign currencies	(84,761)	(6,945)
Net losses on trading and foreign exchange transactions	<u>(84,761)</u>	<u>(6,945)</u>

3.26 Net gains on investments

Net gains on investments in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Gains on disposal		
- Available-for-sale investments	22,681	6,761
- General investments	15,476	10,921
Total	38,157	17,682
Reversal of allowance (losses) on impairment		
- General investments	3,811	(5,088)
Total	3,811	(5,088)
Net gains on investments	41,968	12,594

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 2017 and 2016 consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Held-to-maturity debt securities	139	(668)
Loans to customers	3,098,126	3,973,034
Total	3,098,265	3,972,366

3.28 Other operating income

Other operating income in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Gains on disposal of properties foreclosed	81,678	73,175
Others	44,274	48,462
Total	<u>125,952</u>	<u>121,637</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Rental income	64,295	64,364
Others	24,700	10,774
Total	<u>88,995</u>	<u>75,138</u>

3.29 Other operating expenses

Other operating expenses in the statement of comprehensive income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Mailing expenses	64,775	61,890
Software amortisation expenses	147,878	74,268
Legal expenses	408,264	353,404
Transportation expenses	99,080	91,459
Advertising and business promotion expenses	124,042	105,834
Others	416,185	363,560
Total	<u>1,260,224</u>	<u>1,050,415</u>

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Mailing expenses	220	227
Software amortisation expenses	62,604	32,860
Transportation expenses	8,972	8,465
Others	44,807	39,576
Total	116,603	81,128

3.30 Income tax expenses

Income tax expenses of the Company and its subsidiaries for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
Current income tax:				
Income tax expenses for the year	1,767,223	1,419,491	90,589	96,378
Adjustment in respect of current income tax of				
previous year	-	(31)	-	(41)
Deferred tax:				
Deferred tax on temporary differences and reversion				
of temporary differences	(240,913)	(199,050)	(30,059)	(19,267)
Income tax expenses reported in the statement of comprehensive income	1,526,310	1,220,410	60,530	77,070

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
Gains on change in value of available-for-sale investments	(55,109)	(11,978)	(34,492)	(3,116)
Actuarial losses	30,909	7,995	7,328	1,349
Income tax expenses recorded directly to other comprehensive income	<u>(24,200)</u>	<u>(3,983)</u>	<u>(27,164)</u>	<u>(1,767)</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 2017 and 2016 is as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended		For the years ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
Accounting profit before tax	<u>7,643,617</u>	<u>6,243,993</u>	<u>4,477,619</u>	<u>3,196,000</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	1,528,723	1,248,799	895,524	639,200
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	18,226	(14,732)	(834,994)	(562,089)
Others	<u>(20,639)</u>	<u>(20,337)</u>	<u>-</u>	<u>-</u>
Income tax expenses reported in the statement of comprehensive income	<u>1,526,310</u>	<u>1,220,410</u>	<u>60,530</u>	<u>77,070</u>

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

(Unit: Thousand Baht)

	Consolidated financial statements			
	Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December			
	As at 31 December			
	2017	2016	2017	2016
Allowance for doubtful accounts	530,279	350,502	179,777	169,783
Allowance for impairment of investments	43,997	44,731	(734)	884
Allowance for impairment of properties foreclosed	2,428	2,349	79	2,226
Non-accrual of interest income	42,761	45,283	(2,522)	(10,413)
Depreciation of assets	(53,473)	(33,127)	(20,346)	(19,194)
Finance leases	6,013	16,519	(10,506)	4,078
Gains on changes in value of investment properties	-	(3,371)	3,371	-
Surplus on revaluation of assets	(233,221)	(203,190)	-	-
Surplus on changes in value of investments	(8,118)	7,517	-	-
Unrealised loss on derivatives	5,749	6,610	(861)	(1,555)
Deferred commission and direct expenses incurred				
at the initiation of hire purchase	(532,481)	(498,693)	(33,788)	(9,831)
Losses on disposal of properties foreclosed	21,752	27,492	(5,740)	(4,300)
Unearned interest income on hire purchase	116,891	113,277	3,614	(29,629)
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Accrued expenses	516,996	395,359	121,637	86,836
Employee benefit expenses	134,148	105,961	(3,942)	12,855
Others	127,989	114,948	13,041	(1,317)
Deferred tax assets	743,145	513,602	243,080	200,423

(Unit: Thousand Baht)

Consolidated financial statements

	Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December			
	As at 31 December		years ended 31 December	
	2017	2016	2017	2016
Depreciation of assets	1,082	665	417	258
Gains on changes in value of investment properties	3,486	-	3,486	-
Surplus on revaluation of assets	-	26,634	-	-
Surplus on changes in value of investments	39,474	-	-	-
Accrued expenses	(8,618)	(16,301)	7,683	1,305
Employee benefit expenses	(12,152)	(8,077)	(2,120)	(64)
Others	(7,639)	(340)	(7,299)	(126)
Deferred tax liabilities	15,633	2,581	2,167	1,373

(Unit: Thousand Baht)

Separate financial statements

	Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December			
	As at 31 December		years ended 31 December	
	2017	2016	2017	2016
Allowance for impairment of investments	21,732	21,732	-	-
Depreciation of assets	(31,681)	(23,361)	(8,320)	(9,710)
Gains on changes in value of investment properties	(92,774)	(89,660)	(3,114)	-
Surplus on revaluation of assets	(57,749)	(57,749)	-	-
Surplus on changes in value of investments	(4,114)	30,377	-	-
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Accrued expenses	262,856	220,336	42,520	27,398
Employee benefit expenses	30,845	24,399	(882)	1,651
Others	-	145	(145)	(72)
Deferred tax assets	150,550	147,654	30,059	19,267

3.31 Components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Other comprehensive income				
Available-for-sale investments:				
Gains during the year	293,080	66,649	172,458	15,580
Less: Reclassification adjustments for gains included in profit or loss	(22,681)	(6,761)	-	-
	270,399	59,888	172,458	15,580
Actuarial losses	(155,385)	(40,122)	(36,641)	(6,745)
Share of other comprehensive income				
of joint ventures:				
Cash flow hedges of joint ventures	755	27,431	-	-
Other comprehensive income	115,769	47,197	135,817	8,835
Income tax effects relating to components of other comprehensive income	(24,200)	(3,983)	(27,164)	(1,767)
Net other comprehensive income for the year	<u>91,569</u>	<u>43,214</u>	<u>108,653</u>	<u>7,068</u>

3.32 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements					
	For the years ended 31 December					
	2017		2016			
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains on change in value of available-for- sale investments	270,399	(55,109)	215,290	59,888	(11,978)	47,910
Actuarial losses	(155,385)	30,909	(124,476)	(40,122)	7,995	(32,127)
	<u>115,014</u>	<u>(24,200)</u>	<u>90,814</u>	<u>19,766</u>	<u>(3,983)</u>	<u>15,783</u>

(Unit: Thousand Baht)

	Separate financial statements					
	For the years ended 31 December					
	2017		2016			
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains on change in value of available-for- sale investments	172,458	(34,492)	137,966	15,580	(3,116)	12,464
Actuarial losses	(36,641)	7,328	(29,313)	(6,745)	1,349	(5,396)
	<u>135,817</u>	<u>(27,164)</u>	<u>108,653</u>	<u>8,835</u>	<u>(1,767)</u>	<u>7,068</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		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
Profit attributable to equity holders of the Company (Thousand Baht)	6,090,008	5,005,894	4,417,088	3,118,930
Weighted average number of shares (Thousand shares)	800,655	800,655	800,655	800,655
Basic earnings per share (Baht/share)	7.61	6.25	5.52	3.90

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 Insurance Solution Co., Ltd. (Previously known as "TISCO Leasing Co., Ltd.")	Subsidiary company
All-Ways Co., Ltd.	Joint venture company
TISCO Tokyo Leasing Co., Ltd.	

As at 31 December 2017 and 2016, the balances of the accounts between the Company and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2017	2016
<u>Outstanding balance</u>		
(Eliminated from the consolidated financial statements)		
Subsidiary companies		
Interbank and money market items (Assets):		
TISCO Bank Public Company Limited	237,201	533,562
Dividend receivables:		
TISCO Bank Public Company Limited	2,764,357	2,027,194
TISCO Asset Management Co., Ltd.	797,995	459,997
TISCO Securities Co., Ltd.	200,000	110,000
Hi-Way Co., Ltd.	100,000	100,000
TISCO Information Technology Co., Ltd.	79,998	24,999
TISCO Insurance Solution Co., Ltd. (Previously known as "TISCO Leasing Co., Ltd.")	164,993	19,999
TISCO Learning Center Co., Ltd.	24,999	19,999
Other assets:		
TISCO Bank Public Company Limited	130,011	106,460
TISCO Learning Center Co., Ltd.	436	238
Other liabilities:		
TISCO Learning Center Co., Ltd.	161	1,539

Loan to related companies

As at 31 December 2017 and 1 January 2017, the balances of loans between the Company and its related companies and their movement are as follows:

					(Unit: Thousand Baht)
		As at			
		1 January 2017	Increase	Decrease	As at
Subsidiary Companies					
Loan to customers					
All-ways Co., Ltd.	-	1,820,000	-	-	1,820,000
Hi-Way Co., Ltd	1,470,000	250,000	-	-	1,720,000
TISCO Insurance Solution Co., Ltd.	333,100	-	-	(333,100)	-
(Previously known as "TISCO Leasing Co., Ltd.")					

			(Unit: Thousand Baht)
			Separate financial statements
			For the years ended 31 December
	2017	2016	Terms and pricing policy

Transactions occurred during the year

(Eliminated from the consolidated financial statements)

Subsidiary companies

Risk and financial management fee	2,117,903	1,781,876	Determined on market prices and/or actual cost in compliance with the criteria specified by the Bank of Thailand
income, human resources management fee income and office administration fee income			
Interest income	52,264	49,741	With reference to the terms and prices as offered to other customers
Rental income	63,155	63,336	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	175,000	163,000	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	9,477	8,462	With reference to the prices as offered from other service providers
Other expenses	1,987	2,017	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		
	2017	2016
Loans ⁽¹⁾	15,818	18,744

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December		
	2017	2016
Deposits	317,664	178,804

Directors and management's benefits

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries had short-term benefit paid to their directors and key management during the years and other employee benefit expenses payable to their directors and management as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2017	2016	2017	2016
Short-term benefits	643	542	385	377
Post-employment benefits	50	40	28	25
Other long-term benefits	141	129	88	86
Total	834	711	501	488

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 2017 and 2016, 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 2017 and 2016, 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 2017							
Revenue							
External customers	16,624	1,039	1,671	(57)	19,277	-	19,277
Inter-segment	191	266	2	6,869	7,328	(7,328)	-
Total revenue	16,815	1,305	1,673	6,812	26,605	(7,328)	19,277
Operating results:							
Net interest income	11,672	18	7	(42)	11,655	-	11,655
Net fee and service income	3,754	1,260	1,661	600	7,275	(1,129)	6,146
Other operating income	1,389	27	5	6,254	7,675	(6,199)	1,476
Total operating income	16,815	1,305	1,673	6,812	26,605	(7,328)	19,277
Premises and equipment expenses and amortisation	(1,218)	(79)	(29)	(568)	(1,894)	596	(1,298)
Other operating expenses	(6,843)	(908)	(513)	(1,677)	(9,941)	2,703	(7,238)
Bad debt, doubtful accounts and impairment losses	(3,098)	-	-	-	(3,098)	-	(3,098)
Total operating expenses	(11,159)	(987)	(542)	(2,245)	(14,933)	3,299	(11,634)
Segment profit	5,656	318	1,131	4,567	11,672	(4,029)	7,643
Income tax expenses							(1,526)
Non-controlling interests of the subsidiaries							(27)
Profit for the year - equity holders of the Company							6,090
As at 31 December 2017							
Segment total assets	294,933	4,732	1,613	31,345	332,623	(29,235)	303,388
Premises and equipment - net	780	21	217	872	1,890	763	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 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

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 2017 and 2016, the Company and its subsidiaries recognised the contributions as expenses totaling Baht 235 million and Baht 211 million, respectively (the Company only: Baht 47 million and Baht 39 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	
	2017	2016
Avals	-	268,042
Other guarantees	627,912	728,146
Undrawn client overdraft facilities	575,279	30,000
Interest rate swap agreements (Note 3.38.4)	1,200,000	1,200,000
Others	1,034,498	6,559,395
Total	<u>3,437,689</u>	<u>8,785,583</u>

3.37.2 Litigation

As at 31 December 2017 and 2016, the subsidiaries have been sued for compensation totaling approximately Baht 345 million and Baht 312 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 2017 and 2016, 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	
	2017	2016
Payable within:		
Not over 1 year	213	164
Over 1 to 5 years	319	150
Over 5 years	70	46

- c) The subsidiary company has commitments on computer and operation services agreements in relation to credit card business, whereby it is to pay service fees as stipulated in the agreements. The subsidiary company has payables to service fees within 1 year amounting to Baht 191 million.

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	
	2017	2016
Neither past due nor impaired		
Very high grade	55,544	42,556
High grade	53,935	76,086
Medium grade	12,637	13,156
Subtotal	<u>122,116</u>	<u>131,798</u>
Hire purchase receivables - overdue for 31 to 90 days	12,298	13,434
Hire purchase receivables - overdue for more than 90 days	3,189	4,319
Total	<u>137,603</u>	<u>149,551</u>

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.

Market risk as at 31 December		
	2017	2016
Marketable financial assets		
Equity securities	201	173
Debt securities	3	5
Derivatives	3	10
Foreign currencies	32	53

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	
	2017	2016
Change in interest rate		
Increase by 1 percent	299.01	56.98
Decrease by 1 percent	(299.01)	(56.98)

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)

Consolidated financial statements as at 31 December 2017				
<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	1,325	1,325
Interbank and money market items	232	43,030	1,385	44,647
Investments - net	-	3,957	3,590	7,547
Loans to customers ⁽¹⁾	27,340	220,741	4,019	252,100
Securities and derivatives business receivables	-	-	2,342	2,342
	27,572	267,728	12,661	307,961
<u>Financial liabilities</u>				
Deposits	68,049	112,474	281	180,804
Interbank and money market items	442	3,479	96	4,017
Liabilities payable on demand	-	-	431	431
Derivatives liabilities	-	-	30	30
Debts issued and borrowings	-	71,079	-	71,079
Securities and derivatives business payables	-	-	2,216	2,216
Payables to clearing house	-	-	114	114
	68,491	187,032	3,168	258,691

⁽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 2016

<u>Transactions</u>	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)

Separate financial statements as at 31 December 2017

<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Interbank and money market items	7	230	-	237
Investments - net	-	-	870	870
Loans to customers	-	3,540	-	3,540
	<u>7</u>	<u>3,770</u>	<u>870</u>	<u>4,647</u>
<u>Financial liabilities</u>				
Debts issued and borrowings	-	7,440	-	7,440
	<u>-</u>	<u>7,440</u>	<u>-</u>	<u>7,440</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2016				
	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	8	526	-	534
Investments - net	-	-	782	782
Loans to customers	-	1,803	-	1,803
	8	2,329	782	3,119
Financial liabilities				
Debts issued and borrowings	-	5,930	-	5,930
	-	5,930	-	5,930

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.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2017							
<u>Transactions</u>	Repricing or maturity date				Total	Interest rates (%)	
	At call	0 - 3 months	3 - 12 months	1 - 5 years			
Financial assets							
Interbank and money market items	35	42,995	-	-	-	43,030	1.5099
Investments - net	-	2,404	1,262	289	2	3,957	2.7386
Loans to customers	3,598	21,238	48,376	119,012	28,517	220,741	7.7769
	3,633	66,637	49,638	119,301	28,519	267,728	
Financial liabilities							
Deposits	2,139	64,558	45,372	405	-	112,474	1.5044
Interbank and money market items	1	994	215	2,269	-	3,479	1.3685
Debts issued and borrowings	37	30,014	11,348	23,000	6,680	71,079	2.1993
	2,177	95,566	56,935	25,674	6,680	187,032	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016

Transactions	Repricing or maturity date						Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	
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
	22,658	59,662	49,597	108,355	5,015	245,287	
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
	4,149	87,003	57,849	15,820	9,767	174,588	

(Unit: Million Baht)

Separate financial statements as at 31 December 2017

Transactions	Repricing or maturity date						Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	
Financial assets							
Interbank and money market items	230	-	-	-	-	230	0.8500
Loans to customers	3,540	-	-	-	-	3,540	2.0000
	3,770	-	-	-	-	3,770	
Financial liabilities							
Debts issued and borrowings	-	7,440	-	-	-	7,440	1.5766
	-	7,440	-	-	-	7,440	

(Unit: Million Baht)

Separate financial statements as at 31 December 2016

Transactions	Repricing or maturity date						Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total	
Financial assets							
Interbank and money market items	526	-	-	-	-	526	0.8500
Loans to customers	1,803	-	-	-	-	1,803	1.7500
	2,329	-	-	-	-	2,329	
Financial liabilities							
Debts issued and borrowings	-	4,930	1,000	-	-	5,930	1.6575
	-	4,930	1,000	-	-	5,930	

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.

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 2017
					Remaining contractual maturity
	Less than		More than		
	3 months	3 - 12 months	1 year	Total	
Liabilities	170,031	56,935	32,384	259,350	

					(Unit: Million Baht)
					As at 31 December 2016
					Remaining contractual maturity
	Less than		More than		
	3 months	3 - 12 months	1 year	Total	
Liabilities	150,827	56,850	25,621	233,298	

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 of 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
			2017
Composition of highly liquid assets			2016
Cash		1,323	1,148
Interbank and money market - net		43,177	37,062
Current investments - net		5,520	5,127
Total highly liquid assets ⁽¹⁾		50,020	43,337
Liquid asset requirement ⁽¹⁾		30,189	9,507

⁽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 2017 and 2016, the subsidiary operating banking business has highly liquid assets, which are daily calculated, at Baht 50,020 million and Baht 43,337 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 30,189 million and Baht 9,507 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 2017 and 2016, the periods to the maturity dates of financial instruments are as follows:

Consolidated financial statements as at 31 December 2017									(Unit: Million Baht)
<u>Transactions</u>						Non-performing			Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Loans		
Financial assets									
Cash	1,325	-	-	-	-	-	-	-	1,325
Interbank and money market items	1,652	42,995	-	-	-	-	-	-	44,647
Investments - net	-	3,391	2,059	289	2	1,806	-	-	7,547
Loans to customers	2,503	21,507	49,479	128,672	44,100	-	5,829	252,090	
Securities and derivatives business receivables	-	2,342	-	-	-	-	-	-	2,342
	<u>5,480</u>	<u>70,235</u>	<u>51,538</u>	<u>128,961</u>	<u>44,102</u>	<u>1,806</u>	<u>5,829</u>	<u>307,951</u>	
Financial liabilities									
Deposits	70,469	64,855	45,075	405	-	-	-	-	180,804
Interbank and money market items	540	993	215	2,269	-	-	-	-	4,017
Liabilities payable on demand	431	-	-	-	-	-	-	-	431
Derivatives liabilities	-	-	-	30	-	-	-	-	30
Debts issued and borrowings	37	27,514	13,848	23,000	6,680	-	-	-	71,079
Securities and derivatives business payables	-	2,216	-	-	-	-	-	-	2,216
Payables to clearing house	-	114	-	-	-	-	-	-	114
	<u>71,477</u>	<u>95,692</u>	<u>59,138</u>	<u>25,704</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,691</u>
Commitment and contingent liabilities									
Avals to bills and guarantees of loans	2	10	31	14	-	571	-	-	628
Other commitments	-	-	13	2,222	-	575	-	-	2,810

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016

<u>Transactions</u>	Non-performing							<u>Total</u>
	<u>At call</u>	<u>0 - 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>	<u>Unspecified</u>	<u>Loans</u>	
<u>Financial assets</u>								
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
	27,320	63,166	52,051	112,374	10,688	2,070	5,710	273,379
<u>Financial liabilities</u>								
Deposits	59,280	61,634	33,833	320	-	-	-	155,067
Interbank and money market items	837	639	1,277	-	2,444	-	-	5,197
Liabilities payable on demand	180	-	-	-	-	-	-	180
Derivatives liabilities	-	-	-	34	-	-	-	34
Debts issued and borrowings	37	24,730	22,739	15,500	7,323	-	-	70,329
Securities and derivatives business payables	-	1,511	-	-	-	-	-	1,511
	60,334	88,514	57,849	15,854	9,767	-	-	232,318
<u>Commitment and contingent liabilities</u>								
Avals 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)

Separate financial statements as at 31 December 2017

<u>Transactions</u>	Non-performing							<u>Total</u>
	<u>At call</u>	<u>0 - 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>	<u>Unspecified</u>	<u>Loans</u>	
<u>Financial assets</u>								
Interbank and money market items	237	-	-	-	-	-	-	237
Investments - net	-	-	-	-	-	870	-	870
Loans to customers	3,540	-	-	-	-	-	-	3,540
	3,777	-	-	-	-	870	-	4,647
<u>Financial liabilities</u>								
Debts issued and borrowings	-	7,440	-	-	-	-	-	7,440
	-	7,440	-	-	-	-	-	7,440

(Unit: Million Baht)

Separate financial statements as at 31 December 2016

<u>Transactions</u>							Non-performing	
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Loans	Total
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>

3.38.4 Derivatives

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

As at 31 December 2017 and 2016, 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 2017		
Maturity	Notional amount	Fair value loss
2019	1,200	(30)

(Unit: Million Baht)

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

3.38.5 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:

		Consolidated financial statements			
		As at 31 December			
		2017		2016	
	<u>Transactions</u>	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>					
Cash		1,325	1,325	1,149	1,149
Interbank and money market items - net		44,647	44,647	38,067	38,067
Investments - net		7,547	8,968	7,190	8,332
Loans to customers and accrued interest receivables - net		242,731 ⁽¹⁾	245,812	218,747 ⁽¹⁾	221,104
Securities and derivatives business receivables		2,342	2,342	1,374	1,374
Receivables from clearing house		-	-	145	145
<u>Financial liabilities</u>					
Deposits		180,804	180,804	155,068	155,068
Interbank and money market items - net		4,017	4,017	5,197	5,197
Liabilities payable on demand		431	431	180	180
Derivatives liabilities		30	30	34	34
Debt issued and borrowings		71,079	71,232	70,329	70,678
Securities and derivatives business payables		2,216	2,216	1,511	1,511
Payables to clearing house		114	114	-	-

⁽¹⁾ As at 31 December 2017 and 2016, book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 2,088 million and Baht 1,276 million, respectively.

		Separate financial statements			
		As at 31 December			
		2017		2016	
	<u>Transactions</u>	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>					
Cash		70	70	70	70
Interbank and money market items - net		237	237	534	534
Investments - net		870	870	782	782
Loans to customers and accrued interest receivables - net		3,540	3,540	1,803	1,803
<u>Financial liabilities</u>					
Debt issued and borrowings		7,440	7,440	5,930	5,930

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 2017 and 2016, 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:

	Consolidated financial statements					(Unit: Million Baht)
	As at 31 December 2017					
	Fair value					
	Book value	Level 1	Level 2	Level 3	Total	
Assets measured at fair value						
Available-for-sale investments						
Equity securities	449	449	-	-	449	
Debt securities	5,743	-	5,742	-	5,743	
Unit trusts	935	870	65	-	935	
Investment properties	32	-	-	32	32	
Office condominiums	1,952	-	-	1,952	1,952	
Liabilities measured at fair value						
Derivatives						
Interest rate swap agreements	30	-	30	-	30	
Assets for which fair value is disclosed						
Cash	1,325	1,325	-	-	1,325	
Interbank and money market items - net	44,647	2,278	42,369	-	44,647	
General investments	420	-	-	1,841	1,841	
Loans to customers and accrued interest						
receivables	242,731 ⁽¹⁾	-	63,353	182,459	245,812	
Securities and derivatives business						
receivables	2,342	-	2,342	-	2,342	
Liabilities for which fair value is disclosed						
Deposit	180,804	68,329	112,475	-	180,804	
Interbank and money market items - net	4,017	844	3,173	-	4,017	
Liabilities payable on demand	431	431	-	-	431	
Debts issued and borrowings	71,079	-	71,232	-	71,232	
Securities and derivatives business						
payables	2,216	-	2,216	-	2,216	
Payables to clearing house	114	114	-	-	114	

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 2,088 million.

(Unit: Million Baht)

	Consolidated financial statements				
	As at 31 December 2016				
	Fair value				
	Book value	Level 1	Level 2	Level 3	Total
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	1,992	-	-	1,992	1,992
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⁾	-	37,942	183,162	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)

Separate financial statements					
As at 31 December 2017					
	Fair value				
	Book value	Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Available-for-sale investments					
Unit trusts	870	870	-	-	870
Investment properties	835	-	-	835	835
Office condominiums	544	-	-	544	544
Assets for which fair value is disclosed					
Cash	70	70	-	-	70
Interbank and money market items - net	237	7	230	-	237
Loans to customers and accrued interest receivables	3,540	-	-	3,540	3,540
Liabilities for which fair value is disclosed					
Debts issued and borrowings	7,440	-	-	7,440	7,440

(Unit: Million Baht)

Separate financial statements					
As at 31 December 2016					
	Fair value				
	Book value	Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Available-for-sale investments					
Unit trusts	782	782	-	-	782
Investment properties	778	-	-	778	778
Office condominiums	544	-	-	544	544
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

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 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>	
Annual dividends for 2016	The 2017 Annual General Meeting of the Shareholders on 20 April 2017	3.50	3.50	2,802 May 2017
Total dividend payment in year 2017			<u>2,802</u>	

5. Significant events during the year

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. 3/2560, on 12 September 2017, approved an increase of Baht 600 million in its registered share capital, from Baht 100 million to Baht 700 million, by issuing 6,000,000 new ordinary shares. As a result, the number of ordinary shares will increase from 1,000,000 shares to 7,000,000 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 700 million, consisting of 7,000,000 ordinary shares of Baht 100 each. On 18 September 2017, 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 12 February 2018.