

TISCO Bank Public Company Limited
Report and financial statements
For the three-month and six-month periods ended
30 June 2014



EY Office Limited
33rd Floor, Lake Rajada Office Complex
193/136-137 Rajadapisek Road
Klongtoey, Bangkok 10110
G.P.O.Box 1047, Bangkok 10501, Thailand
Tel: +66 2264 9090
Fax: +66 2264 0789-90
ey.com

บริษัท สำนักงาน อีวาย จำกัด
ชั้น 33 อาคารเลครัชดา
193/136-137 ถนนรัชดาภิเษก
คลองเตย กรุงเทพฯ 10110
ต.ป.ณ. 1047 กรุงเทพฯ 10501
โทรศัพท์: +66 2264 9090
โทรสาร: +66 2264 0789-90
ey.com

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying financial statements of TISCO Bank Public Company Limited, which comprise the statement of financial position as at 30 June 2014, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 30 June 2014, its financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

Report on Review of Interim Financial Information

I have reviewed the accompanying statement of comprehensive income for the three-month period ended 30 June 2014 of TISCO Bank Public Company Limited. Management is responsible for the preparation and presentation of this interim statement of comprehensive income in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim statement of comprehensive income based on my review.

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 statement of comprehensive income for the three-month period ended 30 June 2014 is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 8 August 2014

TISCO Bank Public Company Limited

Statement of financial position

As at 30 June 2014

(Unit: Thousand Baht)

	Note	30 June 2014	31 December 2013
Assets			
Cash		1,093,236	1,130,135
Interbank and money market items - net	3.1	29,129,912	52,777,951
Derivatives assets	3.2	22,690	28,220
Investments - net	3.3, 3.7	16,068,880	10,029,363
Loans to customers and accrued interest receivables	3.5, 3.7		
Loans to customers		293,006,911	307,220,484
Accrued interest receivables		391,745	493,055
Total loans to customers and accrued interest receivables		293,398,656	307,713,539
Less: Deferred revenue		(23,858,179)	(26,394,058)
Less: Allowance for doubtful accounts	3.6	(6,114,782)	(5,774,792)
Loans to customers and accrued interest receivables - net		263,425,695	275,544,689
Property foreclosed - net	3.7, 3.8	104,610	114,923
Investment properties	3.9	16,067	16,067
Premises and equipment - net	1.3, 3.10	767,723	742,371
Intangible assets - net	3.11	184,084	39,821
Other assets	3.12	1,646,485	1,606,168
Total assets		312,459,382	342,029,708

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 2014

(Unit: Thousand Baht)

	Note	30 June 2014	31 December 2013
Liabilities and shareholders' equity			
Liabilities			
Deposits	3.13	227,352,221	265,547,495
Interbank and money market items - net	3.14	14,587,840	12,283,394
Liability payable on demand		594,847	344,864
Derivatives liabilities	3.2	5,083	310,945
Debts issued and borrowings	3.15	40,675,319	36,955,619
Provision for long-term employee benefits	3.16	164,861	144,553
Deferred tax liabilities	3.30	34,451	119,720
Accrued interest payable		1,249,825	1,627,704
Income tax payable		382,774	302,283
Dividend payable		-	655,337
Other liabilities	3.17	3,926,217	4,165,434
Total liabilities		288,973,438	322,457,348

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 2014

	Note	30 June 2014	31 December 2013
(Unit: Thousand Baht)			
Shareholders' equity			
Share capital			
Registered	5.1		
104 preference shares of Baht 10 each (31 December 2013: 104 shares of Baht 10 each)		1	1
921,567,588 ordinary shares of Baht 10 each (31 December 2013: 819,171,178 shares of Baht 10 each)		9,215,676	8,191,712
		<u>9,215,677</u>	<u>8,191,713</u>
Issued and paid-up			
104 preference shares of Baht 10 each (31 December 2013: 104 shares of Baht 10 each)		1	1
921,567,588 ordinary shares of Baht 10 each (31 December 2013: 819,171,178 shares of Baht 10 each)		9,215,676	8,191,712
		<u>9,215,677</u>	<u>8,191,713</u>
Share premium on ordinary shares		2,543,024	1,120,738
Other components of shareholders' equity		256,096	244,503
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		10,487,147	9,031,406
		<u>23,485,944</u>	<u>19,572,360</u>
Total shareholders' equity			
		<u>312,459,382</u>	<u>342,029,708</u>

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



Mrs. Oranuch Apisaksirikul
(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 2014

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

	Note	2014	2013
Interest income	3.22	4,537,810	4,422,426
Interest expenses	3.23	(2,327,173)	(2,429,933)
Net interest income		2,210,637	1,992,493
Fee and service income		813,586	732,076
Fee and service expenses		(14,384)	(19,665)
Net fee and service income	3.24	799,202	712,411
Net gains on tradings and foreign exchange transactions	3.25	12,143	22,124
Net gains on investments	3.26	15,528	10,142
Penalty fee income from loans		75,597	65,864
Income from business promotion relating to the hire purchase business		77,797	179,170
Other operating income	3.28	45,520	40,000
Total operating income		3,236,424	3,022,204
Expenses from business promotion relating to the hire purchase business		80,592	217,574
Total net operating income		3,155,832	2,804,630
Operating expenses			
Employee's expenses		422,535	412,708
Directors' remuneration		-	40
Premises and equipment expenses		201,615	186,116
Taxes and duties		53,678	50,691
Intercompany supporting fee expenses	3.34	270,178	244,299
Other operating expenses	3.29	158,933	115,361
Total operating expenses		1,106,939	1,009,215
Bad debt, doubtful accounts and impairment losses	3.27	1,101,567	697,899
Profit from operating before income tax expenses		947,326	1,097,516
Income tax expenses	3.30	186,732	219,889
Profit for the period		760,594	877,627

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 2014

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

	Note	2014	2013
		<u> </u>	<u> </u>
Other comprehensive income	3.31		
Losses on valuation in available-for-sale investments		(4,140)	(1,988)
Actuarial gains (losses)		(14,143)	3,918
Income tax effect	3.30, 3.32	3,657	(385)
Other comprehensive income for the period		<u>(14,626)</u>	<u>1,545</u>
Total comprehensive income for the period		<u><u>745,968</u></u>	<u><u>879,172</u></u>
Earnings per share			
Basic earnings per share	3.33	<u>0.90</u>	<u>1.15</u>

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 2014

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

	Note	2014	2013
Interest income	3.22	9,209,711	8,559,844
Interest expenses	3.23	(4,922,597)	(4,695,466)
Net interest income		4,287,114	3,864,378
Fee and service income		1,674,197	1,701,739
Fee and service expenses		(31,132)	(41,130)
Net fee and service income	3.24	1,643,065	1,660,609
Net gains on trading and foreign exchange transactions	3.25	29,465	20,725
Net gains on investments	3.26	21,629	19,442
Penalty fee income from loans		154,498	126,910
Income from business promotion relating to the hire purchase business		165,048	513,764
Other operating income	3.28	79,613	68,965
Total operating income		6,380,432	6,274,793
Expenses from business promotion relating to the hire purchase business		188,744	608,101
Total net operating income		6,191,688	5,666,692
Operating expenses			
Employee's expenses		843,766	945,687
Directors' remuneration		-	160
Premises and equipment expenses		388,869	381,797
Taxes and duties		106,165	97,175
Intercompany supporting fee expenses	3.34	531,305	552,605
Other operating expenses	3.29	309,454	250,005
Total operating expenses		2,179,559	2,227,429
Bad debt, doubtful accounts and impairment losses	3.27	2,186,968	1,543,088
Profit from operating before income tax expenses		1,825,161	1,896,175
Income tax expenses	3.30	359,487	377,773
Profit for the period		1,465,674	1,518,402

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 2014

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

	Note	2014	2013
Other comprehensive income	3.31		
Gains (losses) on valuation in available-for-sale investments		16,217	(3,401)
Actuarial gains (losses)		(14,143)	3,918
Income tax effect	3.30, 3.32	(414)	(103)
Other comprehensive income for the period		<u>1,660</u>	<u>414</u>
Total comprehensive income for the period		<u><u>1,467,334</u></u>	<u><u>1,518,816</u></u>
Earnings per share			
Basic earnings per share	3.33	<u><u>1.76</u></u>	<u><u>2.04</u></u>

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 2014**

	(Unit: Thousand Baht)	
	2014	2013
Cash flows from operating activities		
Profit before income tax	1,825,161	1,896,175
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	52,522	67,935
Bad debt and doubtful accounts	2,685,866	1,942,880
Allowance for impairment of investments (reversal)	358	(1,203)
Allowance for impairment of property foreclosed	72	571
Gain on disposal of investments in securities	(21,988)	(19,811)
Gain on disposal of equipment	(1,351)	(843)
Loss on written-off of equipment	10	-
Loss on written-off of intangible assets	53	-
Unrealised (gain) loss on foreign exchange transactions and trading derivatives	13,987	(7,331)
(Gain) loss on disposal of property foreclosed	(10,208)	6,892
Employee benefit (income) expenses	11,339	(1,786)
(Increase) decrease in accrued income	(1,104)	24,827
Increase in accrued expenses	194,572	173,952
Net interest income	(4,287,114)	(3,864,378)
Dividend income	(61,657)	(61,318)
Cash received on interest income	9,381,563	8,520,940
Cash paid on interest expenses	(4,630,240)	(3,860,408)
Cash received on dividend income	59,745	59,761
Cash received (paid) on income tax expenses	(364,679)	12,962
Profit from operating activities before changes in operating assets and liabilities	4,846,907	4,889,817
Operating assets (increase) decrease		
Interbank and money market items	23,643,039	(1,160,562)
Loans to customers	7,560,318	(32,955,169)
Property foreclosed	1,419,426	1,414,825
Other assets	(147,674)	(115,508)
Operating liabilities increase (decrease)		
Deposits	(38,195,274)	20,310,189
Interbank and money market items	2,304,447	4,627,171
Liability payable on demand	249,982	(185,027)
Short-term debts issued and borrowings	5,319,700	4,546,071
Provision for long-term employee benefits	(5,174)	(6,046)
Other liabilities	(1,000,972)	(769,674)
Net cash flows from operating activities	5,994,725	596,087

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

TISCO Bank Public Company Limited**Cash flow statement (continued)****For the six-month period ended 30 June 2014**

	(Unit: Thousand Baht)	
	2014	2013
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(14,040,657)	(3,482,297)
Cash received from disposal of investment in securities held for investment	8,038,970	2,209,596
Cash paid for purchase of equipment	(67,060)	(44,343)
Cash paid for purchase of intangible assets	(155,141)	(2,624)
Cash received from disposal of equipment	1,351	852
Net cash flows used in investing activities	(6,222,537)	(1,318,816)
Cash flows from financing activities		
Long-term debts issued and borrowings	-	(3,200)
Cash received from issuance of long-term debentures	2,400,000	-
Cash paid for redemption of long-term debentures	(4,000,000)	-
Cash received from increase in share capital	2,446,250	1,900,478
Dividend paid	(655,337)	(1,237,859)
Net cash flows from financing activities	190,913	659,419
Net decrease in cash	(36,899)	(63,310)
Cash at beginning of the period	1,130,135	1,045,647
Cash at end of the period	1,093,236	982,337
	-	-

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

TISCO Bank Public Company Limited

Statement of changes in shareholders' equity

For the six-month period ended 30 June 2014

(Unit: Thousand Baht)

Note	Issued and fully paid-up		Share premium on ordinary shares	Other components of shareholders' equity			Retained earnings		Total
	Preference shares	Ordinary shares		Surplus (deficit) on change in value of available-for-sale investments	Surplus on revaluation of assets	Total other components of shareholders' equity	Appropriated	Unappropriated	
Balance as at 1 January 2013	1	7,281,521	130,451	3,383	-	3,383	984,000	6,804,322	15,203,678
Increase ordinary share capital	-	910,191	990,287	-	-	-	-	-	1,900,478
Total comprehensive income for the period	-	-	-	(2,721)	-	(2,721)	-	1,521,536	1,518,815
Balance as at 30 June 2013	1	8,191,712	1,120,738	662	-	662	984,000	8,325,858	18,622,971
Balance as at 1 January 2014	1	8,191,712	1,120,738	5,733	238,770	244,503	984,000	9,031,406	19,572,360
Increase ordinary share capital	5.1	1,023,964	1,422,286	-	-	-	-	-	2,446,250
Total comprehensive income for the period	-	-	-	12,974	-	12,974	-	1,454,360	1,467,334
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(1,381)	(1,381)	-	1,381	-
Balance as at 30 June 2014	1	9,215,676	2,543,024	18,707	237,389	256,096	984,000	10,487,147	23,485,944

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

TISCO Bank Public Company Limited

Notes to financial statements

For the three-month and six-month periods ended 30 June 2014

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

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 11/2553 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 3 December 2010, which is effective for fiscal years beginning on or after 1 January 2011.

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.

No consolidated financial statements of the Bank and its subsidiary (TISCO Securities Hong Kong Limited) have been prepared since TISCO Financial Group Public Company Limited, a parent company with registered office located at 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok, has already presented the consolidated financial statements. Therefore, the Bank presented only the separate financial statements.

1.2 New accounting standards

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Accounting standards that became effective in the current accounting year

Accounting standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates

TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets
Financial Reporting Standards:	
TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments
Accounting Standard Interpretations:	
TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs
Financial Reporting Standard Interpretations:	
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

The management of the Bank has assessed the effect of the above accounting standard, financial reporting standard, accounting standard interpretation and financial reporting standard interpretations and believes that they will not have any significant impact on the financial statements for the year when they are initially applied, except, TSIC 29, TFRIC 1, TFRIC 5, TFRIC 7, TFRIC 12, TFRIC 17 and TFRIC 18, which are not relevant to the business of the Bank.

b) Accounting standards that will become effective in the future

The Federation of Accounting Professions issued the Financial Reporting Standard TFRS 4: Insurance Contracts, which is effective for fiscal years beginning on or after 1 January 2016. The management of the Bank already assessed and believes that it is not relevant to the business of the Bank.

1.3 Change in accounting estimation and the recording of depreciation of revalued assets

At the end of 2013, the Bank changed its accounting policy regarding measurement of premises and equipment as it relates to office condominiums, switching from the previously applied cost model to the revaluation model, and at the same time had the useful lives of its office condominiums estimated by an independent professional appraiser. In this regard, effective from 1 January 2014, the Bank has changed remaining useful lives of office condominiums from 4 - 13 years to 20 years in order to align with the estimated useful lives of the assets determined using a prospective method. The effect of the change in the estimated useful lives is expected to increase profit after tax for the year 2014 by Baht 23 million and increase basic earnings per share by Baht 0.03 per share. In addition, the change has an effect on profit after tax and basic earnings per share for the current accounting period as follows:

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

	For the three-month period ended 30 June 2014	For the six-month period ended 30 June 2014
Increase in profit after tax	6	11
Increase in basic earnings per share	0.01	0.01

The effect of the change in the accounting policy of the Bank regarding measurement of premises and equipment as it relates to office condominiums, from the previously applied cost model to the revaluation model to the financial statements for the year 2014 is to decrease profit after tax by approximately Baht 14 million and decrease basic earnings per share by Baht 0.02 per share. The changes were the result of increasing value of the asset base used for determining depreciation to fair value. In addition, the change has an effect on profit after tax and basic earnings per share for the current accounting period as follows:

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

	For the three-month period ended 30 June 2014	For the six-month period ended 30 June 2014
Decrease in profit after tax	(4)	(7)
Decrease in basic earnings per share	(0.004)	(0.01)

The net effect of the change from the previously applied cost model to the revaluation model and in the estimations of useful lives to the financial statements for the year 2014 is to increase profit after tax by approximately Baht 9 million and increase basic earnings per share by Baht 0.01 per share. In addition, the change has an effect on profit after tax and basic earnings per share for the current accounting period as follows:

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

	For the three-month period ended 30 June 2014	For the six-month period ended 30 June 2014
Increase in profit after tax	2	4
Increase in basic earnings per share	0.003	0.005

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

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

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

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

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

b) Interest and dividends on investment in securities

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

- c) Gains (losses) on trading in securities

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

- d) Fee and service income

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

1.4.2 Expense recognition

- a) Interest expenses

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

- b) Commissions and direct expenses of the hire purchase business

The Bank recorded the initial commissions and direct expenses arising in respect of hire purchase contracts originated from 1 January 2007 by the effective interest rate method, and deducted them from deferred revenue over the installment period to reflect the effective rate of return of hire purchase agreements, and recorded them as expenses when occurred for hire purchase contract originated before 1 January 2007.

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" in the statements of financial position and the securities purchased are used as collateral.

Under securities purchase 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.

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

1.4.4 Investments

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

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

1.4.5 Investments in receivable purchased or transferred in

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

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

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 deducted from loans to customers.

Hire purchase and financial 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 contract and advances received from financial lease receivable.

1.4.7 Allowance for doubtful accounts and losses from troubled debt restructuring

- a) The Bank provides allowance for doubtful accounts and losses arising from troubled debt restructuring in accordance with the Notifications of the Bank of Thailand ("BOT") and adjusts these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

For all loans to customers classified as pass and special mentioned, except for hire purchase receivables that are classified as pass and special mentioned, 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 receivable, respectively.

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

For hire purchase receivables that are classified as pass, special mentioned and non-performing hire purchase receivables, the Bank uses a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.

The Bank has already set provision for all loans to customers in accordance with the BOT's Notifications issued on 3 August 2008.

- b) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- c) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the allowance for doubtful accounts in the period of recovery.

1.4.8 Troubled debt restructuring

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

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, 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 recorded differences between the fair value of receivables, and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.4.9 Property foreclosed

Property foreclosed represents assets transferred in respect of loans and hire purchase receivables on which the debtors had defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transferred date, not exceed the legally claimable amount of outstanding debt) and 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 property foreclosed in accordance with the notifications of the Bank of Thailand and the management's estimates.

The Bank will recognise loss on impairment in profit or loss. And gains or losses from disposal of property 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 gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period 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 a revaluation of the Bank's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Surplus on revaluation of assets". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Bank's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Surplus on revaluation of assets" in respect of the same asset.

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

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

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

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

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

No depreciation is provided on land and assets under installation.

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

1.4.12 Intangible assets

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

The Bank amortised intangible assets with finite lives on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The Bank reviewed the amortisation period 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 amortised over the following estimated useful lives:

- | | |
|--|---|
| The license agreements specified number of year of usage | - according to the period of license agreement by the straight-line basis |
| The license agreements not specified number of year of usage | - 5 years by the straight-line basis |
| No license agreements | - 3 years by the sum-of-the-year-digits method |

1.4.13 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 periods 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 will be available against which such deductible deferred tax assets can be utilised. The Bank recognises deferred tax liabilities for all taxable temporary differences.

Deferred tax assets/liabilities are calculated based on the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax legislation that have been enacted at the end of reporting period.

The Bank records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

At the end of 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 profit will be available to allow all or part of the deferred tax assets to be utilised.

1.4.14 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.

Impairment losses are recognised in profit or loss.

1.4.15 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 where 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 - i.e. when the obligation specified in the contract is discharged or cancelled or expired.

1.4.16 Foreign currencies

The financial statement is 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 Bank of Thailand at the end of reporting period.

Gains and losses on exchange are included in determining income.

1.4.17 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 expense 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 this expense and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting date and any increase or decrease in the expense 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 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 gains or losses arising from post-employment benefits are recognised immediately in other comprehensive income.

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

1.4.18 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.

1.4.19 Derivatives and hedge accounting

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

The Bank has recorded derivatives held for trading in fair value method. The Bank records gains (losses) from changes in the fair value of derivatives which is stated 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.

The Bank has recorded derivatives for cash flow hedged by using hedge accounting, as follow:

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in shareholders’ equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in profit or loss.

1.4.20 Financial instruments

a) Financial risk management

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

b) Fair value of financial instruments

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

In determining the fair value of financial instruments, the estimate fair value will be adjusted by reserve with respective risk. For financial instruments with duration of one year or less, the book value represents a reasonable estimate of fair value. For financial instruments with duration greater than one year, fair value was determined based on the quoted market prices, where available, or otherwise based on present values of contractual cash flows, discounted using rate at which 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 financial statements approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

- Loans to customers and accrued interest, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- The fair value of derivatives is derived from the quoted market price, or based on generally accepted pricing models when no market price is available.

1.4.21 Offsetting financial assets and financial liabilities

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

1.4.22 Significant accounting judgments and estimates

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

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

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

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quote market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Impairment of investments

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

Investment properties

The Bank presents investment properties at the fair value estimated by an independent appraiser, and recognises changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the income approach because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 3.9.

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.

At the end of 2013, the Bank measures office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the income approach for buildings. The valuation involves certain assumptions and estimates.

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

Deferred tax assets

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

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

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

Leases

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

Litigation

The Bank has contingent liabilities as a result of litigation. The Bank's management has used judgment 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 reporting period.

2. General information

2.1 The Bank's information

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 commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 30 June 2014, the Bank has 59 branches in Thailand.

2.2 Share capital

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

2.3 Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Bank is required to set aside to a statutory reserve at least 5 percent of its net income 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.

2.4 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.

2.5 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Bank, whether directly or indirectly, or which are under common control with the Bank. They also include associated companies and individuals 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 reference to the terms and price as charged to other customers.

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at					
	30 June 2014			31 December 2013		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	2,765,729	-	2,765,729	3,120,483	800,000	3,920,483
Commercial banks	260,013	24,801,000	25,061,013	239,303	44,400,000	44,639,303
Specialised financial institutions	319	1,000,000	1,000,319	761	3,700,000	3,700,761
Other financial institutions	-	300,000	300,000	-	500,000	500,000
Total	3,026,061	26,101,000	29,127,061	3,360,547	49,400,000	52,760,547
Add: Accrued interest	-	4,384	4,384	-	25,397	25,397
Less: Allowance for doubtful accounts	-	(3,000)	(3,000)	-	(8,000)	(8,000)
Total domestic	3,026,061	26,102,384	29,128,445	3,360,547	49,417,397	52,777,944
<u>Foreign</u>						
US Dollar	1,467	-	1,467	7	-	7
Total	1,467	-	1,467	7	-	7
Add: Accrued interest	-	-	-	-	-	-
Total foreign	1,467	-	1,467	7	-	7
Total domestic and foreign	3,027,528	26,102,384	29,129,912	3,360,554	49,417,397	52,777,951

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

(Unit: Million Baht)

Securities purchase under resale agreements
according to private repurchase transactions

as at

	30 June 2014	31 December 2013
Commercial banks	25,800	47,800

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

Fair value of securities received as collateral

as at

	30 June 2014	31 December 2013
Commercial banks	25,700	47,873

3.2 Derivatives

The Bank entered into interest rate swap agreements and cross currency swap agreements to manage the risk associated with its loan to customers, as follows:

(Unit: Thousand Baht)

Type of risk	As at					
	30 June 2014			31 December 2013		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	21,724	32	3,257,610	-	310,945	3,315,434
Interest rate	966	5,051	900,000	28,220	-	2,274,303
Total	22,690	5,083	4,157,610	28,220	310,945	5,589,737

All counterparties of these derivative transactions are financial institutions.

3.3 Investments

3.3.1 Classified by type of investment

(Unit: Thousand Baht)

	As at	
	30 June 2014	31 December 2013
Available-for-sale investments - fair value		
Government and state enterprise securities	11,530,124	5,637,810
Private sector debt securities	1,100,413	938,819
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	12,629,077	6,575,169
Held-to-maturity debt securities - cost/amortised cost		
Government and state enterprise securities	3,001,057	3,000,000
Investment in receivables	19,352	33,872
Less: Allowance for impairment	(17,722)	(17,722)
Total held-to-maturity debt securities	3,002,687	3,016,150
General investments - cost		
Domestic non-marketable equity securities	483,303	483,873
Less: Allowance for impairment	(46,187)	(45,829)
Total general investments	437,116	438,044
Investments - net	16,068,880	10,029,363

3.3.2 Classified by remaining period to maturity of the debt securities

(Unit: Million Baht)

	As at							
	30 June 2014				31 December 2013			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	10,349	1,181	-	11,530	5,435	203	-	5,638
Private sector debt securities	1	1,099	-	1,100	31	907	-	938
Total	10,350	2,280	-	12,630	5,466	1,110	-	6,576
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	10,349	2,280	-	12,629	5,465	1,110	-	6,575
Held-to-maturity debt securities								
Government and state enterprise securities	-	3,000	1	3,001	-	3,000	-	3,000
Investment in receivables	16	3	-	19	32	2	-	34
Less: Allowance for impairment	(15)	(3)	-	(18)	(18)	-	-	(18)
Total	1	3,000	1	3,002	14	3,002	-	3,016
Total debt securities	10,350	5,280	1	15,631	5,479	4,112	-	9,591

3.3.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	30 June 2014	31 December 2013	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	-	1,758	Pledge for the use of credit balance on clearing position

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

(Unit: Thousand Baht)

	As at 30 June 2014		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

(Unit: Thousand Baht)

	As at 31 December 2013		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾
Companies having problems with debt repayment or in default	7,060	-	7,060

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

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

(Unit: Thousand Baht)

Securities' name	As at					
	30 June 2014			31 December 2013		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid Amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K. Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Shin Thai Enterprises Co., Ltd.	5,707	-	10	5,707	-	10
PDTL Trading Co., Ltd.	5,894	-	10	6,925	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	4,647	-	10	4,647	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	17,358	-	10	17,083	-	10

3.4 Investment in subsidiary

Company's name	Nature of Business	Type of investment		Percentage of holding		Investment value - cost method		(Unit: Million Baht) Dividend received for the six-month periods ended	
		as at		as at		as at		30 June	30 June
		30 June	31 December	30 June	31 December	30 June	31 December	2014	2013
		2014	2013	2014	2013	2014	2013	2014	2013
				(%)	(%)				
Subsidiary directly held by the Bank									
TISCO Securities Hong Kong Limited (In the process of liquidation)	Securities business	Ordinary shares	Ordinary shares	100	100	66	66	-	-
Less: Allowance for impairment						(22)	(22)	-	-
Net Investment in subsidiary						44	44	-	-
Less: Return of capital						(40)	(40)	-	-
Loss on return of capital from a subsidiary						(4)	(4)	-	-
Investment in subsidiary - net						-	-	-	-

In October 2013, the Bank received the return of capital amounting to Baht 40 million as a result of the dissolution of TISCO Securities Hong Kong Limited.

3.5 Loans to customers and accrued interest receivables

3.5.1 Classified by loans to customers type

	(Unit: Thousand Baht)	
	As at	
	30 June 2014	31 December 2013
Loans to customers		
Loans	77,930,959	80,126,779
Hire purchase receivables	214,308,242	226,283,511
Financial lease receivables	988,998	1,033,508
Less: Deferred revenue	(23,858,179)	(26,394,058)
Advances received from financial lease receivables	(221,288)	(223,314)
Total loans to customers	269,148,732	280,826,426
Add: Accrued interest receivable	391,745	493,055
Less: Allowance for doubtful accounts	(6,114,782)	(5,774,792)
Loans to customers and accrued interest receivables - net	263,425,695	275,544,689

3.5.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at					
	30 June 2014			31 December 2013		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	265,903,232	-	265,903,232	277,545,066	-	277,545,066
US Dollars	-	3,245,500	3,245,500	-	3,281,360	3,281,360
Total loans to customers net of deferred revenue	<u>265,903,232</u>	<u>3,245,500</u>	<u>269,148,732</u>	<u>277,545,066</u>	<u>3,281,360</u>	<u>280,826,426</u>

3.5.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	As at 30 June 2014					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
	Agricultural and mining	1,238,763	62,514	19,375	6,336	50
Manufacturing and commerce	33,029,400	520,940	148,002	89,650	14,819	33,802,811
Real estate and construction	13,431,785	163,407	37,890	18,479	12,177	13,663,738
Public utilities and services	31,339,259	558,225	198,087	45,426	39,719	32,180,716
Personal consumption						
Hire purchase	150,698,318	14,880,505	2,986,686	1,336,106	89,784	169,991,399
Auto cash loan	12,872,366	962,231	234,843	77,281	991	14,147,712
Housing loans	1,269,451	53,209	10,839	13,491	50,839	1,397,829
Others	2,425,357	135,402	40,145	16,986	19,599	2,637,489
Total loans to customers	<u>246,304,699</u>	<u>17,336,433</u>	<u>3,675,867</u>	<u>1,603,755</u>	<u>227,978</u>	<u>269,148,732</u>
Add: Accrued interest receivable	<u>180,047</u>	<u>211,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,745</u>
Total loans to customers and accrued interest receivable	<u>246,484,746</u>	<u>17,548,131</u>	<u>3,675,867</u>	<u>1,603,755</u>	<u>227,978</u>	<u>269,540,477</u>

(Unit: Thousand Baht)

	As at 31 December 2013					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
	Agricultural and mining	1,441,228	71,195	23,157	2,795	-
Manufacturing and commerce	38,468,365	538,751	140,002	39,767	16,035	39,202,920
Real estate and construction	11,749,451	152,775	25,901	10,997	11,912	11,951,036
Public utilities and services	31,235,584	630,004	97,881	78,089	1,777	32,043,335
Personal consumption						
Hire purchase	160,187,190	14,723,922	2,584,821	824,665	66,641	178,387,239
Auto cash loan	12,707,215	948,514	188,453	27,427	822	13,872,431
Housing loans	1,302,535	56,425	2,355	9,294	57,583	1,428,192
Others	2,230,065	124,769	23,695	2,860	21,509	2,402,898
Total loans to customers	<u>259,321,633</u>	<u>17,246,355</u>	<u>3,086,265</u>	<u>995,894</u>	<u>176,279</u>	<u>280,826,426</u>
Add: Accrued interest receivable	<u>272,962</u>	<u>220,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,055</u>
Total loans to customers and accrued interest receivable	<u>259,594,595</u>	<u>17,466,448</u>	<u>3,086,265</u>	<u>995,894</u>	<u>176,279</u>	<u>281,319,481</u>

3.5.4 Classified by loan classification

(Unit: Million Baht)

	As at					
	30 June 2014			31 December 2013		
	Net amount			Net amount		
	Loans to customers and accrued interest receivables	used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	246,485	220,990	3,227	259,595	235,950	3,259
- Special mention	17,548	17,268	1,029	17,466	17,189	1,121
- Sub-standard	3,676	3,659	1,145	3,086	3,083	944
- Doubtful	1,604	1,592	486	996	988	279
- Doubtful of loss	228	171	75	176	107	63
Allowance established in excess	-	-	153	-	-	109
Total	269,541	243,680	6,115	281,319	257,317	5,775

⁽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 financial lease receivables, for which the Bank does not deduct the collateral value from the outstanding loan balance).

⁽²⁾ As at 30 June 2014, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 2,616 million (As at 31 December 2013: total of Baht 2,345 million). TISCO Bank allocated Baht 2,463 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2013: total of Baht 2,236 million) and so combined with the minimum provision requirement of Baht 3,498 million (As at 31 December 2013: total of Baht 3,430 million), the total provision set aside in accordance with BOT requirements is Baht 5,961 million (As at 31 December 2013: total of Baht 5,666 million).

	Percentage of allowance for doubtful account setup			
	Hire purchase receivable ⁽¹⁾		Other loans ⁽²⁾	
	As at		As at	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Pass	0.57	0.58	1	1
Special mention	4.08	4.67	2	2
Sub-standard	22.68	22.95	100	100
Doubtful	22.80	23.13	100	100
Doubtful of loss	22.39	22.75	100	100

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

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

3.5.5 Hire purchase and financial lease receivables

As at 30 June 2014, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 191,392 million (31 December 2013: Baht 200,883 million) and mostly comprise hire purchase agreements for cars, and financial lease agreements for machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 30 June 2014				
	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	65,711	137,565	5,408	6,613	215,297
Less: Deferred revenue*	(9,221)	(12,535)	(134)	(1,794)	(23,684)
Advances received from financial lease receivables	(26)	(194)	-	(1)	(221)
Present value of minimum lease pay from agreements	56,464	124,836	5,274	4,818	191,392
Allowance for doubtful accounts**					(2,709)
Net hire purchase and financial lease receivables					188,683

* Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.

** These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provisions in exceed of BOT's minimum requirement to specific provision for an individual debtor.

(Unit: Million Baht)

	As at 31 December 2013				
	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	66,868	147,877	7,197	5,375	227,317
Less: Deferred revenue*	(9,956)	(14,426)	(225)	(1,604)	(26,211)
Advances received from financial lease receivables	(42)	(180)	-	(1)	(223)
Present value of minimum lease pay from agreements	56,870	133,271	6,972	3,770	200,883
Allowance for doubtful accounts**					(2,658)
Net hire purchase and financial lease receivables					198,225

* Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.

** These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provisions in exceed of BOT's minimum requirement to specific provision for an individual debtor.

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

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under the Bank's policy	
	as at		as at	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	6,750	5,328	10,997	5,328

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

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

3.5.7 Deferred revenue which is presented as a deduction against loans to customers

(Unit: Million Baht)

	As at	
	30 June 2014	31 December 2013
Deferred revenue ⁽¹⁾	23,858	26,394

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

3.5.8 Troubled debt restructuring

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2014	2013	2014	2013
Debtors restructured during the periods				
Number of debtors restructured by modification of terms (number)	175	41	327	69
Loan balances before restructuring (Million Baht)	74	28	270	38
Loan balances after restructuring (Million Baht)	74	28	270	38
Loss on troubled debt restructuring (Million Baht)	-	-	-	-
Average contract period of debt restructuring (years)				
Hire purchase receivables	4	4	4	4
Mortgage loan receivables	2	1	2	2

Supplemental information for the three-month and six-month periods ended 30 June 2014 and 2013 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Interest income on restructured receivables	14	10	20	21
Receipt of principal and interest	81	71	139	133

As at 30 June 2014 and 31 December 2013, the Bank has the outstanding balances with troubled restructured debtors as follows:

(Unit: Million Baht)

	As at			
	30 June 2014		31 December 2013	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	1,123	650	1,099	665

3.6 Allowance for doubtful accounts

3.6.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

	As at 30 June 2014						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
	Balance - beginning of period	3,259,533	1,121,141	943,918	278,617	62,632	108,951
Increase (decrease) in allowance for doubtful accounts during the period	(31,692)	(91,485)	715,072	2,015,058	39,481	44,432	2,690,866
Bad debt written-off	(1,077)	(613)	(514,088)	(1,808,186)	(26,912)	-	(2,350,876)
Balance - end of period	3,226,764	1,029,043	1,144,902	485,489	75,201	153,383	6,114,782

(Unit: Thousand Baht)

	As at 31 December 2013						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
	Balance - beginning of year	2,751,870	1,024,157	555,487	136,361	216,329	3,440
Increase in allowance for doubtful accounts during the year	507,879	97,320	1,018,024	2,597,723	147,951	105,511	4,474,408
Bad debt written-off	(216)	(336)	(629,593)	(2,455,467)	(301,648)	-	(3,387,260)
Balance - end of year	3,259,533	1,121,141	943,918	278,617	62,632	108,951	5,774,792

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

(Unit: Thousand Baht)

	As at 30 June 2014			
	Individual impairment	Collective impairment	Allowance	
			established in excess	Total
Balance - beginning of period	3,018,513	2,647,328	108,951	5,774,792
Increase in allowance for doubtful accounts during the period	454,648	2,191,786	44,432	2,690,866
Bad debt written-off	(217,312)	(2,133,564)	-	(2,350,876)
Balance - end of period	3,255,849	2,705,550	153,383	6,114,782

(Unit: Thousand Baht)

	As at 31 December 2013			
	Individual impairment	Collective impairment	Allowance	
			established in excess	Total
Balance - beginning of year	2,206,070	2,478,134	3,440	4,687,644
Increase in allowance for doubtful accounts during the year	1,286,302	3,082,595	105,511	4,474,408
Bad debt written-off	(473,859)	(2,913,401)	-	(3,387,260)
Balance - end of year	3,018,513	2,647,328	108,951	5,774,792

3.6.3 Non-performing loans to customers

(Unit: Million Baht)

	As at	
	30 June 2014	31 December 2013
Non-performing loans to customers	5,508	4,258
Allowance for doubtful accounts	1,706	1,285

3.7 Classification of assets

3.7.1 Investments in companies with weak financial position and poor operating results

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	as at		as at		as at	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Debt instruments - debentures ⁽²⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽³⁾	6	6	-	-	6	6

⁽¹⁾ Allowance for possible loss is determined based on the investment cost less collateral value.

⁽²⁾ Investments in subordinated debentures issued by financial institutions which the Bank of Thailand ordered closed on 8 December 1997.

⁽³⁾ Investments in securities of companies which are vulnerable to delisting, of companies of which the auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.

3.7.2 Classification of assets under the Bank of Thailand's guidelines

As at 30 June 2014 and 31 December 2013, the quality of the Bank's assets classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customer ⁽¹⁾		Investments in securities		Investments in receivables		Property foreclosed		Total	
	as at		as at		as at		as at		as at	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Pass	272,405	307,922	-	-	-	-	-	-	272,405	307,922
Special mention	17,336	17,246	-	-	-	-	-	-	17,336	17,246
Sub-standard	3,676	3,086	-	-	-	-	-	-	3,676	3,086
Doubtful	1,604	996	-	-	-	-	-	-	1,604	996
Doubtful of loss	228	176	48	47	18	18	18	18	312	259
Total	295,249	329,426	48	47	18	18	18	18	295,333	329,509

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

3.7.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which the Bank sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance as at		Net amount used for setting the allowance for doubtful accounts ⁽¹⁾ as at		Percentage of allowance for doubtful account setup ⁽²⁾ as at		Allowance for doubtful accounts ⁽³⁾ as at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2014	2013	2014	2013	2014	2013	2014	2013
					(%)	(%)		
Pass	170,163	180,736	170,163	180,736	0.57	0.58	971	1,049
Special mention	15,726	15,660	15,726	15,660	4.08	4.67	641	732
Sub-standard	3,251	2,777	3,251	2,777	22.68	22.95	737	637
Doubtful	1,434	922	1,434	922	22.80	23.13	327	213
Doubtful of loss	132	69	132	69	22.39	22.75	30	16
Total	190,706	200,164	190,706	200,164			2,706	2,647

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

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

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

3.8 Property foreclosed

(Unit: Thousand Baht)

As at

Acquisition of assets for debt repayment

Immovable assets

Appraisal by an external appraiser

Balance - beginning of period/year	3,404	239,700
Transfer type of appraiser	-	(48,272)
Disposals	-	(188,024)
Balance - end of period/year	3,404	3,404

Appraisal by an internal appraiser

Balance - beginning of period/year	73,725	25,453
Transfer type of appraiser	-	48,272
Additions	83	-
Disposals	(248)	-
Balance - end of period/year	73,560	73,725

Total property foreclosed - Immovable assets

76,964 77,129

	(Unit: Thousand Baht)	
	As at	
	30 June 2014	31 December 2013
Movable assets		
Balance - beginning of period/year	55,963	19,274
Additions	2,783,583	4,056,464
Disposals	(2,793,659)	(4,019,775)
Balance - end of period/year	45,887	55,963
Total property foreclosed	122,851	133,092
Less: Allowance for impairment		
Balance - beginning of period/year	18,169	18,187
Increase	187	918
Decrease	(115)	(936)
Balance - end of period/year	18,241	18,169
Property foreclosed - net	104,610	114,923

3.9 Investment properties

The book value of investment properties as at 30 June 2014 and 31 December 2013 is as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2014	30 December 2013
Book value - beginning of period/year	16,067	63,139
Transfer type of asset	-	(49,655)
Gain from fair value adjustment	-	7,445
Others	-	(4,862)
Book value - end of period/year	16,067	16,067

The investment property is an office condominium for rent and stated at fair value. The fair value of the investment properties was determined based on the valuation performed by an independent appraiser at the end of the year 2013 using the discounted cash flow method under the income approach. The main assumptions applied in the valuation included the utilisation rate of property, the capitalisation rate, the discount rate, long-term growth in real rental rates and other related items.

3.10 Premises and equipment

(Unit: Thousand Baht)

	Revaluation basis		Cost basis			Total
	Building, office condominium and building improvements	Land	Building, office condominium and building improvements	Furniture, fixtures computer and equipment	Motor vehicles	
Cost						
As at 1 January 2013	-	17,509	917,030	565,734	51,228	1,551,501
Additions/transfers in	482,355	-	42,770	43,641	19,931	588,697
Transfer accumulated depreciation to deduct cost	(223,598)	-	-	-	-	(223,598)
Surplus on revaluation	298,463	-	-	-	-	298,463
Disposals/written-off/transfers out	-	-	(516,651)	(1,709)	(7,468)	(525,828)
As at 31 December 2013	557,220	17,509	443,149	607,666	63,691	1,689,235
Additions/transfers in	-	-	26,589	33,400	7,070	67,059
Disposals/written-off/transfers out	-	-	(5)	(54,268)	(3,728)	(58,001)
As at 30 June 2014	557,220	17,509	469,733	586,798	67,033	1,698,293
Accumulated depreciation:						
As at 1 January 2013	-	-	556,381	514,986	37,938	1,109,305
Depreciation for the year	-	-	59,667	35,594	8,009	103,270
Depreciation on transfers in	223,598	-	-	-	-	223,598
Transfer accumulated depreciation to deduct cost	(223,598)	-	-	-	-	(223,598)
Depreciation on disposals/written-off/transfers out	-	-	(256,551)	(1,692)	(7,468)	(265,711)
As at 31 December 2013	-	-	359,497	548,888	38,479	946,864
Depreciation for the period	4,688	-	16,501	15,747	4,762	41,698
Depreciation on disposals/written-off/transfers out	-	-	(5)	(54,259)	(3,728)	(57,992)
As at 30 June 2014	4,688	-	375,993	510,376	39,513	930,570
Net book value:						
As at 31 December 2013	557,220	17,509	83,652	58,778	25,212	742,371
As at 30 June 2014	552,532	17,509	93,740	76,422	27,520	767,723
Depreciation for the six-month periods ended 30 June:						
2013						50,057
2014						41,698

As at 31 December 2013 the Bank reassessed and changed its accounting policy regarding measurement of premises and equipment as it relates to office condominiums, switching from the previously applied cost model to the revaluation model, which presents the fair value of the assets at the appraisal date. The Bank arranged for an independent professional appraiser to appraise the value of the office condominium on 11 November 2013, using the income approach. The change in the accounting policy on the measurement of office condominiums was adopted on a prospective basis. Therefore, depreciation of the office condominium for the year 2013 is calculated based on the cost model. Depreciation will be calculated based on the revalued amounts as from the beginning of the year 2014. However, the change in accounting policy would not have had a material impact on net profit for the year had the new policy been adopted since the beginning of the year.

Had the office condominiums been carried in the financial statements based on cost model cost, its net book value as at 30 June 2014 and 31 December 2013 would have been as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2014	31 December 2013
Office condominiums - net of accumulated depreciation	255,786	258,757

3.11 Intangible assets

The book value of intangible assets as at 30 June 2014 and 31 December 2013 is presented as follows:

	(Unit: Thousand Baht)
	Computer software
As at 30 June 2014:	
Cost	537,891
Less: Accumulated amortisation	(353,807)
Net book value	184,084
As at 31 December 2013:	
Cost	382,876
Less: Accumulated amortisation	(343,055)
Net book value	39,821

A reconciliation of the net book value of intangible assets for the six-month periods ended 30 June 2014 and 2013 is presented as follows:

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2014	2013
Net book value at beginning of period	39,821	64,638
Acquisitions of computer software	155,141	2,624
Amortisation of computer software	(54)	-
Amortisation	(10,824)	(15,461)
Net book value at end of period	<u>184,084</u>	<u>51,801</u>

3.12 Other assets

	(Unit: Thousand Baht)	
	As at	
	30 June 2014	31 December 2013
Value added tax - net	346,408	413,971
Accrued interest receivables	65,467	53,518
Fee and service receivables	51,415	50,310
Deposits	40,181	36,120
Other receivables	638,708	587,580
Other assets	504,306	464,669
Total other assets	<u>1,646,485</u>	<u>1,606,168</u>

3.13 Deposits

3.13.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	As at	
	30 June 2014	31 December 2013
Deposits		
Current accounts	3,588,148	2,716,643
Savings accounts	46,035,960	40,751,442
Fixed accounts		
- not over 6 months	20,389,858	12,917,074
- over 6 months but not over 1 year	9,916,854	20,938,222
- over 1 year	390,294	201,249
Certificates of deposit/negotiable certificates of deposit	147,031,107	188,022,865
Total	<u>227,352,221</u>	<u>265,547,495</u>

3.13.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at	
	30 June 2014	31 December 2013
Not over 1 year*	226,672,032	265,059,553
Over 1 year	680,189	487,942
Total deposits	227,352,221	265,547,495

**Including fully-mature deposit contracts*

3.13.3 As at 30 June 2014 and 31 December 2013, all outstanding deposits are deposits from domestic depositors and in Baht.

3.14 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at					
	30 June 2014			31 December 2013		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	24,929	24,929	-	26,118	26,118
Commercial banks	46,511	-	46,511	98,795	-	98,795
Specialised financial institutions	-	3,250,000	3,250,000	-	532,520	532,520
Other financial institutions	1,763,079	9,503,321	11,266,400	3,012,474	8,613,487	11,625,961
Total	1,809,590	12,778,250	14,587,840	3,111,269	9,172,125	12,283,394

3.15 Debt issued and borrowings

(Unit: Thousand Baht)

	As at	
	30 June 2014	31 December 2013
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,643,000	8,243,000
Unsubordinated unsecured debentures	33,888,900	28,566,000
Bills of exchange	142,622	145,822
Promissory notes	797	797
Total	40,675,319	36,955,619

3.15.1 Subordinated unsecured debentures

As at 30 June 2014 and 31 December 2013, the Bank had long-term subordinated unsecured debentures as follows:

Year	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
	30 June 2014	31 December 2013		30 June 2014	31 December 2013		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2009	-	2	1,000	-	2,000	2019	5.50 percent per annum in the first to third year, 6.00 percent per annum in the fourth to seventh year and 6.50 percent per annum in the eighth to tenth year.
2009	-	2	1,000	-	2,000	2019	5.00 percent per annum in the first to third year, 5.50 percent per annum in the fourth to seventh year and 6.00 percent per annum in the eighth to tenth year.
2010	1	1	1,000	1,000	1,000	2020	5.00 percent per annum.
2010	1	1	1,000	1,000	1,000	2020	4.80 percent per annum.
2012	1	1	1,000	1,000	1,000	2022	4.85 percent per annum.
2012	1,243	1,243	1,000	1,243	1,243	2022	4.60 percent per annum.
2014	1.6	-	1,000	1,600	-	2024	6.00 percent per annum.
2014	0.8	-	1,000	800	-	2024	6.00 percent per annum.
Total				<u>6,643</u>	<u>8,243</u>		

3.15.2 Unsubordinated unsecured debentures

As at 30 June 2014 and 31 December 2013, the Bank had short-term unsubordinated unsecured debenture as follows:

Year	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
	30 June 2014	31 December 2013		30 June 2014	31 December 2013		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2013	0.15	16.166	1,000	150	16,166	2014	2.80 - 3.15 percent per annum
2013	-	3	1,000	-	3,000	2014	3.15 percent per annum
2013	-	3.5	1,000	-	3,500	2014	3.15 percent per annum
2013	-	3	1,000	-	3,000	2014	3.10 percent per annum
2013	-	2.6	1,000	-	2,600	2014	3.05 percent per annum
2013	0.3	0.3	1,000	300	300	2014	3.10 percent per annum
2014	33.439	-	1,000	33,439	-	2014	2.55-2.87 percent per annum
Total				<u>33,889</u>	<u>28,566</u>		

3.15.3 Bills of exchange

Bills of exchange comprise the fixed interest rate bearing and float interest rate bearing, which will gradually mature in 2014 to 2015. The interest rates of the fixed interest rate bearing bills of exchange are between 2.50 and 4.25 percent per annum.

3.16 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 2014 and 31 December 2013 was as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2014	31 December 2013
Defined post employment benefit obligation at beginning of period/year	100,885	98,534
Current service cost	5,518	8,467
Interest cost	2,465	3,465
Benefits paid during the period/year	(835)	(3,055)
Actuarial (gains) losses	14,143	(6,526)
Defined post employment benefit obligation at end of period/year	122,176	100,885
Other long-term benefits	42,685	43,668
Total provisions for long-term employee benefits at end of period/year	<u>164,861</u>	<u>144,553</u>

Long-term employee benefits expenses included in the profit or loss for the three-month and six-month periods ended 30 June 2014 and 2013 were as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 30 June	
	2014	2013
Current service cost	5,436	1,011
Interest cost	1,800	358
Actuarial gains	(1,281)	(7,970)
Total employee benefits expenses	<u>5,955</u>	<u>(6,601)</u>

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2014	2013
Current service cost	9,463	4,685
Interest cost	3,157	1,499
Actuarial gains	(1,281)	(7,970)
Total employee benefits expenses	<u>11,339</u>	<u>(1,786)</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 2014 and 31 December 2013 amounted to Baht 32 million and Baht 20 million, respectively.

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: Percent per annum)	
	30 June 2014	31 December 2013
Discount rate	2.36 - 4.55	2.36 - 4.64
Average salary increase rate	4.49	3.80
Average inflation rate	2.49	2.92

Amounts of defined benefit obligation for the current period and previous four years are as follows:

	(Unit: Thousand Baht)
	Defined benefit obligation
30 June 2014	164,861
31 December 2013	144,553
31 December 2012	131,686
31 December 2011	83,767
31 December 2010	62,567

3.17 Other liabilities

	(Unit: Thousand Baht)	
	As at	
	30 June 2014	31 December 2013
Withholding income tax and other tax payables	237,122	204,714
Accrued insurance premium	496,878	809,500
Deferred income	1,044,239	967,917
Accrued expenses	1,600,882	1,406,311
Suspense creditors	342,423	583,942
Other liabilities	204,673	193,050
Total other liabilities	3,926,217	4,165,434

The above accrued expenses include accrued bonus expenses which are remunerations paid to the management and employees 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 set aside for payment five years later. It is paid in cash and determined based on the average daily share price of the parent company's shares over the period of five years from grant date to settlement date. As of 30 June 2014 and 31 December 2013, the Bank has issued under this scheme amounting to Baht 126 million and Baht 122 million, respectively.

3.18 Preference shares converted to ordinary shares

Up to 30 June 2014 and 31 December 2013, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 30 June 2014 and 31 December 2013, there are preference shares which are convertible to ordinary shares totaling 104 shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

3.19 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 Bank of Thailand.

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

Regarding to Capital fund as at 30 June 2014 and 31 December 2013 the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

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

(Unit: Thousand Baht)

	As at	
	30 June 2014	31 December 2013
<u>Common Equity Tier I capital</u>		
Issued and fully paid up share capital	9,215,676	8,191,712
Premium on share capital	2,543,024	1,120,738
Statutory reserve	984,000	984,000
Net profits after appropriation	9,031,406	7,943,322
Other components of shareholders' equity	3,741	-
Less : Deficit provision according to IRB	(153,410)	(620,222)
Total Common Equity Tier I capital	21,624,437	17,619,550
<u>Financial Instrument Tier I capital</u>		
Issued and paid up share capital - non cumulative preferred shares	1	-
Total Tier I capital	21,624,438	17,619,550
<u>Tier II Capital</u>		
Long-term subordinated debentures	6,643,000	7,518,700
Reserve for loans classified as pass	630,050	608,075
Total Tier II capital	7,273,050	8,126,775
Total capital funds	28,897,488	25,746,325

(Unit: Percent)

Capital fund ratios	As at			
	30 June 2014		31 December 2013	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	11.54	4.50	9.15	4.50
Tier I capital to risk assets	11.54	6.00	9.15	6.00
Total capital to risk assets	15.42	8.50	13.37	8.50

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 25/2552 regarding "Public Disclosure of Capital Maintenance for Commercial Banks", the Bank has disclosed capital maintenance information as at 31 December 2013 on its website on 30 April 2014.

3.20 Surplus on change in value of investments

(Unit: Thousand Baht)

	As at	
	30 June 2014	31 December 2013
Balance - beginning of period/year	7,166	4,229
Increase (decrease) from change in value of investments during the period/year	16,217	2,937
	23,383	7,166
Less: The effect of deferred tax assets / liabilities	(4,676)	(1,433)
Balance - end of period/year	18,707	5,733

3.21 Surplus on revaluation of assets

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

(Unit: Thousand Baht)

	As at	
	30 June 2014	31 December 2013
Balance - beginning of period/year	298,463	-
Add: Revaluation	-	298,463
Less: Transfer surplus on revaluation of assets to retained earnings	(1,726)	-
	296,737	298,463
Less: The effect of deferred tax assets/liabilities	(59,348)	(59,693)
Balance - end of period/year	237,389	238,770

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

3.22 Interest income

Interest income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Interbank and money market items	140,722	224,892	355,928	420,695
Investments in debt securities	114,553	45,921	220,476	86,516
Loans to customers	1,521,244	1,422,557	3,015,027	2,740,919
Hire purchase and financial lease	2,761,291	2,729,056	5,618,280	5,311,714
Total interest income	4,537,810	4,422,426	9,209,711	8,559,844

3.23 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Deposits	1,601,113	1,828,132	3,403,078	3,549,350
Interbank and money market items	65,875	79,038	142,027	139,991
Contribution fee to the Deposit Protection Agency and Bank of Thailand	328,183	309,937	670,236	593,892
Issued debt instruments				
- Subordinated debentures	119,038	108,123	247,670	215,057
- Unsubordinated debentures	211,776	57,927	457,085	94,987
Borrowings	1,188	46,776	2,501	102,189
Total interest expenses	<u>2,327,173</u>	<u>2,429,933</u>	<u>4,922,597</u>	<u>4,695,466</u>

3.24 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 2014 and 2013 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Fee and service income				
- Acceptance, aval and guarantees	949	1,229	5,671	3,966
- Insurance service	631,360	551,957	1,302,730	1,358,383
- Fund management	-	18,750	-	18,750
- Financial advisory	-	-	2,250	-
- Others	181,277	160,140	363,546	320,640
Total fee and service income	<u>813,586</u>	<u>732,076</u>	<u>1,674,197</u>	<u>1,701,739</u>
Fee and service expenses	<u>(14,384)</u>	<u>(19,665)</u>	<u>(31,132)</u>	<u>(41,130)</u>
Net fee and service income	<u>799,202</u>	<u>712,411</u>	<u>1,643,065</u>	<u>1,660,609</u>

3.25 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 2014 and 2013 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	14,370	5,196	26,203	5,515
- Derivatives on interest rates	(6,070)	15,424	(2,480)	11,616
- Debt securities	3,843	1,504	5,742	3,594
Net gains on trading and foreign exchange transactions	<u>12,143</u>	<u>22,124</u>	<u>29,465</u>	<u>20,725</u>

3.26 Net gains on investments

Net gains on investments in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Gains on disposal				
- Available-for-sale investments	12,497	115	12,457	165
- Held-to-maturity debt securities	2	43	17	116
- General investments	3,590	8,373	9,514	19,530
Total	<u>16,089</u>	<u>8,531</u>	<u>21,988</u>	<u>19,811</u>
Reversal of losses (losses) on impairment				
- General investments	(561)	(1,005)	(359)	(1,005)
- Investments in subsidiaries	-	2,616	-	636
Total	<u>(561)</u>	<u>1,611</u>	<u>(359)</u>	<u>(369)</u>
Net gains on investments	<u><u>15,528</u></u>	<u><u>10,142</u></u>	<u><u>21,629</u></u>	<u><u>19,442</u></u>

3.27 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Interbank and money market items	(10,000)	(21,000)	(5,000)	4,000
Held-to-maturity debt securities	(22)	(1,666)	-	(1,572)
Loans to customers	1,111,589	720,565	2,191,968	1,540,660
Total	1,101,567	697,899	2,186,968	1,543,088

3.28 Other operating income

Other operating income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Gains on disposal of property foreclosed	4,024	-	10,208	-
Dividend income	36,858	36,518	61,657	61,318
Others	4,638	3,482	7,748	7,647
Total	45,520	40,000	79,613	68,965

3.29 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Mailing expenses	10,967	10,669	24,751	23,097
Software amortisation expenses	5,218	7,553	10,824	15,460
Legal expenses	60,820	43,346	119,883	79,204
Transportation expenses	20,558	18,482	41,382	36,733
Others	61,370	35,311	112,614	95,511
Total	158,933	115,361	309,454	250,005

3.30 Income tax expenses

Income tax expenses of the Bank for the three-month and six-month periods ended 30 June 2014 and 2013 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Current income tax:				
Income tax expenses for the period	202,778	132,117	445,170	340,411
Adjustment in respect of current income tax of previous year	-	1,047	-	933
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	(16,046)	86,725	(85,683)	36,429
Income tax expenses reported in the statements of comprehensive income	<u>186,732</u>	<u>219,889</u>	<u>359,487</u>	<u>377,773</u>

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2014 and 2013 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Gains (losses) on valuation in available-for-sale investments	828	398	(3,243)	680
Actuarial gains (losses)	2,829	(783)	2,829	(783)
Income tax expenses recorded directly to other comprehensive income	<u>3,657</u>	<u>(385)</u>	<u>(414)</u>	<u>(103)</u>

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 2014 and 2013 is as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Accounting profit before tax	947,326	1,097,516	1,825,161	1,896,175
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	189,465	219,503	365,032	379,235
Adjustment in respect of current income tax of previous period	-	1,047	-	933
Tax effect of net tax-exempt income and net disallowed expenses	(2,733)	(661)	(5,545)	(2,395)
Income tax expenses reported in the statements of comprehensive income	186,732	219,889	359,487	377,773

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

	(Unit: Thousand Baht)			
	As at		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the six-month periods ended	
	30 June	31 December	30 June	30 June
	2014	2013	2014	2013
Allowance for doubtful accounts	30,676	21,796	8,880	21,446
Allowance for impairment of investments	26,999	26,928	71	(253)
Allowance for impairment of property foreclosed	3,648	3,634	14	115
Non-accrual of interest income	39,286	25,773	13,513	3,417
Depreciation of assets	5,159	6,812	(1,653)	(1,125)
Financial leases	14,786	25,479	(10,693)	3,997
Gain on changes in value of investment properties	(1,489)	(1,489)	-	-
Surplus on revaluation of assets	(59,693)	(59,693)	-	-
Gains on valuation in available-for-sale investments	(4,676)	(1,433)	-	-
Unrealised (gain) loss on derivatives	1,339	(5,858)	7,197	(363)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(479,914)	(522,672)	42,758	(89,417)
Unearned interest income on hire purchase	151,189	134,183	17,006	17,637
Accrued expenses	114,657	114,657	-	-
Employee benefit expenses	32,972	28,910	1,233	(1,569)
Others	90,610	83,253	7,357	9,686
Deferred tax assets (liabilities)	(34,451)	(119,720)	85,683	(36,429)

3.31 Components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Other comprehensive income				
Available-for-sale investments:				
Gains (losses) during the periods	8,357	(1,873)	28,674	(3,236)
Less: Reclassification adjustments for gains included in profit or loss	(12,497)	(115)	(12,457)	(165)
	(4,140)	(1,988)	16,217	(3,401)
Actuarial gains (losses)	(14,143)	3,918	(14,143)	3,918
Other comprehensive income	(18,283)	1,930	2,074	517
Income tax relating to components of other comprehensive income	3,657	(385)	(414)	(103)
Net other comprehensive income for the periods	(14,626)	1,545	1,660	414

3.32 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 30 June					
	2014			2013		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Losses on valuation in available-for-sale investments	(4,140)	828	(3,312)	(1,988)	398	(1,590)
Actuarial gains (losses)	(14,143)	2,829	(11,314)	3,918	(783)	3,135
	(18,283)	3,657	(14,626)	1,930	(385)	1,545

(Unit: Thousand Baht)

	For the six-month periods ended 30 June					
	2014			2013		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains (losses) on valuation in available- for-sale investments	16,217	(3,243)	12,974	(3,401)	680	(2,721)
Actuarial gains (losses)	(14,143)	2,829	(11,314)	3,918	(783)	3,135
	2,074	(414)	1,660	517	(103)	414

3.33 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		For the six-month periods	
	ended 30 June		ended 30 June	
	2014	2013	2014	2013
Profit attributable to equity holders				
of the Bank (Thousand Baht)	760,594	877,627	1,465,674	1,518,402
Weighted average number of shares				
(Thousand shares)	848,427	762,159	833,880	745,250
Basic earnings per share (Baht/share)	0.90	1.15	1.76	2.04

3.34 Related party transactions

	(Unit: Thousand Baht)			
	As at			As at
	1 January	Increase	Decrease	30 June
	2014			2014
<u>Outstanding balance</u>				
Parent company				
TISCO Financial Group Plc.				
Deposits	509,783	1,491,029	(1,829,291)	171,521
Accrued interest payable	289	138	(388)	39
Dividend payable	655,248	-	(655,248)	-
Other liabilities	73,685	18,343	(1,497)	90,531
Related companies (related by common shareholder)				
Interbank and money market items (Assets):				
TISCO Securities Co., Ltd.	495,000	297,000	(495,000)	297,000
Other Assets:				
TISCO Securities Co., Ltd.	594	1,227	-	1,821
TISCO Leasing Co., Ltd.	9,729	887	-	10,616
TISCO Information Technology Co., Ltd.	30,000	-	(15,000)	15,000
TISCO Tokyo Leasing Co., Ltd.	-	3,200	-	3,200
Deposits:				
Hi-Way Co., Ltd.	19,958	15,295	-	35,253
TISCO Information Technology Co., Ltd.	129,305	14,100	(5,602)	137,803
Primus Leasing Co., Ltd.	32,841	-	-	32,841
TISCO Tokyo Leasing Co., Ltd.	1,424	-	(1,078)	346
TISCO Learning Center Co., Ltd.	38,156	393	(8,081)	30,468
Deutsche TISCO Investment Advisory Co., Ltd.	170,651	-	(20,779)	149,872
TISCO Leasing Co., Ltd.	4,045	1,550	(3,079)	2,516
All-Ways Co., Ltd.	580	178	(56)	702

	(Unit: Thousand Baht)			
	As at 1 January 2014	Increase	Decrease	As at 30 June 2014
<u>Outstanding balance (continued)</u>				
Related companies (related by common shareholders)				
Interbank and money market items (Liabilities):				
TISCO Securities Co., Ltd.	844,147	-	(418,650)	425,497
TISCO Asset Management Co., Ltd.	66,521	51,568	(24,539)	93,550
Accrued interest payable:				
TISCO Securities Co., Ltd.	645	596	(1,219)	22
TISCO Asset Management Co., Ltd.	56	428	(279)	205
TISCO Information Technology Co., Ltd.	146	376	(235)	287
TISCO Leasing Co., Ltd.	-	11	-	11
Hi-Way Co., Ltd.	-	78	-	78
TISCO Learning Center Co., Ltd.	172	-	(124)	48
Other liabilities:				
Hi-Way Co., Ltd.	36,840	5,680	(12,040)	30,480
TISCO Learning Center Co., Ltd.	1,960	3,205	-	5,165
All-Ways Co., Ltd.	748	-	(221)	527

	(Unit Thousand Baht)				
	For the three-month periods ended 30 June		For the six-month periods ended 30 June		
	2014	2013	2014	2013	Terms and pricing policy
<u>Transactions occurred during the periods</u>					
Parent company					
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	234,738	232,267	471,065	533,664	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	11,256	9,767	15,912	14,214	With reference to the terms and prices as offered to other customers
Other expenses	2,315	2,315	4,631	4,631	With reference to the terms and prices as offered to other customers
Other income	750	-	750	-	With reference to the terms and prices as offered to other customers
Related companies					
Interest income	-	5,154	2,967	9,947	With reference to the terms and prices as offered to other customers
Income involving to loan	1,338	1,725	2,756	7,156	With reference to the terms and prices as offered to other customers

(Unit Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June		Terms and pricing policy
	2014	2013	2014	2013	
<u>Transactions occurred during the periods (continued)</u>					
Related companies					
Other income	2,812	1,072	5,196	1,866	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	65,000	62,500	130,000	125,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	13,387	11,594	21,546	22,057	With reference to the prices as offered from other service providers
Expenses involving loan	35,440	12,032	60,240	18,941	Determined on the basis on actual cost
Interest expenses	2,490	5,962	7,430	10,873	With reference to the terms and prices as offered to other customers
Other expenses	1,836	2,430	3,972	2,661	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 2014	31 December 2013
Loans ⁽¹⁾	6,844	7,568

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at	
	30 June 2014	31 December 2013
Deposits	78,712	84,899

Directors and management's benefits

During the three-month and six-month periods ended 30 June 2014 and 2013, the Bank had short-term benefit expenses paid to their directors and key management during the periods and other employee benefit expenses payable to their directors and management as below:

(Unit: Million Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2014	2013	2014	2013
Short-term benefits	23	19	45	37
Post-employment benefits	1	1	1	1
Total	24	20	46	38

3.35 Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the 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 following tables present revenue, profit and total assets information regarding the Bank's operating segments for the three-month and six-month periods ended 30 June 2014 and 2013, respectively.

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the three-month period ended 30 June 2014						
Revenue						
External customers	2,519	578	139	3,236	-	3,236
Inter-segment	-	-	426	426	(426)	-
Total revenue	<u>2,519</u>	<u>578</u>	<u>565</u>	<u>3,662</u>	<u>(426)</u>	<u>3,236</u>
Operating results:						
Net interest income	1,578	505	128	2,211	-	2,211
Net fee and service income	779	21	(1)	799	-	799
Other operating income	162	52	438	652	(426)	226
Total operating income	<u>2,519</u>	<u>578</u>	<u>565</u>	<u>3,662</u>	<u>(426)</u>	<u>3,236</u>
Depreciation and amortisation	(71)	(9)	(127)	(207)	-	(207)
Other operating expenses	(932)	(170)	(304)	(1,406)	426	(980)
Bad debt, doubtful accounts and impairment losses	(1,143)	(41)	82	(1,102)	-	(1,102)
Total operating expenses	<u>(2,146)</u>	<u>(220)</u>	<u>(349)</u>	<u>(2,715)</u>	<u>426</u>	<u>(2,289)</u>
Segment profit	373	358	216	947	-	947
Income tax expenses						(186)
Profit for the period						<u>761</u>

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the six-month period ended 30 June 2014						
Revenue						
External customers	4,970	1,020	390	6,380	-	6,380
Inter-segment	-	-	845	845	(845)	-
Total revenue	4,970	1,020	1,235	7,225	(845)	6,380
Operating results:						
Net interest income	3,037	930	320	4,287	-	4,287
Net fee and service income	1,597	48	(2)	1,643	-	1,643
Other operating income	336	42	917	1,295	(845)	450
Total operating income	4,970	1,020	1,235	7,225	(845)	6,380
Depreciation and amortisation	(130)	(17)	(253)	(400)	-	(400)
Other operating expenses	(1,890)	(320)	(603)	(2,813)	845	(1,968)
Bad debt, doubtful accounts and impairment losses	(1,939)	(101)	(147)	(2,187)	-	(2,187)
Total operating expenses	(3,959)	(438)	(1,003)	(5,400)	845	(4,555)
Segment profit	1,011	582	232	1,825	-	1,825
Income tax expenses						(359)
Profit for the period						1,466

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the three-month period ended 30 June 2013						
Revenue						
External customers	2,373	540	109	3,022	-	3,022
Inter-segment	-	-	363	363	(363)	-
Total revenue	2,373	540	472	3,385	(363)	3,022
Operating results:						
Net interest income	1,428	479	85	1,992	-	1,992
Net fee and service income	668	48	(3)	713	-	713
Other operating income	277	13	390	680	(363)	317
Total operating income	2,373	540	472	3,385	(363)	3,022
Depreciation and amortisation	(63)	(9)	(123)	(195)	-	(195)
Other operating expenses	(995)	(155)	(245)	(1,395)	363	(1,032)
Bad debt, doubtful accounts and impairment losses	(750)	(107)	159	(698)	-	(698)
Total operating expenses	(1,808)	(271)	(209)	(2,288)	363	(1,925)
Segment profit	565	269	263	1,097	-	1,097
Income tax expenses						(220)
Profit for the period						877

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the six-month period ended 30 June 2013						
Revenue						
External customers	5,065	1,024	186	6,275	-	6,275
Inter-segment	-	-	966	966	(966)	-
Total revenue	5,065	1,024	1,152	7,241	(966)	6,275
Operating results:						
Net interest income	2,769	933	162	3,864	-	3,864
Net fee and service income	1,589	78	(6)	1,661	-	1,661
Other operating income	707	13	996	1,716	(966)	750
Total operating income	5,065	1,024	1,152	7,241	(966)	6,275
Depreciation and amortisation	(133)	(16)	(249)	(398)	-	(398)
Other operating expenses	(2,351)	(326)	(727)	(3,404)	966	(2,438)
Bad debt, doubtful accounts and impairment losses	(1,275)	(190)	(78)	(1,543)	-	(1,543)
Total operating expenses	(3,759)	(532)	(1,054)	(5,345)	966	(4,379)
Segment profit	1,306	492	98	1,896	-	1,896
Income tax expenses						(378)
Profit for the period						1,518

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments
As at 30 June 2014				
Segment total assets	199,282	69,894	43,283	312,459
Premises and equipment - net	24	2	742	768
As at 31 December 2013				
Segment total assets	207,720	73,130	61,180	342,030
Premises and equipment - net	20	3	719	742

3.36 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 10 percent of the employees' salaries, depending on the number of years of service. 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 2014 and 2013, the Bank paid provident fund contributions totaling Baht 34 million and Baht 31 million, respectively.

3.37 Commitments and contingent liabilities

3.37.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	30 June 2014	31 December 2013
Avals	192,105	42,552
Other guarantees	547,852	753,815
Undrawn client overdraft facilities	40,125	54,041
Interest rate swap agreements (Note 3.38.5)	900,000	2,274,303
Cross currency swap agreements (Note 3.38.5)	3,257,610	3,315,434
Total	<u>4,937,692</u>	<u>6,440,145</u>

3.37.2 Litigation

As at 30 June 2014 and 31 December 2013, the Bank has been sued for compensation totaling approximately Baht 342 million and Baht 354 million, respectively. Final judgments 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.

3.37.3 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 building and branch office. The terms of the agreements are generally 3-12 years.

As at 30 June 2014 and 31 December 2013, the Bank has future minimum lease payments required under these non-cancellable operating leases contracts as follows:

	(Unit: Million Baht)	
	As at	
	30 June 2014	31 December 2013
Payable within		
Not over 1 year	88	103
Over 1 to 5 years	68	61
Over 5 years	3	5

3.38 Financial instruments

3.38.1 Credit risk

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

The Bank is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

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

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% of the balance.

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

(Unit: Million Baht)

	As at	
	30 June 2014	31 December 2013
Neither past due nor impaired		
Very high grade	114,761	110,130
High grade	49,151	60,983
Medium grade	6,251	9,623
Subtotal	170,163	180,736
Hire purchase receivables - overdue for 31 to 90 days	15,726	15,660
Hire purchase receivables - overdue for more than 90 days	4,817	3,768
Total	190,706	200,164

3.38.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices and interest rates, which may affect income or the capital funds of the 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.

3.38.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the 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 2014	31 December 2013
Marketable financial assets		
Debt securities	22	38
Derivatives	17	-

3.38.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the sensitivity of net interest income over a 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 2014	31 December 2013
Change in interest rate		
Increase by 1 percent	(494.53)	(657.56)
Decrease by 1 percent	494.53	657.56

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

3.38.2.3 Interest rate risk

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

(Unit: Million Baht)

As at 30 June 2014				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Non- interest bearing</u>	<u>Total</u>
<u>Financial assets</u>				
Cash	-	-	1,093	1,093
Interbank and money market items	50	26,102	2,978	29,130
Derivatives assets	-	-	23	23
Investments - net	-	7,183	8,886	16,069
Loans to customers ⁽¹⁾	16,543	248,209	4,788	269,540
	<u>16,593</u>	<u>281,494</u>	<u>17,768</u>	<u>315,855</u>
<u>Financial liabilities</u>				
Deposits	49,442	177,727	183	227,352
Interbank and money market items	656	13,775	157	14,588
Liabilities payable on demand	-	-	595	595
Derivatives liabilities	-	-	5	5
Debts issued and borrowings	-	40,675	-	40,675
	<u>50,098</u>	<u>232,177</u>	<u>940</u>	<u>283,215</u>

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

(Unit: Million Baht)

As at 31 December 2013				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Non- interest bearing</u>	<u>Total</u>
<u>Financial assets</u>				
Cash	-	-	1,130	1,130
Interbank and money market items	50	49,417	3,311	52,778
Derivatives assets	-	-	28	28
Investments - net	-	5,878	4,151	10,029
Loans to customers ⁽¹⁾	15,994	261,015	4,311	281,320
	<u>16,044</u>	<u>316,310</u>	<u>12,931</u>	<u>345,285</u>
<u>Financial liabilities</u>				
Deposits	43,282	222,079	186	265,547
Interbank and money market items	461	11,673	149	12,283
Liabilities payable on demand	-	-	345	345
Derivatives liabilities	-	-	311	311
Debts issued and borrowings	-	36,956	-	36,956
	<u>43,743</u>	<u>270,708</u>	<u>991</u>	<u>315,442</u>

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

Financial instruments which bear interest rate at fixed rates are classified below by the periods 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 2014							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	25,804	-	298	-	26,102	2.0198
Investments - net	-	1,681	221	5,280	1	7,183	3.8829
Loans to customers	21,067	20,208	56,586	144,183	6,165	248,209	6.9494
	<u>21,067</u>	<u>47,693</u>	<u>56,807</u>	<u>149,761</u>	<u>6,166</u>	<u>281,494</u>	
Financial liabilities							
Deposits	4,666	122,004	50,377	680	-	177,727	2.7440
Interbank and money market items	996	11,074	1,680	25	-	13,775	2.4607
Debts issued and borrowings	37	12,731	21,264	-	6,643	40,675	3.1029
	<u>5,699</u>	<u>145,809</u>	<u>73,321</u>	<u>705</u>	<u>6,643</u>	<u>232,177</u>	

(Unit: Million Baht)

As at 31 December 2013							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	48,922	495	-	-	49,417	2.2549
Investments - net	2	432	1,332	4,112	-	5,878	3.9485
Loans to customers	23,289	25,663	55,527	149,020	7,516	261,015	6.9686
	<u>23,291</u>	<u>75,017</u>	<u>57,354</u>	<u>153,132</u>	<u>7,516</u>	<u>316,310</u>	
Financial liabilities							
Deposits	6,587	161,925	53,079	488	-	222,079	3.0432
Interbank and money market items	1,907	7,251	2,489	26	-	11,673	2.8367
Debts issued and borrowings	37	11,921	16,755	-	8,243	36,956	3.5493
	<u>8,531</u>	<u>181,097</u>	<u>72,323</u>	<u>514</u>	<u>8,243</u>	<u>270,708</u>	

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

3.38.3 Liquidity risk

Liquidity risk is uncertainty that the 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. 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 and regulatory requirement. On the other hand, Risk Management function will monitor and control liquidity risk based on the prescribed risk limits.

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserve assets and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the 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.

Additionally, 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 issued subordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets to cushion against liquidity risk. Moreover, the Bank provides credit line to other companies under TISCO Financial Group to support liquidity position if required.

3.38.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

As at 30 June 2014				
Remaining contractual maturity				
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	208,299	73,321	7,353	288,973

(Unit: Million Baht)

As at 31 December 2013				
Remaining contractual maturity				
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	241,377	72,323	8,757	322,457

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

3.38.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at	
	30 June 2014	31 December 2013
Composition of highly liquid assets		
Cash	1,093	1,130
Interbank and money market - net	29,130	52,778
Current investments - net	12,629	6,575
Total liquid assets ⁽¹⁾	42,852	60,483
Liquid asset requirement ⁽¹⁾	14,313	16,600

⁽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 internal liquid asset requirement. As at 30 June 2014 and 31 December 2013, the Bank has highly liquid assets, which are daily calculated, at Baht 42,852 million and Baht 60,483 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 14,313 million and Baht 16,600 million, respectively. In addition, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.38.3.3 Counting from the financial statement date, as at 30 June 2014 and 31 December 2013, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Transactions	As at 30 June 2014							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans*	
Financial assets								
Cash	1,093	-	-	-	-	-	-	1,093
Interbank and money market items	3,028	25,804	-	298	-	-	-	29,130
Derivatives assets	-	-	22	1	-	-	-	23
Investments - net	-	10,130	221	5,280	1	437	-	16,069
Loans to customers	33,126	19,451	57,667	145,689	6,857	-	6,750	269,540
	<u>37,247</u>	<u>55,385</u>	<u>57,910</u>	<u>151,268</u>	<u>6,858</u>	<u>437</u>	<u>6,750</u>	<u>315,855</u>
Financial liabilities								
Deposits	54,290	122,005	50,377	680	-	-	-	227,352
Interbank and money market items	1,810	11,073	1,680	25	-	-	-	14,588
Liabilities payable on demand	595	-	-	-	-	-	-	595
Derivatives liabilities	-	-	-	5	-	-	-	5
Debts issued and borrowings	37	12,731	21,264	-	6,643	-	-	40,675
	<u>56,732</u>	<u>145,809</u>	<u>73,321</u>	<u>710</u>	<u>6,643</u>	<u>-</u>	<u>-</u>	<u>283,215</u>
Commitment and contingent liabilities								
Aval and guarantees of loans	-	12	180	-	-	-	-	192
Other commitments	2	31	3,265	916	-	532	-	4,746

* Non performing loans according to the BOT's guidelines

(Unit: Million Baht)

As at 31 December 2013

Transactions	As at 31 December 2013						Non-	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing Loans*	
Financial assets								
Cash	1,130	-	-	-	-	-	-	1,130
Interbank and money market items	3,361	48,922	495	-	-	-	-	52,778
Derivatives assets	-	-	-	28	-	-	-	28
Investments - net	2	4,145	1,332	4,112	-	438	-	10,029
Loans to customers	30,096	27,564	56,114	153,775	8,327	-	5,444	281,320
	<u>34,589</u>	<u>80,631</u>	<u>57,941</u>	<u>157,915</u>	<u>8,327</u>	<u>438</u>	<u>5,444</u>	<u>345,285</u>
Financial liabilities								
Deposits	50,055	161,925	53,079	488	-	-	-	265,547
Interbank and money market items	2,517	7,251	2,489	26	-	-	-	12,283
Liabilities payable on demand	345	-	-	-	-	-	-	345
Derivatives liabilities	-	311	-	-	-	-	-	311
Debts issued and borrowings	37	11,921	16,755	-	8,243	-	-	36,956
	<u>52,954</u>	<u>181,408</u>	<u>72,323</u>	<u>514</u>	<u>8,243</u>	<u>-</u>	<u>-</u>	<u>315,442</u>
Commitment and contingent liabilities								
Aval and guarantees of loans	5	19	12	7	-	-	-	43
Other commitments	14	3,478	38	2,282	13	573	-	6,398

* Non performing loans according to the BOT's guidelines

3.38.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 30 June 2014 and 31 December 2013 is as follows:

Loans in foreign currency amounting to USD 100 million (31 December 2013: USD 100 million) (equivalent to Baht 3,246 million and Baht 3,281 million as at 30 June 2014 and 31 December 2013, respectively), of which the Bank entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.38.5 to the financial statements.

3.38.5 Derivatives

The Bank has a policy to enter into transactions involving financial derivative instruments, for trading and hedging risks.

As at 30 June 2014 and 31 December 2013, the Bank has the following financial derivative instruments.

a) Interest rate swap agreement

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

(Unit: Million Baht)

As at 30 June 2014		
Maturity	Notional amount	Fair value gain (loss)
2019	900	(4)

(Unit: Million Baht)

As at 31 December 2013		
Maturity	Notional amount	Fair value gain (loss)
2016	2,274	28

b) Cross currency swap agreement/Foreign exchange contract

The Bank entered into cross currency swap agreements/foreign exchange contracts to manage risk associated with financial assets as follows:

(Unit: Million Baht)

As at 30 June 2014		
Maturity	Notional amount	Fair value gain (loss)
2014	12	-
2015	3,246	22

(Unit: Million Baht)

As at 31 December 2013		
Maturity	Notional amount	Fair value gain (loss)
2014	3,315	(311)

3.38.6 Fair value of financial instruments

The fair value of significant financial instruments of the Bank is as follows:

(Unit: Million Baht)

Transactions	As at			
	30 June 2014		31 December 2013	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Cash	1,093	1,093	1,130	1,130
Interbank and money market items - net	29,130	29,130	52,778	52,778
Investments - net	16,069	16,069	10,029	10,029
Loans to customers and accrued interest receivables - net	263,426	269,530	275,545	280,401
Financial liabilities				
Deposits	227,352	227,352	265,547	265,547
Interbank and money market items - net	14,588	14,588	12,283	12,283
Liabilities payable on demand	595	595	345	345
Debt issued and borrowings	40,675	40,777	36,956	37,082

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

4. Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend
		Preference share	Ordinary share	dividend paid	payment period
		(Baht per share)	(Baht per share)	(Million Baht)	
Interim dividend for 2013	The Board of Directors' Meeting of TISCO Bank No. 7/2013 on 20 December 2013	0.80	0.80	655	January 2014
Total dividend payment in year 2013				655	

5. Significant event during the period

5.1 Share Capital

The Annual General Meeting of the Bank's shareholders for the year 2014, convened on 22 April 2014 passed the following resolutions:

- a) To approve the allocation of up to 102,396,410 new common shares of the Bank with a par value of Baht 10 per share to the existing shareholders of the Bank pro rata to their shareholding at an offering ratio of 1 new share for every 8 existing shares (both common and preferred shares) with an offer price of Baht 23.89 per share. The offer price was calculated based on the book value of shareholders' equity as of 31 December 2013. The new common shares (the "Right offering") issued to the existing shareholders of the Bank named in the share register as of 12 May 2014. In addition, the meeting approved the delegation of authority to determine other details in connection with the allocation of the new common shares issued, whether in single or sequential allocation, to the existing shareholders of the Bank to the Board of Directors or the President of the Bank, including without limitation, the offering period, offering price, payment period, and other terms and conditions relating to the allocation of the new common shares.

Following the exercise of the right offering by the existing shareholders of the Bank, there were 102,396,410 capital increased shares allocated. The Bank has completed the registration of the change of its paid-up capital with the Ministry of Commerce on 5 June 2014. As a result, the Bank's paid-up capital will be of Baht 9,215,676,920, comprising of 921,567,588 common shares and 104 preferred shares, both with par value of Baht 10 per share.

- b) To approve the increase of the Bank's registered capital in the amount of Baht 1,023,964,100 from Baht 8,191,712,820 to Baht 9,215,676,920, in order to accommodate the allocation of the new common share issued. In addition, to reflect the increase of the Bank's registered capital, the meeting approved the amendment to the Bank's Memorandum of Association Clause 4, to state that the registered capital is Baht 9,215,767,920, consisting of 104 preferred shares and 921,567,588 ordinary shares of Baht 10 each. On 5 June 2014, the Bank registered increase in its registered share capital and the amendment of its memorandum of association with the Ministry of Commerce.

6. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 8 August 2014.