

TISCO Bank Public Company Limited
Report and financial statements
30 June 2017

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

Report on Audit of Financial Statements

I have audited the accompanying financial statements of TISCO Bank Public Company Limited (“the Bank”), which comprise the statement of financial position as at 30 June 2017, and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 30 June 2017, its financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Review Report of Interim Financial Information

I have reviewed the accompanying statements of comprehensive income and notes to the financial statements for the three-month period ended 30 June 2017 ("Interim financial information") of TISCO Bank Public Company Limited. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information 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.



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Conclusion

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

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 7 August 2017

TISCO Bank Public Company Limited

Statement of financial position

As at 30 June 2017

(Unit: Thousand Baht)

	Note	30 June 2017	31 December 2016
Assets			
Cash		1,009,891	1,147,866
Interbank and money market items - net	3.1	45,075,128	37,061,867
Investments - net	3.3, 3.6	5,737,373	5,552,994
Loans to customers and accrued interest receivables	3.4, 3.6		
Loans to customers		231,315,097	240,579,109
Accrued interest receivables		470,598	484,024
Total loans to customers and accrued interest receivables		231,785,695	241,063,133
Less: Deferred revenue		(18,506,442)	(19,084,912)
Less: Allowance for doubtful accounts	3.5	(8,405,939)	(7,490,786)
Less: Allowance for loss on debt restructuring	3.5	(9,348)	(9,748)
Loans to customers and accrued interest receivables - net		204,863,966	214,477,687
Property foreclosed - net	3.7	30,707	6,739
Investment properties	3.8	31,363	31,363
Premises and equipment - net	3.9	646,390	668,641
Intangible assets - net	3.10	336,906	359,083
Deferred tax assets	3.29	243,228	218,806
Other assets	3.11	1,042,120	1,216,780
Total assets		259,017,072	260,741,826

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 2017

(Unit: Thousand Baht)

	Note	30 June 2017	31 December 2016
Liabilities and equity			
Liabilities			
Deposits	3.12	156,879,908	155,950,816
Interbank and money market items - net	3.13	3,625,406	4,970,868
Liabilities payable on demand		236,665	180,242
Derivatives liabilities	3.2	32,735	34,118
Debts issued and borrowings	3.14	62,630,919	64,398,919
Provision for long-term employee benefits	3.15	328,412	272,390
Accrued interest payable		677,352	734,762
Income tax payable		520,461	446,942
Dividend payable		-	2,027,449
Other liabilities	3.16	4,431,241	4,281,352
Total liabilities		229,363,099	233,297,858
Equity			
Share capital			
Registered			
104 preference shares of Baht 10 each		1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		9,215,677	9,215,677
Issued and fully paid-up			
104 preference shares of Baht 10 each		1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		9,215,677	9,215,677
Share premium on ordinary shares		2,543,024	2,543,024
Other components of equity		226,046	226,295
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		16,685,226	14,474,972
Total equity		29,653,973	27,443,968
Total liabilities and equity		259,017,072	260,741,826

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



Mr. Suthas Ruangmanamongkol
 (Executive Director)

Mr. Sakchai Peachapat
 (President)

(Unaudited but reviewed)

TISCO Bank Public Company Limited
Statement of comprehensive income
For the three-month period ended 30 June 2017

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

	Note	2017	2016
Interest income	3.21	3,719,505	3,791,023
Interest expenses	3.22	(1,138,480)	(1,269,642)
Net interest income		2,581,025	2,521,381
Fee and service income		750,552	748,408
Fee and service expenses		(23,753)	(21,332)
Net fee and service income	3.23	726,799	727,076
Net losses on trading and foreign exchange transactions	3.24	(2,137)	(562)
Net gains (losses) on investments	3.25	5,018	(2,347)
Penalty fee income from loans		102,554	84,323
Income from business promotion relating to the hire purchase business		145,413	67,004
Other operating income	3.27	33,560	45,864
Total operating income		3,592,232	3,442,739
Expenses from business promotion relating to the hire purchase business		147,357	70,437
Total net operating income		3,444,875	3,372,302
Operating expenses			
Employee's expenses		658,649	600,542
Premises and equipment expenses		214,527	185,836
Taxes and duties		54,155	50,129
Intercompany supporting fee expenses	3.33	421,654	306,479
Other operating expenses	3.28	177,298	202,652
Total operating expenses		1,526,283	1,345,638
Bad debt, doubtful accounts and impairment losses	3.26	398,846	856,881
Profit from operating before income tax expenses		1,519,746	1,169,783
Income tax expenses	3.29	305,046	229,086
Profit for the period		1,214,700	940,697

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 2017

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

	Note	2017	2016
Other comprehensive income	3.30		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gains (losses) on valuation in available-for-sale investments		1,494	(11,545)
Income tax effects	3.31	(299)	2,309
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		1,195	(9,236)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial loss		(47,327)	(49,842)
Income tax effects	3.31	9,465	9,968
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(37,862)	(39,874)
Other comprehensive income for the period		(36,667)	(49,110)
Total comprehensive income for the period		1,178,033	891,587
Earnings per share			
Basic earnings per share	3.32	1.32	1.02

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 2017

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

	Note	2017	2016
Interest income	3.21	7,435,419	7,655,410
Interest expenses	3.22	(2,273,401)	(2,611,512)
Net interest income		5,162,018	5,043,898
Fee and service income		1,547,183	1,576,197
Fee and service expenses		(53,637)	(46,433)
Net fee and service income	3.23	1,493,546	1,529,764
Net losses on trading and foreign exchange transactions	3.24	(1,760)	(11,769)
Net gains on investments	3.25	7,774	5,962
Penalty fee income from loans		187,613	172,113
Income from business promotion relating to the hire purchase business		219,253	149,877
Other operating income	3.27	92,568	101,255
Total operating income		7,161,012	6,991,100
Expenses from business promotion relating to the hire purchase business		216,097	163,115
Total net operating income		6,944,915	6,827,985
Operating expenses			
Employee's expenses		1,342,132	1,105,288
Premises and equipment expenses		400,758	370,560
Taxes and duties		105,364	97,409
Intercompany supporting fee expenses	3.33	800,880	693,819
Other operating expenses	3.28	368,765	378,836
Total operating expenses		3,017,899	2,645,912
Bad debt, doubtful accounts and impairment losses	3.26	1,120,184	1,789,851
Profit from operating before income tax expenses		2,806,832	2,392,222
Income tax expenses	3.29	560,069	471,297
Profit for the period		2,246,763	1,920,925

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 2017

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

	Note	2017	2016
Other comprehensive income	3.30		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gains (losses) on valuation in available-for-sale investments		1,380	(10,748)
Income tax effects	3.31	(276)	2,150
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		1,104	(8,598)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial loss		(47,327)	(49,842)
Income tax effects	3.31	9,465	9,968
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(37,862)	(39,874)
Other comprehensive income for the period		(36,758)	(48,472)
Total comprehensive income for the period		2,210,005	1,872,453
Earnings per share			
Basic earnings per share	3.32	2.44	2.08

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 2017**

	(Unit: Thousand Baht)	
	2017	2016
Cash flows from operating activities		
Profit before income tax	2,806,832	2,392,222
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	74,014	41,840
Bad debt and doubtful accounts	2,099,340	2,779,785
Allowance for impairment of investments (reversal)	(245)	4,634
Allowance for impairment of properties foreclosed	177	11,200
Gains on disposal of investments in securities	(7,298)	(11,174)
Gains on disposal of equipment	(4,870)	(3,632)
Loss on written-off of equipment	17	-
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	(1,383)	7,492
Gains on disposal of properties foreclosed	(41,515)	(35,870)
Employee benefit expenses	10,821	28,835
Decrease in accrued income	22,993	17,483
Increase in accrued expenses	623,873	272,084
Net interest income	(5,162,018)	(5,043,898)
Dividend income	(30,775)	(46,738)
Cash received on interest income	7,545,160	7,763,821
Cash paid on interest expenses	(1,840,697)	(2,215,845)
Cash received on dividend income	30,755	44,508
Cash paid on income tax expenses	(501,855)	(284,275)
Profit from operating activities before changes in operating assets and liabilities	5,623,326	5,722,472
Operating assets (increase) decrease		
Interbank and money market items	(8,010,261)	897,416
Loans to customers	6,401,487	3,818,201
Properties foreclosed	895,633	1,061,159
Other assets	141,542	474,496

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 2017

	(Unit: Thousand Baht)	
	2017	2016
Operating liabilities increase (decrease)		
Deposits	929,092	(6,110,236)
Interbank and money market items	(1,345,462)	1,973,709
Liabilities payable on demand	56,423	(74,120)
Short-term debts issued and borrowings	2,012,000	(22,423,000)
Provision for long-term employee benefits	(2,125)	(1,798)
Other liabilities	(831,992)	(1,339,416)
Net cash flows from (used in) operating activities	5,869,663	(16,001,117)
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(4,301,572)	(2,774,029)
Cash received from disposal of investment in securities held for investment	4,126,116	4,309,819
Cash paid for purchase of equipment	(13,403)	(23,005)
Cash paid for purchase of intangible assets	(16,200)	(36,532)
Cash received from disposal of equipment	4,870	3,665
Net cash flows from (used in) investing activities	(200,189)	1,479,918
Cash flows from financing activities		
Cash received from issuance of long-term debentures	6,000,000	15,500,000
Cash paid for redemption of long-term debentures	(9,780,000)	-
Dividend paid	(2,027,449)	(1,105,881)
Net cash flows from (used in) financing activities	(5,807,449)	14,394,119
Net decrease in cash	(137,975)	(127,080)
Cash at beginning of the period	1,147,866	1,100,349
Cash at end of the period	1,009,891	973,269

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

TISCO Bank Public Company Limited

Statement of changes in equity

For the six-month period ended 30 June 2017

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity			Retained earnings		Total
	Preference shares	Ordinary shares		change in value of available-for-sale investments	Surplus on revaluation of assets	Total other components of equity	Appropriated	Unappropriated	
Balance as at 1 January 2016	1	9,215,676	2,543,024	30,757	211,641	242,398	984,000	12,829,650	25,814,749
Profit for the period	-	-	-	-	-	-	-	1,920,925	1,920,925
Other comprehensive income for the period	-	-	-	(8,598)	-	(8,598)	-	(39,874)	(48,472)
Total comprehensive income for the period	-	-	-	(8,598)	-	(8,598)	-	1,881,051	1,872,453
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(1,356)	(1,356)	-	1,356	-
Balance as at 30 June 2016	1	9,215,676	2,543,024	22,159	210,285	232,444	984,000	14,712,057	27,687,202
Balance as at 1 January 2017	1	9,215,676	2,543,024	17,380	208,915	226,295	984,000	14,474,972	27,443,968
Profit for the period	-	-	-	-	-	-	-	2,246,763	2,246,763
Other comprehensive income for the period	-	-	-	1,104	-	1,104	-	(37,862)	(36,758)
Total comprehensive income for the period	-	-	-	1,104	-	1,104	-	2,208,901	2,210,005
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(1,353)	(1,353)	-	1,353	-
Balance as at 30 June 2017	1	9,215,676	2,543,024	18,484	207,562	226,046	984,000	16,685,226	29,653,973

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

TISCO Bank Public Company Limited
Notes to financial statements
For the six-month period ended 30 June 2017

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

1.1 Basis of preparation of financial statements

The financial statements for the six-month period ended 30 June 2017 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and the regulation of the Bank of Thailand (“BOT”) and their presentation has been made in compliance with the Bank of Thailand’s Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

The statements of comprehensive income and notes to the financial statements for the three-month period ended 30 June 2017 are prepared in accordance with Thai Accounting Standard No. 34 (revised 2016) “Interim Financial Reporting”, whereby the Bank chooses to present the statements of comprehensive income and notes to the financial statements in the same full format as that used for the annual financial statements.

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

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

1.2 New financial reporting standards

During the period, the Bank has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements.

1.3 Significant accounting policies

1.3.1 Income recognition

a) Interest and discounts on loans

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

The 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 and derivatives

Gains (losses) on trading in securities and derivatives 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.

1.3.2 Expenses recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

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

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

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

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

1.3.4 Investments

- a) Investments in trading securities are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined 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.
- f) 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.
- g) The weighted average method is used for computation of the cost of investments.
- h) 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 equity, depending on the type of investment that is reclassified.
- i) Purchases and sales of investments are recorded on settlement date.

1.3.5 Investments in receivable purchased or transferred in

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

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

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

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

1.3.7 Allowance for doubtful accounts and loss on debt restructuring

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

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

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

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

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

- 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 period. 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.

1.3.8 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 inflows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank records differences between the fair value of receivables and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. 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.

1.3.9 Properties foreclosed

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

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

1.3.10 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 proceed and the carrying amount of the asset is recognised in profit or loss in the year when the asset is derecognised (if any).

1.3.11 Premises and equipment/Depreciation

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

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

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

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

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

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

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

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

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

No depreciation is provided on land and assets under installation.

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

1.3.12 Intangible assets

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

The Bank amortises intangible assets with finite lives on a systematic basis over the economic useful life and tests for impairment whenever there is an indication that the intangible assets may be impaired. The Bank reviews the amortisation year and the amortisation method of such intangible assets at least at each financial year end. The amortisation expenses 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 with specified number of years of usage | - according to the year of license agreement by the straight-line basis |
| The license agreements with no specified number of years of usage | - 5 years by the straight-line basis |
| No license agreements | - 3 years by the sum-of-the-year-digits method |

1.3.13 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 years when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

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

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

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

1.3.14 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.

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

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

1.3.16 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The 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.

1.3.18 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.

1.3.19 Derivatives and hedge accounting

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

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

1.3.20 Fair value measurement

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

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

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

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

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

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

1.3.21 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), liabilities 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 3.37 to the financial statements.

b) Fair value of financial instruments

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

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the statement of financial position approximate their fair value.
- For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For equity securities, their fair value is generally derived from quoted market prices, or based on discounted future cash flows and/or comparing with similar companies when no market price is available.
- Loans to customers and accrued interest receivables, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.

- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Bank had considered to counterparty credit risk when determining the fair value of derivatives.

1.3.22 Offsetting financial assets and financial liabilities

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

1.3.23 Significant accounting judgements and estimates

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

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

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

Fair value of financial instruments

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

Impairment of investments

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

Investment properties

The 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 3.8.

Premises and equipment/Depreciation

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

The Bank measures office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the income approach. The valuation involves certain assumptions and estimates as described in Note 3.9.

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 judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

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

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

Leases

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

Litigation

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

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 2017, the Bank has 56 branches in Thailand. (31 December 2016: the Bank has 57 branches in Thailand).

2.2 Statutory reserve

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

2.3 Directors' remuneration

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

2.4 Related party transactions

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

The Bank has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Bank and those related parties, which are 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 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	1,556,098	-	1,556,098	1,441,296	440,000	1,881,296
Commercial banks	164,898	16,851,000	17,015,898	125,317	15,001,000	15,126,317
Specialised Financial Institutions	207	26,200,000	26,200,207	518	19,750,000	19,750,518
Other financial institutions	-	300,000	300,000	-	300,000	300,000
Total	1,721,203	43,351,000	45,072,203	1,567,131	35,491,000	37,058,131
Add: Accrued interest	-	8,925	8,925	-	6,736	6,736
Less: Allowance for doubtful accounts	-	(6,000)	(6,000)	-	(3,000)	(3,000)
Total domestic	<u>1,721,203</u>	<u>43,353,925</u>	<u>45,075,128</u>	<u>1,567,131</u>	<u>35,494,736</u>	<u>37,061,867</u>

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

(Unit: Million Baht)

	Securities purchased under resale agreements according to private repurchase transactions	
	as at	
	30 June 2017	31 December 2016
Commercial banks	16,550	15,000
Specialised Financial Institutions	26,200	19,750

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

	Fair value of securities received as collateral	
	as at	
	30 June 2017	31 December 2016
Commercial banks	16,484	15,157
Specialised Financial Institutions	26,517	19,958

3.2 Derivatives

The Bank entered into interest rate swap agreements and foreign exchange contracts to manage the risk associated with its financial assets as follows:

(Unit: Thousand Baht)

Type of risk	As at					
	30 June 2017			31 December 2016		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	-	531	61,735	-	-	-
Interest rate	-	32,204	1,200,000	-	34,118	1,200,000
Total	-	32,735	1,261,735	-	34,118	1,200,000

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 2017	31 December 2016
Available-for-sale investments - fair value		
Government and state enterprise securities	4,197,101	3,835,912
Private sector debt securities	691,954	870,470
Foreign sector debt securities	412,939	414,163
Domestic marketable equity securities	8,280	8,000
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	5,308,814	5,127,085
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	13,789	13,559
Less: Allowance for impairment	(13,774)	(13,543)
Total held-to-maturity debt securities	15	16
General investments - cost		
Domestic non-marketable equity securities	474,878	478,303
Less: Allowance for impairment	(46,334)	(52,410)
Total general investments	428,544	425,893
Investments - net	5,737,373	5,552,994

3.3.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

	As at							
	30 June 2017				31 December 2016			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	4,195	-	2	4,197	3,834	-	2	3,836
Private sector debt securities	404	701	-	1,105	182	1,102	-	1,284
Total	4,599	701	2	5,302	4,016	1,102	2	5,120
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	4,598	701	2	5,301	4,015	1,102	2	5,119
Held-to-maturity debt securities								
Investment in receivables	14	-	-	14	14	-	-	14
Less: Allowance for impairment	(14)	-	-	(14)	(14)	-	-	(14)
Total	-	-	-	-	-	-	-	-
Total debt securities	4,598	701	2	5,301	4,015	1,102	2	5,119

3.3.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restrictions
	30 June 2017	31 December 2016	
Government debt securities	2	2	Pledged for electricity usage

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

(Unit: Thousand Baht)

	As at 30 June 2017		
	Cost	Fair value	Allowance for changes in value
	Companies having problems with debt repayment or in default	1,460	-

(Unit: Thousand Baht)

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

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 2017			31 December 2016		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid Amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Juki (Thailand) Co., Ltd.	331	-	10	331	-	10
PDTL Trading Co., Ltd.	4,275	-	10	4,265	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,233	-	10	3,233	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	18,062	-	10	17,622	-	10

3.4 Loans to customers and accrued interest receivables

3.4.1 Classified by loans to customers type

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Loans to customers		
Loans	71,476,659	71,883,119
Hire purchase receivables	159,695,464	168,448,360
Finance lease receivables	335,751	460,708
Less: Deferred revenue	(18,506,442)	(19,084,912)
Advances received from finance lease receivables	(192,777)	(213,078)
Total loans to customers	212,808,655	221,494,197
Add: Accrued interest receivables	470,598	484,024
Less: Allowance for doubtful accounts	(8,405,939)	(7,490,786)
Less: Allowance for loss on debt restructuring	(9,348)	(9,748)
Loans to customers and accrued interest receivables - net	<u>204,863,966</u>	<u>214,477,687</u>

3.4.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at					
	30 June 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	<u>206,558,272</u>	<u>6,250,383</u>	<u>212,808,655</u>	<u>215,304,305</u>	<u>6,189,892</u>	<u>221,494,197</u>
Total loans to customers						
net of deferred revenue	<u>206,558,272</u>	<u>6,250,383</u>	<u>212,808,655</u>	<u>215,304,305</u>	<u>6,189,892</u>	<u>221,494,197</u>

3.4.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	As at 30 June 2017					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	1,632,125	29,980	13,847	7,143	3,183	1,686,278
Manufacturing and commerce	16,982,405	1,085,462	115,357	73,915	108,613	18,365,752
Real estate and construction	13,089,968	153,140	21,324	32,620	22,265	13,319,317
Public utilities and services	24,826,693	874,757	139,284	274,863	79,429	26,195,026
Personal consumption						
Hire purchase	112,546,328	11,561,788	1,459,335	955,026	702,211	127,224,688
Loan against auto license	16,903,593	1,472,764	255,620	112,175	15,714	18,759,866
Housing loan	784,849	45,865	10,205	16,362	60,083	917,364
Others	5,735,135	424,842	99,493	52,768	28,126	6,340,364
Total loans to customers	192,501,096	15,648,598	2,114,465	1,524,872	1,019,624	212,808,655
Add: Accrued interest receivables	302,951	167,647	-	-	-	470,598
Total loans to customers and accrued interest receivables	<u>192,804,047</u>	<u>15,816,245</u>	<u>2,114,465</u>	<u>1,524,872</u>	<u>1,019,624</u>	<u>213,279,253</u>

(Unit: Thousand Baht)

	As at 31 December 2016					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
	Agricultural and mining	426,150	30,352	11,918	7,155	759
Manufacturing and commerce	18,399,474	1,122,935	154,503	65,785	117,472	19,860,169
Real estate and construction	13,414,247	121,882	37,978	23,427	22,444	13,619,978
Public utilities and services	27,872,035	348,251	320,057	85,993	145,705	28,772,041
Personal consumption						
Hire purchase	118,084,143	12,741,097	1,671,048	1,030,141	792,296	134,318,725
Loan against auto license	15,787,723	1,452,248	253,085	114,016	8,615	17,615,687
Housing loan	837,582	49,987	26,118	15,851	49,270	978,808
Others	5,275,181	409,920	94,495	54,600	18,259	5,852,455
Total loans to customers	200,096,535	16,276,672	2,569,202	1,396,968	1,154,820	221,494,197
Add: Accrued interest receivables	302,295	181,729	-	-	-	484,024
Total loans to customers and accrued interest receivables	200,398,830	16,458,401	2,569,202	1,396,968	1,154,820	221,978,221

3.4.4 Classified by loan classification

(Unit: Million Baht)

	As at					
	30 June 2017			31 December 2016		
	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	192,804	171,357	2,266	200,399	177,089	2,658
- Special mention	15,816	14,340	2,928	16,458	15,567	2,041
- Sub-standard	2,114	2,105	752	2,569	2,534	827
- Doubtful	1,525	1,495	639	1,397	1,384	416
- Doubtful of loss	1,020	919	357	1,155	1,062	273
Allowance established in excess	-	-	1,464	-	-	1,276
Total	213,279	190,216	8,406	221,978	197,636	7,491

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

⁽²⁾ As at 30 June 2017, the provisions set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor 5/2559 minimum requirement by a total of Baht 4,246 million (As at 31 December 2016: total of Baht 3,158 million). The Bank allocated Baht 2,782 million of the excess provision to specific provision for individual debtors (As at 31 December 2016: total of Baht 1,882 million) and so combined with the minimum provision requirement of Baht 4,160 million (As at 31 December 2016: total of Baht 4,333 million), the total provision set aside in accordance with BOT requirements is Baht 6,942 million (As at 31 December 2016: total of Baht 6,215 million).

Percentage of allowance for doubtful accounts set up

	Percentage of allowance for doubtful accounts set up					
	Hire purchase receivables ⁽¹⁾		Loan against auto license receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at		As at		As at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Pass	0.99	0.80	1.61	1.57	1	1
Special mention	9.05	5.92	16.80	16.80	2	2
Sub-standard	31.51	28.21	35.06	34.57	100	100
Doubtful	38.60	24.19	35.06	34.57	100	100
Doubtful of loss	29.63	22.75	35.06	34.57	100	100

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

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

3.4.5 Hire purchase and finance lease receivables

As at 30 June 2017, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 141,505 million (31 December 2016: Baht 149,784 million) and mostly comprise hire purchase agreements for cars and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 30 June 2017				
	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	53,009	95,129	4,911	6,982	160,031
Less: Deferred revenue ⁽¹⁾	(6,627)	(8,485)	(103)	(3,119)	(18,334)
Advances received from finance lease receivables	(97)	(92)	-	(3)	(192)
Present value of minimum lease pay from agreements	46,285	86,552	4,808	3,860	141,505
Allowance for doubtful accounts ⁽²⁾					(3,637)
Net hire purchase and finance lease receivables					<u>137,868</u>

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

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

(Unit: Million Baht)

As at 31 December 2016

	Amounts of installments due under the long-term lease agreements				
	Not over	Over 1 year	Over	Non-	Total
	1 year	but not over 5 years	5 years	performing loans	
Gross investment in the agreements	56,142	100,696	4,783	7,288	168,909
Less: Deferred revenue ⁽¹⁾	(7,001)	(8,789)	(163)	(2,959)	(18,912)
Advances received from finance lease receivables	(89)	(121)	-	(3)	(213)
Present value of minimum lease pay from agreements	49,052	91,786	4,620	4,326	149,784
Allowance for doubtful accounts ⁽²⁾					(2,973)
Net hire purchase and finance lease receivables					146,811

⁽¹⁾ Net of deferred commissions and direct expenses incurred at the initiation of hire purchase.⁽²⁾ These allowance for doubtful accounts included the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

3.4.6 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 2017	31 December 2016	30 June 2017	31 December 2016
Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	6,185	6,573	6,974	7,395

⁽¹⁾ These amounts are calculated on an account by account basis.⁽²⁾ Accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date.

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

(Unit: Million Baht)

	As at	
	30 June 2017	31 December 2016
Deferred revenue ⁽¹⁾	18,506	19,085

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

3.4.8 Troubled debt restructuring

	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2017	2016	2017	2016
Debtors restructured during the period				
Number of debtors restructured by modification				
of terms (number)	1,099	1,356	2,169	3,449
Loan balances before restructuring (Million Baht)	359	382	691	954
Loan balances after restructuring (Million Baht)	361	385	695	963
Loss on troubled debt restructuring (Million Baht)	-	-	-	-
Average contract period of debt restructuring				
(years)				
Hire purchase receivables	4	5	4	5
Mortgage loan receivables	-	2	4	2
Loan against auto license receivables	4	4	4	4

Supplemental information for the three-month and six-month periods ended 30 June 2017 and 2016 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	
	2017	2016	2017	2016
Interest income on restructured				
receivables	91	85	187	168
Receipt of principal and interest	348	237	708	471

As at 30 June 2017 and 31 December 2016, the Bank has the outstanding balances with troubled restructured debtors as follows:

	(Unit: Million Baht)			
	As at			
	30 June 2017		31 December 2016	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	17,649	5,169	16,638	5,286

3.5 Allowance for doubtful accounts/allowance for loss on debt restructuring

3.5.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

As at 30 June 2017							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of period	2,658,668	2,041,303	826,501	416,111	272,677	1,275,526	7,490,786
Increase (decrease) in allowance for doubtful accounts during the period	(392,543)	886,885	(28,222)	726,780	715,725	188,115	2,096,740
Bad debt written-off	-	-	(46,638)	(503,734)	(631,215)	-	(1,181,587)
Balance - end of period	<u>2,266,125</u>	<u>2,928,188</u>	<u>751,641</u>	<u>639,157</u>	<u>357,187</u>	<u>1,463,641</u>	<u>8,405,939</u>

(Unit: Thousand Baht)

As at 31 December 2016							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	1,871,788	1,163,592	930,747	598,793	693,635	311,935	5,570,490
Increase in allowance for doubtful accounts during the year	786,880	877,711	1,967	1,752,943	1,398,274	963,591	5,781,366
Bad debt written-off	-	-	(106,213)	(1,935,625)	(1,819,232)	-	(3,861,070)
Balance - end of year	<u>2,658,668</u>	<u>2,041,303</u>	<u>826,501</u>	<u>416,111</u>	<u>272,677</u>	<u>1,275,526</u>	<u>7,490,786</u>

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

(Unit: Thousand Baht)

As at 30 June 2017				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of period	2,595,364	3,619,896	1,275,526	7,490,786
Increase in allowance for doubtful accounts during the period	115,822	1,792,803	188,115	2,096,740
Bad debt written-off	(91,588)	(1,089,999)	-	(1,181,587)
Balance - end of period	<u>2,619,598</u>	<u>4,322,700</u>	<u>1,463,641</u>	<u>8,405,939</u>

(Unit: Thousand Baht)

As at 31 December 2016				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	2,259,045	2,999,510	311,935	5,570,490
Increase in allowance for doubtful accounts during the year	582,619	4,235,156	963,591	5,781,366
Bad debt written-off	(246,300)	(3,614,770)	-	(3,861,070)
Balance - end of year	<u>2,595,364</u>	<u>3,619,896</u>	<u>1,275,526</u>	<u>7,490,786</u>

3.5.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Balance - beginning of period/year	9,748	-
Increase during the period/year	-	9,748
Amortisation during the period/year	(400)	-
Balance - end of period/year	9,348	9,748

3.5.4 Non-performing loans to customers

(Unit: Million Baht)

	As at	
	30 June 2017	31 December 2016
Non-performing loans to customers	4,659	5,121
Allowance for doubtful accounts ⁽¹⁾	1,748	1,516

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

3.6 Classification of assets

3.6.1 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	
	as at		as at		as at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽²⁾	-	6	-	-	-	6

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

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

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

As at 30 June 2017 and 31 December 2016, 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		Properties foreclosed		Total	
	as at		as at		as at		as at		as at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Pass	235,851	235,147	-	-	-	-	-	-	235,851	235,147
Special mention	15,649	16,277	-	-	-	-	-	-	15,649	16,277
Sub-standard	2,114	2,569	-	-	-	-	-	-	2,114	2,569
Doubtful	1,525	1,397	-	-	-	-	-	-	1,525	1,397
Doubtful of loss	1,020	1,155	48	54	14	14	12	12	1,094	1,235
Total	256,159	256,545	48	54	14	14	12	12	256,233	256,625

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

3.6.3 Classification of assets under the Bank of Thailand's guidelines which the Bank sets aside provision using a collective approach

3.6.3.1 Hire purchase receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting the allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful account setup ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at		as at		as at		as at	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Pass	125,325	131,798	125,325	131,798	0.99	0.80	1,238	1,052
Special mention	12,191	13,434	12,191	13,434	9.05	5.92	1,103	795
Sub-standard	1,716	2,134	1,716	2,134	31.51	28.21	541	602
Doubtful	1,286	1,168	1,286	1,168	38.60	24.19	496	283
Doubtful of loss	852	1,017	852	1,017	29.63	22.75	252	231
Total	141,370	149,551	141,370	149,551			3,630	2,963

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

3.6.3.2 Loan against auto license receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting up allowance for doubtful accounts		Percentage of allowance for doubtful account setup ⁽¹⁾		Allowance for doubtful accounts ⁽²⁾	
	as at		as at		as at		as at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016	2017	2016
					(%)	(%)		
Pass	17,864	16,665	17,864	16,665	1.61	1.57	287	261
Special mention	1,554	1,527	1,554	1,527	16.80	16.80	261	257
Sub-standard	275	269	275	269	35.06	34.57	96	93
Doubtful	120	125	120	125	35.06	34.57	42	43
Doubtful of loss	18	9	18	9	35.06	34.57	6	3
Total	19,831	18,595	19,831	18,595			692	657

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

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

3.6.4 Loans to customers includes debts due from companies with weak financial position and operating results.

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts ⁽²⁾	
	as at		as at		as at		as at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2017	2016	2017	2016	2017	2016	2017	2016
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET ⁽¹⁾	1	1	789	821	656	656	789 ⁽³⁾	821 ⁽³⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	2	4	321	577	41	249	4	7
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	3	5	1,110	1,398	697	905	793	828

⁽¹⁾ The company is currently under rehabilitation.

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

⁽³⁾ These allowance for doubtful accounts included the allowance for loss on debt restructuring.

3.7 Properties foreclosed

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of period/year	11,713	16,397
Disposals	-	(4,684)
Balance - end of period/year	11,713	11,713
Movable assets		
Balance - beginning of period/year	6,771	28,566
Additions	1,451,502	3,458,349
Disposals	(1,427,357)	(3,480,144)
Balance - end of period/year	30,916	6,771
Total properties foreclosed	42,629	18,484
Less: Allowance for impairment		
Balance - beginning of period/year	11,745	617
Increase	570	11,632
Decrease	(393)	(504)
Balance - end of period/year	11,922	11,745
Total properties foreclosed - net	30,707	6,739

3.8 Investment properties

The book value of investment properties as at 30 June 2017 and 31 December 2016 is as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2017	31 December 2016
Book value - beginning of period/year	31,363	31,363
Transfer type of asset	-	-
Book value - end of period/year	<u>31,363</u>	<u>31,363</u>

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

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

	As at 30 June 2017	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	585 - 1,300	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	11.7	Decrease in fair value

3.9 Premises and equipment

(Unit: Thousand Baht)

	Revaluation	Cost basis				Total
	basis	Land	Building and improvements	Furniture, fixtures, computer and equipment	Motor vehicles	
	Building, office condominium and building improvements					
Cost:						
As at 1 January 2016	509,117	17,509	499,963	574,385	79,766	1,680,740
Additions/transfers in	-	-	8,937	38,966	1,601	49,504
Disposals/written-off/ transfers out	-	-	(722)	(84,002)	(13,734)	(98,458)
As at 31 December 2016	509,117	17,509	508,178	529,349	67,633	1,631,786
Additions/transfers in	-	-	4,475	2,250	6,678	13,403
Disposals/written-off/ transfers out	-	-	(1,971)	(1,606)	(12,530)	(16,107)
As at 30 June 2017	509,117	17,509	510,682	529,993	61,781	1,629,082
Accumulated depreciation:						
As at 1 January 2016	12,873	-	403,527	503,724	46,974	967,098
Depreciation for the year	9,195	-	32,525	20,124	8,433	70,277
Depreciation on disposals/ written-off/transfers out	-	-	(415)	(60,081)	(13,734)	(74,230)
As at 31 December 2016	22,068	-	435,637	463,767	41,673	963,145
Depreciation for the period/year	4,560	-	15,515	10,313	4,454	34,842
Depreciation on disposals/ written-off/transfers out	-	-	(1,953)	(812)	(12,530)	(15,295)
As at 30 June 2017	26,628	-	449,199	473,268	33,597	982,692
Net book value:						
As at 31 December 2016	487,049	17,509	72,541	65,582	25,960	668,641
As at 30 June 2017	482,489	17,509	61,483	56,725	28,184	646,390
Depreciation for the six-month periods ended 30 June:						
2016						35,467
2017						34,842

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

Had the office condominiums been carried in the financial statements based on cost model cost, its net book value as at 30 June 2017 and 31 December 2016 would have been as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2017	31 December 2016
Office condominiums - net of accumulated depreciation	231,425	234,294

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

	As at	Result to fair value
	30 June 2017	where as an increase in
		assumption value
Estimated rental rate (Baht/Sq.m./Month)	585 - 1,300	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	11.7	Decrease in fair value

3.10 Intangible assets

The book value of intangible assets as at 30 June 2017 and 31 December 2016 is presented as follows:

	(Unit: Thousand Baht)
	Computer software
As at 30 June 2017:	
Cost	785,959
Less: Accumulated amortisation	(449,053)
Net book value	336,906
As at 31 December 2016:	
Cost	768,964
Less: Accumulated amortisation	(409,881)
Net book value	359,083

A reconciliation of the net book value of intangible assets for the six-month period ended 30 June 2017 and for the year ended 31 December 2016 is presented as follows:

	(Unit: Thousand Baht)	
	For the six-month period ended 30 June 2017	For the year ended 31 December 2016
Net book value at beginning of period/year	359,083	279,091
Acquisitions of computer software	16,200	92,857
Transfer in of computer software	795	23,872
Amortisation	(39,172)	(36,737)
Net book value at end of period/year	<u>336,906</u>	<u>359,083</u>

3.11 Other assets

	(Unit: Thousand Baht)	
	As at	
	30 June 2017	31 December 2016
Value added tax - net	250,793	370,275
Accrued interest receivables	15,566	14,475
Fee and service receivables	38,778	61,771
Deposits	46,542	46,291
Other receivables	483,568	525,588
Other assets	206,873	198,380
Total other assets	<u>1,042,120</u>	<u>1,216,780</u>

3.12 Deposits

3.12.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	As at	
	30 June 2017	31 December 2016
Deposits		
Current accounts	2,709,337	3,800,991
Saving accounts	52,787,043	51,928,032
Fixed accounts		
- not over 6 months	6,909,571	7,606,080
- over 6 months but not over 1 year	13,373,125	6,994,920
- over 1 year	191,904	238,889
Certificates of deposit/negotiable certificates of deposit	80,908,928	85,381,904
Total	<u>156,879,908</u>	<u>155,950,816</u>

3.12.2 Classified by the remaining year of contract

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Not over 1 year ⁽¹⁾	156,608,731	155,630,660
Over 1 year	271,177	320,156
Total deposits	156,879,908	155,950,816

⁽¹⁾ Including fully-mature deposit contracts

3.12.3 As at 30 June 2017 and 31 December 2016, all outstanding deposits are deposits from domestic depositors and in Baht.

3.13 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at					
	30 June 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	13,182	13,182	-	15,007	15,007
Commercial banks	44,279	-	44,279	48,020	-	48,020
Specialised Financial Institutions	-	2,369,000	2,369,000	-	2,444,000	2,444,000
Other financial institutions	611,401	587,544	1,198,945	574,581	1,889,260	2,463,841
Total	655,680	2,969,726	3,625,406	622,601	4,348,267	4,970,868

3.14 Debt issued and borrowings

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	7,323,000	7,323,000
Unsubordinated unsecured debentures	55,271,000	57,039,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	62,630,919	64,398,919

3.14.1 Subordinated unsecured debentures

As at 30 June 2017 and 31 December 2016, the Bank has long-term subordinated unsecured debentures as follows:

Issued year	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
	30 June 2017	31 December 2016		30 June 2017	31 December 2016		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2012	-	1.00	1,000	-	1,000	2022	4.85 percent per annum
2012	1.24	1.24	1,000	1,243	1,243	2022	4.60 percent per annum
2014	1.60	1.60	1,000	1,600	1,600	2024	6.00 percent per annum
2014	0.80	0.80	1,000	800	800	2024	6.00 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.50 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.25 percent per annum
2016	0.68	0.68	1,000	680	680	2026	3.875 percent per annum
2017	1.00	-	1,000	1,000	-	2027	4.00 percent per annum
Total				7,323	7,323		

3.14.2 Unsubordinated unsecured debentures

As at 30 June 2017 and 31 December 2016, the Bank has short-term and long-term unsubordinated unsecured debenture as follows:

Issued year	Type of debentures	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
		30 June 2017	31 December 2016		30 June 2017	31 December 2016		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2015	Long-term debenture	6.90	15.68	1,000	6,900	15,680	2017	2.00 percent per annum
2016	Short-term debenture	-	16.859	1,000	-	16,859	2017	1.50 - 1.71 percent per annum
2016	Long-term debenture	5.50	5.50	1,000	5,500	5,500	2018	1.95 - 2.00 percent per annum
2016	Long-term debenture	10.00	10.00	1,000	10,000	10,000	2019	1.85 - 1.95 percent per annum
2016	Short-term debenture	9.00	9.00	1,000	9,000	9,000	2017	1.75 - 1.80 percent per annum
2017	Short-term debenture	11.211	-	1,000	11,211	-	2017	1.52 - 1.70 percent per annum
2017	Short-term debenture	7.50	-	1,000	7,500	-	2018	1.75 - 1.80 percent per annum
2017	Short-term debenture	0.16	-	1,000	160	-	2018	1.55 percent per annum
2017	Long-term debenture	5.00	-	1,000	5,000	-	2018	1.85 percent per annum
Total					55,271	57,039		

3.14.3 Bills of exchange

Bills of exchange comprise the fixed interest rate bearing at 2.50 percent per annum, which will gradually mature in 2017.

3.15 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 2017 and 31 December 2016 were as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2017	31 December 2016
Defined post-employment benefit obligation at beginning of period/year	172,851	135,962
Current service cost	7,586	14,016
Interest cost	2,505	4,181
Benefits paid during the period/year	-	(3,198)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	1,120	(10,293)
Financial assumptions changes	45,023	16,412
Other assumptions changes	1,184	15,771
Defined post-employment benefit obligation at end of period/year	230,269	172,851
Other long-term benefits	98,143	99,539
Total provision for long-term employee benefits at end of period/year	328,412	272,390

Long-term employee benefits expenses included in the profit or loss for the three-month and six-month periods ended 30 June 2017 and 2016 were as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 30 June	
	2017	2016
Current service cost	6,874	6,666
Interest cost	1,791	1,343
Actuarial (gains) losses	(6,123)	14,327
Total employee benefits expenses	2,542	22,336

(Unit: Thousand Baht)

	For the six-month periods ended 30 June	
	2017	2016
Current service cost	13,600	11,734
Interest cost	3,344	2,774
Actuarial (gains) losses	(6,123)	14,327
Total employee benefits expenses	<u>10,821</u>	<u>28,835</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 2017 and 31 December 2016 amounted to Baht 84 million and Baht 46 million, respectively.

The Bank expects to pay Baht 5 million in contributions to its provision for long-term employee benefits during the next year (31 December 2016: Baht 6 million).

As at 30 June 2017 and 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 22 years.

Significant actuarial assumptions are summarised below.

(Unit: Percent per annum)

	As at	
	30 June 2017	31 December 2016
Discount rate	1.50 - 3.77	1.50 - 3.72
Average salary increase rate	5.00	3.50

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefits obligation as at 30 June 2017 and 31 December 2016 are summarised below.

(Unit: Thousand Baht)

	As at 30 June 2017		As at 31 December 2016	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(8,485)	9,025	(5,914)	6,206
Average salary increase rate	8,913	(8,423)	6,292	(6,022)

3.16 Other liabilities

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Withholding income tax and other tax payables	143,368	350,693
Accrued insurance premium	554,144	695,535
Deferred income	992,720	1,045,309
Accrued expenses	2,116,167	1,492,294
Suspense creditors	332,746	390,458
Other liabilities	292,096	307,063
Total other liabilities	<u>4,431,241</u>	<u>4,281,352</u>

The above accrued expenses included accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses included costs of annual bonus that are determined with reference to the 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 price of the parent company's shares over the year of five years from grant date to settlement date. As of 30 June 2017 and 31 December 2016, the Bank has issued bonus under this scheme amounting to Baht 256 million and Baht 263 million, respectively.

3.17 Preference shares converted to ordinary shares

Up to 30 June 2017 and 31 December 2016, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 30 June 2017 and 31 December 2016, 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.

3.18 Capital funds

The primary objectives of the Bank's capital management are to maintain the Bank's ability to continue as a going concern and to maintain capital adequacy ratio in accordance with the regulations of the 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, loan against auto license receivables, corporate lending, floor-plan loan, equity exposure and other assets.

Regarding Capital fund as at 30 June 2017 and 31 December 2016, 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 2017	31 December 2016
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	14,474,972	13,501,650
Other components of equity	222,183	218,920
Less: Deductions from Common Equity Tier I items	(550,738)	(481,432)
Total Common Equity Tier I capital	26,889,117	25,981,838
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	26,889,118	25,981,839
<u>Tier II capital</u>		
Long-term subordinated debentures	7,323,000	7,323,000
Surplus of provision	825,064	789,422
Reserve for loans classified as pass	349,927	447,354
Total Tier II capital	8,497,991	8,559,776
Total capital funds	35,387,109	34,541,615

(Unit: Percent)

Capital fund ratios	As at			
	30 June 2017		31 December 2016	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	15.57	5.75	14.73	5.125
Tier I capital to risk assets	15.57	7.25	14.73	6.625
Total capital to risk assets	20.49	9.75	19.59	9.125

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 4/2556 regarding “Public Disclosure of Capital Maintenance for Commercial Banks”, the Bank has disclosed capital maintenance information as at 31 December 2016 on its website on 28 April 2017.

3.19 Surplus on changes in value of available-for-sale investments

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Balance - beginning of period/year	21,725	38,446
Increase (decrease) from changes in value of investments during the period/year	1,380	(16,721)
	23,105	21,725
Less: Income tax effects	(4,621)	(4,345)
Balance - end of period/year	18,484	17,380

3.20 Surplus on revaluation of assets

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

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Balance - beginning of period/year	261,143	264,551
Transfer to retained earnings	(1,691)	(3,408)
	259,452	261,143
Less: Income tax effects	(51,890)	(52,228)
Balance - end of period/year	207,562	208,915

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

3.21 Interest income

Interest income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
Interbank and money market items	137,180	130,417	255,084	265,666
Investments in debt securities	38,399	34,823	75,547	73,030
Loans to customers	1,452,128	1,322,142	2,862,234	2,650,533
Hire purchase and finance lease	2,091,798	2,303,641	4,242,554	4,666,181
Total interest income	3,719,505	3,791,023	7,435,419	7,655,410

3.22 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
Deposits	554,565	613,627	1,106,200	1,285,656
Interbank and money market items	4,494	44,593	12,705	84,774
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	246,884	255,481	490,113	520,022
Issued debt instruments				
- Subordinated debentures	88,640	84,064	179,149	168,127
- Unsubordinated debentures	238,682	271,586	476,144	552,479
Borrowings	5,215	291	9,090	454
Total interest expenses	1,138,480	1,269,642	2,273,401	2,611,512

3.23 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 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
Fee and service income				
- Acceptance, aval and guarantees	2,714	2,612	4,651	5,186
- Insurance service	528,373	539,353	1,099,424	1,162,319
- Fund management	-	9,750	94	9,750
- Financial advisory	-	1,600	-	1,600
- Others	219,465	195,093	443,014	397,342
Total fee and service income	750,552	748,408	1,547,183	1,576,197
Fee and service expenses	(23,753)	(21,332)	(53,637)	(46,433)
Net fee and service income	726,799	727,076	1,493,546	1,529,764

3.24 Net losses on trading and foreign exchange transactions

Net losses on trading and foreign exchange transactions in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	(531)	-	(531)	-
- Derivatives on interest rates	(3,726)	(2,295)	(6,183)	(15,075)
- Debt securities	2,120	1,733	4,954	3,306
Net losses on trading and foreign exchange transactions	(2,137)	(562)	(1,760)	(11,769)

3.25 Net gains (losses) on investments

Net gains (losses) on investments in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
Gains on disposal				
- Available-for-sale investments	-	-	130	5,794
- General investments	4,542	2,865	7,168	5,380
Total	4,542	2,865	7,298	11,174
Reversal allowance (losses) on impairment				
- General investments	476	(5,212)	476	(5,212)
Total	476	(5,212)	476	(5,212)
Net gains (losses) on investments	5,018	(2,347)	7,774	5,962

3.26 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 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
Interbank and money market items	3,000	-	3,000	-
Held-to-maturity debt securities	17	(462)	231	(578)
Loans to customers	395,829	857,343	1,116,953	1,790,429
Total	398,846	856,881	1,120,184	1,789,851

3.27 Other operating income

Other operating income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
Gains on disposal of properties foreclosed	21,352	17,611	41,515	35,870
Dividend income	2,255	18,118	30,775	46,738
Others	9,953	10,135	20,278	18,647
Total	33,560	45,864	92,568	101,255

3.28 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
Mailing expenses	11,269	11,097	26,525	26,357
Software amortisation expenses	19,664	3,388	39,172	6,373
Legal expenses	64,705	88,106	141,865	169,866
Transportation expenses	15,501	19,293	35,146	35,848
Repossession and selling expenses of repossessed	17,990	19,332	37,825	39,298
Advertising expenses	19,910	22,883	38,426	38,532
Others	28,259	38,553	49,806	62,562
Total	177,298	202,652	368,765	378,836

3.29 Income tax expenses

Income tax expenses of the Bank for the three-month and six-month periods ended 30 June 2017 and 2016 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
Current income tax:				
Income tax expenses for the period	174,443	296,120	575,301	634,456
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	130,603	(67,034)	(15,232)	(163,159)
Income tax expenses reported in the statement of comprehensive income	<u>305,046</u>	<u>229,086</u>	<u>560,069</u>	<u>471,297</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 2017 and 2016 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
(Gains) losses on valuation in available-for-sale investments	(299)	2,309	(276)	2,150
Actuarial losses	9,465	9,968	9,465	9,968
Income tax expenses recorded directly to other comprehensive income	<u>9,166</u>	<u>12,277</u>	<u>9,189</u>	<u>12,118</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 2017 and 2016 is as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
Accounting profit before tax	1,519,746	1,169,783	2,806,832	2,392,222
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	303,949	233,957	561,366	478,444
Tax effect of net tax-exempt income and net disallowed expenses	1,097	(4,871)	(1,297)	(7,147)
Income tax expenses reported in the statement of comprehensive income	305,046	229,086	560,069	471,297

The components of deferred tax assets 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 2017	31 December 2016	30 June 2017	30 June 2016
Allowance for doubtful accounts	292,728	255,105	37,623	164,337
Allowance for impairment of investments	22,950	22,998	(48)	927
Allowance for impairment of properties foreclosed	2,385	2,350	35	2,240
Non-accrual of interest income	29,635	30,315	(680)	(1,567)
Depreciation of assets	(18,083)	(10,531)	(7,552)	(2,929)
Finance leases	17,404	16,519	885	1,948
Gain on changes in value of investment properties	(1,489)	(1,489)	-	-
Surplus on revaluation of assets	(54,293)	(54,293)	-	-
Surplus on change in value of available-for-sale investments	(4,621)	(4,345)	-	-
Unrealised loss on derivatives	6,227	6,610	(383)	1,499
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(481,755)	(473,304)	(8,451)	(7,519)
Unearned interest income on hire purchase	104,828	113,277	(8,449)	(18,133)
Accrued expenses	150,713	150,713	-	-
Employee benefit expenses	65,683	54,478	1,739	5,407
Others	110,916	110,403	513	16,949
Deferred tax assets	243,228	218,806	15,232	163,159

3.30 Components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
Other comprehensive income				
Available-for-sale investments:				
Gains (losses) during the period	1,494	(11,545)	1,510	(4,954)
Less: Reclassification adjustments for gains included in profit or loss	-	-	(130)	(5,794)
	1,494	(11,545)	1,380	(10,748)
Actuarial losses	(47,327)	(49,842)	(47,327)	(49,842)
Other comprehensive income	(45,833)	(61,387)	(45,947)	(60,590)
Income tax effects relating to components of other comprehensive income	9,166	12,277	9,189	12,118
Net other comprehensive income for the periods	(36,667)	(49,110)	(36,758)	(48,472)

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 30 June					
	2017			2016		
	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	1,494	(299)	1,195	(11,545)	2,309	(9,236)
Actuarial losses	(47,327)	9,465	(37,862)	(49,842)	9,968	(39,874)
	(45,833)	9,166	(36,667)	(61,387)	12,277	(49,110)

	For the six-month periods ended 30 June					
	2017			2016		
	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	1,380	(276)	1,104	(10,748)	2,150	(8,598)
Actuarial losses	(47,327)	9,465	(37,862)	(49,842)	9,968	(39,874)
	(45,947)	9,189	(36,758)	(60,590)	12,118	(48,472)

3.32 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	
	2017	2016	2017	2016
Profit attributable to equity holders				
of the Bank (Thousand Baht)	1,214,700	940,697	2,246,763	1,920,925
Weighted average number of shares				
(Thousand shares)	921,568	921,568	921,568	921,568
Basic earnings per share (Baht/share)	1.32	1.02	2.44	2.08

3.33 Related party transactions

The relationships between the Bank and its related parties

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

As at 30 June 2017 and 31 December 2016, the balance of the accounts between the Bank and related companies are as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2017	31 December 2016
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Other Assets	250	-
Deposits	674,463	533,487
Accrued interest payable	98	75
Dividend payable	-	2,027,194
Other liabilities	126,534	106,460
Related companies		
Other Assets:		
TISCO Leasing Co., Ltd.	871	3,230
TISCO Securities Co., Ltd.	259	800
TISCO Asset Management Co., Ltd.	-	14
Deposits:		
TISCO Information Technology Co., Ltd.	141,227	130,736
All-Ways Co., Ltd.	100,124	99,628
Hi-Way Co., Ltd.	39,007	30,847
Primus Leasing Co., Ltd.	32,899	32,899
TISCO Leasing Co., Ltd.	18,335	21,939
TISCO Learning Center Co., Ltd.	11,599	33,757
TISCO Tokyo Leasing Co., Ltd.	1,986	278
Interbank and money market items (Liabilities):		
Deutsche TISCO Investment Advisory Co., Ltd.	230,757	205,710
TISCO Asset Management Co., Ltd.	203,942	248,437
TISCO Securities Co., Ltd.	34,143	27,503
Accrued interest payable:		
TISCO Asset Management Co., Ltd.	408	445
TISCO Information Technology Co., Ltd.	214	184
All-Ways Co., Ltd.	155	254
TISCO Learning Center Co., Ltd.	12	84
Deutsche TISCO Investment Advisory Co., Ltd.	9	10
Hi-Way Co., Ltd.	4	4
TISCO Securities Co., Ltd.	1	1

(Unit: Thousand Baht)

As at

	30 June 2017	31 December 2016
<u>Outstanding balance (continued)</u>		
Related companies (continued)		
Other liabilities:		
Hi-Way Co., Ltd.	53,160	46,920
TISCO Learning Center Co., Ltd.	5,045	1,242
All-Ways Co., Ltd.	417	484
TISCO Leasing Co., Ltd.	118	481
TISCO Securities Co., Ltd.	152	145
Commitments		
Parent company		
TISCO Financial Group Plc.	1,184	1,184
Related companies		
TISCO Information Technology Co., Ltd.	1,070	1,070
TISCO Securities Co., Ltd.	765	540
TISCO Asset Management Co., Ltd.	440	440

Loans to related company

As at 30 June 2017 and 1 January 2017, the balance of loans between the Bank and its related company and the movement is as follows:

(Unit: Thousand Baht)

	As at 1 January 2017	Increase	Decrease	As at 30 June 2017
Related company				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	297,000	-	-	297,000

(Unit Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June		Terms and pricing policy
	2017	2016	2017	2016	
	<u>Transactions occurred during the period</u>				
Parent company					
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	368,494	269,279	698,400	620,979	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	1,943	1,725	3,360	3,486	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	250	250	500	500	With reference to the terms and prices as offered to other customers
Related companies					
Interest income	2,472	2,468	4,913	4,936	With reference to the terms and prices as offered to other customers
Income involving to loan	380	691	808	1,460	With reference to the terms and prices as offered to other customers
Other income	1,577	1,019	2,415	1,994	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	77,679	61,750	143,929	123,500	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	10,597	15,858	16,077	21,730	With reference to the prices as offered from other service providers
Expenses involving to loan	53,160	37,200	102,480	72,840	Determined on the basis on actual cost
Interest expenses	1,361	869	2,698	1,983	With reference to the terms and prices as offered to other customers
Other expenses	1,708	1,688	3,563	3,416	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 2017	31 December 2016
Loans ⁽¹⁾	2,844	3,775

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Deposits	72,758	70,145

Directors and management's benefits

During the three-month and six-month periods ended 30 June 2017 and 2016, 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 follow:

(Unit: Million Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
	Short-term benefits	18	22	35
Post-employment benefits	3	4	6	8
Total	21	26	41	51

3.34 Segment information

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

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

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

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

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss in which operating expenses are allocated on a basis of loans and operating income of each segment. However, the Bank's income taxes are managed on a group basis. Therefore, these expenses are not allocated to operating segments.

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

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

During the three-month and six-month periods ended 30 June 2017 and 2016, the Bank did not have income from any customer amounting to or over 10 percent of their income.

The following tables present revenue, profit and total assets information regarding the Bank's operating segments for the three-month and six-month periods ended 30 June 2017 and 2016, respectively.

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the three-month period ended 30 June 2017						
Revenue						
External customers	3,241	265	86	3,592	-	3,592
Inter-segment	-	-	778	778	(778)	-
Total revenue	3,241	265	864	4,370	(778)	3,592
Operating results:						
Net interest income	2,271	226	84	2,581	-	2,581
Net fee and service income	705	22	-	727	-	727
Other operating income	265	17	780	1,062	(778)	284
Total operating income	3,241	265	864	4,370	(778)	3,592
Premises and equipment expenses and amortisation	(63)	(8)	(164)	(235)	-	(235)
Other operating expenses	(1,482)	(114)	(620)	(2,216)	778	(1,438)
Bad debt, doubtful accounts and impairment losses	(146)	26	(279)	(399)	-	(399)
Total operating expenses	(1,691)	(96)	(1,063)	(2,850)	778	(2,072)
Segment profit (losses)	1,550	169	(199)	1,520	-	1,520
Income tax expenses						(305)
Profit for the period						1,215

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the six-month period ended 30 June 2017						
Revenue						
External customers	6,484	496	181	7,161	-	7,161
Inter-segment	-	-	1,513	1,513	(1,513)	-
Total revenue	6,484	496	1,694	8,674	(1,513)	7,161
Operating results:						
Net interest income	4,574	440	148	5,162	-	5,162
Net fee and service income	1,459	39	(4)	1,494	-	1,494
Other operating income	451	17	1,550	2,018	(1,513)	505
Total operating income	6,484	496	1,694	8,674	(1,513)	7,161
Premises and equipment expenses and amortisation	(124)	(16)	(301)	(441)	-	(441)
Other operating expenses	(2,864)	(219)	(1,223)	(4,306)	1,513	(2,793)
Bad debt, doubtful accounts and impairment losses	(328)	32	(824)	(1,120)	-	(1,120)
Total operating expenses	(3,316)	(203)	(2,348)	(5,867)	1,513	(4,354)
Segment profit (losses)	3,168	293	(654)	2,807	-	2,807
Income tax expenses						(560)
Profit for the period						2,247

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the three-month period ended 30 June 2016						
Revenue						
External customers	2,900	447	96	3,443	-	3,443
Inter-segment	-	-	584	584	(584)	-
Total revenue	2,900	447	680	4,027	(584)	3,443
Operating results:						
Net interest income	2,030	407	85	2,522	-	2,522
Net fee and service income	696	35	(4)	727	-	727
Other operating income	174	5	599	778	(584)	194
Total operating income	2,900	447	680	4,027	(584)	3,443
Premises and equipment expenses and amortisation	(62)	(7)	(120)	(189)	-	(189)
Other operating expenses	(1,171)	(170)	(470)	(1,811)	584	(1,227)
Bad debt, doubtful accounts and impairment losses	(555)	(50)	(252)	(857)	-	(857)
Total operating expenses	(1,788)	(227)	(842)	(2,857)	584	(2,273)
Segment profit (losses)	1,112	220	(162)	1,170	-	1,170
Income tax expenses						(229)
Profit for the period						941

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the six-month period ended 30 June 2016						
Revenue						
External customers	5,879	902	210	6,991	-	6,991
Inter-segment	-	-	1,145	1,145	(1,145)	-
Total revenue	5,879	902	1,355	8,136	(1,145)	6,991
Operating results:						
Net interest income	4,026	841	177	5,044	-	5,044
Net fee and service income	1,487	52	(9)	1,530	-	1,530
Other operating income	366	9	1,187	1,562	(1,145)	417
Total operating income	5,879	902	1,355	8,136	(1,145)	6,991
Premises and equipment expenses and amortisation	(124)	(16)	(237)	(377)	-	(377)
Other operating expenses	(2,336)	(321)	(920)	(3,577)	1,145	(2,432)
Bad debt, doubtful accounts and impairment losses	(963)	(56)	(771)	(1,790)	-	(1,790)
Total operating expenses	(3,423)	(393)	(1,928)	(5,744)	1,145	(4,599)
Segment profit (losses)	2,456	509	(573)	2,392	-	2,392
Income tax expenses						(471)
Profit for the period						1,921

3.35 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the six-month periods ended 30 June 2017 and 2016, the Bank paid provident fund contributions totaling Baht 56 million and Baht 52 million, respectively.

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	30 June 2017	31 December 2016
Avals	-	268,042
Other guarantees	720,203	728,146
Undrawn client overdraft facilities	30,000	30,000
Interest rate swap agreements (Note 3.37.5)	1,200,000	1,200,000
Foreign exchange contracts (Note 3.37.5)	61,735	-
Others	6,606,776	6,559,395
Total	8,618,714	8,785,583

3.36.2 Litigation

As at 30 June 2017 and 31 December 2016, the Bank has been sued for compensation totaling approximately Baht 274 million and Baht 311 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

3.36.3 Other commitments

- a) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has entered into several lease agreements in respect of the lease of office buildings and branch offices. The terms of the agreements are generally 3 - 10 years.

As at 30 June 2017 and 31 December 2016, the Bank has future minimum lease payments required under these non-cancellable operating leases contracts as follows:

(Unit: Million Baht)

	As at	
	30 June 2017	31 December 2016
Payable within		
Not over 1 year	84	51
Over 1 to 5 years	54	82
Over 5 years	3	42

3.37 Financial instruments

3.37.1 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 to customers as stated in the financial statements.

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% 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 2017	31 December 2016
Neither past due nor impaired		
Very high grade	40,472	42,556
High grade	72,834	76,086
Medium grade	12,019	13,156
Subtotal	125,325	131,798
Hire purchase receivables - overdue for 31 to 90 days	12,191	13,434
Hire purchase receivables - overdue for more than 90 days	3,854	4,319
Total	141,370	149,551

3.37.2 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.

3.37.2.1 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 2017	31 December 2016
Marketable financial assets		
Equity securities	1	1
Debt securities	3	5
Derivatives	6	10

3.37.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over the year 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 2017	31 December 2016
Change in interest rate		
Increase by 1 percent	182.09	83.18
Decrease by 1 percent	(182.09)	(83.18)

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.

3.37.2.3 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 2017				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	1,010	1,010
Interbank and money market items	-	43,354	1,721	45,075
Investments - net	-	2,475	3,262	5,737
Loans to customers ⁽¹⁾	25,888	184,334	3,057	213,279
	<u>25,888</u>	<u>230,163</u>	<u>9,050</u>	<u>265,101</u>
<u>Financial liabilities</u>				
Deposits	55,276	101,384	220	156,880
Interbank and money market items	522	2,980	123	3,625
Liabilities payable on demand	-	-	237	237
Derivatives liabilities	-	-	33	33
Debts issued and borrowings	-	62,631	-	62,631
	<u>55,798</u>	<u>166,995</u>	<u>613</u>	<u>223,406</u>

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

(Unit: Million Baht)

As at 31 December 2016				
Outstanding balances of financial instruments				
<u>Transactions</u>	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	1,148	1,148
Interbank and money market items	-	35,495	1,567	37,062
Investments - net	-	2,097	3,456	5,553
Loans to customers ⁽¹⁾	15,254	203,254	3,470	221,978
	<u>15,254</u>	<u>240,846</u>	<u>9,641</u>	<u>265,741</u>
<u>Financial liabilities</u>				
Deposits	55,485	100,222	244	155,951
Interbank and money market items	563	4,367	41	4,971
Liabilities payable on demand	-	-	180	180
Derivatives liabilities	-	-	34	34
Debts issued and borrowings	-	64,399	-	64,399
	<u>56,048</u>	<u>168,988</u>	<u>499</u>	<u>225,535</u>

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

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

(Unit: Million Baht)

As at 30 June 2017							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	1	42,759	594	-	-	43,354	1.5122
Investments - net	-	-	1,773	700	2	2,475	3.2936
Loans to customers	1,958	16,193	42,156	105,784	18,243	184,334	7.2583
	<u>1,959</u>	<u>58,952</u>	<u>44,523</u>	<u>106,484</u>	<u>18,245</u>	<u>230,163</u>	
<u>Financial liabilities</u>							
Deposits	3,533	57,039	40,541	271	-	101,384	1.5795
Interbank and money market items	11	433	167	-	2,369	2,980	0.3259
Debts issued and borrowings	37	12,559	27,712	15,000	7,323	62,631	2.1923
	<u>3,581</u>	<u>70,031</u>	<u>68,420</u>	<u>15,271</u>	<u>9,692</u>	<u>166,995</u>	

(Unit: Million Baht)

As at 31 December 2016							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items	-	35,197	1	297	-	35,495	1.5081
Investments - net	-	742	251	1,102	2	2,097	3.7354
Loans to customers	22,096	22,051	47,986	106,108	5,013	203,254	7.0783
	<u>22,096</u>	<u>57,990</u>	<u>48,238</u>	<u>107,507</u>	<u>5,015</u>	<u>240,846</u>	
<u>Financial liabilities</u>							
Deposits	4,255	61,813	33,834	320	-	100,222	1.5845
Interbank and money market items	19	627	1,277	-	2,444	4,367	0.7720
Debts issued and borrowings	37	19,800	21,739	15,500	7,323	64,399	2.1746
	<u>4,311</u>	<u>82,240</u>	<u>56,850</u>	<u>15,820</u>	<u>9,767</u>	<u>168,988</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.

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

3.37.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

As at 30 June 2017				
Remaining contractual maturity				
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	135,948	68,420	24,995	229,363

(Unit: Million Baht)

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

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

3.37.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at	
	30 June 2017	31 December 2016
Composition of highly liquid assets		
Cash	1,010	1,148
Interbank and money market - net	45,075	37,062
Current investments - net	5,309	5,127
Total highly liquid assets ⁽¹⁾	51,394	43,337
Liquid asset requirement ⁽¹⁾	9,487	9,507

⁽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 2017 and 31 December 2016, the Bank has highly liquid assets, which are daily calculated, at Baht 51,394 million and Baht 43,337 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 9,487 million and Baht 9,507 million, respectively. In addition, the Bank has operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.37.3.3 Counting from the financial statement date, as at 30 June 2017 and 31 December 2016, the years to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

<u>Transactions</u>	As at 30 June 2017							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans	
Financial assets								
Cash	1,010	-	-	-	-	-	-	1,010
Interbank and money market items	1,722	42,759	594	-	-	-	-	45,075
Investments - net	-	1,592	3,006	700	2	437	-	5,737
Loans to customers	1,905	17,091	51,004	113,698	24,922	-	4,659	213,279
	<u>4,637</u>	<u>61,442</u>	<u>54,604</u>	<u>114,398</u>	<u>24,924</u>	<u>437</u>	<u>4,659</u>	<u>265,101</u>
Financial liabilities								
Deposits	59,029	57,039	40,541	271	-	-	-	156,880
Interbank and money market items	656	433	167	-	2,369	-	-	3,625
Liabilities payable on demand	237	-	-	-	-	-	-	237
Derivatives liabilities	-	1	-	32	-	-	-	33
Debts issued and borrowings	37	12,559	27,712	15,000	7,323	-	-	62,631
	<u>59,959</u>	<u>70,032</u>	<u>68,420</u>	<u>15,303</u>	<u>9,692</u>	<u>-</u>	<u>-</u>	<u>223,406</u>
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	-	16	20	18	1	665	-	720
Other commitments	-	55	4,655	3,159	-	30	-	7,899

(Unit: Million Baht)

As at 31 December 2016

Transactions	At call	0 - 3	3 - 12	1 - 5	Over 5	Unspecified	Non-	Total
		months	months	years	years		performing Loans	
Financial assets								
Cash	1,148	-	-	-	-	-	-	1,148
Interbank and money market items	1,567	35,197	1	297	-	-	-	37,062
Investments - net	-	1,851	2,164	1,102	2	434	-	5,553
Loans to customers	24,333	22,980	48,655	110,204	10,685	-	5,121	221,978
	<u>27,048</u>	<u>60,028</u>	<u>50,820</u>	<u>111,603</u>	<u>10,687</u>	<u>434</u>	<u>5,121</u>	<u>265,741</u>
Financial liabilities								
Deposits	59,984	61,813	33,834	320	-	-	-	155,951
Interbank and money market items	623	627	1,277	-	2,444	-	-	4,971
Liabilities payable on demand	180	-	-	-	-	-	-	180
Derivatives liabilities	-	-	-	34	-	-	-	34
Debts issued and borrowings	37	19,800	21,739	15,500	7,323	-	-	64,399
	<u>60,824</u>	<u>82,240</u>	<u>56,850</u>	<u>15,854</u>	<u>9,767</u>	<u>-</u>	<u>-</u>	<u>225,535</u>
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	5	298	16	31	1	645	-	996
Other commitments	-	-	4,410	3,349	-	30	-	7,789

3.37.4 Foreign exchange risk

As at 30 June 2017 and 31 December 2016, the Bank had no financial position in foreign currency.

3.37.5 Derivatives

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

As at 30 June 2017 and 31 December 2016, the Bank has the following trading financial derivatives 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 2017		
Maturity	Notional amount	Fair value gain (loss)
2019	1,200	(32)

(Unit: Million Baht)

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

b) Foreign exchange contract

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

(Unit: Million Baht)

As at 30 June 2017		
Maturity	Notional amount	Fair value gain (loss)
2017	62	(1)

3.37.6 Fair value of financial instruments

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

(Unit: Million Baht)

Transactions	As at			
	30 June 2017		31 December 2016	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	1,010	1,010	1,148	1,148
Interbank and money market items - net	45,075	45,075	37,062	37,062
Investments - net	5,737	7,158	5,553	6,998
Loans to customers and accrued interest receivables - net	206,328 ⁽¹⁾	208,767	215,753 ⁽¹⁾	218,036
Financial liabilities				
Deposits	156,880	156,880	155,951	155,951
Interbank and money market items - net	3,625	3,625	4,971	4,971
Liabilities payable on demand	237	237	180	180
Derivatives liabilities	33	33	34	34
Debt issued and borrowings	62,631	62,866	64,399	64,748

⁽¹⁾ As at 30 June 2017 and 31 December 2016, book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 1,464 million and Baht 1,276 million, respectively.

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.

3.38 Fair value hierarchy

As of 30 June 2017 and 31 December 2016, the Bank has the following assets and liabilities that were measured at fair value or disclosed using different levels of inputs as follows:

(Unit: Million Baht)

	As at 30 June 2017				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Available-for-sale investments					
Equity securities	8	8	-	-	8
Debt securities	5,301	-	5,301	-	5,301
Investment properties	31	-	-	31	31
Office condominiums	482	-	-	482	482
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	32	-	32	-	32
Foreign exchange contracts	1	-	1	-	1
Assets for which fair value is disclosed					
Cash	1,010	1,010	-	-	1,010
Interbank and money market items - net	45,075	1,722	42,759	594	45,075
General investments	429	-	-	1,849	1,849
Loans to customers and accrued interest receivables	206,328 ⁽¹⁾	-	35,700	173,067	208,767
Liabilities for which fair value is disclosed					
Deposit	156,880	55,496	101,384	-	156,880
Interbank and money market items - net	3,625	645	2,980	-	3,625
Liabilities payable on demand	237	237	-	-	237
Debts issued and borrowings	62,631	-	62,866	-	62,866

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 1,464 million.

(Unit: Million Baht)

As at 31 December 2016

	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Available-for-sale investments					
Equity securities	8	8	-	-	8
Debt securities	5,119	-	5,119	-	5,119
Investment properties	31	-	-	31	31
Office condominiums	487	-	-	487	487
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	34	-	34	-	34
Assets for which fair value is disclosed					
Cash	1,148	1,148	-	-	1,148
Interbank and money market items - net	37,062	2,008	34,757	297	37,062
General investments	428	-	-	1,871	1,871
Loans to customers and accrued interest receivables	215,753 ⁽¹⁾	-	37,942	180,094	218,036
Liabilities for which fair value is disclosed					
Deposit	155,951	55,729	100,222	-	155,951
Interbank and money market items - net	4,971	604	4,367	-	4,971
Liabilities payable on demand	180	180	-	-	180
Debts issued and borrowings	64,399	-	64,748	-	64,748

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

Sensitivity to changes in unobservable inputs for non-financial assets

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

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

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

4. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 7 August 2017.