

TISCO Bank Public Company Limited
Report and financial statements
30 June 2020

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

Report on Audit of Financial Statements

Opinion

I have audited the accompanying financial statements of TISCO Bank Public Company Limited (the Bank), which comprise the statement of financial position as at 30 June 2020, and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 30 June 2020, its financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand's regulations.

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 Bank in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions 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.

Emphasis of Matter

I draw attention to Note 1.2 and Note 1.3 to the financial statements regarding the COVID-19 pandemic which is impacting various businesses and industries. This situation could create uncertainties and may be impacting the operating results and cash flows in the future; and due to the impact of the COVID-19 situation, the Bank has elected to adopt the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy as issued by the Federation of Accounting Professions in preparing the financial statements. My conclusion is not modified in respect of this matter.

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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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 Bank'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 Bank'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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Review Report of Interim Financial Information

I have reviewed the accompanying statements of comprehensive income and notes to the interim financial statements for the three-month period ended 30 June 2020 (collectively "Interim financial information") of TISCO Bank Public Company Limited. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting and the Bank of Thailand's regulations. My responsibility is to express a conclusion on this interim financial information based on my review.



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Scope of Review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting and the Bank of Thailand's regulation.

Emphasis of Matter

I draw attention to Note 1.2 and Note 1.3 to the financial statements regarding the COVID-19 pandemic which is impacting various businesses and industries. This situation could create uncertainties and may be impacting the operating results and cash flows in the future; and due to the impact of the COVID-19 situation, the Bank has elected to adopt the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy as issued by the Federation of Accounting Professions in preparing the financial information. My conclusion is not modified in respect of this matter.

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 11 August 2020

TISCO Bank Public Company Limited

Statement of financial position

As at 30 June 2020

(Unit: Thousand Baht)

	Note	30 June 2020	31 December 2019
Assets			
Cash		1,160,227	1,099,247
Interbank and money market items - net	4.2, 4.8	32,187,797	44,049,590
Financial assets measured at fair value through profit or loss	4.3	758,119	-
Derivatives assets	4.4	27,123	21,907
Investments - net	4.5, 4.8	9,542,518	7,671,893
Loans to customers and accrued interest receivables	4.6, 4.8		
Loans to customers		242,147,624	257,250,213
Accrued interest receivables and undue interest income		1,508,345	1,106,977
Total loans to customers and accrued interest receivables		243,655,969	258,357,190
Less: Deferred revenue		(18,984,571)	(19,084,739)
Less: Allowance for expected credit loss	4.7	(10,763,391)	-
Less: Allowance for doubtful accounts	4.7	-	(10,074,115)
Less: Allowance for loss on debt restructuring	4.7	-	(7,343)
Loans to customers and accrued interest receivables - net		213,908,007	229,190,993
Properties foreclosed - net	4.9	21,988	13,703
Investment properties	4.10	28,152	28,152
Premises and equipment - net	4.11	782,436	792,039
Right-of-use assets - net	4.12	510,111	-
Intangible assets - net	4.13	135,852	181,929
Deferred tax assets	4.34	416,474	882,142
Other assets	4.14	870,219	1,356,706
Total assets		260,349,023	285,288,301

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

TISCO Bank Public Company Limited**Statement of financial position (continued)****As at 30 June 2020**

(Unit: Thousand Baht)

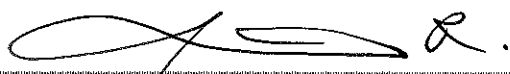
	Note	30 June 2020	31 December 2019
Liabilities and equity			
Liabilities			
Deposits	4.15	201,430,576	218,433,146
Interbank and money market items	4.16	5,334,871	3,831,925
Liabilities payable on demand		195,130	306,867
Debts issued and borrowings	4.17	12,946,919	18,716,919
Lease liabilities	4.18	487,129	-
Provisions	4.19	777,688	709,830
Accrued interest payable		814,821	988,036
Income tax payable		67,086	653,167
Dividend payable		-	4,100,976
Other liabilities	4.20	5,661,940	6,244,428
Total liabilities		227,716,160	253,985,294

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 30 June 2020

		(Unit: Thousand Baht)	
	Note	30 June 2020	31 December 2019
Equity			
Share capital			
Registered			
104 preference shares of Baht 10 each	4.21	1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each	4.21	1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Share premium on ordinary shares		2,543,024	2,543,024
Other components of equity		314,156	304,899
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		19,576,006	18,255,407
Total equity		<u>32,632,863</u>	<u>31,303,007</u>
Total liabilities and equity		<u>260,349,023</u>	<u>285,288,301</u>

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



Mr. Suthas Ruangmanamongkol
 (Chairperson of the Executive Board)

(Unaudited but reviewed)

TISCO Bank Public Company Limited
Statement of comprehensive income
For the three-month period ended 30 June 2020

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

	Note	2020	2019
Profit or loss:			
Interest income	4.24	3,794,850	4,113,781
Interest expenses	4.25	(964,210)	(1,244,147)
Net interest income		2,830,640	2,869,634
Fee and service income		346,741	702,997
Fee and service expenses		(15,944)	(20,183)
Net fee and service income	4.26	330,797	682,814
Net gain on financial instruments measured at fair value through profit or loss	4.27	5,177	-
Net gain on trading and foreign exchange transactions	4.28	-	18,569
Net gain (loss) on investments	4.29	3,367	(3,656)
Penalty fee income from loans		46,384	65,378
Other operating income	4.30	11,457	19,972
Total operating income		3,227,822	3,652,711
Operating expenses			
Employee expenses		402,398	751,432
Premises and equipment expenses		313,562	307,592
Taxes and duties		67,843	72,450
Intercompany supporting fee expenses	4.37	577,281	504,095
Other operating expenses	4.31	204,668	236,042
Total operating expenses		1,565,752	1,871,611
Reversal of bad debts, doubtful accounts and impairment loss	4.33	-	(10,085)
Expected credit loss	4.32	568,393	-
Profit from operations before income tax expenses		1,093,677	1,791,185
Income tax expenses	4.34	222,796	357,196
Profit for the period		870,881	1,433,989

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the three-month period ended 30 June 2020

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

	Note	2020	2019
Other comprehensive income:	4.35		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Loss on valuation in investments in debt instruments measured at fair value through other comprehensive income		(3,752)	-
Gain on valuation in available-for-sale investments		-	2,557
Income tax effects		750	(511)
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax (loss)		(3,002)	2,046
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial loss		(8,244)	(95,562)
Income tax effects		1,649	19,112
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax (loss)		(6,595)	(76,450)
Other comprehensive income for the period (loss)		(9,597)	(74,404)
Total comprehensive income for the period		861,284	1,359,585
Earnings per share			
Basic earnings per share (Baht per share)	4.36	0.94	1.56

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

TISCO Bank Public Company Limited**Statement of comprehensive income****For the six-month period ended 30 June 2020**

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

	Note	2020	2019
Profit or loss:			
Interest income	4.24	8,001,486	8,242,704
Interest expenses	4.25	(2,036,424)	(2,508,250)
Net interest income		5,965,062	5,734,454
Fee and service income		915,532	1,389,569
Fee and service expenses		(35,001)	(39,731)
Net fee and service income	4.26	880,531	1,349,838
Net gain on financial instruments measured at fair value through profit or loss	4.27	754	-
Net gain on trading and foreign exchange transactions	4.28	-	7,847
Net gain on investments	4.29	4,711	1,301
Penalty fee income from loans		103,578	137,381
Other operating income	4.30	69,230	82,327
Total operating income		7,023,866	7,313,148
Operating expenses			
Employee expenses		1,016,305	1,583,992
Premises and equipment expenses		632,471	603,308
Taxes and duties		141,958	143,076
Intercompany supporting fee expenses	4.37	1,143,647	1,024,711
Other operating expenses	4.31	393,003	426,853
Total operating expenses		3,327,384	3,781,940
Bad debts, doubtful accounts and impairment loss	4.33	-	93,998
Expected credit loss	4.32	1,358,702	-
Profit from operations before income tax expenses		2,337,780	3,437,210
Income tax expenses	4.34	469,479	682,798
Profit for the period		1,868,301	2,754,412

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

TISCO Bank Public Company Limited

Statement of comprehensive income (continued)

For the six-month period ended 30 June 2020

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

	Note	2020	2019
Other comprehensive income:	4.35		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gain on valuation in investments in debt instruments measured at fair value through other comprehensive income		6,409	-
Gain on valuation in available-for-sale investments		-	4,881
Income tax effects		(1,282)	(976)
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		5,127	3,905
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial loss		(8,244)	(95,562)
Income tax effects		1,649	19,112
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax (loss)		(6,595)	(76,450)
Other comprehensive income for the period (loss)		(1,468)	(72,545)
Total comprehensive income for the period		1,866,833	2,681,867
Earnings per share			
Basic earnings per share (Baht per share)	4.36	2.03	2.99

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

TISCO Bank Public Company Limited**Cash flow statement****For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	2020	2019
Cash flows from operating activities		
Profit from operations before income tax	2,337,780	3,437,210
Adjustments to reconcile profit from operations before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	173,311	81,077
Expected credit loss	2,130,772	-
Bad debts and doubtful accounts	-	955,153
Allowance for impairment of investments	-	4,954
Reversal of allowance for impairment of properties foreclosed	(34)	(11,100)
Gain on disposal of investments in securities	-	(7,090)
Unrealised gain on foreign exchange transactions and trading derivatives	(22,595)	(5,545)
Loss on financial instruments measured at fair value through profit or loss	800	-
Loss (gain) on disposal of equipment	9	(1,379)
Loss on written-off of equipment	673	159
Gain on disposal of properties foreclosed	(9,717)	(25,548)
Employee benefit expenses	62,973	133,682
(Increase) decrease in accrued income	97,357	(37,105)
Increase (decrease) in accrued expenses	(252,076)	494,552
Net interest income	(5,965,062)	(5,734,454)
Dividend income	(29,983)	(29,689)
Cash received on interest income	7,555,587	8,307,952
Cash paid on interest expenses	(1,930,626)	(1,947,634)
Cash received on dividend income	29,763	29,669
Cash paid on income tax	(699,207)	(685,628)
Profit from operating activities before changes in operating assets and liabilities	3,479,725	4,959,236

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

TISCO Bank Public Company Limited

Cash flow statement

For the six-month period ended 30 June 2020

(Unit: Thousand Baht)

	2020	2019
Operating assets (increase) decrease		
Interbank and money market items	11,852,904	14,149,459
Loans to customers	12,664,927	(2,358,487)
Properties foreclosed	799,166	692,877
Other assets	369,624	136,529
Operating liabilities increase (decrease)		
Deposits	(17,002,570)	5,824,418
Interbank and money market items	1,502,946	6,194,128
Liabilities payable on demand	(111,737)	37,632
Short-term debts issued and borrowings	2,320,000	100,000
Provision for long-term employee benefits	(5,809)	(2,590)
Other liabilities	(412,425)	(302,213)
Net cash flows from operating activities	15,456,751	29,430,989
Cash flows from investing activities		
Cash paid for purchase of investments in securities	(11,693,479)	(12,008,046)
Cash received from disposal of investments in securities	9,580,014	9,140,768
Cash paid for purchase of equipment	(25,416)	(22,838)
Cash paid for purchase of intangible assets	(943)	(4,287)
Cash received from disposal of equipment	36	1,379
Net cash flows used in investing activities	(2,139,788)	(2,893,024)
Cash flows from financing activities		
Cash received from issuance of long-term debentures	2,910,000	2,400,000
Cash paid for redemption of long-term debentures	(11,000,000)	(25,400,000)
Cash paid on lease liabilities	(88,145)	-
Dividend paid	(5,077,838)	(3,594,114)
Net cash flows used in financing activities	(13,255,983)	(26,594,114)
Net increase (decrease) in cash	60,980	(56,149)
Cash at beginning of the period	1,099,247	1,188,931
Cash at end of the period	1,160,227	1,132,782
	-	
Supplement cash flows information		
Non-cash transactions		
Right-of-use assets	1,424	-

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

TISCO Bank Public Company Limited

Statement of changes in equity

For the six-month period ended 30 June 2020

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity			Retained earnings		Total			
	Preference shares	Ordinary shares		Deficit on changes in value of available-for-sale investments	Surplus on in value of investments measured at fair value through other comprehensive income	Surplus on revaluation of assets	Total other components of equity	Appropriated		Unappropriated		
											Surplus on changes	
Balance as at 1 January 2019	1	9,215,676	2,543,024	(5,462)	-	308,123	302,661	984,000	17,277,459	30,322,821		
Profit for the period	-	-	-	-	-	-	-	-	2,754,412	2,754,412		
Other comprehensive income for the period (loss)	-	-	-	3,905	-	-	3,905	-	(76,450)	(72,545)		
Total comprehensive income for the period	-	-	-	3,905	-	-	3,905	-	2,677,962	2,681,867		
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(923)	(923)	-	1,153	230		
Balance as at 30 June 2019	1	9,215,676	2,543,024	(1,557)	-	307,200	305,643	984,000	19,956,574	33,004,918		
Balance as at 1 January 2020	1	9,215,676	2,543,024	(1,362)	-	306,261	304,899	984,000	18,255,407	31,303,007		
Cumulative effects due to the adoption of new financial reporting standards (Note 2)	-	-	-	5,056	-	-	5,056	-	434,597	439,653		
Reclassification	-	-	-	(3,694)	3,694	-	-	-	-	-		
Balance as at 1 January 2020 - after adjusted	1	9,215,676	2,543,024	-	3,694	306,261	309,955	984,000	18,690,004	31,742,660		
Dividend paid (Note 5)	-	-	-	-	-	-	-	-	(976,862)	(976,862)		
Profit for the period	-	-	-	-	-	-	-	-	1,868,301	1,868,301		
Other comprehensive income for the period (loss)	-	-	-	-	5,127	-	5,127	-	(6,595)	(1,468)		
Total comprehensive income for the period	-	-	-	-	5,127	-	5,127	-	1,861,706	1,866,833		
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(926)	(926)	-	1,158	232		
Balance as at 30 June 2020	1	9,215,676	2,543,024	-	8,821	305,335	314,156	984,000	19,576,006	32,632,863		

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

TISCO Bank Public Company Limited
Notes to financial statements
For the six-month periods ended 30 June 2020

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

1.1 Basis for preparation of financial statements

The financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547, the Accounting Guidances as announced by the Federation of Accounting Professions, and with reference to the regulations stipulated by the Bank of Thailand (“BOT”). The presentation of the financial statements has been made in compliance with the BOT’s Notification No. Sor Nor Sor. 21/2561, dated 31 October 2018, regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, which has become effective for the financial statements for the year 2020.

The statements of comprehensive income and notes to the financial statements for the three-month period ended 30 June 2020 were prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, whereby the Bank chose to present statements of comprehensive income and notes to financial statements in the full format, as presented in for the annual financial statements.

The financial statements in Thai language are the official statutory financial statements of the Bank. 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 Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 pandemic is impacting various businesses and industries both directly and indirectly. This situation could create uncertainties and may be impacting the operating results and cash flows in the future. However, the impact cannot be reasonably estimated at this stage. The Bank’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in various matters in order to continuously assess the impact as the situation evolves.

1.3 New financial reporting standards that became effective in the current period

During the period, the Bank has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal year beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards, except the new standards involving changes to key principles which are summarised below:

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

- TFRS 7 Financial Instruments: Disclosures
- TFRS 9 Financial Instruments

Accounting standard:

- TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

- TFRIC 16 Hedges of a Net Investment in a Foreign Operation
- TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Bank’s business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments.

The impact of the adoption of these standards on the Bank's financial statements is as follows.

Classification and measurement of financial assets

Financial assets - Debt instruments

The Bank classifies its financial assets - debt instruments as financial assets that are subsequently to be measured at either amortised cost or fair value in accordance with the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, based on the facts and circumstances as of the date these financial reporting standards were initially adopted. Classifications are as follows:

- Financial assets measured at amortised cost, when both of the following conditions are met: the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets measured at fair value through other comprehensive income, when both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets measured at fair value through profit or loss, when the financial asset is held within a business model whose objective is not to hold assets in order to collect contractual cash flows, or the contractual terms of the financial assets represent contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.

Despite the foregoing, this financial asset - debt instruments may be designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch, with such designation being irrevocable.

Financial assets - Equity instruments

All investments in equity are measured at fair value in the statement of financial position.

The Bank's management reviewed and assessed existing financial assets as at 1 January 2020, based on the facts and circumstances that existed at that date, and concluded that the following significant changes were required to classification and measurement of the Bank's financial assets.

- Termination of the former classification of investments in debt securities as held-to-maturity and available-for-sale, and investments in equity securities as available-for-sale and general investment.
- Classification of the former investments in held-to-maturity debt securities as financial assets measured at amortised cost.
- Classification of the former investments in available-for-sale debt securities as financial assets measured at fair value through other comprehensive income.
- Classification of all investments in equity securities as financial assets measured at fair value through profit or loss, in accordance with the Bank's investment policy. As a result of the reclassification, the surplus (deficit) on changes in value of available-for-sale investments previously presented as part of other comprehensive income is to be reclassified and presented in retained earnings.

Classification of financial liabilities

The adoption of these standards does not have an impact on the classification of financial liabilities. The Bank continues to classify and measure its financial liabilities at amortised cost, except for derivatives liabilities which are measured at fair value through profit or loss.

Impairment of financial assets

This TFRS requires entities to estimate allowance for expected credit loss in place of the incurred loss recognised under the previous accounting policy. It requires that impairment loss be recognised using the Expected Credit Loss Model, with a management overlay, for all financial assets that are debt instruments and not measured at fair value through profit or loss, including for undrawn commitments and financial guarantees, and it is not necessary for a credit-impaired event to have occurred prior to the recognition. The Bank adopts the General Approach to determine expected credit loss of financial assets e.g. loans to customers, loans to financial institutions and investments in debt instruments.

Practice during transitional period

The Bank adopted these financial reporting standards which the cumulative effect is recognised as an adjustment to the retained earnings or other components of equity as at 1 January 2020, and the comparative information was not restated. Therefore, the presentation of the 2019 figures cannot be compared with the financial statements for the year 2020.

The cumulative effect of the change is described in Note 2 to the interim financial statements.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases, adopting the same principles as those of TAS 17.

The Bank has adopted financial reporting standards whereby the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020 (if any), and at the initial adoption the comparative information was not restated.

The cumulative effect of the change is described in Note 2 to the financial statements.

Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the BOT No. BOT.RPD.(23)C. 276/2563 “Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy” and the circular of the BOT No. BOT.RPD.(01)C. 380/2563 “Measures to provide additional assistance to debtors during the COVID-19 situation” or any other measures announced by the BOT. Such entities include credit card business, business providing loans secured against vehicle registrations without collateral, personal loan business under the supervision of the BOT and certain entities not under the supervision of the BOT, such as leasing, hire-purchase, motorcycle hire-purchase and factoring business. Entities providing assistance to debtors in accordance with the BOT’s measures and electing to apply this Accounting Guidance have to apply all temporary relief measures in this guidance.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by the aforementioned situations during the period from 1 January 2020 to 31 December 2021. The guidance applies to large-sized debtors, small and medium-sized debtors and retail debtors who have the ability to run a business or to pay debts in the future, considering the following guidelines.

- Debtors who were not yet non-performing (Stage 1 or Stage 2) on or after 1 January 2020
- Debtors who became non-performing (Stage 3) on or after 1 January 2019, unless the entity is able to prove that the debtors becoming non-performing before 1 January 2019 are non-performing loans affected by the economic conditions

The Bank has entered into the scheme to provide assistance to affected debtors in accordance with the BOT's guideline. For the debtors who meet the conditions under the temporary relief measures, the Accounting Guidance can be applied as follows:

- (1) For the provision of assistance to loans that are not yet non-performing (Non-NPL), the Bank classifies them as loans with no significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring and the debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. If it is a provision of assistance to debtors in accordance with the circular of the BOT No. BOT.RPD.(01)C. 380/2563, classification of the debtor remains at the same stage as before.
- (2) For the provision of assistance to non-performing loans (NPL), the Bank classifies them as performing loans if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- (3) Additional working capital loans provided to a debtor in order to increase liquidity and enable the debtor to continue its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support repayment or if, considering other factors, the debtor has the ability to pay the debt.
- (4) The guidelines of the BOT relating to assessment of whether there has been a significant increase in credit risk are applied to assess whether a debtor is moving to Stage 2.
- (5) Expected credit losses are determined based on the outstanding balance of the drawn down portion only.

- (6) If the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan, the Bank applies a newly calculated effective interest rate to determine the present value of loans that have been restructured and recognises interest income on the basis of this new effective interest rate during the grace period, or in accordance with the BOT's new guidelines if there are changes.
- (7) In cases where a general approach is used in determining expected credit losses, consideration is given to placing less weight on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience.

As at 30 June 2020, the Bank had provided assistance to affected debtors with outstanding receivable balances totalling Baht 54,832 million. Debtors who meet the conditions under the BOT's relief measures accounted for Baht 23,722 million of this amount, with the Bank retaining the classification of debtors totalling Baht 6,732 million at the same stage as prior to the measures. For the debtors receiving other forms of assistance with recurring principal and/or interest payments scheduled, the Bank continues to apply normal principles of loan classification and allowance for expected credit loss in accordance with financial reporting standards.

In addition, as at 19 June 2020 the BOT issued the circular of the BOT No. BOT.RPD.(01)C. 648/2563 "Measures to provide additional assistance to small-sized debtors during the COVID-19 situation". As at 30 June 2020, no debtors have yet to be in accordance with this circular.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

As at 30 June 2020 the Bank has elected to apply the following temporary relief measures on accounting alternatives:

- To measure the fair value as at 30 June 2020 of investments in unquoted equity instruments using the fair value as at 1 January 2020.
- Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

Since 1 January 2020, the Bank has recognised interest on loans on an accrual basis, using the effective interest rate method, applied to the outstanding principal amount, without ceasing revenue recognition. The effective interest rate is the discount rate that estimates future cash flows over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the effective interest rate. If loans to customers are later credit-impaired, the Bank recognises interest income using the effective interest rate method applied to the net carrying value of the loan (the loan amount net of allowance for expected credit loss). Subsequently, if the financial asset is no longer credit-impaired, the Bank reverts to calculating interest income on a gross carrying amount.

Prior to 1 January 2020, interest on loans was recognised as income on an accrual basis and was based on principal outstanding. The Bank had policies to cease accruing income for corporate loans on which interest payments had been defaulted for more than one month. For other loan accounts which were overdue for more than three months, the recognition of interest income was ceased, already recorded accrued interest was reversed from accounts and after that interest would be recognised as income on a cash basis. The accounts would be reinstated to an accrual basis when the overdue amounts were received.

- b) Gain (loss) on financial instruments measured at fair value through profit or loss

Gain (loss) on financial instruments measured at fair value through profit or loss consist of gain (loss) on trading and foreign exchange transactions, gain (loss) on changes in fair value of derivatives and financial assets measured at fair value through profit or loss, and gain (losses) on sales of financial assets measured at fair value through profit or loss and derivatives, which the Bank recognises as income or expenses on the transaction date.

- c) Interest and dividend on investments in securities

Interest on investments in securities is recognised as income on an accrual basis. Dividend on investment in securities is recognised as income when the right to receive the dividend is established.

- d) Gain (loss) on trading in securities and derivatives

Gain (loss) on trading in securities and derivatives are recognised as income or expenses on the transaction date.

- e) Fee and service income

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

1.4.2 Expenses recognition

- a) Interest expenses, fee and service expenses and other operating expenses

Interest expenses, fee and service expenses and other operating expenses are recognised on an accrual basis.

- b) Commissions and direct expenses of hire purchase/loan against auto license

The Bank records the initial commissions and direct expenses arising in respect of hire purchase/loan against auto license contracts using the effective interest rate method, and deducts them from interest income over the installment period.

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

1.4.3 Securities purchased under resale agreements according to private repurchase transactions

The Bank 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 - net” in the statement of financial position and the securities purchased are used as collateral.

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

1.4.4 Investments in securities

Since 1 January 2020, the Bank has classified investments in securities as financial assets - debt instruments and equity instruments as follows:

Financial assets - debt instruments

The Bank classifies its financial assets - debt instruments as subsequently measured at amortised cost or fair value in accordance with the Bank’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets, as follows:

a) Financial assets measured at fair value through profit or loss

Investments in debt instruments held within a business model whose objective is not to hold financial assets in order to collect contractual cash flows, or the contractual terms of the financial assets represent contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value.

After initial recognition, unrealised gain or loss on changes in fair value are recognised in profit or loss.

b) Financial assets measured at fair value through other comprehensive income

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognised at fair value.

After initial recognition, gain or loss on changes in fair value are presented as a separate item in other comprehensive income, with gain or loss on changes in the accumulated fair value of investments in debt instruments recognised as net gain (loss) on investments in profit or loss upon the disposal of investments. The expected credit loss and interest income which is calculated using the effective interest rate method are recognised in profit or loss.

At the end of reporting period, investments in debt instruments measured at fair value through other comprehensive income are presented in the statement of financial position net of allowance for expected credit loss (if any).

c) Financial assets measured at amortised cost

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank recognises these as financial assets measured at amortised cost. These financial assets are initially recognised at fair value as at transaction date.

At the end of reporting period, investments in debt instruments measured at amortised cost are presented in the statement of financial position net of allowance for expected credit loss (if any).

Financial assets - equity instruments

All investments in equity instruments are measured at fair value in the statement of financial position. The Bank classifies investments in equity instruments as financial assets measured at fair value through profit or loss.

After initial recognition, gain or loss on subsequent changes in fair value of investments in equity instruments are recognised in profit or loss. Dividends on these investments are recognised in profit or loss.

Fair value

The fair value of marketable securities is calculated based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of non-marketable securities is calculated using discounted future cash flows techniques and/or determined by comparing with information of similar companies. The fair value of government bonds, state enterprise securities and private debt securities is calculated using the formula determined by the BOT, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions, as the case may be. The fair value of unit trusts is determined based on their net asset value.

Income from investments and disposals of investments

Gains (losses) on disposals of investments are recognised in profit or loss on the settlement date. The weighted average method is used for computation of the cost of investments.

Recognition

Purchases and sales of investments are recognised on the settlement date.

Changes in classification of investments in debt instruments

When there are changes in the Bank's business model for management of financial assets, the Bank has to reclassify investments in debt instruments and adjust the value of these investments to their fair value on the reclassification date. Differences between the book value and fair value of investments in debt instruments on the reclassification date are recorded in profit or loss or other comprehensive income, depending on the classification of the investments.

Prior to 1 January 2020, the Bank classified its investments as follows:

- 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 other 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 general investments, are stated at cost net of allowance for impairment loss (if any).

1.4.5 Investments in receivable purchased or transferred in

Since 1 January 2020, the Bank has reclassified investments in receivable purchased or transferred in as held-to-maturity financial assets which are initially recognised at acquisition cost. At the end of reporting period, these investments are presented in the statement of financial position at amortised cost net of allowance for expected credit loss (if any).

Prior to 1 January 2020, investments in receivable purchased or transferred in are classified as held-to-maturity securities, and are valued at acquisition cost net of allowance for impairment (if any).

1.4.6 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 presented as deductions 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.

1.4.7 Allowance for expected credit loss/Allowance for doubtful accounts

Allowance for expected credit losses

The Bank applies general approach to calculate expected credit loss on its financial assets, such as deposits at financial institutions, investments in debt instruments measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, loans to customers and accrued interest receivables, and committed credit lines and financial guarantees.

The Bank classifies financial assets into three groups (Three-stage approach) in order to measure the expected credit loss, with the classification of the financial assets determined on the basis of the change in credit quality since the initial transaction date, as follows:

Group 1: Financial assets with no significant increase in credit risk (Performing)

For financial assets with no significant increase in credit risk since the initial recognition date, the Bank recognises allowance for expected credit loss at an amount equal to 12-month expected credit loss. For financial assets with maturity of less than 12 months, the Bank uses a probability of default that corresponds to remaining terms of the contract.

Group 2: Financial assets with significant increase in credit risk (Under-performing)

For financial assets with significant increase in credit risk since the initial recognition date but that are not credit-impaired, the Bank recognises the expected credit loss at an amount equal to expected credit loss over the expected lifetime of the financial instrument.

Group 3: Financial assets that are credit-impaired (Non-performing)

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset occur. The Bank recognises the expected credit loss at an amount equal to expected credit loss over the expected lifetime of the financial assets.

At the end of each reporting period, the Bank assesses whether the credit risk of financial assets has increased significantly since the initial recognition date, by comparing the risk of expected default on the financial assets as at reporting date with the risk of default as at the initial recognition date. The Bank may use internal quantitative or qualitative bases and forward-looking information as a basis for assessing a decrease in credit quality, such as debtors overdue for more than 30 days. Evaluations of whether credit risk has increased significantly since the initial recognition date may be conducted individually or collectively for groups of financial assets.

Loans to customers are considered to be credit-impaired when one or more events occurs affecting the estimated future contractual cash flows of the counterparties. Evidence that financial assets are credit-impaired includes being overdue for more than 90 days or indications that debtors are facing significant financial difficulties, breaches of contract, the legal status, renegotiation of terms of repayment or debt restructuring.

In subsequent periods, if the credit quality of financial assets improves and it is assessed that there is no longer significant increase in credit risk from the initial recognition date that was assessed in the previous period, the Bank will change from recognising expected credit loss over the expected lifetime to recognising the 12-month expected credit loss.

When the terms of repayment of a loan to customer are renegotiated or the term of the contractual cash flow are modified because the debtors are in financial difficulty, the loan is considered to be a financial asset with a significant increase in credit risk or credit-impaired, unless there is evidence that the risk of that contractual cash flows will not be recoverable has decreased significantly and there are no indicators of impairment.

Expected credit loss is the probability-weighted estimate of expected credit loss over the lifetime of a financial instrument, taking into account the present value of all cash flows that are expected not to be recoverable. This is determined with reference to historical loss experience data grouped by asset on the basis of shared credit risk characteristics, taking into account type of loan, type of collateral, months on books, and other relevant factors, adjusted for current observable data, as well as forward-looking information that is supportable and reasonable, provided it can be shown to be statistically related. It also involves the appropriate exercise of judgement to estimate the amount of expected credit loss, using current macroeconomic data and macroeconomic forecasts. The Bank determines both current and future economic scenarios, and probability-weights each scenario (base scenario, upturn scenario, downturn scenario and stress scenario) for the purpose of calculating expected credit loss. Use of forward-looking data increases the degree of judgement required in evaluating how relevant current macroeconomic changes affect expected credit loss. However, the Bank has established a process to review and monitor the methodologies, assumptions and forward-looking macroeconomics scenarios on a regular basis. In addition, expected credit loss also include a management overlay.

For financial assets that are credit-impaired upon initial acquisition (investments in receivables purchased or transferred in), the Bank measures allowance for expected credit loss at an amount equal to the outstanding receivable balance because it does not expect to receive cash flows from these receivables.

The measurement of expected credit loss for loan commitments is the present value difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive. The measurement of expected credit loss for financial guarantees is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The increase (decrease) in an allowance for expected credit loss is recognised as an expense in profit or loss in the statement of comprehensive income. The Bank has a policy to write off receivables when they are identified as bad debts.

In addition, the Bank has adopted the accounting guidance in determining the staging of loans to customers for debtors meeting the criteria for relief measures in accordance with the BOT's circular.

Allowance for doubtful accounts

Prior to 1 January 2020, the Bank provided allowance for doubtful accounts of loans to customers in accordance with the Notifications of the BOT and adjusted 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 except for hire purchase receivables and loan against auto license receivables that are classified as pass and special mention, the Bank 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, the Bank 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 the 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 Bank uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables and loan against auto license receivables.

Allowance for doubtful accounts for other receivables is provided for the estimated loss 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.

1.4.8 Financial assets with modifications of terms/Debt restructuring

Since 1 January 2020, when a financial asset's terms of repayment are renegotiated or modified, or debt is restructured, or an existing financial asset is replaced with a new financial asset because the debtor is having financial difficulties, the Bank assesses whether to derecognise the financial asset and measures the expected credit loss, as follows:

- If the modification of terms does not result in derecognition of the financial asset, the Bank calculates the gross book value of the new financial asset based on the present value of the new or modified cash flows, discounted using the original effective interest rate of the financial asset, and recognises a gain or loss on modification of terms in profit or loss.
- If the modification of terms results in derecognition of the financial asset, the fair value of the new financial asset is the latest cash flows of the original financial asset as at the date of derecognition. The difference between the book value and the fair value of the financial asset is recognised in profit or loss.

If the debt restructuring does not meet the criteria for derecognition as of the restructuring date, the debtor continues to be classified as financial asset with a significant increase in credit risk (Stage 2) or as a financial asset that is credit-impaired (Stage 3) unless the debtor has been able to make payment in accordance with the debt restructuring agreement for not less than 12 months counting from the restructuring date. At that point, it can be reclassified as a financial asset with no significant increase in credit risk (Stage 1). If the debt restructuring results in a derecognition, the new financial asset is considered a financial asset with no significant increase in credit risk (Performing or Stage 1).

Prior to 1 January 2020, the Bank recorded troubled debt restructuring transactions in accordance with the BOT's regulations and Thai Accounting Standard regarding "Accounting for Troubled Debts Restructuring". 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 Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank 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. Loss arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, is recognised in profit or loss when incurred.

1.4.9 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 Bank is required to record the additional general reserve for declining in value of properties foreclosed in accordance with the Notifications of the BOT and the management's estimates.

The Bank recognises loss on impairment in profit or loss. Gain or loss from disposal of properties foreclosed are recognised upon disposal.

1.4.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss 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).

1.4.11 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 Bank's 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 Bank's 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 cost or fair value on the straight-line basis (except for the depreciation of 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	-	20 years
Office condominiums	-	43 - 50 years
Office improvements	-	5, 20 years
Furniture, fixtures and equipment	-	5 years
Motor vehicles	-	6 years

Depreciation attributed to the original cost portion and the revaluation 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.

1.4.12 Leases

At the inception of the contract, the Bank assesses whether a contract is a lease or consists of a lease component. The contract is classified as lease or consists of a lease component if that contract provides the right to control the use of the specified asset for a certain period in exchange for compensation.

The Bank as a lessee

The Bank recognises right-of-use assets and lease liabilities for all lease contracts with a lease term of more than 12 months, unless the underlying assets are low in value.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised through initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

Unless the Bank is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Bank's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and leases of low-value assets

Payments under leases that have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

The Bank as a lessor

Leases in which the majority of risks and rewards of ownership are transferred to lessees are considered finance leases. Assets under finance lease agreements are recognised as accounts receivable equal to the net investment amount according to the lease agreement or the net present value of the amount received under the lease agreement and the remaining unsecured value.

Leases in which the majority of risks and rewards of ownership are not transferred to lessees are considered operating leases. Amounts paid under operating leases are recognised as income in profit or loss by using the straight-line method over the life of the lease.

1.4.13 Intangible assets

The Bank initially recognises intangible assets at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss (if any).

The Bank amortises intangible assets with finite lives on a systematic basis over the economic useful life and tests for impairment whenever there is an indication that the intangible assets may be impaired. The Bank reviews the amortisation year and the amortisation method of such intangible assets at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite lives are software license fees that the Bank amortises 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	- 5 years by the straight-line basis

1.4.14 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 Bank recognises deferred tax assets for all deductible temporary differences to the extent that it is probable that the Bank will generate future taxable profits that will be available against which such deductible deferred tax assets can be utilised. The Bank recognises deferred tax liabilities for all taxable temporary differences.

The Bank records 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 Bank reviews and reduces 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.

1.4.15 Impairment of assets

The Bank assesses 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 Bank estimates 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.

1.4.16 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 Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all risks and rewards of ownership of such financial assets, and retains control of such financial assets, the Bank continues to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished e.g. when the obligation specified in the contract is discharged or cancelled or expired.

1.4.17 Foreign currencies

The financial statements are presented in Baht, which is also the Bank's functional currency.

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

Gains and losses on exchange are included in determining income.

1.4.18 Employee benefits

Short-term employee benefits

The Bank records salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Part of bonus expenses of the Bank is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the parent company's share price. The Bank records these expenses and accrued bonus over the service period of those 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 Bank and its employees have jointly established a provident fund. The fund is monthly contributed by the employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Bank has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Bank treats these severance payment obligations as a defined benefit plan. In addition, the Bank provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Bank based on actuarial techniques.

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

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

1.4.19 Provisions

Provisions are recognised when the Bank has 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.

1.4.20 Derivatives

The Bank records derivatives held for trading under fair value method. The Bank records gain (loss) 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.

1.4.21 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 Bank applies 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 Bank measures 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 categories 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 Bank determines 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.

1.4.22 Financial instruments

a) Financial risk management

The Bank's financial instruments principally comprise cash, interbank and money market items (assets), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), liabilities payable on demand, derivatives liabilities, debts issued and borrowings, lease liabilities and accrued interest payable. The financial risks associated with these financial instruments and how they are managed is described in Note 4.41 to the financial statements.

b) Fair value of financial instruments

In determining the fair value of financial instruments, the estimated 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 value of contractual cash flows, discounted using the rate used for financial instruments with similar features.

The methods and assumptions used by the Bank 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), deposits, interbank and money market items (liabilities) and liabilities payable on demand, the carrying amounts in the statement of financial position approximate their fair value.
- For investments in debt 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 investments in marketable 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 expected credit losses, 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 outflows 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 Bank has considered the counterparty's credit risk when determining the fair value of derivatives.

1.4.23 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 or 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 expected credit loss/Allowance for doubtful accounts for loans to customers

The management is required to use judgement in estimating the allowance for expected credit loss on loans to customers. The estimation relies on a complex model, a dataset of assumptions, model development and assessments related to the increase in credit risk, as well as the selection of forward-looking information, which involves a large number of variables. Therefore, actual results could differ from these estimates.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk of both the Bank and the counterparty, 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 disclosures of fair value hierarchy.

Investment properties

The Bank presents investment properties at the fair value estimated by an internal appraiser of the Bank, and recognises changes in the fair value in profit or loss. The appraiser valued the investment properties using the market approach. The key assumptions used in estimating the fair value are described in Note 4.10 to the financial statements.

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 the premises and equipment and to review estimated useful lives and residual values when there are any changes.

The Bank measures office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the market approach. The valuation involves certain assumptions and estimates as described in Note 4.11 to the financial statements.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment loss 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.

Determination of lease terms for leases with options to extend or cancel the lease - as a lessee

In determining the lease terms, the management needs to use judgement to assess whether the Bank is reasonably certain to exercise options to extend the terms of leases or to cancel the leases, taking into account all relevant facts and circumstances that create economic incentives for the Bank to exercise or not to exercise such options.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the temporary differences 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 estimated future taxable profits.

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

The obligation under the defined benefit plans and other long-term employee benefit plans 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.

Litigation

The Bank has contingent liabilities as a result of litigation. The Bank'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.

Allowance for impairment of properties foreclosed

The Bank sets up allowance for impairment of properties foreclosed when net realisable value falls below the book value. The management uses the BOT's regulations together with the judgement to estimate impairment loss, taking into consideration the latest appraisal value, the type and the nature of the assets.

2. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 1.3 to the financial statements, during the current period, the Bank has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

The amounts of adjustments affecting the statements of financial position as at 1 January 2020 from changes in accounting policies due to the adoption of these standards are presented as follows:

(Unit: Million Baht)

	31 December 2019	The impacts of		1 January 2020
		Financial reporting standards related to financial instruments	TFRS 16	
Statement of financial position				
Assets				
Financial instruments measured at				
fair value through profit or loss	-	759	-	759
Investments - net	7,672	(209)	-	7,463
Right-of-use assets	-	-	616	616
Deferred tax assets	882	(110)	-	772
Other assets	1,357	-	(36)	1,321
Liabilities				
Lease liabilities	-	-	580	580
Equity				
Other components of equity	305	5	-	310
Retained earnings - unappropriated	18,255	435	-	18,690

2.1 Financial instruments

Details of the impact on equity as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

	(Unit: Million Baht)
	<u>The impact</u>
Other components of equity	
Classification of investments in available-for-sale equity securities as financial assets measured at fair value through profit or loss	6
Less: Income tax effects	<u>(1)</u>
Impacts on other components of equity due to the adoption of financial reporting standards related to financial instruments	<u>5</u>
	(Unit: Million Baht)
	<u>The impact</u>
Retained earnings - unappropriated	
Classification of investments in available-for-sale equity securities as financial assets measured at fair value through profit or loss	(6)
Fair value measurement of investments in equity instruments of non-listed companies	550
Less: Income tax effects	<u>(109)</u>
Impacts on retained earnings due to the adoption of financial reporting standards related to financial instruments	<u>435</u>

However, the adoption of these financial reporting standards requires the Bank to recognise an allowance for expected credit loss, in place of the loss recognised under the previous accounting method, in accordance with the model for each group of assets. Based on the impact calculation, the Bank has a remaining excess loan loss reserve of Baht 2,113 million, which will be released in quarterly amounts over 2 years under the straight-line method, in line with the BOT's guideline.

The classifications and measurements of financial assets and financial liabilities in accordance with TFRS 9, compared with the classifications and measurements of the carrying amounts under the former basis, are as follows:

(Unit: Million Baht)

Classification and measurement under the former basis as at 31 December 2019	Classification and measurement in accordance with TFRS 9 as at 1 January 2020				Total
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Investments in equity instruments designated at fair value through other comprehensive income	Financial instruments measured at amortised cost	
Financial assets					
Cash	1,099	-	-	1,099	1,099
Interbank and money market items - net	44,050	-	-	44,050	44,050
Derivatives assets	22	22	-	-	22
Investments - net	7,672	759	7,463	-	8,222
Loans to customers and accrued interest receivables - net	229,191	-	-	229,191	229,191
Financial liabilities					
Deposits	218,433	-	-	218,433	218,433
Interbank and money market items	3,832	-	-	3,832	3,832
Liabilities payable on demand	307	-	-	307	307
Debts issued and borrowings	18,717	-	-	18,717	18,717

The table below presents a reconciliation of allowance for impairment as at 31 December 2019 which was recognised in accordance with the BOT and Thai Accounting Standard No. 105 Accounting for Investments in Debt and Equity Securities, and provision for contingent obligation which was recognised in accordance with Thai Accounting Standard No. 37 Provisions, Contingent Liabilities and Contingent Assets, and allowance for impairment as at 1 January 2020 which was recognised in accordance with TFRS 9. All the changes are the result of the remeasurement of allowance for expected credit loss in accordance with TFRS 9.

	(Unit: Million Baht)		
	As at		As at
	31 December 2019	Remeasurement	1 January 2020
Allowance for expected credit loss			
Investments in available-for-sale debt securities reclassified as investments in debt instruments measured at fair value through other comprehensive income	1	-	1
Loans to customers and accrued interest receivables	10,081	-	10,081
Total	10,082	-	10,082

2.2 Leases

Upon initial application of TFRS 16 the Bank recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at 1 January 2020.

	(Unit: Million Baht)
	Financial statements
Operating lease commitments as at 31 December 2019	282
Add: Option to extend lease term	345
Less: Deferred interest expenses	(47)
Lease liabilities as at 1 January 2020	580

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

	(Unit: Million Baht)
	Financial statements
Buildings	616
Total right-of-use assets	616

3. General information

3.1 The Bank's information

TISCO Bank Public Company Limited (“the Bank”) is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate a commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 30 June 2020, the Bank has 59 branches in Thailand (As at 31 December 2019: 61 branches).

3.2 Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank 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.

3.3 Directors' remuneration

Directors' remuneration represents the benefits paid to the Bank's 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.

3.4 Related party transactions

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

The Bank 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 Bank and those related parties, which are in reference to the terms and prices as charged to other customers.

4. Supplemental information

4.1 Classification of financial assets and financial liabilities

(Unit: Thousand Baht)

	As at 30 June 2020			Total
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	
<u>Financial assets</u>				
Cash	-	-	1,160,227	1,160,227
Interbank and money market items - net	-	-	32,187,797	32,187,797
Financial assets measured at fair value through profit or loss	758,119	-	-	758,119
Derivatives assets	27,123	-	-	27,123
Investments - net	-	9,542,518	-	9,542,518
Loans to customers and accrued interest receivables - net	-	-	213,908,007	213,908,007
<u>Financial liabilities</u>				
Deposits	-	-	201,430,576	201,430,576
Interbank and money market items	-	-	5,334,871	5,334,871
Liabilities payable on demand	-	-	195,130	195,130
Debts issued and borrowings	-	-	12,946,919	12,946,919
Lease liabilities	-	-	487,129	487,129
Accrued interest payable	-	-	814,821	814,821

4.2 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at					
	30 June 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	1,846,232	-	1,846,232	1,702,187	290,000	1,992,187
Commercial banks	239,907	20,800,000	21,039,907	246,403	26,800,000	27,046,403
Specialised Financial Institutions	515	9,300,000	9,300,515	968	15,000,000	15,000,968
Total	2,086,654	30,100,000	32,186,654	1,949,558	42,090,000	44,039,558
Add: Accrued interest	1	1,465	1,466	32	10,000	10,032
Less: Allowance for expected credit losses	(323)	-	(323)	-	-	-
Total domestic	2,086,332	30,101,465	32,187,797	1,949,590	42,100,000	44,049,590

As at 30 June 2020 and 31 December 2019, all outstanding interbank and money market items are in Baht.

The Bank entered into securities purchases under resale agreements according to private repurchase transactions. Securities received under resale agreements are used as collateral. Details of transactions are as follows:

(Unit: Thousand Baht)

Securities purchased under resale agreements
according to private repurchase transactions

as at

	30 June 2020	31 December 2019
Commercial banks	20,800,000	26,800,000
Specialised Financial Institutions	9,300,000	15,000,000

Fair value of securities received as collateral is as follows:

(Unit: Thousand Baht)

Fair value of securities received as collateral

as at

	30 June 2020	31 December 2019
Commercial banks	19,924,400	26,456,400
Specialised Financial Institutions	9,298,500	15,057,800

4.3 Financial assets measured at fair value through profit or loss

(Unit: Thousand Baht)

Investments	As at 30 June 2020	
	Cost	Fair value
Others		
Domestic marketable equity instruments	9,320	2,200
Domestic non-marketable equity instruments	246,596	755,919
	255,916	758,119
Add: Allowance for changes in value	502,203	
Total	758,119	

Investments in non-marketable equity instruments include investments in which the Bank holds not less than 10 percent of the equity of the investees, as follows:

(Unit: Thousand Baht)

Securities' name	As at 30 June 2020		
	Fair value of investments	Unpaid amount	Percentage of holding (%)
Services:			
Jiji Press (Thailand) Co., Ltd.	1,825	300	10
Trading import and export:			
Juki (Thailand) Co., Ltd.	6,025	-	10
PDTL Trading Co., Ltd.	3,637	-	10
Wattana Inter-Trade Co., Ltd.	19,158	-	10
Real estate:			
UMI Property Co., Ltd.	4,031	-	10
Industrial:			
Siam Art Ceramic Co., Ltd.	11,268	-	10

4.4 Derivatives assets/derivatives liabilities

The Bank entered into foreign exchange contracts to manage the risk associated with financial assets, as follows:

(Unit: Thousand Baht)

Type of risks	As at					
	30 June 2020			31 December 2019		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	27,123	-	1,190,269	21,907	-	917,044
Total	27,123	-	1,190,269	21,907	-	917,044

All counterparties of these derivatives transactions are financial institutions.

4.5 Investments

4.5.1 Classified by type of investments

As at 30 June 2020, investments classified by type of investments are as follows:

(Unit: Thousand Baht)

	As at 30 June 2020	
	Amortised cost	Fair value
Investments in debt instruments measured at fair value through other comprehensive income		
Government and state enterprise securities	9,506,491	9,516,243
Private sector debt securities	51,460	26,275
	9,557,951	9,542,518
Add: Surplus on changes in fair value	11,027	
Less: Allowance for expected credit losses	(26,460)	
Total	9,542,518	
Investments in debt instruments measured at amortised cost		
Investment in receivables	12,211	
Less: Allowance for expected credit losses	(12,211)	
Total	-	
Total investments	9,542,518	

As at 31 December 2019, investments classified by type of investments are as follows:

(Unit: Thousand Baht)

	As at 31 December 2019	
	Cost	Fair value
Available-for-sale investments - fair value		
Government and state enterprise securities	7,277,922	7,280,613
Private sector debt securities	181,460	181,927
Domestic marketable equity securities	9,320	3,000
	<u>7,468,702</u>	<u>7,465,540</u>
Less: Deficit on changes in fair value	(1,702)	
Less: Allowance for impairment	(1,460)	
Total available-for-sale investments	<u>7,465,540</u>	
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	12,437	
Less: Allowance for impairment	(12,437)	
Total held-to-maturity debt securities	<u>-</u>	
General investments - cost		
Domestic non-marketable equity securities	246,596	
Less: Allowance for impairment	(40,243)	
Total general investments	<u>206,353</u>	
Investments - net	<u>7,671,893</u>	

4.5.2 Investments subject to restrictions

(Unit: Million Baht)

Type of investments	As at		Type of restrictions
	30 June 2020	31 December 2019	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	-	2,912	Pledged for the use of credit balance on clearing position

4.5.3 Investments in companies with weak financial positions and poor operating results

(Unit: Thousand Baht)

	As at 30 June 2020		
	Cost	Fair value	Allowance for expected credit losses
Companies having problems with debt repayment or in default	1,460	-	1,460

(Unit: Thousand Baht)

	As at 31 December 2019		
	Cost	Fair value	Allowance for impairment
Companies having problems with debt repayment or in default	1,460	-	1,460

4.5.4 Investments in which the Bank holds not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	As at 31 December 2019		
	Cost	Unpaid amount	Percentage of holding (%)
Services:			
Jiji Press (Thailand) Co., Ltd.	814	300	10
Trading import and export:			
Juki (Thailand) Co., Ltd.	5,707	-	10
PDTL Trading Co., Ltd.	3,637	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10
Real estate:			
UMI Property Co., Ltd.	4,097	-	10
Industrial:			
Siam Art Ceramic Co., Ltd.	11,299	-	10

4.6 Loans to customers and accrued interest receivables

4.6.1 Classified by type of loans to customers

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Loans to customers		
Overdrafts	47,539	107,811
Loans	96,548,103	103,383,449
Hire purchase receivables	145,551,982	153,758,207
Finance lease receivables	-	9,359
Less: Deferred revenue	(18,984,571)	(19,084,739)
Advances received from finance lease receivables	-	(8,613)
Total loans to customers	223,163,053	238,165,474
Add: Accrued interest receivables and undue interest receivables	1,508,345	1,106,977
Total loans to customers and accrued interest receivables	224,671,398	239,272,451
Less: Allowance for expected credit losses	(10,763,391)	-
Allowance for doubtful accounts	-	(10,074,115)
Allowance for loss on debt restructuring	-	(7,343)
Loans to customers and accrued interest receivables - net	213,908,007	229,190,993

4.6.2 Classified by residency of debtors

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Loans to customers net of deferred revenue		
- Domestic	214,703,133	230,030,212
- Foreign	8,459,920	8,135,262
Total	223,163,053	238,165,474

4.6.3 Classified by loan classification

(Unit: Thousand Baht)

	As at 30 June 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets with no significant increase in credit risk (Performing)	187,915,151	3,388,073
Financial assets with significant increases in credit risk (Under-performing)	29,708,475	3,825,480
Financial assets that are credit-impaired (Non-performing)	7,047,772	1,965,239
Allowance established in excess	-	1,584,599
Total	224,671,398	10,763,391

(Unit: Thousand Baht)

	As at 31 December 2019		
	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 guidelines			
- Pass	217,488,690	175,206,431	2,438,575
- Special mention	16,491,289	15,191,241	2,352,268
- Sub-standard	2,927,707	2,389,220	1,037,284
- Doubtful	1,409,323	1,178,170	480,613
- Doubtful of loss	955,442	320,408	202,811
Allowance established in excess	-	-	3,562,564
Total	239,272,451	194,285,470	10,074,115

(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 the Bank does not deduct the collateral value from the outstanding loan balance).

(2) As at 31 December 2019, the provisions set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor. 5/2559 minimum requirement by a total of Baht 5,714 million. The Bank allocated Baht 2,151 million of the excess provision to specific provision for individual debtors and so combined with the minimum provision requirement of Baht 4,360 million, the total provision set aside in accordance with the BOT's requirement is Baht 6,511 million.

As at 31 December 2019

	Percentage of allowance for doubtful accounts set up (%)		
	Hire purchase	Loan against auto	Other loans ⁽⁴⁾
	receivables ⁽³⁾	license receivables ⁽³⁾	
Pass	0.72	1.87	1
Special mention	7.64	17.25	2
Sub-standard	26.35	39.13	100
Doubtful	31.89	39.13	100
Doubtful of loss	26.21	39.13	100

(3) 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 the BOT's minimum requirement to specific provision for individual debtors.

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

4.6.4 Classified by loan classification and type of debtors

As at 30 June 2020, loans to customers classified by loan classification and type of debtors are as follows:

(Unit: Million Baht)

	As at 30 June 2020							
	Hire purchase receivables		Loan against auto license				Total	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses	Loans to customers and accrued interest receivables	Allowance for expected credit losses	Loans to customers and accrued interest receivables	Allowance for expected credit losses	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets with no significant increase in credit risk (Performing)	103,257	1,324	23,322	670	61,336	1,394	187,915	3,388
Financial assets with significant increases in credit risk (Under-performing)	20,128	1,947	6,148	964	3,432	914	29,708	3,825
Financial assets that are credit-impaired (Non-performing)	4,097	985	1,287	464	1,664	516	7,048	1,965
Total	<u>127,482</u>	<u>4,256</u>	<u>30,757</u>	<u>2,098</u>	<u>66,432</u>	<u>2,824</u>	<u>224,671</u>	<u>9,178</u>
Allowance established in excess								<u>1,585</u>
Total								<u><u>10,763</u></u>

As at 31 December 2019, loans to customers classified by loan classification in accordance with the BOT's guidelines are as follows:

(Unit: Million Baht)

	As at 31 December 2019							
	Loan against auto license				Total			
	Hire purchase receivables		receivables		Other loans		Total	
	Debt balance	Allowance for doubtful accounts ⁽⁵⁾	Debt balance	Allowance for doubtful accounts ⁽⁵⁾	Debt balance	Allowance for doubtful accounts ⁽⁵⁾	Debt balance	Allowance for doubtful accounts ⁽⁵⁾
Pass	120,479	867	26,640	497	69,533	1,074	216,652	2,438
Special mention	11,569	883	2,965	511	1,688	958	16,222	2,352
Sub-standard	1,817	479	391	153	719	405	2,927	1,037
Doubtful	860	274	200	78	349	129	1,409	481
Doubtful of loss	121	32	79	31	755	140	955	203
Total	<u>134,846</u>	<u>2,535</u>	<u>30,275</u>	<u>1,270</u>	<u>73,044</u>	<u>2,706</u>	238,165	6,511
Accrued interest receivables							1,107	-
Allowance established in excess							-	3,563
Total							<u>239,272</u>	<u>10,074</u>

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

4.6.5 Hire purchase and finance lease receivables

As at 30 June 2020, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 126,739 million (31 December 2019: Baht 134,847 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 8 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 30 June 2020				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Financial assets that are credit-impaired (Non-performing)	
					Total
Gross investment in the agreements	35,096	71,593	30,769	8,093	145,551
Less: Deferred revenue ⁽⁶⁾	(5,462)	(8,679)	(556)	(4,115)	(18,812)
Present value of minimum lease pay from agreements (excluding accrued interest)	<u>29,634</u>	<u>62,914</u>	<u>30,213</u>	<u>3,978</u>	126,739
Allowance for expected credit losses					(4,256)
Net hire purchase and finance lease receivables					<u>122,483</u>

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

(Unit: Million Baht)

As at 31 December 2019					
Amounts of installments due under the long-term lease agreements					
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	45,748	93,957	7,412	6,651	153,768
Less: Deferred revenue ⁽⁶⁾	(5,868)	(8,866)	(325)	(3,853)	(18,912)
Advances received from finance lease receivables	(9)	-	-	-	(9)
Present value of minimum lease pay from agreements (excluding accrued interest)	39,871	85,091	7,087	2,798	134,847
Allowance for doubtful accounts ⁽⁵⁾					(2,535)
Net hire purchase and finance lease receivables					132,312

(5) This allowance for doubtful accounts includes the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

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

4.6.6 Loans to customers for which the recognition of interest income has been ceased

As at 31 December 2019, the Bank has loans to customers for which the recognition of interest income has been ceased according to the BOT's guidelines and internal criteria as follows:

As at 31 December 2019		
	Amounts calculated under BOT's guidelines ⁽⁸⁾	Amounts calculated under the Bank's policy
Loans to customers for which the recognition of interest income has been ceased ⁽⁷⁾	6,816	7,588

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

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

However, in order to align with the financial reporting standards which became effective on 1 January 2020, the Bank revised its accounting policy by cancelling the policy to cease the recognition of interest income. Therefore, as at 30 June 2020 the Bank does not have loans to customers for which the recognition of interest income has been ceased.

4.6.7 Troubled debt restructuring

As at 30 June 2020 and 31 December 2019, the Bank has outstanding balances with troubled debt restructuring debtors as follows:

(Unit: Million Baht)

	As at			
	30 June 2020		31 December 2019	
	Number of debtors	Outstanding balance (Million Baht)	Number of debtors	Outstanding balance (Million Baht)
Balance of restructured debts	11,503	3,155	10,615	2,109

4.7 Allowance for expected credit losses/allowance for doubtful accounts/allowance for loss on debt restructuring

4.7.1 Allowance for expected credit losses

As at 30 June 2020, the Bank has allowance for expected credit losses which is classified by type of financial assets as follows:

(Unit: Thousand Baht)

	For the six-month period ended 30 June 2020					
	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increases in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts/ allowance for impairment	Allowance established in excess	Total
Interbank and money market items (assets)						
Balance - beginning of period	-	-	-	-	-	-
Changes from revaluation of allowance for credit losses	323	-	-	-	-	323
Balance - end of period	323	-	-	-	-	323
Investments in debt instruments measured at fair value through other comprehensive income						
Balance - beginning of period	-	-	-	1,460	-	1,460
Changes due to the adoption of new financial reporting standards ⁽¹⁾	-	-	1,460	(1,460)	-	-
	-	-	1,460	-	-	1,460
Changes from revaluation of allowance for credit losses	-	-	25,000	-	-	25,000
Balance - end of period	-	-	26,460	-	-	26,460

(1) Beginning balance of allowance for doubtful accounts, measured in accordance with the rules of the BOT, is presented as 12-mth ECL and Lifetime ECL on TFRS9, without restatement of the comparative information.

(Unit: Thousand Baht)

For the six-month period ended 30 June 2020

	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increases in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts/ allowance for impairment	Allowance established in excess	Total
Investments in debt instruments measured at amortised cost						
Balance - beginning of period	-	-	-	12,437	-	12,437
Changes due to the adoption of new financial reporting standards ⁽¹⁾	-	-	12,437	(12,437)	-	-
	-	-	12,437	-	-	12,437
Changes from revaluation of allowance for credit losses	-	-	(226)	-	-	(226)
Balance - end of period	-	-	12,211	-	-	12,211
Loans to customers and accrued interest receivables						
Balance - beginning of period	-	-	-	6,511,551	3,562,564	10,074,115
Changes due to the adoption of new financial reporting standards ⁽¹⁾						
- Allocation of allowance for doubtful accounts	3,693,151	2,882,492	1,385,674	(6,511,551)	(1,449,766)	-
- Transfer allowance for loss on debt restructuring to allowance for expected credit losses	-	7,343	-	-	-	7,343
	3,693,151	2,889,835	1,385,674	-	2,112,798	10,081,458
Changes from transfers among stages	(92,152)	(184,321)	276,473	-	-	-
Changes from revaluation of allowance for credit losses	(508,479)	843,749	1,725,087	-	(528,199)	1,532,158
New financial assets	517,458	516,581	74,917	-	-	1,108,956
Derecognition	(221,905)	(240,364)	(75,620)	-	-	(537,889)
Write-off	-	-	(1,421,292)	-	-	(1,421,292)
Balance - end of period	3,388,073	3,825,480	1,965,239	-	1,584,599	10,763,391

(1) Beginning balance of allowance for doubtful accounts, measured in accordance with the rules of the BOT, is presented as 12-mth ECL and Lifetime ECL on TFRS9, without restatement of the comparative information.

The amount of allowance for expected credit losses (ECL) as at 1 January 2020 as determined in accordance with TFRS 9: Financial Instruments was lower than the amount of allowance for doubtful accounts as at 31 December 2019 as determined in accordance with the former accounting policy by Baht 2,113 million. Such amount will be released in quarterly amounts over 2 years under the straight-line method, in line with the BOT's guideline. As a result, as at 30 June 2020 the balance of allowance established in excess remained at Baht 1,585 million.

4.7.2 Allowance for doubtful accounts

As at 31 December 2019, the Bank has allowance for doubtful accounts and accrued interest receivables classified by receivable classification as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2019						Total
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Allowance established in excess	
Balance - beginning of year	2,512,050	3,194,214	1,268,714	586,227	531,021	2,951,428	11,043,654
Increase (decrease) in allowance for doubtful accounts during the year	(73,475)	(841,946)	(204,699)	1,419,687	1,531,388	611,136	2,442,091
Bad debts written-off	-	-	(26,731)	(1,525,301)	(1,859,598)	-	(3,411,630)
Balance - end of year	<u>2,438,575</u>	<u>2,352,268</u>	<u>1,037,284</u>	<u>480,613</u>	<u>202,811</u>	<u>3,562,564</u>	<u>10,074,115</u>

4.7.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

	For the six-month period ended 30 June 2020	For the year ended 31 December 2019
	Balance - beginning of period	7,343
Changes due to the adoption of new financial reporting standards	(7,343)	-
Amortisation during the period	-	(803)
Balance - end of period	<u>-</u>	<u>7,343</u>

4.8 Classification of assets

4.8.1 Classification of assets under the BOT's guidelines

As at 30 June 2020, classification of financial assets is as follows:

(Unit: Million Baht)

	As at 30 June 2020				Total
	Financial assets				
	Debt instruments measured at fair value through		Loans to customers and accrued interest receivables		
	Interbank and money market items	other comprehensive income ⁽¹⁾	Debt instruments measured at amortised cost		
Financial assets with no significant increase in credit risk (Performing)	32,188	9,507	-	187,915	229,610
Financial assets with significant increases in credit risk (Under-performing)	-	-	-	29,708	29,708
Financial assets that are credit-impaired (Non-performing)	-	51	12	7,048	7,111
Total	32,188	9,558	12	224,671	266,429

(1) Presented at an amount before deductions of allowance for changes in value and allowance for expected credit losses

As at 31 December 2019, the quality of the Bank's assets classified in accordance with the BOT's guidelines is as follows:

(Unit: Million Baht)

	As at 31 December 2019			Total
	Loan to customers ⁽²⁾	Investments in securities	Investments in receivables	
Pass	258,452	-	-	258,452
Special mention	16,222	-	-	16,222
Sub-standard	2,927	-	-	2,927
Doubtful	1,409	-	-	1,409
Doubtful of loss	955	42	12	1,009
Total	279,965	42	12	280,019

(2) Loans to customers include loans to financial institutions (which are presented as part of interbank and money market items - net (assets) in the statement of financial position).

4.8.2 Loans to customers with weak financial position and poor operating results

	Number of debtors		Debt balance		Collateral value		Allowance for expected credit losses/allowance for doubtful accounts provided in the accounts ⁽⁴⁾	
	as at		as at		as at		as at	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
				(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Listed companies vulnerable to delisting from the SET ⁽³⁾	1	1	502	513	315	467	501	513 ⁽⁵⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	8	8	716	862	456	236	50	10
Total	9	9	1,218	1,375	771	703	551	523

(3) The company is currently under rehabilitation.

(4) This allowance for doubtful accounts includes the allowance for doubtful accounts from assigning provision in excess of the BOT's minimum requirement to specific provision for individual debtors.

(5) This allowance for doubtful accounts includes the allowance for loss on debt restructuring.

4.9 Properties foreclosed

(Unit: Thousand Baht)

	For the six-month period ended 30 June 2020	For the year ended 31 December 2019
Acquisition of assets from debt repayment		
Immovable assets		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of period/year	-	11,713
Disposals	-	(11,713)
Balance - end of period/year	-	-
Movable assets		
Balance - beginning of period/year	13,980	4,375
Additions	1,480,813	2,469,656
Disposals	(1,472,562)	(2,460,051)
Balance - end of period/year	22,231	13,980
Total properties foreclosed	22,231	13,980
Less: Allowance for impairment		
Balance - beginning of period/year	277	11,871
Increase	147	553
Decrease	(181)	(12,147)
Balance - end of period/year	243	277
Total properties foreclosed - net	21,988	13,703

4.10 Investment properties

The book value of investment properties as at 30 June 2020 and 31 December 2019 is as follows:

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Book value - beginning of period/year	28,152	38,831
Transfer type of assets	-	(10,679)
Book value - end of period/year	<u>28,152</u>	<u>28,152</u>

The investment property of the Bank is an office condominium for rent and is stated at its fair value at the end of 2019. The fair value of investment properties is calculated using the asset appraisal method based on the market approach, which makes reference to data on assets in the market that are similar and comparable to the appraised assets. These valuations were made by an internal professional appraiser of the Bank that comply with valuation standards.

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

	As at	Result to fair value
	30 June 2020	where as an increase in assumption value
Estimated office condominium price rate (Baht/Sq.m.)	93,330 - 139,951	Increase in fair value

4.11 Premises and equipment

(Unit: Thousand Baht)

	Revaluation	Cost basis				Total
	basis					
	Office condominium and building improvements	Land	Buildings and building improvements	Furniture, fixtures, computers and equipment	Motor vehicles	
Cost:						
As at 1 January 2019	623,569	17,509	440,614	529,960	51,650	1,663,302
Additions/transfers in	10,679	-	21,942	32,505	7,595	72,721
Disposals/write-offs/transfers-out	-	-	(12,432)	(27,582)	(4,452)	(44,466)
As at 31 December 2019	634,248	17,509	450,124	534,883	54,793	1,691,557
Additions/transfers in	-	-	20,254	5,162	-	25,416
Disposals/write-offs/transfers-out	-	-	(23,330)	(77,477)	-	(100,807)
As at 30 June 2020	634,248	17,509	447,048	462,568	54,793	1,616,166
Accumulated depreciation:						
As at 1 January 2019	-	-	386,754	457,242	32,240	876,236
Depreciation for the year	10,265	-	22,844	26,627	7,019	66,755
Depreciation on disposals/ write-offs/transfers-out	-	-	(11,440)	(27,581)	(4,452)	(43,473)
As at 31 December 2019	10,265	-	398,158	456,288	34,807	899,518
Depreciation for the period	5,104	-	9,887	13,374	3,575	31,940
Depreciation on disposals/ write-offs/transfers-out	-	-	(22,680)	(75,048)	-	(97,728)
As at 30 June 2020	15,369	-	385,365	394,614	38,382	833,730
Net book value:						
As at 31 December 2019	623,983	17,509	51,966	78,595	19,986	792,039
As at 30 June 2020	618,879	17,509	61,683	67,954	16,411	782,436
Depreciation for the six-month periods ended 30 June:						
2019						34,039
2020						31,940

As at 30 June 2020 and 31 December 2019, the Bank has equipment which has been fully depreciated but is still in use with the gross carrying amount, before deducting accumulated depreciation and allowance for loss on impairment, of approximately Baht 687 million and Baht 755 million, respectively.

The Bank arranged for an independent professional appraiser to appraise the value of the office condominium in 2018, using the market approach.

Had the office condominiums been carried in the financial statements based on cost model, their net book value as at 30 June 2020 and 31 December 2019 would have been as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2020	31 December 2019
Office condominiums - net of accumulated depreciation	226,531	230,478

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

	As at	Result to fair value where as an increase in assumption value
	30 June 2020	in assumption value
Estimated office condominium price rate (Baht/Sq.m.)	82,960 - 181,475	Increase in fair value

4.12 Right-of-use assets

Movement of right-of-use assets for the six-month period ended 30 June 2020 is as follows:

	(Unit: Thousand Baht)
Cost	
Beginning balance as at 1 January 2020	-
Changes due to the adoption of new financial reporting standards	616,201
Beginning balance as at 1 January 2020 - after adjustment	616,201
Addition	1,424
Contract amendment	436
Contract termination	(15,008)
30 June 2020	603,053
Accumulated depreciation	
1 January 2020	-
Depreciation for the period	94,351
Depreciation on terminated contracts	(1,409)
30 June 2020	92,942
Net book value	
30 June 2020	510,111

4.13 Intangible assets

The book value of intangible assets - computer software as at 30 June 2020 and 31 December 2019 is presented as follows:

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Cost	860,975	860,032
Less: Accumulated amortisation	(725,123)	(678,103)
Net book value	<u>135,852</u>	<u>181,929</u>

A reconciliation of the net book value of intangible assets for the six-month period ended 30 June 2020 and for the year ended 31 December 2019 is presented as follows:

(Unit: Thousand Baht)

	For the six-month	For the year ended
	period ended	
	30 June 2020	31 December 2019
Net book value at beginning of period/year	181,929	267,014
Acquisitions of computer software	943	9,872
Amortisation	(47,020)	(94,957)
Net book value at end of period/year	<u>135,852</u>	<u>181,929</u>

As at 30 June 2020 and 31 December 2019, the Bank has computer software which has been fully amortised but is still in use with the gross carrying amount, before deducting accumulated amortisation and allowance for loss on impairment, of approximately Baht 381 million.

4.14 Other assets

(Unit: Thousand Baht)

As at

	30 June 2020	31 December 2019
Value added tax - net	168,748	386,145
Accrued interest receivables	25,008	11,334
Fee and service receivables	89,974	187,331
Deposits	61,598	62,476
Other receivables	256,485	515,506
Other assets	268,406	193,914
Total other assets	<u>870,219</u>	<u>1,356,706</u>

4.15 Deposits

4.15.1 Classified by type of deposits

(Unit: Thousand Baht)

As at

	30 June 2020	31 December 2019
Deposits		
Current accounts	3,328,692	3,013,919
Saving accounts	43,689,646	37,801,616
Fixed accounts		
- not over 6 months	14,207,770	19,248,789
- over 6 months but not over 1 year	33,374,479	33,399,669
- over 1 year	2,573,908	3,912,418
Certificates of deposit/negotiable certificates of deposit	<u>104,256,081</u>	<u>121,056,735</u>
Total	<u>201,430,576</u>	<u>218,433,146</u>

4.15.2 As at 30 June 2020 and 31 December 2019, all outstanding deposits are deposits from domestic depositors and are in Baht.

4.16 Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	As at					
	30 June 2020			31 December 2019		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand	-	1,179,300	1,179,300	-	-	-
Commercial banks	46,680	-	46,680	35,634	-	35,634
Specialised Financial Institutions	-	2,473,229	2,473,229	-	2,535,990	2,535,990
Other financial institutions	753,512	882,150	1,635,662	326,833	933,468	1,260,301
Total	800,192	4,534,679	5,334,871	362,467	3,469,458	3,831,925

4.17 Debts issued and borrowings

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
	<u>Domestic borrowings</u>	
Subordinated unsecured debentures	6,370,000	6,680,000
Unsubordinated unsecured debentures	6,540,000	12,000,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	12,946,919	18,716,919

4.17.1 Subordinated unsecured debentures

As at 30 June 2020 and 31 December 2019, the Bank has long-term subordinated unsecured debentures as follows:

Issued year	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
	30 June 2020	31 December 2019		30 June 2020	31 December 2019		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2015	-	1.00	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	1.00	1,000	1,000	1,000	2027	4.00 percent per annum
2017	0.60	0.60	1,000	600	600	2027	3.70 percent per annum
2019	1.20	1.20	1,000	1,200	1,200	2029	4.00 percent per annum
2019	1.20	1.20	1,000	1,200	1,200	2029	4.00 percent per annum
2020	0.69	-	1,000	690	-	2030	3.15 percent per annum
Total				6,370	6,680		

4.17.2 Unsubordinated unsecured debentures

As at 30 June 2020 and 31 December 2019, the Bank has short-term and long-term unsubordinated unsecured debentures as follows:

Issued year	Type of debentures	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
		30 June 2020	31 December 2019		30 June 2020	31 December 2019		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2018	Long-term debenture	2.00	12.00	1,000	2,000	12,000	2020	2.05 percent per annum
2020	Short-term debenture	2.32	-	1,000	2,320	-	2021	1.30 percent per annum
2020	Long-term debenture	2.22	-	1,000	2,220	-	2022	1.40 percent per annum
Total					6,540	12,000		

4.17.3 Bills of exchange

Bills of exchange comprise bills of exchange that mature at call and bear interest at a fixed rate of 2.50 percent per annum.

4.18 Lease liabilities

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Beginning balance as at 1 January 2020 from the adoption of new financial reporting standards	627,281	-
Increase during the period	1,443	-
Contract amendment	453	-
Paid during the period	(88,145)	-
Terminated during the period	(13,976)	-
Balance as at 30 June 2020	527,056	-
Less: Deferred interest expenses	(39,927)	-
Lease liabilities - net	487,129	-

The maturity analysis of lease liabilities of the Bank is presented below.

(Unit: Thousand Baht)

	As at 30 June 2020			
	Amount due for payment under the contract			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Undiscounted lease payments	135,864	311,537	79,655	527,056
Deferred interest expenses	(10,870)	(18,978)	(10,079)	(39,927)
Lease liabilities	124,994	292,559	69,576	487,129

The Bank had total cash outflows on leases for the six-month period ended 30 June 2020 of Baht 93 million.

4.19 Provisions

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Allowance for expected credit losses for loan commitments and financial guarantees	2,450	-
Provision for long-term employee benefits	775,238	709,830
Total provisions	777,688	709,830

4.19.1 Allowance for expected credit losses for loan commitments and financial guarantee contracts

As at 30 June 2020, allowance for expected credit losses on loan commitments and financial guarantee contracts by classification is as follows:

(Unit: Thousand Baht)

	As at 30 June 2020	
	Loan commitments and financial guarantee contracts	Allowance for expected credit losses
Financial assets with no significant increase in credit risk (Performing)	285,125	2,450
Financial assets with significant increases in credit risk (Under-performing)	-	-
Financial assets that are credit-impaired (Non-performing)	-	-
Total	285,125	2,450

Changes in allowance for expected credit losses on loan commitments and financial guarantees are as follows:

(Unit: Thousand Baht)

	As at 30 June 2020			Total
	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	
Beginning balance	-	-	-	-
Changes from revaluation of allowance for credit losses	2,450	-	-	2,450
Ending balance	2,450	-	-	2,450

4.19.2 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 30 June 2020 and 31 December 2019 is as follows:

(Unit: Thousand Baht)

	For the six-month period ended 30 June 2020	For the year ended 31 December 2019
	Defined post-employment benefit obligation at beginning of period/year	572,208
Current service cost	23,656	35,981
Interest cost	4,972	11,627
Past service cost	-	92,745
Benefits paid during the period/year	(2,053)	(13,490)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	9,334	82,613
Financial assumptions changes	155	89,748
Other assumptions changes	(1,245)	(13,387)
Defined post-employment benefit obligation at end of period/year	607,027	572,208
Other long-term benefits	168,211	137,622
Total provision for long-term employee benefits at end of period/year	775,238	709,830

Long-term employee benefit expenses included in the profit or loss for the three-month and six-month periods ended 30 June 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 30 June	
	2020	2019
Current service cost	16,454	10,602
Interest cost	2,985	3,454
Past service cost	-	30
Actuarial (gains) losses	(6,612)	12,825
Total employee benefit expenses	<u>12,827</u>	<u>26,911</u>

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2020	2019
Current service cost	32,078	21,204
Interest cost	5,960	6,908
Past service cost	-	92,745
Actuarial losses	24,935	12,825
Total employee benefit expenses	<u>62,973</u>	<u>133,682</u>

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Bank as at 30 June 2020 and 31 December 2019 amounted to Baht 246 million and Baht 239 million, respectively.

As at 30 June 2020 and 31 December 2019, the Bank expects to pay Baht 28 million and Baht 34 million, respectively, in contributions to its provision for long-term employee benefits during the next year.

As at 30 June 2020 and 31 December 2019, the weighted average duration of the liabilities for long-term employee benefits is 17 years.

Significant actuarial assumptions are summarised below.

	(Unit: Percent per annum)	
	As at	
	30 June 2020	31 December 2019
Discount rate	0.49 - 2.47	1.25 - 2.25
Average salary increase rate	5.00	5.00

The results of sensitivity analysis for significant assumptions that affect (increase or decrease) the present value of the employee benefit obligation as at 30 June 2020 and 31 December 2019 are summarised below.

(Unit: Thousand Baht)

	As at			
	30 June 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
Discount rate	(20,804)	19,561	(18,680)	19,556
Average salary increase rate	18,876	(20,265)	18,919	(18,181)

4.20 Other liabilities

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Withholding income tax and other tax payables	261,450	317,795
Accrued insurance premium	171,009	272,811
Deferred income	1,462,940	1,614,941
Accrued expenses	2,427,246	2,679,322
Suspense creditors	1,029,520	1,014,778
Other liabilities	309,775	344,781
Total other liabilities	<u>5,661,940</u>	<u>6,244,428</u>

The above accrued expenses include accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses include costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is continuously set aside for payment five years later. It is paid in cash and determined based on the average daily price of the parent company's shares over the period of five years from grant date to settlement date. As of 30 June 2020 the Bank has issued bonus under this scheme amounting to Baht 181 million.

4.21 Preference shares converted to ordinary shares

Up to 30 June 2020 and 31 December 2019, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 30 June 2020 and 31 December 2019, there are preference shares which are convertible to ordinary shares totaling 104 shares.

4.22 Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain capital adequacy ratio in accordance with the regulations of the BOT.

The Bank maintains capital adequacy ratio in compliance with Basel III principles by implementing capital to risk assets requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, loan against auto license receivables, corporate lending, car inventory financing loans, equity exposure and other assets.

Regarding Capital funds as at 30 June 2020 and 31 December 2019, the Bank has allocated the additional reserve from classification as part of regulatory capital funds. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under the BOT's regulation.

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

	(Unit: Thousand Baht)	
	As at	
	30 June 2020	31 December 2019
<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	17,278,545	17,277,459
Other components of equity	314,156	304,899
Less: Deductions from Common Equity Tier I items	<u>(569,386)</u>	<u>(1,080,464)</u>
Total Common Equity Tier I capital	29,766,015	29,244,594
<u>Financial Instrument Tier I capital</u>		
Issued and fully paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	<u>29,766,016</u>	<u>29,244,595</u>

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Tier II capital		
Long-term subordinated debentures	6,370,000	6,680,000
Surplus of provision	600,940	749,945
Reserve for loans classified as pass	326,936	542,598
Total Tier II capital	7,297,876	7,972,543
Total capital funds	37,063,892	37,217,138

(Unit: Percent)

Capital fund ratios	As at			
	30 June 2020		31 December 2019	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	17.64	7.00	17.37	7.00
Tier I capital to risk assets	17.64	8.50	17.37	8.50
Total capital to risk assets	21.96	11.00	22.10	11.00

To comply with the Notification of the BOT No. Sor Nor Sor. 14/2562 regarding “Public Disclosure of Capital Maintenance for Commercial Banks (No. 2)”, the Bank will disclose capital maintenance information as at 30 June 2020 on its website (www.tisco.co.th) within October 2020.

4.23 Other components of equity

4.23.1 Surplus (deficit) on valuation in available-for-sale investments

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Balance - beginning of period	(1,703)	(6,828)
Changes due to the adoption of new financial reporting standards	1,703	-
Balance - beginning of period after adjustment	-	(6,828)
Increase from changes in value of investments during the period	-	5,125
	-	(1,703)
Add: Effect of deferred tax assets	-	341
Balance - end of period	-	(1,362)

4.23.2 Surplus on valuation in investments in debt securities at fair value through other comprehensive income

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Balance - beginning of period	-	-
Changes due to the adoption of new financial reporting standards	4,618	-
Balance - beginning of period after adjustment	4,618	-
Increase from changes in value of investments during the period	6,409	-
	11,027	-
Add: Effect of deferred tax assets	(2,206)	-
Balance - end of period	8,821	-

4.23.3 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)

	As at	
	30 June 2020	31 December 2019
Balance - beginning of period	382,828	385,154
Transfer to retained earnings	(1,158)	(2,326)
	381,670	382,828
Less: Effect of deferred tax liabilities	(76,335)	(76,567)
Balance - end of period	305,335	306,261

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

4.24 Interest income

Interest income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
Interbank and money market items	76,761	154,615	169,115	364,616
Investments in debt securities	24,564	43,146	53,211	76,896
Loans to customers	1,993,933	1,999,312	4,131,281	3,954,607
Hire purchase and finance lease	1,699,592	1,916,708	3,647,879	3,846,585
Total interest income	<u>3,794,850</u>	<u>4,113,781</u>	<u>8,001,486</u>	<u>8,242,704</u>

Interest income for the three-month and six-month periods ended 30 June 2020 consisted of interest income on impaired financial assets amounting to Baht 147 million and Baht 288 million, respectively. The Bank recognised expected credit losses on which at the amount that fully covers this interest income.

4.25 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
Deposits	714,150	795,995	1,521,609	1,537,763
Interbank and money market items	3,488	1,917	7,139	4,135
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	137,715	269,184	272,443	548,125
Issued debt securities				
- Subordinated debentures	65,871	67,826	133,697	137,932
- Unsubordinated debentures	41,320	108,998	94,511	279,843
Borrowings	226	227	454	452
Others	1,440	-	6,571	-
Total interest expenses	<u>964,210</u>	<u>1,244,147</u>	<u>2,036,424</u>	<u>2,508,250</u>

4.26 Net fee and service income

Net fee and service income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
Fee and service income				
- Acceptance, aval and guarantees	2,070	1,890	3,504	3,287
- Insurance service	154,204	467,679	519,074	911,304
- Management	350	370	708	663
- Financial advisory	1,688	9,000	3,875	9,000
- Others	188,429	224,058	388,371	465,315
Total fee and service income	346,741	702,997	915,532	1,389,569
Fee and service expenses	(15,944)	(20,183)	(35,001)	(39,731)
Net fee and service income	330,797	682,814	880,531	1,349,838

4.27 Net gains on financial instruments measured at fair value through profit or loss

Net gains on financial instruments measured at fair value through profit or loss for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	806	-	(14,491)	-
- Equity securities	4,111	-	16,045	-
- Debt securities	260	-	(800)	-
Total	5,177	-	754	-

4.28 Net gains on trading and foreign exchange transactions

Net gains on trading and foreign exchange transactions in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	-	11,193	-	(5,699)
- Derivatives on interest rates	-	(12)	-	4
- Debt securities	-	7,388	-	13,542
Net gains on trading and foreign exchange transactions	-	18,569	-	7,847

4.29 Net gains (losses) on investments

Net gains (losses) on investments in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
Gains on disposal				
- Debt instruments measured at fair value through other comprehensive income	1,385	-	1,385	-
- Debt instruments measured at amortised cost	1,982	-	3,326	-
- Available-for-sale investments	-	17	-	17
- Held-to-maturity debt securities	-	4,194	-	7,073
Total	3,367	4,211	4,711	7,090
Allowance for losses on impairment				
- General investments	-	(7,867)	-	(5,789)
Total	-	(7,867)	-	(5,789)
Net gains (losses) on investments	3,367	(3,656)	4,711	1,301

4.30 Other operating income

Other operating income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
Gains on disposal of properties				
foreclosed	4,504	8,134	9,717	25,548
Dividend income	1,188	1,094	29,983	29,689
Others	5,765	10,744	29,530	27,090
Total	<u>11,457</u>	<u>19,972</u>	<u>69,230</u>	<u>82,327</u>

4.31 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
Mailing expenses	11,715	11,436	25,564	25,674
Software amortisation expenses	23,506	23,632	47,019	47,037
Legal expenses relating to the business	69,939	77,318	138,187	146,869
Transportation expenses	9,438	18,199	27,175	36,894
Expenses related to the repossession and the disposal of repossessed assets	13,508	15,551	30,825	32,945
Advertising and business promotion expenses	36,877	34,022	63,637	48,220
Others	39,685	55,884	60,596	89,214
Total	<u>204,668</u>	<u>236,042</u>	<u>393,003</u>	<u>426,853</u>

4.32 Expected credit losses

Expected credit losses and gains or losses from the modification of terms of financial assets for the three-month and six-month periods ended 30 June 2020 and 2019 are as follows:

(Unit: Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
Interbank and money market items	(143)	-	323	-
Investments in debt instruments				
measured at amortised cost	-	-	(226)	-
Investments in debt instruments measured at fair value through other comprehensive income	21,681	-	25,000	-
Loans to customers				
- Expected credit losses	515,708	-	1,273,616	-
- Losses from the modification of terms	29,542	-	57,539	-
Total	566,788	-	1,356,252	-
Loan commitments and financial guarantees	1,605	-	2,450	-
Total	568,393	-	1,358,702	-

4.33 Bad debts, doubtful accounts and impairment losses

Bad debts, doubtful accounts and impairment losses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
Interbank and money market items	-	-	-	-
Held-to-maturity debt securities (reversal)	-	(763)	-	(835)
Loans to customers (reversal)	-	(9,322)	-	94,833
Total	-	(10,085)	-	93,998

4.34 Income tax expenses

Income tax expenses of the Bank for the three-month and six-month periods ended 30 June 2020 and 2019 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
Current income tax:				
Income tax expenses for the period	113,127	336,674	113,127	769,624
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	109,669	20,522	356,352	(86,826)
Income tax expenses reported in the statement of comprehensive income	222,796	357,196	469,479	682,798

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
Losses (gains) on valuation in investments in debt instruments at fair value through other comprehensive income	750	-	(1,282)	-
Gains on valuation in available-for-sale investments	-	(511)	-	(976)
Actuarial losses	1,649	19,112	1,649	19,112
Income tax expenses recorded directly to other comprehensive income	2,399	18,601	367	18,136

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the three-month and six-month periods ended 30 June 2020 and 2019 is as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
Accounting profit before tax	1,093,677	1,791,185	2,337,780	3,437,210
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	218,735	358,237	467,556	687,442
Tax effect of net tax-exempt income and net disallowed expenses	4,061	(1,041)	1,923	(4,644)
Income tax expenses reported in the statement of comprehensive income	222,796	357,196	469,479	682,798

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	As at		Changes in deferred tax assets/deferred tax liabilities reported in profit or loss for the six-month periods ended 30 June	
	30 June 2020	31 December 2019	2020	2019
Allowance for doubtful accounts	316,920	712,513	(395,593)	59,357
Allowance for expected credit losses	5,555	-	5,555	-
Allowance for impairment of investments	13,080	13,125	(45)	991
Allowance for impairment of properties foreclosed	49	55	(6)	(2,316)
Non-accrual of interest income	11,652	33,209	(21,557)	383
Depreciation of assets	(34,552)	(41,143)	6,591	(8,701)
Finance leases	-	(12)	12	19
Gains on changes in fair value of investment properties	-	-	-	2,983
Surplus on revaluation of assets	(76,335)	(76,565)	-	-
Deficit on changes in value of investments	(2,206)	340	-	-
Unrealised (gain) loss on derivatives	-	(214)	214	(1,811)
Gains on changes in value of investments in securities	(108,489)	-	160	-
Deferred commission and direct expenses incurred at the initiation of hire purchase	(521,230)	(583,651)	62,421	(29,710)
Unearned interest income on hire purchase	180,442	197,238	(16,796)	26,515
Accrued expenses	346,225	346,225	-	-
Employee benefit expenses	155,048	141,966	11,433	26,218
Others	130,315	139,056	(8,741)	12,898
Deferred tax assets	416,474	882,142	(356,352)	86,826

4.35 Components of other comprehensive income

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
Other comprehensive income				
Investments in debt instruments:				
Gains (losses) during the period	(2,367)	-	7,794	-
Less: Reclassification adjustments for gains included in profit or loss	(1,385)	-	(1,385)	-
	(3,752)	-	6,409	-
Available-for-sale investments:				
Gains during the period	-	2,574	-	4,898
Less: Reclassification adjustments for gains included in profit or loss	-	(17)	-	(17)
	-	2,557	-	4,881
Actuarial losses	(8,244)	(95,562)	(8,244)	(95,562)
Other comprehensive income (losses)	(11,996)	(93,005)	(1,835)	(90,681)
Income tax effects	2,399	18,601	367	18,136
Other comprehensive income for the period (losses)	(9,597)	(74,404)	(1,468)	(72,545)

4.36 Earnings per share

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

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
	Profit attributable to equity holders of the Bank (Thousand Baht)	870,881	1,433,989	1,868,301
Weighted average number of shares (Thousand shares)	921,568	921,568	921,568	921,568
Basic earnings per share (Baht/share)	0.94	1.56	2.03	2.99

4.37 Related party transactions

The relationships between the Bank and its related parties

Name of related parties	Relationship
TISCO Financial Group Plc.	Parent company
TISCO Securities Co., Ltd.	Common shareholders
TISCO Asset Management Co., Ltd.	Common shareholders
TISCO Investment Advisory Securities Co., Ltd. (In the process of liquidation)	Related company
Hi-Way Co., Ltd.	Common shareholders
TISCO Insurance Solution Co., Ltd.	Common shareholders
TISCO Information Technology Co., Ltd.	Common shareholders
TISCO Learning Center Co., Ltd.	Common shareholders
All-Ways Co., Ltd.	Common shareholders
Primus Leasing Co., Ltd. (In the process of liquidation)	Common shareholders
TISCO Tokyo Leasing Co., Ltd.	Common shareholders

As at 30 June 2020 and 31 December 2019, the balances of accounts between the Bank and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2020	31 December 2019
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	95,805	1,098,238
Lease liabilities	35,121	-
Accrued interest payable	7	210
Dividend payable	-	4,100,464
Other liabilities	126,458	120,398
Related companies		
Other assets:		
TISCO Insurance Solution Co., Ltd.	15,333	15,417
TISCO Securities Co., Ltd.	206	199
TISCO Asset Management Co., Ltd.	5,203	3,009
Hi-Way Co., Ltd.	900	2,280
Deposits:		
Hi-Way Co., Ltd.	142,622	113,782
TISCO Insurance Solution Co., Ltd.	301,550	553,781
TISCO Information Technology Co., Ltd.	436,984	295,531
TISCO Learning Center Co., Ltd.	26,914	42,813
All-Ways Co., Ltd.	214,770	211,551
Primus Leasing Co., Ltd.	32,897	32,898
TISCO Tokyo Leasing Co., Ltd.	1,584	4,186

(Unit: Thousand Baht)

As at

	30 June 2020	31 December 2019
Related companies (continued)		
Lease liabilities:		
TISCO Securities Co., Ltd.	1,254	-
Hi-Way Co., Ltd.	3,139	-
Interbank and money market items (Liabilities):		
TISCO Securities Co., Ltd.	173,042	98,020
TISCO Asset Management Co., Ltd.	15,383	64,335
TISCO Investment Advisory Securities Co., Ltd.	-	23,888
Accrued interest payable:		
TISCO Securities Co., Ltd.	-	3
TISCO Asset Management Co., Ltd.	1	80
TISCO Investment Advisory Securities Co., Ltd.	-	1
Hi-Way Co., Ltd.	6	7
TISCO Insurance Solution Co., Ltd.	156	223
TISCO Information Technology Co., Ltd.	497	69
TISCO Learning Center Co., Ltd.	4	128
All-Ways Co., Ltd.	99	236
TISCO Tokyo Leasing Co., Ltd.	-	1
Other liabilities:		
Hi-Way Co., Ltd.	197,590	175,092
TISCO Insurance Solution Co., Ltd.	19,996	38,623
TISCO Learning Center Co., Ltd.	2,536	1,723
TISCO Securities Co., Ltd.	27	-
Companies with common directors		
Deposits	53,698	60,803
Commitments - Guarantees:		
Parent company		
TISCO Financial Group Plc.	1,040	1,040
Related companies		
TISCO Securities Co., Ltd.	540	540
TISCO Asset Management Co., Ltd.	440	440
TISCO Insurance Solution Co., Ltd.	200	200
TISCO Information Technology Co., Ltd.	1,014	1,014
Commitments - Undrawn overdraft facilities		
Related companies		
TISCO Securities Co., Ltd.	30,000	30,000

Loans to related companies

As at 30 June 2020 and 1 January 2020, the balances of loans between the Bank and its related companies and their movements are as follows:

	(Unit: Thousand Baht)			
	As at			As at
	1 January 2020	Increase	Decrease	30 June 2020
Parent companies				
Loans				
TISCO Financial Group Plc.	-	8,000	(8,000)	-

During the period, the Bank had significant business transactions with related parties. Such transactions, which are summarised below, were concluded on bases agreed upon between the Bank and those related parties.

	(Unit: Thousand Baht)				
	For the three-month periods		For the six-month periods		
	ended 30 June		ended 30 June		
	2020	2019	2020	2019	Terms and pricing policies
<u>Transactions occurred during the periods</u>					
Parent company					
Other income	125	125	276	458	With reference to the terms and prices as offered to other customers
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	378,500	378,395	757,000	777,011	Determined on actual cost in compliance with the criteria specified by the BOT
Interest expenses	1,647	1,836	2,549	4,686	With reference to the terms and prices as offered to other customers
Other expenses	2,508	2,508	5,017	5,017	With reference to the terms and prices as offered to other customers

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods		Terms and pricing policies
	ended 30 June		ended 30 June		
	2020	2019	2020	2019	
Related companies					
Interest income	-	2,348	-	4,970	With reference to the terms and prices as offered to other customers
Income involving loans	-	27	-	74	With reference to the terms and prices as offered to other customers
Other income	28,849	28,314	60,677	56,096	With reference to the terms and prices as offered to other customers
Expenses involving loans	193,600	121,050	376,400	235,200	Determined on actual cost
Computer system advisory service expenses	176,250	157,000	352,500	314,000	Determined on actual cost in compliance with the criteria specified by the BOT
Training expenses	2,541	12,668	13,097	20,058	With reference to the prices as offered from other service providers
Interest expenses	1,631	3,683	3,460	6,108	With reference to the terms and prices as offered to other customers
Other expenses	1,061	1,045	2,189	3,394	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
	Loans ⁽¹⁾	1,729

(1) Including employee welfare loans and normal loans

Liabilities payable to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
	Deposits	65,076

Directors and management's benefits

During the three-month and six-month periods ended 30 June 2020 and 2019, the Bank had short-term benefit expenses paid to its directors and key management during the periods and other employee benefit expenses payable to its directors and management as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
Short-term benefits	22	21	43	42
Post-employment benefits	4	4	8	7
Total	26	25	51	49

4.38 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 Chairperson of the Executive Board.

For management purposes, the Bank is organised into business units based on its products and services and has the following three reportable segments:

1. Retail banking business: Provision of credit facilities to retail customers, who are mostly individuals, principally comprised of consumer credit.
2. Corporate banking business: Provision of financial services, in the form of loans and related services, to medium and large corporate clients for commercial purposes and related services.
3. Treasury investment and other businesses: Responsible for asset and liability management activities of the Bank and other businesses.

No operating segments have been aggregated from the above reportable operating segment.

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 in which operating expenses are allocated on a basis of loans and operating income of each segment. However, the Bank's 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 Bank operates 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 three-month and six-month periods ended 30 June 2020 and 2019, the Bank did not have income from any customer amounting to or over 10 percent of its income.

The following tables present revenue and profit information regarding the Bank's operating segments for the three-month and six-month periods ended 30 June 2020 and 2019, respectively.

(Unit: Million Baht)

	For the three-month period ended 30 June 2020					
	Retail banking	Corporate banking	Treasury investment and others	Total segments	Eliminations	Financial statements
Revenue						
External customers	2,902	282	44	3,228	-	3,228
Inter-segment	-	-	560	560	(560)	-
Total revenue	<u>2,902</u>	<u>282</u>	<u>604</u>	<u>3,788</u>	<u>(560)</u>	<u>3,228</u>
Operating results:						
Net interest income	2,536	255	40	2,831	-	2,831
Net fee and service income	308	26	(3)	331	-	331
Other operating income	58	1	567	626	(560)	66
Total operating income	<u>2,902</u>	<u>282</u>	<u>604</u>	<u>3,788</u>	<u>(560)</u>	<u>3,228</u>
Premises and equipment expenses and amortisation	(66)	(5)	(266)	(337)	-	(337)
Other operating expenses	(1,384)	(106)	(299)	(1,789)	560	(1,229)
Expected credit losses	(827)	9	250	(568)	-	(568)
Total operating expenses	<u>(2,277)</u>	<u>(102)</u>	<u>(315)</u>	<u>(2,694)</u>	<u>560</u>	<u>(2,134)</u>
Segment profit before income tax expenses	625	180	289	1,094	-	1,094
Income tax expenses						(223)
Profit for the period						<u>871</u>

(Unit: Million Baht)

For the three-month period ended 30 June 2019

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Eliminations	Financial statements
Revenue						
External customers	3,180	341	132	3,653	-	3,653
Inter-segment	-	-	905	905	(905)	-
Total revenue	3,180	341	1,037	4,558	(905)	3,653
Operating results:						
Net interest income	2,440	298	132	2,870	-	2,870
Net fee and service income	654	31	(2)	683	-	683
Other operating income	86	12	907	1,005	(905)	100
Total operating income	3,180	341	1,037	4,558	(905)	3,653
Premises and equipment expenses and amortisation	(77)	(6)	(249)	(332)	-	(332)
Other operating expenses	(1,646)	(139)	(660)	(2,445)	905	(1,540)
Bad debts, doubtful accounts and impairment losses	(407)	(2)	419	10	-	10
Total operating expenses	(2,130)	(147)	(490)	(2,767)	905	(1,862)
Segment profit before income tax expenses	1,050	194	547	1,791	-	1,791
Income tax expenses						(357)
Profit for the period						1,434

(Unit: Million Baht)

For the six-month period ended 30 June 2020

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Eliminations	Financial statements
Revenue						
External customers	6,289	596	139	7,024	-	7,024
Inter-segment	-	-	1,293	1,293	(1,293)	-
Total revenue	6,289	596	1,432	8,317	(1,293)	7,024
Operating results:						
Net interest income	5,313	556	96	5,965	-	5,965
Net fee and service income	832	54	(5)	881	-	881
Other operating income	144	(14)	1,341	1,471	(1,293)	178
Total operating income	6,289	596	1,432	8,317	(1,293)	7,024
Premises and equipment expenses and amortisation	(144)	(11)	(524)	(679)	-	(679)
Other operating expenses	(2,937)	(227)	(777)	(3,941)	1,293	(2,648)
Expected credit losses	(1,894)	31	504	(1,359)	-	(1,359)
Total operating expenses	(4,975)	(207)	(797)	(5,979)	1,293	(4,686)
Segment profit before income tax expenses	1,314	389	635	2,338	-	2,338
Income tax expenses						(470)
Profit for the period						1,868

(Unit: Million Baht)

For the six-month period ended 30 June 2019

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Eliminations	Financial statements
Revenue						
External customers	6,348	622	343	7,313	-	7,313
Inter-segment	-	-	1,872	1,872	(1,872)	-
Total revenue	6,348	622	2,215	9,185	(1,872)	7,313
Operating results:						
Net interest income	4,866	564	304	5,734	-	5,734
Net fee and service income	1,304	49	(3)	1,350	-	1,350
Other operating income	178	9	1,914	2,101	(1,872)	229
Total operating income	6,348	622	2,215	9,185	(1,872)	7,313
Premises and equipment expenses and amortisation	(152)	(12)	(487)	(651)	-	(651)
Other operating expenses	(3,338)	(272)	(1,393)	(5,003)	1,872	(3,131)
Bad debts, doubtful accounts and impairment losses	(806)	31	681	(94)	-	(94)
Total operating expenses	(4,296)	(253)	(1,199)	(5,748)	1,872	(3,876)
Segment profit before income tax expenses	2,052	369	1,016	3,437	-	3,437
Income tax expenses						(683)
Profit for the period						2,754

The following tables present total assets information regarding the Bank's operating segments as at 30 June 2020 and 31 December 2019.

(Unit: Million Baht)

	As at 30 June 2020			Total segments
	Retail banking	Corporate banking	Treasury	
			investment and others	
Segment total assets	187,268	35,933	37,148	260,349
Premises and equipment - net	36	2	744	782

(Unit: Million Baht)

	As at 31 December 2019			Total segments
	Retail banking	Corporate banking	Treasury	
			investment and others	
Segment total assets	204,831	33,495	46,962	285,288
Premises and equipment - net	38	6	748	792

4.39 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank 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 fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the six-month periods ended 30 June 2020 and 2019, the Bank recognised contributions as expenses totaling Baht 79 million and Baht 73 million, respectively.

4.40 Commitments and contingent liabilities

4.40.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	30 June 2020	31 December 2019
Other guarantees	467,234	482,094
Undrawn client overdraft facilities	48,404	76,439
Foreign exchange contracts (Note 4.41.5)	1,190,269	917,044
Others	364,735	578,509
Total	<u>2,070,642</u>	<u>2,054,086</u>

4.40.2 Litigation

As at 30 June 2020 and 31 December 2019, the Bank has been sued for compensation totaling approximately Baht 332 million and Baht 313 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

4.40.3 Other commitments

- a) The Bank has 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 Bank has entered into several lease agreements in respect of the lease of office buildings and branch offices. The terms of the agreements are generally 1 - 15 years.

As at 30 June 2020 and 31 December 2019, the Bank has future minimum lease payments required under the non-cancellable operating lease contracts as follows:

(Unit: Million Baht)

	As at	
	30 June 2020	31 December 2019
Payable within:		
Not over 1 year	-	142
Over 1 to 5 years	-	108
Over 5 years	-	32

- c) The Bank has provided warranties in accordance with the terms of an agreement, related to the sale of a personal loan portfolio. The warranties cover a period of 3 years after the transfer date, to be expired in 2021.

4.41 Risk management

4.41.1 Credit risk

Credit Risk is defined as the possibility that the obligor or borrower will be unable to comply with the terms and conditions of agreements, causing them to be unable to settle liabilities to the Bank when due or to deliberately breach the terms of payment to the Bank. If this occurs without collateral coverage, the Bank will need to increase its bad debt provisions, adversely impacting the net income and capital of the Bank.

Credit Risk Management Framework

The Risk Management Committee has been appointed to oversee credit risk management of the corporate portfolio. The committee is responsible for formulating credit risk strategies and establishing guidelines and limits, as well as advising other credit risk authorities on related issues. It also monitors and reviews credit risks at the portfolio level and reports essential credit risk information to the Board. In addition, the Risk Oversight Committee is to advise the Board of Directors on the risk governance framework to ensure that top management and heads of risk management functions comply with the Board of Directors' approved risk management policy, strategies, and risk appetites, while reviewing the sufficiency and effectiveness of the overall risk management policy and strategies. The Risk Oversight Committee is also to report to the Board of Directors on risk exposures and to participate in evaluation of the performance of the heads of the risk management functions.

Specific-area credit risk authorities include the Credit Committee and the Problem Loan Committee, which are established to oversee credit risk management and control at in-depth transaction level. The Credit Committee is responsible for reviewing and granting credit approvals to any single client proposed by lending officers, and may delegate its authority to designated persons for lower-risk transactions. The Problem Loan Committee was set up to monitor and follow up overdue payments of problem loan accounts and foreclosed assets on a regular basis.

The credit risk assessment processes are key practices of the Bank and include credit rating, credit analysis, delinquency analysis, concentration analysis and risk capital analysis. The Bank is aware of the importance of the credit risk assessment process and so all credit activities must operate under a sound credit approval process in which an effective credit rating system is employed. In the retail lending area, quantitative-oriented approaches to credit grading are implemented, considering homogenous high-volume characteristics at the portfolio level. In the corporate lending area, qualitative-oriented credit grading approaches are employed, taking into account the widely varying risk profiles.

Concentration risk is another key factor in credit portfolio risk management. Appropriate guidelines are set to control credit concentration, taking into account appropriateness to and alignment with business practices and the Bank's capital. In addition, the Bank uses credit risk management guidelines and limits that are comprehensively and strictly applied to all credit-related functions both at the portfolio and transactional levels, as well as monitoring and managing problem loan and foreclosed assets.

The maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for recognised and unrecognised financial instruments. The maximum exposure is shown gross before both the effect of mitigation through use of master netting and collateral arrangements.

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their net carrying amount.

For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantees are called upon. For loan commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

As at 30 June 2020 and 31 December 2019, the maximum exposure to credit risk are as follows:

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Interbank and money market items (Assets)	32,188	44,050
Investments in debt instruments measured at fair value through other comprehensive income	9,543	-
Available-for-sale debt investments	-	7,463
Loans to customers and accrued interest	213,908	229,191
Total financial assets	255,639	280,704
Loan commitments	285	549
Total credit risk exposure	255,924	281,253

Credit quality analysis

Credit risk refers to the risk that a customer or a counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank has adopted the policy to prevent this risk by performing credit analysis from customers' information and follow-up on customer status consistently.

The table below shows the credit quality of financial assets exposed to credit risk, the amounts presented for financial assets are gross carrying amount (before impairment allowances). For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

(Unit: Million Baht)

	As at 30 June 2020			
	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
Interbank and money market items (Assets)				
Investment grade	32,188	-	-	32,188
Non-investment grade	-	-	-	-
Total	32,188	-	-	32,188
Less: Allowance for expected credit losses	-	-	-	-
Net book value	32,188	-	-	32,188
Investments in debt securities measured at amortised cost				
Investment grade	-	-	-	-
Non-investment grade	-	-	12	12
Total	-	-	12	12
Less: Allowance for expected credit losses	-	-	(12)	(12)
Net book value	-	-	-	-
Investments in debt securities measured fair value through other comprehensive income				
Investment grade	9,517	-	-	9,517
Non-investment grade	-	-	26	26
Total	9,517	-	26	9,543
Allowance for expected credit losses	-	-	26	26

(Unit: Million Baht)

	As at 30 June 2020			
	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
Loans to customers and accrued interest receivables				
0 day overdue	176,570	11,354	1,045	188,969
1 - 30 days overdue	11,345	6,309	354	18,008
31 - 60 days overdue	-	8,531	111	8,642
61 - 90 days overdue	-	3,514	84	3,598
Over 90 days overdue	-	-	5,454	5,454
Total	187,915	29,708	7,048	224,671
Less: Allowance for expected credit losses ⁽¹⁾	(3,388)	(3,825)	(1,965)	(9,178)
Net book value	184,527	25,883	5,083	215,493
Loan commitments				
0 day overdue	285	-	-	285
1 - 30 days overdue	-	-	-	-
31 - 60 days overdue	-	-	-	-
61 - 90 days overdue	-	-	-	-
Over 90 days overdue	-	-	-	-
Total	285	-	-	285
Allowance for expected credit losses	2	-	-	2

(1) The amount excludes allowance established in excess.

Quality of risk from provision of hire purchase receivables of the Bank, which comprises the largest portion of credit granted by the Bank, is as detailed below.

The risk of hire purchase credit that is not overdue of the Bank 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 2.0% of the balance.

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

(Unit: Million Baht)

	As at	
	30 June 2020	31 December 2019
Neither past due nor impaired		
Very high grade	53,495	56,241
High grade	45,361	52,635
Medium grade	4,401	11,603
Subtotal	103,257	120,479
Hire purchase receivables - overdue for 31 to 90 days	20,128	11,569
Hire purchase receivables - overdue for more than 90 days	4,097	2,798
Total	127,482	134,846

Collateral and any operations to increase creditability

The Bank has held collateral and any operations to increase creditability of exposure to credit risk. The details of the collateral held by the Bank for each type of financial assets are as follows:

(Unit: Million Baht)

	Exposure to risk with collateral	
	as at 30 June 2020	Type of collateral
Interbank and money market items	30,101	Bonds
Loans to customers and accrued interest receivables	211,677	Motor vehicles, lands and buildings, deposits, securities

4.41.2 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 Bank. In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. The Bank 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.

4.41.2.1 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 Bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

	Market risk as at	
	30 June 2020	31 December 2019
Marketable financial assets		
Equity securities	1	-
Debt securities	9	4

4.41.2.2 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 Bank 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	
	30 June 2020	31 December 2019
Change in interest rate		
Increase by 1 percent	185.31	170.75
Decrease by 1 percent	(185.31)	(170.75)

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.

4.41.2.3 Interest rate risk

The Bank has the following significant exposures to interest rate risk related to financial instruments.

(Unit: Million Baht)

As at 30 June 2020				
Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	1,160	1,160
Interbank and money market items - net	-	30,103	2,085	32,188
Financial assets measured at fair value through profit or loss	-	-	758	758
Derivatives assets	-	-	27	27
Investments - net	-	5,602	3,941	9,543
Loans to customers	34,964	180,020	9,687	224,671
	<u>34,964</u>	<u>215,725</u>	<u>17,658</u>	<u>268,347</u>
<u>Financial liabilities</u>				
Deposits	46,386	154,412	633	201,431
Interbank and money market items	483	4,545	307	5,335
Liabilities payable on demand	-	-	195	195
Debts issued and borrowings	-	12,947	-	12,947
Lease liabilities	-	487	-	487
	<u>46,869</u>	<u>172,391</u>	<u>1,135</u>	<u>220,395</u>

(Unit: Million Baht)

As at 31 December 2019				
Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	1,099	1,099
Interbank and money market items - net	-	42,101	1,949	44,050
Derivatives assets	-	-	22	22
Investments - net	-	2,745	4,927	7,672
Loans to customers	25,960	203,199	10,113	239,272
	<u>25,960</u>	<u>248,045</u>	<u>18,110</u>	<u>292,115</u>
<u>Financial liabilities</u>				
Deposits	40,148	177,617	668	218,433
Interbank and money market items	227	3,500	105	3,832
Liabilities payable on demand	-	-	307	307
Debts issued and borrowings	-	18,717	-	18,717
	<u>40,375</u>	<u>199,834</u>	<u>1,080</u>	<u>241,289</u>

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

(Unit: Million Baht)

As at 30 June 2020							
Transactions	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market							
items - net	1	30,102	-	-	-	30,103	0.4988
Investments - net	-	1,748	3,851	3	-	5,602	2.1321
Loans to customers	3,992	10,228	33,709	91,570	40,521	180,020	7.4503
	<u>3,993</u>	<u>42,078</u>	<u>37,560</u>	<u>91,573</u>	<u>40,521</u>	<u>215,725</u>	
Financial liabilities							
Deposits							
Interbank and money market	1,283	72,728	80,044	357	-	154,412	1.4688
items	-	754	374	3,417	-	4,545	0.3108
Debts issued and borrowings	37	2,000	2,320	2,220	6,370	12,947	2.7184
Lease liabilities	-	-	125	292	70	487	2.6134
	<u>1,320</u>	<u>75,482</u>	<u>82,863</u>	<u>6,286</u>	<u>6,440</u>	<u>172,391</u>	

(Unit: Million Baht)

As at 31 December 2019							
Transactions	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market							
items - net	1	42,100	-	-	-	42,101	1.2468
Investments - net	-	2,131	611	3	-	2,745	1.6729
Loans to customers	4,077	15,443	40,963	116,730	25,986	203,199	7.3397
	<u>4,078</u>	<u>59,674</u>	<u>41,574</u>	<u>116,733</u>	<u>25,986</u>	<u>248,045</u>	
Financial liabilities							
Deposits							
Interbank and money market	4,716	89,955	82,251	695	-	177,617	1.7799
items	63	736	368	2,333	-	3,500	0.4409
Debts issued and borrowings	37	-	12,000	-	6,680	18,717	2.5911
	<u>4,816</u>	<u>90,691</u>	<u>94,619</u>	<u>3,028</u>	<u>6,680</u>	<u>199,834</u>	

4.41.3 Liquidity risk

Liquidity risk is uncertainty that the Bank 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, which could result in damages to the Bank. 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 Bank and regulatory requirement. On the other hand, the 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 Bank'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, the Bank 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 Bank has set stress testing scenarios for liquidity risk where the scenarios cover the Bank's specific scenarios and industry-based scenarios, which cause unusual cash outflow from the Bank.

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

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 comprise current deposit and saving deposits. Both current deposits and saving deposits are considered to be more stable than term deposits in terms of cash outflow.

4.41.3.1 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at	
	30 June 2020	31 December 2019
Composition of highly liquid assets		
Cash	1,160	1,099
Interbank and money market items - net	32,188	44,050
Current investments - net	9,518	7,466
Total highly liquid assets ⁽¹⁾	<u>42,866</u>	<u>52,615</u>
Liquid asset requirement ⁽¹⁾	29,708	38,862

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

The Bank has a policy in maintaining the highly liquid assets higher than the internal liquid asset requirement. As at 30 June 2020 and 31 December 2019, the Bank has highly liquid assets higher than the internal liquid asset requirement. In addition, the Bank has operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

4.41.3.2 Counting from the financial statement date, as at 30 June 2020 and 31 December 2019, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

As at 30 June 2020								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Financial assets that are credit-impaired (Non-performing)	Total
Financial assets								
Cash	1,160	-	-	-	-	-	-	1,160
Interbank and money market items - net	2,086	30,102	-	-	-	-	-	32,188
Financial instruments measured at fair value through profit or loss	-	-	-	-	-	758	-	758
Derivatives assets	-	-	27	-	-	-	-	27
Investments - net	2	4,159	5,378	4	-	-	-	9,543
Loans to customers	3,412	12,011	37,582	108,415	56,421	-	6,830	224,671
	<u>6,660</u>	<u>46,272</u>	<u>42,987</u>	<u>108,419</u>	<u>56,421</u>	<u>758</u>	<u>6,830</u>	<u>268,347</u>
Financial liabilities								
Deposits	48,302	72,728	80,044	357	-	-	-	201,431
Interbank and money market items	790	754	374	3,417	-	-	-	5,335
Liabilities payable on demand	195	-	-	-	-	-	-	195
Debts issued and borrowings	37	2,000	2,320	2,220	6,370	-	-	12,947
Lease liabilities	-	-	125	292	70	-	-	487
	<u>49,324</u>	<u>75,482</u>	<u>82,863</u>	<u>6,286</u>	<u>6,440</u>	<u>-</u>	<u>-</u>	<u>220,395</u>
Commitments and contingent liabilities								
Avals to bills and guarantees of loans	-	20	22	13	-	412	-	467
Other commitments	-	-	1,212	343	-	48	-	1,603

(Unit: Million Baht)

As at 31 December 2019								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing loans	Total
Financial assets								
Cash	1,099	-	-	-	-	-	-	1,099
Interbank and money market items - net	1,950	42,100	-	-	-	-	-	44,050
Derivatives assets	-	22	-	-	-	-	-	22
Investments - net	-	5,798	1,662	3	-	209	-	7,672
Loans to customers	3,769	16,418	43,825	134,281	35,687	-	5,292	239,272
	<u>6,818</u>	<u>64,338</u>	<u>45,487</u>	<u>134,284</u>	<u>35,687</u>	<u>209</u>	<u>5,292</u>	<u>292,115</u>
Financial liabilities								
Deposits	45,532	89,955	82,251	695	-	-	-	218,433
Interbank and money market items	395	736	368	2,333	-	-	-	3,832
Liabilities payable on demand	307	-	-	-	-	-	-	307
Debts issued and borrowings	37	-	12,000	-	6,680	-	-	18,717
	<u>46,271</u>	<u>90,691</u>	<u>94,619</u>	<u>3,028</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>241,289</u>
Commitments and contingent liabilities								
Avals to bills and guarantees of loans	2	1	32	21	-	426	-	482
Other commitments	-	917	90	489	-	76	-	1,572

The Bank will disclose the Bank's Liquidity Coverage Ratio as at 30 June 2020 via the Bank's website within October 2020.

4.41.4 Commodity Price Risk

This is the risk that income or capital is adversely affected by changes in commodity price. The Bank has no policy to hold such position.

4.41.5 Derivatives

The Bank has a policy to enter into transactions involving financial derivatives instruments for trading.

As at 30 June 2020 and 31 December 2019, the Bank has trading financial derivatives instruments for trading (foreign exchange contracts) as follows:

The Bank entered into foreign exchange contracts to manage the risk associated with its financial assets as follows:

(Unit: Million Baht)

As at 30 June 2020		
Maturity	Notional amount	Fair value gain
2021	1,190	27

(Unit: Million Baht)

As at 31 December 2019		
Maturity	Notional amount	Fair value gain
2020	917	22

4.42 Fair value of financial instruments - Fair value hierarchy

As at 30 June 2020 and 31 December 2019, the Bank has assets and liabilities that are measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 30 June 2020				Total
	Book value	Fair value			
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Financial assets measured at fair value through profit or loss					
Equity securities	758	2	-	756	758
Derivatives					
Foreign exchange contract	27	-	27	-	27
Investments - Debt securities	9,543	-	9,543	-	9,543
Assets measured at fair value					
Investment properties	28	-	-	28	28
Office condominiums	619	-	-	619	619
Financial assets for which fair value is disclosed					
Cash	1,160	1,160	-	-	1,160
Interbank and money market items - net	32,188	2,087	30,101	-	32,188
Loans to customers and accrued interest receivables	215,493 ⁽¹⁾	-	47,879	171,509	219,388
Financial liabilities for which fair value is disclosed					
Deposits	201,431	47,018	154,413	-	201,431
Interbank and money market items	5,335	790	4,545	-	5,335
Liabilities payable on demand	195	195	-	-	195
Debts issued and borrowings	12,947	-	12,544	-	12,544
Lease liabilities	487	-	487	-	487

(1) Book value of loans to customers and accrued interest receivables presented before deduction of excess provision amounting to Baht 1,585 million.

(Unit: Million Baht)

	As at 31 December 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivatives					
Foreign exchange contract	22	-	22	-	22
Available-for-sale investments					
Equity securities	3	3	-	-	3
Debt securities	7,463	-	7,463	-	7,463
Assets measured at fair value					
Investment properties	28	-	-	28	28
Office condominiums	624	-	-	624	624
Financial assets for which fair value is disclosed					
Cash	1,099	1,099	-	-	1,099
Interbank and money market items - net	44,050	2,240	41,810	-	44,050
General investments	206	-	-	756	756
Loans to customers and accrued interest receivables	232,754 ⁽¹⁾	-	53,810	183,822	237,632
Financial liabilities for which fair value is disclosed					
Deposits	218,433	40,816	177,617	-	218,433
Interbank and money market items	3,832	332	3,500	-	3,832
Liabilities payable on demand	307	307	-	-	307
Debts issued and borrowings	18,717	-	18,801	-	18,801

(1) Book value of loans to customers and accrued interest receivables presented before deduction of excess provision amounting to Baht 3,563 million.

During the current period, there were no transfers within the fair value hierarchy.

5. Dividend payment

On 10 April 2020, the Board of Director's Meeting of the Bank passed a resolution approving an interim dividend payment of Baht 1.06 per share from the operating results of the year 2019 to ordinary and preference shareholders listed in the share register as at 28 April 2020. The Bank has paid dividend on 7 May 2020.

6. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 11 August 2020.