

TISCO Bank Public Company Limited
Report and financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

Opinion

I have audited the accompanying financial statements of TISCO Bank Public Company Limited (the Bank), which comprise the statement of financial position as at 31 December 2018, and the related statements of comprehensive income, changes in equity and cash flows for the year 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 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

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.



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- 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.

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 14 February 2019

TISCO Bank Public Company Limited

Statement of financial position

As at 31 December 2018

(Unit: Thousand Baht)

	Note	2018	2017
Assets			
Cash		1,188,931	1,323,405
Interbank and money market items - net	3.1	53,089,353	43,176,522
Derivatives assets	3.2	5,685	-
Investments - net	3.3, 3.6	6,994,445	5,932,024
Loans to customers and accrued interest receivables	3.4, 3.6		
Loans to customers		255,580,193	263,449,589
Accrued interest receivables		598,263	669,461
Total loans to customers and accrued interest receivables		256,178,456	264,119,050
Less: Deferred revenue		(18,969,250)	(18,512,545)
Less: Allowance for doubtful accounts	3.5	(11,043,654)	(10,700,347)
Less: Allowance for loss on debt restructuring	3.5	(8,146)	(8,948)
Loans to customers and accrued interest receivables - net		226,157,406	234,897,210
Properties foreclosed - net	3.6, 3.7	4,217	777
Investment properties	3.8	38,831	32,778
Premises and equipment - net	3.9	787,066	676,107
Intangible assets - net	3.10	267,014	342,255
Deferred tax assets	3.29	651,350	427,676
Other assets	3.11	1,513,941	1,466,541
Total assets		290,698,239	288,275,295

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

TISCO Bank Public Company Limited

Statement of financial position (continued)

As at 31 December 2018

(Unit: Thousand Baht)

	Note	2018	2017
Liabilities and equity			
Liabilities			
Deposits	3.12	195,215,732	181,499,272
Interbank and money market items	3.13	3,872,709	3,852,908
Liabilities payable on demand		238,219	431,361
Derivatives liabilities	3.2	10,653	29,815
Debts issued and borrowings	3.14	49,716,919	63,638,619
Provision for long-term employee benefits	3.15	383,056	347,218
Accrued interest payable		871,971	695,165
Income tax payable		601,265	602,095
Dividend payable		3,594,114	2,764,703
Other liabilities	3.16	5,870,780	5,489,267
Total liabilities		260,375,418	259,350,423

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

TISCO Bank Public Company Limited

Statement of financial position (continued)

As at 31 December 2018

(Unit: Thousand Baht)

	Note	2018	2017
Equity			
Share capital			
Registered			
104 preference shares of Baht 10 each	3.17	1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each	3.17	1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Share premium on ordinary shares		2,543,024	2,543,024
Other components of equity		302,661	222,204
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		17,277,459	15,959,967
Total equity		<u>30,322,821</u>	<u>28,924,872</u>
Total liabilities and equity		<u>290,698,239</u>	<u>288,275,295</u>

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



Mr. Suthas Ruangmanamongkol
(Executive Director)



Mr. Sakchai Peechapat
(President)



TISCO

ธนาคารทีเอสซี จำกัด (มหาชน)
TISCO Bank Public Company Limited

TISCO Bank Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2018

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

	Note	2018	2017
Profit or loss:			
Interest income	3.21	16,737,061	15,531,009
Interest expenses	3.22	(4,943,247)	(4,683,185)
Net interest income		11,793,814	10,847,824
Fee and service income		3,219,184	3,270,636
Fee and service expenses		(92,888)	(110,866)
Net fee and service income	3.23	3,126,296	3,159,770
Net gains on trading and foreign exchange transactions	3.24	13,040	907
Net gains on investments	3.25	440,029	19,556
Penalty fee income from loans		305,172	350,295
Other operating income	3.27	244,676	237,745
Total operating income		15,923,027	14,616,097
Operating expenses			
Employee's expenses		3,096,690	2,654,497
Premises and equipment expenses		1,021,130	951,602
Taxes and duties		298,130	244,838
Intercompany supporting fee expenses	3.33	1,877,161	1,708,833
Other operating expenses	3.28	1,102,796	935,211
Total operating expenses		7,395,907	6,494,981
Bad debt, doubtful accounts and impairment losses	3.26	2,390,198	2,760,448
Profit from operations before income tax expenses		6,136,922	5,360,668
Income tax expenses	3.29	1,227,159	1,060,111
Profit for the year		4,909,763	4,300,557

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

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the year ended 31 December 2018

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

	Note	2018	2017
Other comprehensive income:	<i>3.30</i>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Losses on valuation in available-for-sale investments	<i>3.19</i>	(26,848)	(1,705)
Income tax effects	<i>3.29, 3.31</i>	5,370	341
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		(21,478)	(1,364)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Change in surplus on revaluation of assets	<i>3.20</i>	145,610	-
Actuarial losses	<i>3.15</i>	(15,888)	(66,983)
Income tax effects	<i>3.29, 3.31</i>	(25,944)	13,397
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		103,778	(53,586)
Other comprehensive income for the year		82,300	(54,950)
Total comprehensive income for the year		4,992,063	4,245,607
Earnings per share			
Basic earnings per share (Baht per share)	<i>3.32</i>	5.33	4.67

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

TISCO Bank Public Company Limited**Cash flow statement****For the year ended 31 December 2018**

(Unit: Thousand Baht)

	2018	2017
Cash flows from operating activities		
Profit from operations before income tax	6,136,922	5,360,668
Adjustments to reconcile profit from operations before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	165,188	152,267
Bad debts and doubtful accounts	4,409,068	4,648,067
Reversal of allowance for impairment of investments	(1,355)	(3,671)
Allowance for impairment of properties foreclosed (reversal)	(268)	394
Gains on disposal of investments in securities	(439,005)	(15,745)
Gains on disposal of equipment and intangible assets	(4,472)	(4,870)
Losses on written-off of equipment	75	3,037
Gains on changes in value of investment properties	(6,053)	(1,415)
Unrealised gains on foreign exchange transactions and trading derivatives	(20,880)	(4,303)
Gains on disposal of properties foreclosed	(67,723)	(77,268)
Employee benefit expenses	36,980	25,314
Increase in accrued income	(13,632)	(2,286)
Increase in accrued expenses	492,231	407,439
Net interest income	(11,793,814)	(10,847,824)
Dividend income	(49,521)	(125,796)
Cash received on interest income	16,975,952	15,710,694
Cash paid on interest expenses	(3,652,687)	(3,708,413)
Cash received on dividend income	49,521	125,796
Cash paid on income tax	(1,465,854)	(1,100,164)
Profit from operating activities before changes in operating assets and liabilities	10,750,673	10,541,921
Operating assets (increase) decrease		
Interbank and money market items - net	(9,911,831)	(6,114,655)
Loans to customers	2,347,780	3,344,544
Properties foreclosed	1,576,349	1,833,509
Other assets	(99,380)	(22,406)

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

TISCO Bank Public Company Limited

Cash flow statement (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

	2018	2017
Operating liabilities increase (decrease)		
Deposits	13,716,460	10,926,793
Interbank and money market items	19,801	(1,117,960)
Liabilities payable on demand	(193,142)	251,119
Short-term debts issued and borrowings	(23,421,700)	6,562,700
Provision for long-term employee benefits	(17,030)	(17,468)
Other liabilities	(931,558)	(579,980)
Net cash flows from (used in) operating activities	(6,163,578)	25,608,117
Cash flows from investing activities		
Cash paid for purchase of investments in securities held for investment	(11,774,310)	(7,809,234)
Cash received from disposal of investments in securities held for investment	11,125,400	7,447,916
Cash paid for purchase of equipment	(50,839)	(76,845)
Cash paid for purchase of intangible assets	(19,098)	(63,208)
Cash received from disposal of equipment	11,016	4,870
Cash received from disposal of intangible assets	1,638	-
Cash paid on business acquisition	-	(15,585,628)
Net cash flows used in investing activities	(706,193)	(16,082,129)
Cash flows from financing activities		
Cash received from issuance of long-term debentures	20,000,000	19,600,000
Cash paid for redemption of long-term debentures	(10,500,000)	(26,923,000)
Dividend paid	(2,764,703)	(2,027,449)
Net cash flows from (used in) financing activities	6,735,297	(9,350,449)
Net increase (decrease) in cash	(134,474)	175,539
Cash at beginning of the year	1,323,405	1,147,866
Cash at end of the year	1,188,931	1,323,405
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The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited

Statement of changes in equity

For the year ended 31 December 2018

(Unit: Thousand Baht)

Note	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity			Retained earnings		Total
	Preference shares	Ordinary shares		Surplus (deficit) on		Total other components of equity	Appropriated	Unappropriated	
				changes in value of available-for-sale investments	Surplus on revaluation of assets				
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
Dividend paid	4	-	-	-	-	-	-	(2,764,703)	(2,764,703)
Profit for the year		-	-	-	-	-	-	4,300,557	4,300,557
Other comprehensive income for the year		-	-	(1,364)	-	(1,364)	-	(53,586)	(54,950)
Total comprehensive income for the year		-	-	(1,364)	-	(1,364)	-	4,246,971	4,245,607
Transfer surplus on revaluation of assets to retained earnings		-	-	-	(2,727)	(2,727)	-	2,727	-
Balance as at 31 December 2017	1	9,215,676	2,543,024	16,016	206,188	222,204	984,000	15,959,967	28,924,872
Balance as at 1 January 2018	1	9,215,676	2,543,024	16,016	206,188	222,204	984,000	15,959,967	28,924,872
Dividend paid	4	-	-	-	-	-	-	(3,594,114)	(3,594,114)
Profit for the year		-	-	-	-	-	-	4,909,763	4,909,763
Other comprehensive income for the year		-	-	(21,478)	116,488	95,010	-	(12,710)	82,300
Total comprehensive income for the year		-	-	(21,478)	116,488	95,010	-	4,897,053	4,992,063
Transfer surplus on revaluation of assets to retained earnings		-	-	-	(14,553)	(14,553)	-	14,553	-
Balance as at 31 December 2018	1	9,215,676	2,543,024	(5,462)	308,123	302,661	984,000	17,277,459	30,322,821

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

TISCO Bank Public Company Limited
Notes to financial statements
For the year ended 31 December 2018

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 year ended 31 December 2018 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and the regulation of the Bank of Thailand (“BOT”), and their presentation has been made in compliance with the Bank of Thailand’s Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

The financial statements in Thai language are the official statutory financial statements of the 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

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

During the year, the Bank has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements.

b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Bank believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Bank believes that this standard will not have any significant impact on the financial statements when it is initially applied.

c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Bank's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Bank is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

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.

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.

b) Commissions and direct expenses of the hire purchase business/loan against auto license.

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

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

1.3.3 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 - net” 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.

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 other comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as general investments, are stated at cost net of allowance for impairment loss (if any).
- 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 by using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.

- f) Losses on impairment (if any) of the investments in available-for-sale securities, held-to-maturity debt securities and general 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 the 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 the 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 year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the allowance for doubtful accounts in the period of recovery.

1.3.8 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 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	-	28 - 35 years
Office improvements	-	5, 20 years
Furniture, fixtures and equipment	-	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 expense is charged to profit or loss.

Intangible assets with finite lives are software license fees that the Bank amortises over the following estimated useful lives:

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

1.3.13 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 these 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 the employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

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

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

Actuarial 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 debts 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 debt securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For 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 outflows by the current market interest rates of the borrowings with similar terms and conditions.

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

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

Allowance for doubtful accounts for loans to customers

Allowance for doubtful accounts for loans to customers is 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 in securities

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

Investment properties

The 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 market approach. The key assumptions used in estimating the fair value are described in Note 3.8 to the financial statements.

Premises and equipment/Depreciation

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

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

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 estimated future taxable profits.

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

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

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

TISCO Bank Public Company Limited ("the Bank") is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2018, the Bank has 61 branches in Thailand. (31 December 2017: the Bank has 60 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 31 December					
	2018			2017		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	1,526,439	745,000	2,271,439	1,148,652	800,000	1,948,652
Commercial banks	97,791	42,000,000	42,097,791	219,979	18,800,000	19,019,979
Specialised Financial Institutions	997	8,300,000	8,300,997	452	21,900,000	21,900,452
Other financial institutions	-	400,000	400,000	-	300,000	300,000
Total	1,625,227	51,445,000	53,070,227	1,369,083	41,800,000	43,169,083
Add: Accrued interest	19	23,107	23,126	7	10,432	10,439
Less: Allowance for doubtful accounts	-	(4,000)	(4,000)	-	(3,000)	(3,000)
Total domestic	1,625,246	51,464,107	53,089,353	1,369,090	41,807,432	43,176,522

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

(Unit: Million Baht)

Securities purchased under resale agreements according to private repurchase transactions as at 31 December		
	2018	2017
Commercial banks	42,000	18,800
Specialised Financial Institutions	8,300	21,900

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

Fair value of securities received as collateral as at 31 December		
	2018	2017
Commercial banks	42,595	18,290
Specialised Financial Institutions	8,374	22,008

3.2 Derivatives

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

(Unit: Thousand Baht)

Type of risk	As at 31 December					
	2018			2017		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	5,685	-	717,751	-	-	-
Interest rate	-	10,653	1,200,000	-	29,815	1,200,000
Total	5,685	10,653	1,917,751	-	29,815	1,200,000

All counterparties of these derivatives transactions are financial institutions.

3.3 Investments

3.3.1 Classified by type of investments

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Available-for-sale investments - fair value		
Government and state enterprise securities	6,595,043	4,412,318
Private sector debt securities	186,078	692,188
Foreign sector debt securities	-	408,961
Domestic marketable equity securities	4,319	8,440
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	6,783,980	5,520,447
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	13,352	13,683
Less: Allowance for impairment	(13,352)	(13,683)
Total held-to-maturity debt securities	-	-
General investments - cost		
Domestic non-marketable equity securities	245,093	447,229
Less: Allowance for impairment	(34,628)	(35,652)
Total general investments	210,465	411,577
Investments - net	6,994,445	5,932,024

3.3.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

	As at 31 December							
	2018				2017			
	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	6,592	3	-	6,595	4,410	-	2	4,412
Private sector debt securities	1	185	-	186	812	289	-	1,101
Total	6,593	188	-	6,781	5,222	289	2	5,513
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	6,592	188	-	6,780	5,221	289	2	5,512
Held-to-maturity debt securities								
Investment in receivables	13	-	-	13	14	-	-	14
Less: Allowance for impairment	(13)	-	-	(13)	(14)	-	-	(14)
Total	-	-	-	-	-	-	-	-
Total debt securities	6,592	188	-	6,780	5,221	289	2	5,512

3.3.3 Investments subject to restrictions

(Unit: Million Baht)

Type of investment	As at 31 December		Type of restrictions
	2018	2017	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	648	774	Pledge for the use of credit balance on clearing position

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

(Unit: Thousand Baht)

	As at 31 December 2018		
	Cost	Fair value	Allowance for impairment
Companies having problems with debt repayment or in default	1,460	-	1,460

(Unit: Thousand Baht)

	As at 31 December 2017		
	Cost	Fair value	Allowance for impairment
Companies having problems with debt repayment or in default	1,460	-	1,460

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 31 December					
	Book value	2018		2017		
		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
Trading import and export:						
Juki (Thailand) Co., Ltd.	3,659	-	10	3,240	-	10
PDTL Trading Co., Ltd.	4,320	-	10	4,275	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,932	-	10	3,659	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	18,315	-	10	18,062	-	10

3.4 Loans to customers and accrued interest receivables

3.4.1 Classified by type of loans to customers

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Loans to customers		
Overdrafts	369,084	551,542
Loans	98,921,935	106,885,568
Hire purchase receivables	156,276,659	155,938,827
Finance lease receivables	45,426	188,558
Less: Deferred revenue	(18,969,250)	(18,512,545)
Advances received from finance lease receivables	(32,911)	(114,906)
Total loans to customers	236,610,943	244,937,044
Add: Accrued interest receivables	598,263	669,461
Less: Allowance for doubtful accounts	(11,043,654)	(10,700,347)
Allowance for loss on debt restructuring	(8,146)	(8,948)
Loans to customers and accrued interest receivables - net	<u>226,157,406</u>	<u>234,897,210</u>

3.4.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at 31 December					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	229,051,452	6,841,740	235,893,192	238,605,146	6,331,898	244,937,044
US Dollars	-	717,751	717,751	-	-	-
Total loans to customers						
net of deferred revenue	<u>229,051,452</u>	<u>7,559,491</u>	<u>236,610,943</u>	<u>238,605,146</u>	<u>6,331,898</u>	<u>244,937,044</u>

3.4.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	As at 31 December 2018					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	538,998	88,335	31,161	14,373	1,901	674,768
Manufacturing and commerce	20,749,893	1,427,083	181,499	81,825	86,390	22,526,690
Real estate and construction	11,328,190	204,335	57,126	22,448	26,633	11,638,732
Public utilities and services	24,434,715	377,707	84,322	51,388	62,892	25,011,024
Personal consumption						
Hire purchase	110,267,625	10,439,773	1,598,997	784,555	491,511	123,582,461
Loan against auto license	21,360,877	2,588,898	849,756	213,952	39,002	25,052,485
Housing loan	15,889,780	625,324	278,532	224,047	563,419	17,581,102
Others	9,198,444	781,902	274,733	143,878	144,724	10,543,681
Total loans to customers	213,768,522	16,533,357	3,356,126	1,536,466	1,416,472	236,610,943
Add: Accrued interest receivables	424,610	173,134	-	-	519	598,263
Total loans to customers and accrued interest receivables	<u>214,193,132</u>	<u>16,706,491</u>	<u>3,356,126</u>	<u>1,536,466</u>	<u>1,416,991</u>	<u>237,209,206</u>

(Unit: Thousand Baht)

	As at 31 December 2017					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
	Agricultural and mining	1,859,787	42,769	14,857	7,275	1,495
Manufacturing and commerce	20,920,245	1,173,805	133,149	66,408	107,190	22,400,797
Real estate and construction	15,178,993	167,588	50,014	18,649	17,639	15,432,883
Public utilities and services	24,636,419	967,676	118,683	62,829	65,073	25,850,680
Personal consumption						
Hire purchase	109,400,504	11,560,962	1,419,507	791,511	560,880	123,733,364
Loan against auto license	18,386,159	1,616,539	263,194	131,052	30,203	20,427,147
Housing loan	19,278,784	631,250	246,650	195,621	405,025	20,757,330
Others	12,817,635	997,250	189,195	126,847	277,733	14,408,660
Total loans to customers	222,478,526	17,157,839	2,435,249	1,400,192	1,465,238	244,937,044
Add: Accrued interest receivables	474,676	192,766	1,883	133	3	669,461
Total loans to customers and accrued interest receivables	222,953,202	17,350,605	2,437,132	1,400,325	1,465,241	245,606,505

3.4.4 Classified by loan classification

(Unit: Million Baht)

	As at 31 December					
	2018			2017		
	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	214,194	178,483	2,512	222,953	185,825	3,320
- Special mention	16,706	15,096	3,194	17,351	15,503	3,591
- Sub-standard	3,356	3,073	1,269	2,437	2,214	889
- Doubtful	1,536	1,315	586	1,400	1,170	423
- Doubtful of loss	1,417	817	531	1,465	852	389
Allowance established in excess	-	-	2,951	-	-	2,088
Total	237,209	198,784	11,043	245,606	205,564	10,700

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

⁽²⁾ As at 31 December 2018, 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 6,428 million (As at 31 December 2017: total of Baht 6,140 million). The Bank allocated Baht 3,477 million of the excess provision to specific provision for individual debtors (As at 31 December 2017: total of Baht 4,051 million) and so combined with the minimum provision requirement of Baht 4,615 million (As at 31 December 2017: total of Baht 4,561 million), the total provision set aside in accordance with BOT's requirements is Baht 8,092 million (As at 31 December 2017: total of Baht 8,612 million).

Percentage of allowance for doubtful accounts set up (%)

	Hire purchase receivables ⁽¹⁾		Loan against auto license receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December		As at 31 December	
	2018	2017	2018	2017	2018	2017
Pass	0.83	0.94	1.43	1.63	1	1
Special mention	11.56	10.44	16.80	16.80	2	2
Sub-standard	26.59	30.33	37.75	35.75	100	100
Doubtful	26.60	26.43	37.75	35.75	100	100
Doubtful of loss	27.67	25.32	37.75	35.75	100	100

⁽¹⁾ These percentages of allowance for doubtful accounts are average percentages used in setting up allowance for doubtful accounts, after inclusion of the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for 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 31 December 2018, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 137,493 million (31 December 2017: Baht 137,673 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 31 December 2018				
	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	47,723	94,964	6,502	7,133	156,322
Less: Deferred revenue ⁽¹⁾	(6,089)	(8,621)	(277)	(3,809)	(18,796)
Advances received from finance lease receivables	(24)	(9)	-	-	(33)
Present value of minimum lease pay from agreements	41,610	86,334	6,225	3,324	137,493
Allowance for doubtful accounts ⁽²⁾					(3,218)
Net hire purchase and finance lease receivables					134,275

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

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

(Unit: Million Baht)

As at 31 December 2017

	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year	Over 5 years	Non- performing loans	Total
		but not over 5 years			
Gross investment in the agreements	50,714	93,390	5,533	6,490	156,127
Less: Deferred revenue ⁽¹⁾	(6,404)	(8,424)	(212)	(3,299)	(18,339)
Advances received from finance lease receivables	(80)	(34)	-	(1)	(115)
Present value of minimum lease pay from agreements	44,230	84,932	5,321	3,190	137,673
Allowance for doubtful accounts ⁽²⁾					(3,328)
Net hire purchase and finance lease receivables					134,345

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

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⁾ as at 31 December		Amounts calculated under the Bank's policy as at 31 December	
	2018	2017	2018	2017
	Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	8,040	6,122	8,618

⁽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 31 December	
	2018	2017
Deferred revenue ⁽¹⁾	18,969	18,513

⁽¹⁾ These amounts include 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 years ended 31 December	
	2018	2017
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	1,161	3,648
Loan balances before restructuring (Million Baht)	928	1,152
Loan balances after restructuring (Million Baht)	926	1,136
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	4	4
Loan against auto license receivables	5	4
Commercial lending receivables	6	-

Supplemental information for the years ended 31 December 2018 and 2017 relating to the restructured debts is as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2018	2017
Interest income on restructured receivables	273	365
Receipt of principal and interest	1,541	1,478

As at 31 December 2018 and 2017, the Bank has the outstanding balances with troubled restructured debtors as follows:

	(Unit: Million Baht)			
	As at 31 December			
	2018		2017	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	14,260	3,143	17,265	4,646

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

3.5.1 Allowance for doubtful accounts - classified by receivables classification

(Unit: Thousand Baht)

As at 31 December 2018							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	3,319,945	3,591,610	888,764	422,734	389,060	2,088,234	10,700,347
Increase (decrease) in allowance for doubtful accounts during the year	(781,513)	(394,103)	542,716	1,415,835	2,762,741	863,194	4,408,870
Bad debt written-off	-	-	(99,726)	(1,251,562)	(2,620,744)	-	(3,972,032)
Transfer out from sales of receivables (Note 5)	(26,382)	(3,293)	(63,040)	(780)	(36)	-	(93,531)
Balance - end of year	<u>2,512,050</u>	<u>3,194,214</u>	<u>1,268,714</u>	<u>586,227</u>	<u>531,021</u>	<u>2,951,428</u>	<u>11,043,654</u>

(Unit: Thousand Baht)

As at 31 December 2017							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	2,658,668	2,041,303	826,501	416,111	272,677	1,275,526	7,490,786
Increase in allowance for doubtful accounts during the year	661,277	1,550,307	175,748	1,225,347	1,902,482	812,708	6,327,869
Bad debt written-off	-	-	(113,485)	(1,218,724)	(1,786,099)	-	(3,118,308)
Balance - end of year	<u>3,319,945</u>	<u>3,591,610</u>	<u>888,764</u>	<u>422,734</u>	<u>389,060</u>	<u>2,088,234</u>	<u>10,700,347</u>

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

(Unit: Thousand Baht)

As at 31 December 2018				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	4,502,267	4,109,846	2,088,234	10,700,347
Increase in allowance for doubtful accounts during the year	1,195,678	2,349,998	863,194	4,408,870
Bad debt written-off	(1,983,416)	(1,988,616)	-	(3,972,032)
Transfer out from sales of receivables (Note 5)	(93,531)	-	-	(93,531)
Balance - end of year	<u>3,620,998</u>	<u>4,471,228</u>	<u>2,951,428</u>	<u>11,043,654</u>

(Unit: Thousand Baht)

	As at 31 December 2017			
	Individual impairment	Collective impairment	Allowance	Total
			established in excess	
	Balance - beginning of year	2,595,364	3,619,896	1,275,526
Increase in allowance for doubtful accounts during the year	2,538,872	2,976,289	812,708	6,327,869
Bad debt written-off	(631,969)	(2,486,339)	-	(3,118,308)
Balance - end of year	4,502,267	4,109,846	2,088,234	10,700,347

3.5.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
	Balance - beginning of year	8,948
Increase during the year	-	-
Amortisation during the year	(802)	(800)
Balance - end of year	8,146	8,948

3.5.4 Non-performing loans to customers

(Unit: Million Baht)

	As at 31 December	
	2018	2017
	Non-performing loans to customers	6,309
Allowance for doubtful accounts ⁽¹⁾	2,386	1,701

⁽¹⁾ This allowance for doubtful accounts includes the allowance for doubtful accounts from assigning provision in excess of BOT's minimum requirement to specific provision for individual debtors.

3.6 Classification of assets

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

(Unit: Million Baht)

	Allowance for possible loss provided in the accounts					
	Cost as at 31 December		Fair value as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1

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

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

As at 31 December 2018 and 2017, 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 customers ⁽¹⁾		Investments in securities		Investments in receivables		Properties foreclosed		Total	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Pass	264,469	263,479	-	-	-	-	-	-	264,469	263,479
Special mention	16,533	17,158	-	-	-	-	-	-	16,533	17,158
Sub-standard	3,356	2,435	-	-	-	-	-	-	3,356	2,435
Doubtful	1,536	1,400	-	-	-	-	-	-	1,536	1,400
Doubtful of loss	1,417	1,465	36	37	13	14	12	12	1,478	1,528
Total	287,311	285,937	36	37	13	14	12	12	287,372	286,000

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

3.6.3 Classification of assets under the Bank of Thailand's guidelines for 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 up allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful accounts set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017	2018	2017
Pass	122,837	122,116	122,837	122,116	0.83	0.94	1,018	1,142
Special mention	11,319	12,298	11,319	12,298	11.56	10.44	1,309	1,284
Sub-standard	1,811	1,638	1,811	1,638	26.59	30.33	481	497
Doubtful	900	891	900	891	26.60	26.43	239	236
Doubtful of loss	614	660	614	660	27.67	25.32	170	167
Total	137,481	137,603	137,481	137,603			3,217	3,326

⁽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 individual debtors.

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

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 set up ⁽¹⁾		Allowance for doubtful accounts ⁽²⁾	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017	2018	2017
					(%)	(%)		
Pass	22,835	20,027	22,835	20,027	1.43	1.63	327	327
Special mention	2,816	1,731	2,816	1,731	16.80	16.80	473	291
Sub-standard	923	288	923	288	37.75	35.75	348	103
Doubtful	236	143	236	143	37.75	35.75	89	51
Doubtful of loss	45	33	45	33	37.75	35.75	17	12
Total	26,855	22,222	26,855	22,222			1,254	784

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

3.6.4 Loans to customers 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 31 December		as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017	2018	2017
			(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Listed companies vulnerable to delisting from the SET ⁽¹⁾	1	1	578	737	531	635	578 ⁽³⁾	737 ⁽³⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	10	4	1,285	662	263	255	49	8
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	11	5	1,863	1,399	794	890	627	745

⁽¹⁾ The company is currently under rehabilitation.

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

⁽³⁾ This allowance for doubtful accounts includes the allowance for loss on debt restructuring.

3.7 Properties foreclosed

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of year	11,713	11,713
Disposals	-	-
Balance - end of year	11,713	11,713
Movable assets		
Balance - beginning of year	1,203	6,771
Additions	2,469,289	2,824,383
Disposals	(2,466,117)	(2,829,951)
Balance - end of year	4,375	1,203
Total properties foreclosed	16,088	12,916
Less: Allowance for impairment		
Balance - beginning of year	12,139	11,745
Increase	851	923
Decrease	(1,119)	(529)
Balance - end of year	11,871	12,139
Total properties foreclosed - net	4,217	777

3.8 Investment properties

The book value of investment properties as at 31 December 2018 and 2017 is as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Book value - beginning of year	32,778	31,363
Gain from fair value adjustment	6,053	1,415
Book value - end of year	38,831	32,778

The investment property of the Bank is an office condominium for rent and is stated at its fair value at the end of 2018. The fair value of investment properties is calculated using the asset appraisal method based on the market approach, which makes reference to data on assets in the market that are similar and comparable to the appraised assets. These valuations were made by an independent professional appraiser.

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

	As at	Result to fair value
	31 December 2018	where as an increase in assumption value
Estimated office condominium price rate (Baht/Sq.m.)	88,145 - 139,951	Increase 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	
	Office condominium and building improvements					
Cost:						
As at 1 January 2017	595,825	17,509	421,470	529,349	67,633	1,631,786
Additions/transfers in	16,966	-	32,795	26,241	6,734	82,736
Disposals/written-off/transfers out	-	-	(20,008)	(4,111)	(12,530)	(36,649)
As at 31 December 2017	612,791	17,509	434,257	551,479	61,837	1,677,873
Additions/transfers in	1,526	-	13,030	32,963	3,359	50,878
Disposals/written-off/transfers out	(6,383)	-	(6,673)	(54,482)	(13,546)	(81,084)
Transfer accumulated depreciation to deduct cost	(129,974)	-	-	-	-	(129,974)
Surplus on revaluation	145,609	-	-	-	-	145,609
As at 31 December 2018	623,569	17,509	440,614	529,960	51,650	1,663,302
Accumulated depreciation:						
As at 1 January 2017	105,761	-	351,944	463,767	41,673	963,145
Depreciation for the year	10,641	-	29,836	21,654	9,307	71,438
Depreciation on disposals/written-off/transfers out	-	-	(17,388)	(2,899)	(12,530)	(32,817)
As at 31 December 2017	116,402	-	364,392	482,522	38,450	1,001,766
Depreciation for the year	13,572	-	26,775	25,018	7,090	72,455
Transfer accumulated depreciation to deduct cost	(129,974)	-	-	-	-	(129,974)
Depreciation on disposals/written-off/transfers out	-	-	(4,413)	(50,298)	(13,300)	(68,011)
As at 31 December 2018	-	-	386,754	457,242	32,240	876,236
Net book value:						
As at 31 December 2017	496,535	17,509	69,719	68,957	23,387	676,107
As at 31 December 2018	623,569	17,509	53,860	72,718	19,410	787,066
Depreciation for the years ended 31 December:						
2017						71,438
2018						72,455

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

Had the office condominiums been carried in the financial statements based on cost model, their net book value as at 31 December 2018 and 2017 would have been as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2018	2017
Office condominiums - net of accumulated depreciation	238,415	247,189

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

	As at 31 December 2018	Result to fair value where as an increase in assumption value
Estimated office condominium price rate (Baht/Sq.m.)	88,145 - 139,951	Increase in fair value

At the end of 2018, the Bank reappraised office condominiums and at the same time had the useful lives of the office condominiums estimated by an independent professional appraiser. In this regard, effective from 1 January 2019, the Bank has changed remaining useful lives of office condominiums from 15 years to 30 years in order to align them with the estimated useful lives of the assets determined using a prospective method.

The amounts affecting the statements of comprehensive income are summarised below.

	Increase (decrease) in profit after tax (Thousand Baht)	Increase (decrease) in basic earnings per share (Baht per share)
For the year 2019	3,448	0.004
For the year 2020	3,448	0.004
For the year 2021	3,448	0.004
For the year 2022	3,448	0.004
For the year 2023 - 2048	13,792	(0.015)

3.10 Intangible assets

The book value of intangible assets as at 31 December 2018 and 2017 is presented as follows:

	(Unit: Thousand Baht)
	<u>Computer software</u>
As at 31 December 2018:	
Cost	850,160
Less: Accumulated amortisation	<u>(583,146)</u>
Net book value	<u><u>267,014</u></u>
As at 31 December 2017:	
Cost	832,964
Less: Accumulated amortisation	<u>(490,709)</u>
Net book value	<u><u>342,255</u></u>

A reconciliation of the net book value of intangible assets for the years ended 31 December 2018 and 2017 is presented as follows:

	(Unit: Thousand Baht)	
	<u>For the years ended 31 December</u>	
	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	342,255	359,083
Acquisitions of computer software	19,098	80,349
Transfer in of computer software	-	795
Disposals of computer software	(1,606)	(17,143)
Amortisation	<u>(92,733)</u>	<u>(80,829)</u>
Net book value at end of year	<u><u>267,014</u></u>	<u><u>342,255</u></u>

3.11 Other assets

	(Unit: Thousand Baht)	
	<u>As at 31 December</u>	
	<u>2018</u>	<u>2017</u>
Value added tax - net	555,809	469,013
Accrued interest receivables	20,365	27,468
Fee and service receivables	77,689	64,057
Deposits	60,542	58,089
Other receivables	584,727	634,646
Other assets	<u>214,809</u>	<u>213,268</u>
Total other assets	<u><u>1,513,941</u></u>	<u><u>1,466,541</u></u>

3.12 Deposits

3.12.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Deposits		
Current accounts	2,701,977	3,942,431
Saving accounts	54,683,842	64,544,344
Fixed accounts		
- not over 6 months	10,155,146	8,978,148
- over 6 months but not over 1 year	26,368,304	10,389,836
- over 1 year	3,551,294	492,353
Certificates of deposit/negotiable certificates of deposit	97,755,169	93,152,160
Total	195,215,732	181,499,272

3.12.2 Classified by the remaining year of contract

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Not over 1 year ⁽¹⁾	191,278,046	181,094,401
Over 1 year	3,937,686	404,871
Total deposits	195,215,732	181,499,272

⁽¹⁾ Including fully-mature deposit contracts

3.12.3 As at 31 December 2018 and 2017, all outstanding deposits are deposits from domestic depositors and are in Baht.

3.13 Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	As at 31 December					
	2018			2017		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	88,209	-	88,209	119,655	-	119,655
Specialised Financial						
Institutions	-	2,287,710	2,287,710	-	2,269,000	2,269,000
Other financial institutions	852,290	644,500	1,496,790	732,888	731,365	1,464,253
Total	940,499	2,932,210	3,872,709	852,543	3,000,365	3,852,908

3.14 Debts issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,680,000	6,680,000
Unsubordinated unsecured debentures	43,000,000	56,921,700
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	49,716,919	63,638,619

3.14.1 Subordinated unsecured debentures

As at 31 December 2018 and 2017, the Bank has long-term subordinated unsecured debentures as follows:

Issued year	Units		Face value per unit (Baht)	Balance		Maturity in the year	Interest rate
	as at 31 December			as at 31 December			
	2018 (Million units)	2017 (Million units)		2018 (Million Baht)	2017 (Million Baht)		
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	1.00	1,000	1,000	1,000	2027	4.00 percent per annum
2017	0.60	0.60	1,000	600	600	2027	3.70 percent per annum
Total				6,680	6,680		

3.14.2 Unsubordinated unsecured debentures

As at 31 December 2018 and 2017, the Bank has short-term and long-term unsubordinated unsecured debenture as follows:

Issued year	Type of debentures	Units		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
		2018	2017		2018	2017		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2016	Long-term debenture	-	5.50	1,000	-	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
2017	Short-term debenture	-	7.50	1,000	-	7,500	2018	1.75 - 1.80 percent per annum
2017	Short-term debenture	-	15.922	1,000	-	15,922	2018	1.38 - 1.55 percent per annum
2017	Long-term debenture	5.00	5.00	1,000	5,000	5,000	2019	1.85 percent per annum
2017	Long-term debenture	-	5.00	1,000	-	5,000	2018	1.85 percent per annum
2017	Long-term debenture	8.00	8.00	1,000	8,000	8,000	2019	1.75 percent per annum
2018	Long-term debenture	5.00	-	1,000	5,000	-	2019	1.75 percent per annum
2018	Long-term debenture	3.00	-	1,000	3,000	-	2019	1.68 percent per annum
2018	Long-term debenture	4.00	-	1,000	4,000	-	2020	1.65 percent per annum
2018	Long-term debenture	6.00	-	1,000	6,000	-	2020	1.75 percent per annum
2018	Long-term debenture	2.00	-	1,000	2,000	-	2020	2.05 percent per annum
Total					<u>43,000</u>	<u>56,922</u>		

3.14.3 Bills of exchange

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

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 31 December 2018 and 2017 is as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2018	2017
Defined post-employment benefit obligation		
at beginning of year	251,348	172,851
Current service cost	22,758	17,148
Interest cost	7,968	6,058
Benefits paid during the year	(11,590)	(11,691)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	(1,544)	20,051
Financial assumptions changes	9,953	42,930
Other assumptions changes	7,478	4,001
Defined post-employment benefit obligation		
at end of year	286,371	251,348
Other long-term benefits	96,685	95,870
Total provision for long-term employee benefits		
at end of year	383,056	347,218

Long-term employee benefit expenses included in the profit or loss for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Current service cost	35,313	28,925
Interest cost	10,195	7,936
Actuarial gains	(8,528)	(11,547)
Total employee benefit expenses	36,980	25,314

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Bank as at 31 December 2018 and 2017 amounted to Baht 112 million and Baht 99 million, respectively.

As at 31 December 2018 and 2017, the Bank expects to pay Baht 11 million and Baht 5 million, respectively, in contributions to its provision for long-term employee benefits during the next year.

As at 31 December 2018 and 2017, the weighted average duration of the liabilities for long-term employee benefits is 21 years.

Significant actuarial assumptions are summarised below.

	(Unit: Percent per annum)	
	As at 31 December	
	2018	2017
Discount rate	1.72 - 4.02	1.45 - 3.67
Average salary increase rate	5.00	5.00

The results of sensitivity analysis for significant assumptions that affect the present value of the employee benefit obligation as at 31 December 2018 and 2017 are summarised below.

	(Unit: Thousand Baht)			
	As at 31 December			
	2018		2017	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(10,626)	11,169	(9,800)	10,310
Average salary increase rate	10,954	(10,479)	10,146	(9,698)

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Bank has additional liabilities for long-term employee benefits of Baht 92 million. The Bank will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

3.16 Other liabilities

(Unit: Thousand Baht)

As at 31 December

	2018	2017
Withholding income tax and other tax payables	240,570	312,805
Accrued insurance premium	390,106	611,491
Deferred income	1,442,405	1,060,312
Accrued expenses	2,393,364	1,901,133
Suspense creditors	1,082,473	1,282,132
Other liabilities	321,862	321,394
Total other liabilities	<u>5,870,780</u>	<u>5,489,267</u>

The above accrued expenses include accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses include costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the parent company's shares over the period of five years from grant date to settlement date. As of 31 December 2018 and 2017, the Bank has issued bonus under this scheme amounting to Baht 311 million and Baht 309 million, respectively.

3.17 Preference shares converted to ordinary shares

Up to 31 December 2018 and 2017, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 31 December 2018 and 2017, there are preference shares which are convertible to ordinary shares totaling 104 shares. However, since 31 December 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 by implementing capital to risk assets requirement based on Internal Ratings-Based Approach (IRB) for hire purchase receivables, loan against auto license receivables, corporate lending, floor-plan loans, equity exposure and other assets.

Regarding Capital fund as at 31 December 2018 and 2017, 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 31 December	
	2018	2017
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	15,959,967	15,036,972
Other components of equity	197,999	218,860
Less: Deductions from Common Equity Tier I items	(972,378)	(734,918)
Total Common Equity Tier I capital	27,928,288	27,263,614
<u>Financial Instrument Tier I capital</u>		
Issued and fully paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	27,928,289	27,263,615
<u>Tier II capital</u>		
Long-term subordinated debentures	6,680,000	6,680,000
Surplus of provision	664,553	668,708
Reserve for loans classified as pass	571,301	739,109
Total Tier II capital	7,915,854	8,087,817
Total capital funds	35,844,143	35,351,432

(Unit: Percent)

Capital fund ratios	As at 31 December			
	2018		2017	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	17.85	6.375	15.98	5.75
Tier I capital to risk assets	17.85	7.875	15.98	7.25
Total capital to risk assets	22.91	10.375	20.72	9.75

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 30 June 2018 on its website on 19 October 2018.

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

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Balance - beginning of year	20,020	21,725
Decrease from changes in value of investments during the year	(26,848)	(1,705)
	(6,828)	20,020
Add (less): The effect of deferred tax assets (liabilities)	1,366	(4,004)
Balance - end of year	(5,462)	16,016

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.

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Balance - beginning of year	257,735	261,143
Revaluation	145,610	-
Transfer to retained earnings	(18,191)	(3,408)
	385,154	257,735
Less: The effect of deferred tax liabilities	(77,031)	(51,547)
Balance - end of year	308,123	206,188

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 years ended 31 December 2018 and 2017 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Interbank and money market items	695,923	573,700
Investments in debt securities	147,221	143,968
Loans to customers	8,082,323	6,527,057
Hire purchase and finance lease	7,811,594	8,286,284
Total interest income	<u>16,737,061</u>	<u>15,531,009</u>

3.22 Interest expenses

Interest expenses in the statements of comprehensive income for the years ended 31 December 2018 and 2017 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Deposits	2,577,098	2,289,028
Interbank and money market items	11,108	18,994
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	1,113,755	1,014,368
Issued debt securities		
- Subordinated debentures	320,050	358,945
- Unsubordinated debentures	920,290	983,432
Borrowings	946	18,418
Total interest expenses	<u>4,943,247</u>	<u>4,683,185</u>

3.23 Net fee and service income

Net fee and service income in the statements of comprehensive income for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Fee and service income		
- Acceptance, aval and guarantees	6,135	8,784
- Insurance service	2,213,037	2,357,816
- Management	28,569	5,766
- Financial advisory	15,170	8,391
- Others	956,273	889,879
Total fee and service income	3,219,184	3,270,636
Fee and service expenses	(92,888)	(110,866)
Net fee and service income	3,126,296	3,159,770

3.24 Net gains on trading and foreign exchange transactions

Net gains on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(675)	-
- Derivatives on interest rates	(1,926)	(13,831)
- Debt securities	15,641	14,738
Net gains on trading and foreign exchange transactions	13,040	907

3.25 Net gains on investments

Net gains on investments in the statements of comprehensive income for the years ended 31 December 2018 and 2017 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Gains on disposal		
- Available-for-sale investments	1,149	186
- General investments	437,856	15,559
Total	439,005	15,745
Reversal of losses on impairment		
- General investments	1,024	3,811
Total	1,024	3,811
Net gains on investments	440,029	19,556

3.26 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statements of comprehensive income for the years ended 31 December 2018 and 2017 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Interbank and money market items	1,000	-
Held-to-maturity debt securities (reversal)	(331)	139
Loans to customers	2,389,529	2,760,309
Total	2,390,198	2,760,448

3.27 Other operating income

Other operating income in the statements of comprehensive income for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Gains on disposal of properties foreclosed	67,723	77,268
Dividend income	49,521	125,796
Gains on sales of receivables (Note 5)	52,588	-
Others	74,844	34,681
Total	244,676	237,745

3.28 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Mailing expenses	56,730	53,314
Software amortisation expenses	92,732	80,832
Legal expenses	508,767	400,405
Transportation expenses	79,542	75,058
Advertising and business promotion expenses	131,280	105,109
Others	233,745	220,493
Total	1,102,796	935,211

3.29 Income tax expenses

Income tax expenses of the Bank for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Current income tax:		
Income tax expenses for the year	1,465,025	1,255,243
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	(237,866)	(195,132)
Income tax expenses reported in the statement of comprehensive income	1,227,159	1,060,111

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Losses on valuation in available-for-sale investments	5,370	341
Change in surplus on revaluation of assets	(29,122)	-
Actuarial losses	3,178	13,397
Income tax expenses recorded directly to other comprehensive income	(20,574)	13,738

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2018 and 2017 is as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2018	2017
Accounting profit before tax	6,136,922	5,360,668
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by applicable tax rate	1,227,385	1,072,134
Tax effect of net tax-exempt income and net disallowed expenses	(226)	(12,023)
Income tax expenses reported in the statement of comprehensive income	1,227,159	1,060,111

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended			
	As at 31 December		31 December	
	2018	2017	2018	2017
Allowance for doubtful accounts	590,286	417,647	172,639	162,542
Allowance for impairment of investments	21,993	22,264	(271)	(734)
Allowance for impairment of properties foreclosed	2,374	2,428	(54)	78
Non-accrual of interest income	33,782	29,688	4,094	(627)
Depreciation of assets	(35,563)	(23,299)	(12,264)	(12,768)
Finance leases	(162)	6,013	(6,175)	(10,506)
Gains on changes in value of investment properties	(2,983)	(1,772)	(1,211)	(283)
Surplus on revaluation of assets	(77,031)	(54,293)	-	-
(Surplus) deficit on changes in value of investments	1,366	(4,004)	-	-
Unrealised loss on derivatives	1,917	5,749	(3,832)	(861)
Deferred commission and direct expenses incurred at the initiation of hire purchase	(562,229)	(506,522)	(55,707)	(33,218)
Unearned interest income on hire purchase	179,221	116,891	62,330	3,614
Accrued expenses	298,538	218,108	80,430	67,395
Employee benefit expenses	76,610	69,444	3,990	1,569
Others	123,231	129,334	(6,103)	18,931
Deferred tax assets	651,350	427,676	237,866	195,132

3.30 Components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Other comprehensive income		
Available-for-sale investments:		
Losses during the year	(25,699)	(1,519)
Less: Reclassification adjustments for gains included in profit or loss	(1,149)	(186)
	(26,848)	(1,705)
Change in surplus on revaluation of assets	145,610	-
Actuarial losses	(15,888)	(66,983)
Other comprehensive income	102,874	(68,688)
Income tax effects relating to components of other comprehensive income	(20,574)	13,738
Net other comprehensive income for the year	<u>82,300</u>	<u>(54,950)</u>

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December					
	2018			2017		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Losses on valuation in available-for-sale investments	(26,848)	5,370	(21,478)	(1,705)	341	(1,364)
Change in surplus on revaluation of assets	145,610	(29,122)	116,488	-	-	-
Actuarial losses	(15,888)	3,178	(12,710)	(66,983)	13,397	(53,586)
	<u>102,874</u>	<u>(20,574)</u>	<u>82,300</u>	<u>(68,688)</u>	<u>13,738</u>	<u>(54,950)</u>

3.32 Earnings per share

Basic earnings per share is calculated by dividing profit for the year 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 year. The rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

	For the years ended 31 December	
	2018	2017
Profit attributable to equity holders of the Bank (Thousand Baht)	4,909,763	4,300,557
Weighted average number of shares (Thousand shares)	921,568	921,568
Basic earnings per share (Baht/share)	5.33	4.67

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 Insurance Solution Co., Ltd.	Common Shareholders
TISCO Information Technology Co., Ltd.	Common Shareholders
TISCO Learning Center Co., Ltd.	Common Shareholders
All-Ways Co., Ltd.	Common Shareholders
Primus Leasing Co., Ltd. (In the process of liquidation)	Common Shareholders
TISCO Tokyo Leasing Co., Ltd.	Common Shareholders

As at 31 December 2018 and 2017, the balance of the accounts between the Bank and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2018	2017
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	641,306	237,142
Accrued interest payable	89	59
Dividend payable	3,593,665	2,764,357
Other liabilities	123,647	130,011
Related companies		
Other Assets:		
TISCO Insurance Solution Co., Ltd.	31,216	1,874
TISCO Securities Co., Ltd.	322	369
TISCO Asset Management Co., Ltd.	9	9
Deposits:		
Hi-Way Co., Ltd.	69,583	54,780
TISCO Insurance Solution Co., Ltd.	438,790	137,867
TISCO Information Technology Co., Ltd.	170,036	160,538
TISCO Learning Center Co., Ltd.	40,748	33,986
All-Ways Co., Ltd.	714,061	38,216
Primus Leasing Co., Ltd.	32,898	32,899
(In the process of liquidation)		
TISCO Tokyo Leasing Co., Ltd.	1,561	5,958
Interbank and money market items (Liabilities):		
TISCO Securities Co., Ltd.	78,391	141,913
TISCO Asset Management Co., Ltd.	209,213	253,113
Deutsche TISCO Investment Advisory Co., Ltd.	269,931	254,580
Accrued interest payable:		
TISCO Securities Co., Ltd.	6	7
TISCO Asset Management Co., Ltd.	105	399
Deutsche TISCO Investment Advisory Co., Ltd.	13	12
Hi-Way Co., Ltd.	6	5
TISCO Insurance Solution Co., Ltd.	474	71
TISCO Information Technology Co., Ltd.	161	40
TISCO Learning Center Co., Ltd.	90	65
All-Ways Co., Ltd.	188	2

(Unit: Thousand Baht)

As at 31 December

	2018	2017
Related companies (continued)		
Other liabilities:		
Hi-Way Co., Ltd.	108,910	67,200
TISCO Insurance Solution Co., Ltd.	16,928	177
TISCO Learning Center Co., Ltd.	4,274	7,581
Commitments - Guarantees:		
Parent company		
TISCO Financial Group Plc.	1,136	1,136
Related companies		
TISCO Securities Co., Ltd.	540	765
TISCO Asset Management Co., Ltd.	440	440
TISCO Insurance Solution Co., Ltd.	200	100
TISCO Information Technology Co., Ltd.	918	1,018
All-Ways Co., Ltd.	100	300

Loans to related companies

As at 31 December 2018 and 1 January 2018, the balances of loans between the Bank and its related companies and their movements are as follows:

(Unit: Thousand Baht)

	As at 1 January 2018	Increase	Decrease	As at 31 December 2018
Related companies				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	300,000	-	-	300,000
TISCO Asset Management Co., Ltd.	-	100,000	-	100,000

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

(Unit Thousand Baht)

	For the years ended		Terms and pricing policy
	31 December		
	2018	2017	
<u>Transactions occurred during the years</u>			
Parent company			
Interest income	1	6	With reference to the terms and prices as offered to other customers
Other income	1,000	1,000	With reference to the terms and prices as offered to other customers
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	1,489,551	1,478,673	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	6,009	7,860	With reference to the terms and prices as offered to other customers
Other expenses	12,292	10,652	With reference to the terms and prices as offered to other customers
Related companies			
Interest income	9,038	9,459	With reference to the terms and prices as offered to other customers
Income involving loans	608	1,402	With reference to the terms and prices as offered to other customers
Insurance service income	30,600	-	With reference to the terms and prices as offered to other customers
Other income	9,014	4,502	With reference to the terms and prices as offered to other customers
Expenses involving loans	387,610	230,160	Determined on actual cost
Computer system advisory service expenses	426,000	345,000	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	55,799	52,605	With reference to the prices as offered from other service providers
Interest expenses	7,937	6,411	With reference to the terms and prices as offered to other customers
Other expenses	2,290	4,705	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 31 December	
	2018	2017
Loans ⁽¹⁾	2,140	2,629

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Deposits	97,403	93,274

Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Bank had short-term benefit expenses paid to its directors and key management during the years and other employee benefit expenses payable to its directors and management as follows:

(Unit: Million Baht)

	For the years ended 31 December	
	2018	2017
Short-term benefits	162	147
Post-employment benefits	14	13
Other long-term benefits	20	23
Total	196	183

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

During the years 2018 and 2017, the Bank did not have income from any customer amounting to or over 10 percent of its income.

The following tables present revenue, profit and total assets information regarding the Bank's operating segments for the years ended 31 December 2018 and 2017, respectively.

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the year ended 31 December 2018						
Revenue						
External customers	13,619	1,272	1,032	15,923	-	15,923
Inter-segment	-	-	2,763	2,763	(2,763)	-
Total revenue	13,619	1,272	3,795	18,686	(2,763)	15,923
Operating results:						
Net interest income	10,113	1,157	524	11,794	-	11,794
Net fee and service income	3,015	121	(10)	3,126	-	3,126
Other operating income	491	(6)	3,281	3,766	(2,763)	1,003
Total operating income	13,619	1,272	3,795	18,686	(2,763)	15,923
Premises and equipment expenses and amortisation	(298)	(20)	(796)	(1,114)	-	(1,114)
Other operating expenses	(6,520)	(530)	(1,995)	(9,045)	2,763	(6,282)
Bad debt, doubtful accounts and impairment losses	(3,005)	20	595	(2,390)	-	(2,390)
Total operating expenses	(9,823)	(530)	(2,196)	(12,549)	2,763	(9,786)
Segment profit	3,796	742	1,599	6,137	-	6,137
Income tax expenses						(1,227)
Profit for the year						4,910

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the year ended 31 December 2017						
Revenue						
External customers	12,946	1,180	490	14,616	-	14,616
Inter-segment	-	-	2,636	2,636	(2,636)	-
Total revenue	12,946	1,180	3,126	17,252	(2,636)	14,616
Operating results:						
Net interest income	9,414	1,085	349	10,848	-	10,848
Net fee and service income	3,087	78	(5)	3,160	-	3,160
Other operating income	445	17	2,782	3,244	(2,636)	608
Total operating income	12,946	1,180	3,126	17,252	(2,636)	14,616
Premises and equipment expenses and amortisation	(266)	(26)	(740)	(1,032)	-	(1,032)
Other operating expenses	(5,652)	(507)	(1,940)	(8,099)	2,636	(5,463)
Bad debt, doubtful accounts and impairment losses	(1,529)	29	(1,260)	(2,760)	-	(2,760)
Total operating expenses	(7,447)	(504)	(3,940)	(11,891)	2,636	(9,255)
Segment profit (loss)	5,499	676	(814)	5,361	-	5,361
Income tax expenses						(1,060)
Profit for the year						4,301

The following tables present total assets information regarding the Bank's operating segments as at 31 December 2018 and 2017.

(Unit: Million Baht)

	As at 31 December 2018			
			Treasury	
	Retail banking	Corporate banking	investment and others	Total segments
Segment total assets	207,790	28,853	54,055	290,698
Premises and equipment - net	31	2	754	787

(Unit: Million Baht)

	As at 31 December 2017			
			Treasury	
	Retail banking	Corporate banking	investment and others	Total segments
Segment total assets	213,392	31,564	43,319	288,275
Premises and equipment - net	18	1	657	676

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 years 2018 and 2017, the Bank recognised contributions as expenses totaling Baht 134 million and Baht 115 million, respectively.

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Other guarantees	753,963	627,912
Undrawn client overdraft facilities	351,660	575,279
Interest rate swap agreements (Note 3.37.4)	1,200,000	1,200,000
Foreign exchange contracts (Note 3.37.4)	717,751	-
Others	517,961	1,034,498
Total	<u>3,541,335</u>	<u>3,437,689</u>

3.36.2 Litigation

As at 31 December 2018 and 2017, the Bank has been sued for compensation totaling approximately Baht 333 million and Baht 344 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 1 - 15 years.

As at 31 December 2018 and 2017, the Bank has future minimum lease payments required under the non-cancellable operating leases contracts as follows:

(Unit: Million Baht)

	As at 31 December	
	2018	2017
Payable within:		
Not over 1 year	159	144
Over 1 to 5 years	203	233
Over 5 years	32	37

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

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. Therefore, the Bank 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 2.0% and “Medium grade” as credit from which losses within one year are expected to exceed 2.0% of the balance.

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

	(Unit: Million Baht)	
	As at 31 December	
	2018	2017
Neither past due nor impaired		
Very high grade	56,197	55,544
High grade	54,864	53,935
Medium grade	11,777	12,637
Subtotal	122,838	122,116
Hire purchase receivables - overdue for 31 to 90 days	11,319	12,298
Hire purchase receivables - overdue for more than 90 days	3,324	3,189
Total	137,481	137,603

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 31 December	
	2018	2017
Marketable financial assets		
Equity securities	1	1
Debt securities	7	3
Derivatives	-	3

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 period of one year, based on the fixed interest bearing asset and liability positions held by the Bank at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2018	2017
Change in interest rate		
Increase by 1 percent	283.08	313.23
Decrease by 1 percent	(283.08)	(313.23)

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 31 December 2018				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,189	1,189
Interbank and money market items				
- net	-	51,465	1,624	53,089
Derivatives assets	-	-	6	6
Investments - net	-	2,421	4,573	6,994
Loans to customers ⁽¹⁾	25,170	204,428	7,611	237,209
	<u>25,170</u>	<u>258,314</u>	<u>15,003</u>	<u>298,487</u>
Financial liabilities				
Deposits	56,785	137,830	601	195,216
Interbank and money market items	746	3,026	101	3,873
Liabilities payable on demand	-	-	238	238
Derivatives liabilities	-	-	11	11
Debts issued and borrowings	-	49,717	-	49,717
	<u>57,531</u>	<u>190,573</u>	<u>951</u>	<u>249,055</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 2017				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,323	1,323
Interbank and money market items				
- net	-	41,808	1,368	43,176
Investments - net	-	3,957	1,975	5,932
Loans to customers ⁽¹⁾	27,340	214,248	4,019	245,607
	<u>27,340</u>	<u>260,013</u>	<u>8,685</u>	<u>296,038</u>
Financial liabilities				
Deposits	68,206	113,012	281	181,499
Interbank and money market items	735	3,022	96	3,853
Liabilities payable on demand	-	-	431	431
Derivatives liabilities	-	-	30	30
Debts issued and borrowings	-	63,639	-	63,639
	<u>68,941</u>	<u>179,673</u>	<u>838</u>	<u>249,452</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 31 December 2018							
<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 - net	100	51,068	-	297	-	51,465	1.7444
Investments - net	-	1,727	506	188	-	2,421	2.6722
Loans to customers	2,367	16,658	42,510	116,404	26,489	204,428	7.2477
	<u>2,467</u>	<u>69,453</u>	<u>43,016</u>	<u>116,889</u>	<u>26,489</u>	<u>258,314</u>	
<u>Financial liabilities</u>							
Deposits	3,104	68,914	61,874	3,938	-	137,830	1.6413
Interbank and money market items	94	547	140	2,245	-	3,026	0.3561
Debts issued and borrowings	37	10,000	21,000	12,000	6,680	49,717	2.1992
	<u>3,235</u>	<u>79,461</u>	<u>83,014</u>	<u>18,183</u>	<u>6,680</u>	<u>190,573</u>	

(Unit: Million Baht)

As at 31 December 2017							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Interbank and money market items - net	1	41,510	-	297	-	41,808	1.5000
Investments - net	-	2,404	1,262	289	2	3,957	2.7386
Loans to customers	3,172	17,792	47,054	117,714	28,516	214,248	7.3689
	<u>3,173</u>	<u>61,706</u>	<u>48,316</u>	<u>118,300</u>	<u>28,518</u>	<u>260,013</u>	
<u>Financial liabilities</u>							
Deposits	2,673	64,562	45,372	405	-	113,012	1.4932
Interbank and money market items	22	516	215	2,269	-	3,022	0.3437
Debts issued and borrowings	37	22,574	11,348	23,000	6,680	63,639	2.0635
	<u>2,732</u>	<u>87,652</u>	<u>56,935</u>	<u>25,674</u>	<u>6,680</u>	<u>179,673</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, which could result in damages to the Bank. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

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

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

The Bank has set stress testing scenarios for liquidity risk where the scenarios cover the Bank's specific scenarios and industry-based scenarios, which cause unusual cash outflow from the Bank.

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

3.37.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

	As at 31 December 2018			
	Remaining contractual maturity			
	Less than		More than	
	3 months	3 - 12 months	1 year	Total
Liabilities	152,492	83,020	24,863	260,375

(Unit: Million Baht)

	As at 31 December 2017			
	Remaining contractual maturity			
	Less than		More than	
	3 months	3 - 12 months	1 year	Total
Liabilities	170,031	56,935	32,384	259,350

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

3.37.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at 31 December	
	2018	2017
Composition of highly liquid assets		
Cash	1,189	1,323
Interbank and money market - net	53,089	43,177
Current investments - net	6,784	5,520
Total highly liquid assets ⁽¹⁾	61,062	50,020
Liquid asset requirement ⁽¹⁾	43,063	30,189

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

The Bank has a policy in maintaining the highly liquid assets higher than the internal liquid asset requirement. As at 31 December 2018 and 2017, the Bank has highly liquid assets, which are daily calculated, at Baht 61,062 million and Baht 50,020 million, respectively, higher than the internal liquid asset requirement, which is daily considered, of Baht 43,063 million and Baht 30,189 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 31 December 2018 and 2017, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Transactions	As at 31 December 2018							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing loans	
Financial assets								
Cash	1,189	-	-	-	-	-	-	1,189
Interbank and money market items - net	1,724	51,068	-	297	-	-	-	53,089
Derivatives assets	-	6	-	-	-	-	-	6
Investments - net	-	4,643	1,948	188	-	215	-	6,994
Loans to customers	2,233	17,119	44,180	121,288	46,080	-	6,309	237,209
	<u>5,146</u>	<u>72,836</u>	<u>46,128</u>	<u>121,773</u>	<u>46,080</u>	<u>215</u>	<u>6,309</u>	<u>298,487</u>
Financial liabilities								
Deposits	60,490	68,914	61,874	3,938	-	-	-	195,216
Interbank and money market items	941	547	140	2,245	-	-	-	3,873
Liabilities payable on demand	238	-	-	-	-	-	-	238
Derivatives liabilities	-	5	6	-	-	-	-	11
Debts issued and borrowings	37	10,000	21,000	12,000	6,680	-	-	49,717
	<u>61,706</u>	<u>79,466</u>	<u>83,020</u>	<u>18,183</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>249,055</u>
Commitments and contingent liabilities								
Avals to bills and guarantees of loans	2	250	38	18	-	446	-	754
Other commitments	-	1,318	623	495	-	351	-	2,787

(Unit: Million Baht)

As at 31 December 2017

Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing loans	
Financial assets								
Cash	1,323	-	-	-	-	-	-	1,323
Interbank and money market items - net	1,369	41,510	-	297	-	-	-	43,176
Investments - net	-	3,162	2,059	289	2	420	-	5,932
Loans to customers	2,375	18,127	47,971	127,693	44,140	-	5,301	245,607
	<u>5,067</u>	<u>62,799</u>	<u>50,030</u>	<u>128,279</u>	<u>44,142</u>	<u>420</u>	<u>5,301</u>	<u>296,038</u>
Financial liabilities								
Deposits	71,160	64,562	45,372	405	-	-	-	181,499
Interbank and money market items	853	516	215	2,269	-	-	-	3,853
Liabilities payable on demand	431	-	-	-	-	-	-	431
Derivatives liabilities	-	-	-	30	-	-	-	30
Debts issued and borrowings	37	22,574	11,348	23,000	6,680	-	-	63,639
	<u>72,481</u>	<u>87,652</u>	<u>56,935</u>	<u>25,704</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>249,452</u>
Commitments and contingent liabilities								
Avals to bills and guarantees of loans	2	10	31	14	-	571	-	628
Other commitments	-	-	13	2,222	-	575	-	2,810

The Bank will disclose the Bank's Liquidity Coverage Ratio as of 31 December 2018 via the Bank's website within April 2019.

3.37.4 Derivatives

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

As at 31 December 2018 and 2017, 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 31 December 2018

Maturity	Notional amount	Fair value loss
2019	1,200	(11)

(Unit: Million Baht)

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

b) Foreign exchange contract

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

(Unit: Million Baht)

As at 31 December 2018		
Maturity	Notional amount	Fair value gain
2019	718	6

3.37.5 Fair value of financial instruments

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

(Unit: Million Baht)

Transactions	As at 31 December			
	2018		2017	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	1,189	1,189	1,323	1,323
Interbank and money market items - net	53,089	53,089	43,176	43,176
Derivatives assets	6	6	-	-
Investments - net	6,994	7,774	5,932	7,352
Loans to customers and accrued interest receivables - net	229,108 ⁽¹⁾	232,448	236,985 ⁽¹⁾	240,066
Financial liabilities				
Deposits	195,216	195,216	181,499	181,499
Interbank and money market items	3,873	3,873	3,853	3,853
Liabilities payable on demand	238	238	431	431
Derivatives liabilities	11	11	30	30
Debts issued and borrowings	49,717	49,697	63,639	63,792

⁽¹⁾ As at 31 December 2018 and 2017, book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 2,951 million and Baht 2,088 million, respectively.

In estimating the fair value of financial instruments, an allowance for doubtful debts 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 debts.

3.38 Fair value hierarchy

As at 31 December 2018 and 2017, the Bank has the assets and liabilities that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2018				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Derivatives					
Foreign exchange contract	6	-	6	-	6
Available-for-sale investments					
Equity securities	4	4	-	-	4
Debt securities	6,780	-	6,780	-	6,780
Investment properties	39	-	-	39	39
Office condominiums	624	-	-	624	624
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	11	-	11	-	11
Assets for which fair value is disclosed					
Cash	1,189	1,189	-	-	1,189
Interbank and money market items - net	53,089	2,370	50,323	396	53,089
General investments	210	-	-	990	990
Loans to customers and accrued interest receivables	229,108 ⁽¹⁾	-	60,035	172,413	232,448
Liabilities for which fair value is disclosed					
Deposits	195,216	57,386	137,830	-	195,216
Interbank and money market items	3,873	847	3,026	-	3,873
Liabilities payable on demand	238	238	-	-	238
Debts issued and borrowings	49,717	-	49,697	-	49,697

⁽¹⁾ Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 2,951 million.

(Unit: Million Baht)

	As at 31 December 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	5,512	-	5,512	-	5,512
Investment properties	33	-	-	33	33
Office condominiums	478	-	-	478	478
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	30	-	30	-	30
Assets for which fair value is disclosed					
Cash	1,323	1,323	-	-	1,323
Interbank and money market items - net	43,176	2,169	40,710	297	43,176
General investments	412	-	-	1,832	1,832
Loans to customers and accrued interest receivables	236,985 ⁽¹⁾	-	63,353	176,713	240,066
Liabilities for which fair value is disclosed					
Deposits	181,499	68,487	113,012	-	181,499
Interbank and money market items	3,853	831	3,022	-	3,853
Liabilities payable on demand	431	431	-	-	431
Debts issued and borrowings	63,639	-	63,792	-	63,792

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

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

4. Dividend payment

	Approved by	Dividend per share		Amounts of dividend paid (Million Baht)	Dividend payment period
		Preference share	Ordinary share		
		(Baht per share)	(Baht per share)		
Interim dividends for 2017	The 7/2017 Meeting of the Board of Directors on 8 December 2017	3.00	3.00	2,765	January 2018
Total dividend payment in year 2017				<u>2,765</u>	
Interim dividends for 2018	The 6/2018 Meeting of the Board of Directors on 11 December 2018	3.90	3.90	3,594	January 2019
Total dividend payment in year 2018				<u>3,594</u>	

5. Significant events during the year

On 30 March 2018 the Bank and All-Ways Company Limited (a subsidiary in TISCO Group) signed agreements for the sales of a personal loan portfolio and a credit card business to Citibank N.A. (Bangkok Branch), with the Bank the seller of the personal loan portfolio and All-Ways the seller of the credit card business. On 4 June 2018 the Bank successfully completed the sale of the personal loan portfolio to Citibank N.A. (Bangkok Branch).

6. Reclassification

The Bank has reclassified some items in the statements of comprehensive income for the year ended 31 December 2017 in order to correspond to the classification in the current year. However, there is no impact on net profit or equity.

(Unit: Thousand Baht)

For the year ended 31 December 2017

	As reclassified	As previously reported
Fee and service income	3,270,636	3,293,292
Income from business promotion relating to the business	-	751,879
Expenses from business promotion relating to the business	-	774,535

7. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 14 February 2019.