

TISCO Financial Group Public Company Limited
and its subsidiary companies
Report and consolidated financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of TISCO Financial Group Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of TISCO Financial Group Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of TISCO Financial Group Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Financial Group Public Company Limited and its subsidiaries and of TISCO Financial Group Public Company Limited as at 31 December 2018, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond to each matter are described below.

Allowance for doubtful accounts for loans to customers

As discussed in Notes 1.5.9 and 3.6 to the financial statements, as at 31 December 2018, the Group had loans to customers of Baht 240,654 million (accounting for 80% of total assets) and allowance for doubtful accounts of Baht 11,665 million, which is a material amount.

The estimation of allowance for doubtful accounts was made based on the criteria established by the Bank of Thailand and adjusted to incorporate the additional amounts that are expected not to be collectible, which relies on various estimation assumptions. Management is required to exercise considerable judgement in determining the assumptions to be used in estimating the losses expected to be incurred as a result of debtors being unable to repay principal and interest. Therefore, I have focused on examining the adequacy of the allowance for doubtful accounts for loans to customers.

I have performed audit procedures on the allowance for doubtful accounts by gaining an understanding of the estimation process and the Group's recording of allowance for doubtful accounts, assessing and testing the internal controls relevant to the recording of allowance for doubtful accounts, the collection of debts and the calculation of allowance for doubtful accounts for loans to customers, including the loan classification process and the collateral valuation, by making enquiry of responsible executives and selecting representative samples to test the operation of the designed controls. I checked the accuracy of the data used in the calculation of allowance for doubtful accounts to its source. I performed analytical procedures to compare the assumptions that the Group used to calculate allowance for doubtful accounts with historical data, the regularity in applying the assumptions, and evaluated the methods that the Group elected to use in estimating allowance for doubtful accounts for each type of product. I reviewed the completeness of loan's information and tested the accuracy of loan classification as at the end of reporting period.

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

Interest income recognition

The Group's interest income recognition policy is as discussed in Note 1.5.1 to the financial statements. The Group's major source of revenue is interest income from loans, which amounted to Baht 16,996 million in the year 2018, accounting for 65% of total revenues. I focused my audit on recognition of interest income because there are a large number of customers such as retail loans, corporate loans and commercial lending loans. There are various types of credit, and there are a variety of conditions in the agreements, with the conditions for interest income recognition differing for each type of agreement. In addition, the Group's recognition of interest income is primarily dependent on data processing by IT system. I therefore focused my audit to determine whether the interest income was recognised in the correct amounts.

I performed my audit by gaining an understanding of, assessing and testing at random the design and the operation of both the IT system controls and internal controls related to loan origination, collection, recognition of interest income and the cessation of the recognition of interest income. I also selected samples of loan agreements to evaluate whether lending, cash receipt and income transactions were recorded in accordance with the conditions in the loan agreement and in compliance with the Group's interest income recognition policy. In addition, I performed analytical procedures on interest income data and, on a sampling basis, examined significant adjustments made through journal vouchers.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.



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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 14 February 2019

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2018

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Assets					
Cash		1,191,800	1,324,808	70	70
Interbank and money market items - net	3.2	54,071,389	44,647,149	641,395	237,201
Derivatives assets	3.3	5,685	-	-	-
Investment - net	3.4, 3.8	9,012,345	7,547,143	780,284	869,582
Investment in subsidiaries and joint venture - net	3.5	800,151	573,925	20,069,127	20,069,104
Loans to customers and accrued interest receivables	3.6, 3.8				
Loans to customers		261,056,899	271,125,255	2,075,000	3,540,000
Accrued interest receivables		642,526	715,653	-	-
Total loans to customers and accrued interest receivables		261,699,425	271,840,908	2,075,000	3,540,000
Less: Deferred revenue		(20,402,559)	(19,741,455)	-	-
Less: Allowance for doubtful accounts	3.7	(11,665,492)	(11,447,166)	-	-
Less: Allowance for loss on debt restructuring	3.7	(8,146)	(8,948)	-	-
Loans to customers and accrued interest receivables - net		229,623,228	240,643,339	2,075,000	3,540,000
Properties foreclosed - net	3.8, 3.9	10,857	5,274	-	-
Investment properties	3.10	39,388	32,396	831,043	834,503
Premises and equipment - net	3.11	2,992,229	2,653,195	957,714	864,555
Intangible assets - net	3.12	448,222	537,696	159,531	182,482
Deferred tax assets	3.30	991,525	743,145	152,571	150,550
Securities and derivatives business receivables - net		948,528	2,342,040	-	-
Dividend receivable from subsidiaries	3.34	-	-	5,258,642	4,132,342
Other assets	3.13	2,409,287	2,338,299	166,983	165,801
Total assets		302,544,634	303,388,409	31,092,360	31,046,190

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Liabilities and equity					
Liabilities					
Deposits	3.14	193,108,310	180,803,844	-	-
Interbank and money market items	3.15	4,374,674	4,017,507	-	-
Liabilities payable on demand		238,219	431,361	-	-
Derivatives liabilities	3.3	10,653	29,815	-	-
Debts issued and borrowings	3.16	55,556,919	71,078,619	5,840,000	7,440,000
Provision for long-term employee benefits	3.17	827,442	734,853	176,986	154,228
Deferred tax liabilities	3.30	8,499	15,633	-	-
Securities and derivatives business payables - net		995,276	2,216,256	-	-
Accrued interest payable		881,275	729,377	9,871	34,268
Income tax payable		753,846	849,052	4,916	24,690
Other liabilities	3.18	7,960,065	7,750,327	1,481,562	1,433,367
Total liabilities		264,715,178	268,656,644	7,513,335	9,086,553

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	Note	2018	2017	2018	2017
Equity					
Share capital					
Registered					
33,858 preference shares of Baht 10 each		339	339	339	339
800,669,437 ordinary shares of Baht 10 each		8,006,694	8,006,694	8,006,694	8,006,694
		<u>8,007,033</u>	<u>8,007,033</u>	<u>8,007,033</u>	<u>8,007,033</u>
Issued and paid-up					
9,859 preference shares of Baht 10 each		99	99	99	99
800,645,624 ordinary shares of Baht 10 each		8,006,456	8,006,456	8,006,456	8,006,456
		<u>8,006,555</u>	<u>8,006,555</u>	<u>8,006,555</u>	<u>8,006,555</u>
Share premium					
Share premium on preference shares		-	-	87	87
Share premium on ordinary shares		1,018,408	1,018,408	7,031,436	7,031,436
		<u>1,018,408</u>	<u>1,018,408</u>	<u>7,031,523</u>	<u>7,031,523</u>
Other components of equity		1,753,824	1,653,202	257,304	241,442
Retained earnings					
Appropriated-statutory reserve		801,000	801,000	801,000	801,000
Unappropriated		26,116,740	23,125,364	7,482,643	5,879,117
Equity attributable to equity holders of the Company		<u>37,696,527</u>	<u>34,604,529</u>	<u>23,579,025</u>	<u>21,959,637</u>
Non-controlling interest of the subsidiaries		132,929	127,236	-	-
Total equity		<u>37,829,456</u>	<u>34,731,765</u>	<u>23,579,025</u>	<u>21,959,637</u>
Total liabilities and equity		<u>302,544,634</u>	<u>303,388,409</u>	<u>31,092,360</u>	<u>31,046,190</u>

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



Mr. Suthas Ruangmanamongkol

Group Chief Executive



Mr. Chatri Chandrangam

First Executive Vice President

Chief Financial Officer

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2018

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

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Profit or loss:					
Continuing operations					
Interest income	3.22	17,690,276	16,381,521	67,293	52,349
Interest expenses	3.23	(5,075,507)	(4,814,374)	(89,470)	(96,201)
Net interest income		12,614,769	11,567,147	(22,177)	(43,852)
Fee and service income		6,339,093	6,344,652	-	-
Fee and service expenses		(243,666)	(245,964)	(17,857)	(16,983)
Net fee and service income	3.24	6,095,427	6,098,688	(17,857)	(16,983)
Net gains (losses) on trading and foreign exchange transactions	3.25	6,339	(83,857)	(6,700)	(84,761)
Net gains on investments	3.26	496,291	41,968	23	-
Share of profit from investment accounted for under equity method	3.5.2	222,708	130,420	-	-
Dividend income	3.5.1	62,584	138,178	5,258,642	4,132,342
Penalty fee income from loans		331,035	375,524	-	-
Intercompany supporting fee income	3.34	-	-	2,156,929	2,117,903
Other operating income	3.28	204,018	125,952	70,905	88,995
Total operating income		20,033,171	18,394,020	7,439,765	6,193,644
Operating expenses					
Employee's expenses		5,839,300	5,073,893	1,103,288	1,153,393
Directors' remuneration		16,425	12,740	16,425	12,740
Premises and equipment expenses		1,213,428	1,148,613	469,704	431,075
Taxes and duties		303,080	252,389	2,241	2,214
Other operating expenses	3.29	1,381,034	1,183,075	136,920	116,603
Total operating expenses		8,753,267	7,670,710	1,728,578	1,716,025
Bad debt, doubtful accounts and impairment losses	3.27	2,701,452	3,078,651	-	-
Profit from operations before income tax expenses		8,578,452	7,644,659	5,711,187	4,477,619
Income tax expenses	3.30	1,663,017	1,486,816	84,392	60,530
Profit for the year from continuing operations		6,915,435	6,157,843	5,626,795	4,417,089
Discontinued operations					
Profit (loss) for the year from discontinued operations	5	128,306	(40,536)	-	-
Total profit for the year		7,043,741	6,117,307	5,626,795	4,417,089

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2018

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

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Other comprehensive income:	3.31				
Continuing operations					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Gains (losses) on valuation in available-for-sale investments	3.20	(233,032)	270,399	(82,598)	172,458
Share of other comprehensive income of joint venture:					
Cash flow hedges of joint venture		3,517	755	-	-
Income tax effects	3.30, 3.32	45,062	(55,109)	16,520	(34,492)
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		(184,453)	216,045	(66,078)	137,966
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Changes in surplus on revaluation of assets	3.21	387,623	-	106,651	-
Actuarial losses	3.17	(56,943)	(155,385)	(29,510)	(36,641)
Income tax effects	3.30, 3.32	(66,712)	30,909	(15,428)	7,328
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		263,968	(124,476)	61,713	(29,313)
Other comprehensive income for the year from continuing operations		79,515	91,569	(4,365)	108,653
Total other comprehensive income for the year		79,515	91,569	(4,365)	108,653
Total comprehensive income					
Total comprehensive income from continuing operations		6,994,950	6,249,412	5,622,430	4,525,742
Total comprehensive income from discontinued operations		128,306	(40,536)	-	-
Total comprehensive income for the year		7,123,256	6,208,876	5,622,430	4,525,742
Profits attributable to					
Equity holders of the Company	3.33				
Profit for the year from continuing operations		6,887,379	6,130,544	5,626,795	4,417,089
Profit (loss) for the year from discontinued operations		128,306	(40,536)	-	-
Profit for the year attributable to the Company		7,015,685	6,090,008	5,626,795	4,417,089
Non-controlling interests of the subsidiaries					
Profit for the year from continuing operations		28,056	27,299		
Profit for the year from discontinued operations		-	-		
Profit for the year attributable to non-controlling interests of the subsidiaries		28,056	27,299		
		7,043,741	6,117,307		

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 2018

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

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Total comprehensive income attributable to					
Equity holders of the Company					
	3.33				
Total comprehensive income for the year from continuing operations		6,966,734	6,222,446	5,622,430	4,525,742
Total comprehensive income for the year from discontinued operations		128,306	(40,536)	-	-
Total comprehensive income for the year attributable to the Company		<u>7,095,040</u>	<u>6,181,910</u>	<u>5,622,430</u>	<u>4,525,742</u>
Non-controlling interests of the subsidiaries					
Total comprehensive income for the year from continuing operations		28,216	26,966		
Total comprehensive income for the year from discontinued operations		-	-		
Total comprehensive income for the year attributable to non-controlling interests of the subsidiaries		<u>28,216</u>	<u>26,966</u>		
		<u>7,123,256</u>	<u>6,208,876</u>		
Earnings per share of equity holders of the Company					
Basic earnings per share (Baht per share)	3.33				
Equity holder of the Company					
Profit from continuing operations		8.60	7.66	7.03	5.52
Profit (loss) from discontinued operations		0.16	(0.05)	-	-
		<u>8.76</u>	<u>7.61</u>	<u>7.03</u>	<u>5.52</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2018

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit before income tax from continuing operations	8,578,452	7,644,659	5,711,187	4,477,619
Profit (loss) before income tax from discontinued operations	128,306	(1,042)	-	-
Profit from operation before income tax	8,706,758	7,643,617	5,711,187	4,477,619
Adjustments to reconcile profit from operations before income tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	390,757	350,638	153,967	135,767
Bad debts and doubtful accounts	4,898,708	5,064,167	-	-
Share of profit from investments accounted for under equity method	(222,708)	(130,420)	-	-
Allowance for impairment of investments (reversal)	(1,355)	(3,671)	1	-
Allowance for impairment of properties foreclosed (reversal)	(268)	394	-	-
Gains on disposal of investments in securities	(495,267)	(38,157)	-	-
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	(6,455)	83,376	6,700	84,761
Gains on disposal of equipment and intangible assets	(5,661)	(12,997)	(972)	(7,594)
Gains (losses) on changes in value of investment properties	(6,992)	(239)	3,460	(15,568)
Losses on written-off of equipment	472	3,441	1	-
Gains on disposal of properties foreclosed	(71,336)	(81,678)	-	-
Employee benefit expenses	83,138	42,708	14,286	7,996
(Increase) decrease in accrued income	261,429	(317,317)	6,112	(23,793)
Increase in accrued expenses	536,621	601,873	11,556	215,440
Net interest income	(12,828,669)	(11,654,786)	22,177	43,852
Dividend income	(62,584)	(138,178)	(5,258,642)	(4,132,342)
Cash received on interest income	17,680,774	16,743,707	67,263	52,365
Cash paid on interest expenses	(3,844,808)	(3,824,667)	(113,867)	(80,507)
Cash received on dividend income	62,584	138,178	4,132,342	2,762,188
Cash paid on income tax	(2,018,179)	(1,484,013)	(102,748)	(102,900)
Profit from operating activities before changes in operating assets and liabilities	13,056,959	12,985,976	4,652,823	3,417,284
Operating assets (increase) decrease				
Interbank and money market items - net	(9,424,150)	(6,579,740)	(404,194)	296,362
Loans to customers	4,253,506	3,718,910	1,465,000	(1,736,900)
Securities and derivatives business receivables	1,393,513	(968,284)	-	-
Receivables from clearing house	(114,224)	144,621	-	-
Properties foreclosed	1,849,032	2,071,939	-	-
Other assets	-201,668	-883,412	-7,262	-59

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

TISCO Financial Group Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Operating liabilities increase (decrease)				
Deposits	12,304,466	11,114,657	-	-
Interbank and money market items	357,167	(1,179,096)	-	-
Liabilities payable on demand	(193,142)	251,119	-	-
Securities and derivatives business payables	(1,220,980)	705,386	-	-
Short-term debts issued and borrowings	(25,021,700)	8,072,700	(1,600,000)	1,510,000
Payable to clearing house	(52,820)	113,385	-	-
Provision for long-term employee benefits	(47,493)	(39,353)	(21,037)	(14,639)
Other liabilities	(1,099,657)	(395,852)	36,639	27,623
Net cash flows from (used in) operating activities	(4,161,191)	29,132,956	4,121,969	3,499,671
Cash flows from investing activities				
Cash paid for purchase of investments in securities held for investment	(12,333,737)	(7,578,768)	-	-
Cash received from disposal of investments in securities held for investment	11,125,400	7,447,916	-	-
Cash paid for purchase of equipment	(191,004)	(203,271)	(72,607)	(56,175)
Cash paid for purchase of intangible assets	(77,495)	(116,253)	(47,268)	(48,781)
Cash received from disposal of equipment	8,061	13,006	972	7,594
Cash paid for share capital increase of subsidiary	-	-	(24)	(600,022)
Cash paid on business acquisition	-	(18,394,496)	-	-
Net cash flows used in investing activities	(1,468,775)	(18,831,866)	(118,927)	(697,384)
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	(4,003,042)	(2,802,287)	(4,003,042)	(2,802,287)
Net cash flows from (used in) financing activities	5,496,958	(10,125,287)	(4,003,042)	(2,802,287)
Net increase (decrease) in cash	(133,008)	175,803	-	-
Cash at beginning of the year	1,324,808	1,149,005	70	70
Cash at end of the year	1,191,800	1,324,808	70	70
	-	-	-	-

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in equity

For the year ended 31 December 2018

(Unit: Thousand Baht)

Consolidated financial statements														
Equity attributable to equity holders of the Company														
Other components of equity														
	Note	Issued and paid-up		Share premium on ordinary shares	Surplus (deficit) on changes in value of available-for-sale investments	Surplus on revaluation of assets	Share of other comprehensive income of joint venture	Adjustment from business combination of entities under common control under holding restructuring plan	Total other components of equity	Retained earnings		Total equity attributable to equity holders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total
		Preference shares	Ordinary shares							Appropriated	Unappropriated			
Balance as at 1 January 2017		108	8,006,447	1,018,408	(118,382)	889,264	(3,012)	679,266	1,447,136	801,000	19,951,807	31,224,906	100,637	31,325,543
Dividend paid	4	-	-	-	-	-	-	-	-	-	(2,802,287)	(2,802,287)	-	(2,802,287)
Profit for the year		-	-	-	-	-	-	-	-	-	6,090,008	6,090,008	27,299	6,117,307
Other comprehensive income for the year		-	-	-	215,290	-	755	-	216,045	-	(124,143)	91,902	(333)	91,569
Total comprehensive income for the year		-	-	-	215,290	-	755	-	216,045	-	5,965,865	6,181,910	26,966	6,208,876
Transfer surplus on revaluation of assets to retained earnings		-	-	-	-	(9,979)	-	-	(9,979)	-	9,979	-	-	-
Preference shares converted to ordinary shares		(9)	9	-	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(367)	(367)
Balance as at 31 December 2017		<u>99</u>	<u>8,006,456</u>	<u>1,018,408</u>	<u>96,908</u>	<u>879,285</u>	<u>(2,257)</u>	<u>679,266</u>	<u>1,653,202</u>	<u>801,000</u>	<u>23,125,364</u>	<u>34,604,529</u>	<u>127,236</u>	<u>34,731,765</u>
Balance as at 1 January 2018		99	8,006,456	1,018,408	96,908	879,285	(2,257)	679,266	1,653,202	801,000	23,125,364	34,604,529	127,236	34,731,765
Dividend paid	4	-	-	-	-	-	-	-	-	-	(4,003,042)	(4,003,042)	-	(4,003,042)
Profit for the year		-	-	-	-	-	-	-	-	-	7,015,685	7,015,685	28,056	7,043,741
Other comprehensive income for the year		-	-	-	(187,970)	310,099	3,517	-	125,646	-	(46,291)	79,355	160	79,515
Total comprehensive income for the year		-	-	-	(187,970)	310,099	3,517	-	125,646	-	6,969,394	7,095,040	28,216	7,123,256
Transfer surplus on revaluation of assets to retained earnings		-	-	-	-	(25,024)	-	-	(25,024)	-	25,024	-	-	-
Decrease in non-controlling interests of the subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(22,523)	(22,523)
Balance as at 31 December 2018		<u>99</u>	<u>8,006,456</u>	<u>1,018,408</u>	<u>(91,062)</u>	<u>1,164,360</u>	<u>1,260</u>	<u>679,266</u>	<u>1,753,824</u>	<u>801,000</u>	<u>26,116,740</u>	<u>37,696,527</u>	<u>132,929</u>	<u>37,829,456</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

		Separate financial statements									
		Issued and paid-up		Share premium		Other components of equity			Retained earnings		Total
Note		Preference shares	Ordinary shares	Preference shares	Ordinary shares	Surplus (deficit) on changes in value of available-for-sale investmens	Surplus on revaluation of assets	Total other components of equity	Appropriated	Unappropriated	
	Balance as at 1 January 2017	108	8,006,447	95	7,031,428	(121,509)	226,487	104,978	801,000	4,292,126	20,236,182
	Dividend paid	-	-	-	-	-	-	-	-	(2,802,287)	(2,802,287)
	Profit for the year	-	-	-	-	-	-	-	-	4,417,089	4,417,089
	Other comprehensive income for the year	-	-	-	-	137,966	-	137,966	-	(29,313)	108,653
	Total comprehensive income for the year	-	-	-	-	137,966	-	137,966	-	4,387,776	4,525,742
	Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(1,502)	(1,502)	-	1,502	-
	Preference shares converted to ordinary shares	(9)	9	(8)	8	-	-	-	-	-	-
	Balance as at 31 December 2017	<u>99</u>	<u>8,006,456</u>	<u>87</u>	<u>7,031,436</u>	<u>16,457</u>	<u>224,985</u>	<u>241,442</u>	<u>801,000</u>	<u>5,879,117</u>	<u>21,959,637</u>
	Balance as at 1 January 2018	99	8,006,456	87	7,031,436	16,457	224,985	241,442	801,000	5,879,117	21,959,637
	Dividend paid	-	-	-	-	-	-	-	-	(4,003,042)	(4,003,042)
	Profit for the year	-	-	-	-	-	-	-	-	5,626,795	5,626,795
	Other comprehensive income for the year	-	-	-	-	(66,078)	85,320	19,242	-	(23,607)	(4,365)
	Total comprehensive income for the year	-	-	-	-	(66,078)	85,320	19,242	-	5,603,188	5,622,430
	Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(3,380)	(3,380)	-	3,380	-
	Balance as at 31 December 2018	<u>99</u>	<u>8,006,456</u>	<u>87</u>	<u>7,031,436</u>	<u>(49,621)</u>	<u>306,925</u>	<u>257,304</u>	<u>801,000</u>	<u>7,482,643</u>	<u>23,579,025</u>

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

TISCO Financial Group Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 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 Company. The financial statements in English language have been translated from the Thai language financial statements.

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

1.2 Basis of consolidation

- a) The consolidated financial statements of TISCO Group include the financial statements of TISCO Financial Group Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) as mentioned in Note 3.1 to the financial statements.
- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, from the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared for the same reporting period and using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

1.3 Separate financial statements

The separate financial statements present investments in subsidiaries and joint venture under the cost method.

1.4 New financial reporting standards

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 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 Company and its subsidiaries' 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 Company and its subsidiaries 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 Company and its subsidiaries expects the adoption of this accounting standard to result in the following adjustments.

- Incentive fee income on fund management - The subsidiary operating an asset management business has reconsidered the basis for recognition of incentive fee income, which arises when the annual returns of funds that the company is managing exceeds the threshold for the performance of the fund. The Company recognises the variable consideration as revenue at year-end when there is a high likelihood that the income will occur, whereas it was previously recognised as revenue over the period that it manages the fund.

(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 Company'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 Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

1.5 Significant accounting policies

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

Accrual of interest is ceased for margin loans on which interest is overdue for more than two months and interest is then recognised on a cash basis.

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

b) Interest and dividends on investment in securities

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

c) Brokerage fees

Brokerage fees on securities and derivatives trading are recognised as income on the transaction dates.

d) Gains (losses) on trading in securities and derivatives

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

e) Fee and service income

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

1.5.2 Expense 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 subsidiaries record the initial commissions and direct expenses arising in respect of hire purchase/loan against auto license contracts using the effective interest rate method, and deduct 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.

1.5.3 Securities purchased under resale agreements according to private repurchase transactions

The subsidiary company operating banking business has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items - 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 subsidiary obtains securities under resale agreements as collateral securities on terms which permit it to repledge or resell the securities to others.

1.5.4 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) Investments in subsidiaries and joint venture are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any). Investment in joint venture is accounted for in the consolidated financial statements using the equity method.
- f) The subsidiary company does not record investments which the subsidiary company holds not less than 20% of the equity in associated companies under the equity method in the consolidated financial statements, if the investment was transferred as a result of debt restructuring. The subsidiary company is obliged to dispose of these investments within the period stipulated in the Bank of Thailand's regulations.
- g) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- h) Losses on impairment (if any) of the investments in available-for-sale securities, held-to-maturity debt securities and general investments are recognised in profit or loss.

- i) The weighted average method is used for computation of the cost of investments.
- j) In the event the Company and its subsidiaries reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The differences between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of equity, depending on the type of investment that is reclassified.
- k) Purchases and sales of investments are recorded on the settlement date.

1.5.5 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.

1.5.6 Receivable from Clearing House/Payable to Clearing House

Receivable from Clearing House comprises the net balance receivable from Thailand Securities Depository (TSD) in respect of securities trades settled through the Clearing House of TSD, and the net balance receivable from Thailand Clearing House (TCH), including amounts pledged with TCH as security for derivatives trading.

Payable to Clearing House comprises the net balance payable to Thailand Securities Depository in relation to securities trading settlements made through the Clearing House of TSD, and the net derivatives balance payable to Thailand Clearing House.

1.5.7 Loans to customers

Loans to customers are stated at the principal balances, excluding accrued interest receivables. Unrecognised deferred revenue/discounts on loans to customers are deducted from loans to customers.

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

1.5.8 Securities and derivatives business receivables

Securities and derivatives business receivables comprise the net balance of securities business receivables and derivative business receivables, after deducting allowance for doubtful accounts. Securities business receivables comprise the net receivable balances of cash accounts, securities borrowing and lending receivables, and other receivables such as securities receivables that are subject to legal proceeding, undergoing restructuring or setting in installments.

1.5.9 Allowance for doubtful accounts and loss on debt restructuring

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

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

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

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

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

- b) For the securities business of a subsidiary, an allowance for doubtful accounts is based on a review of debtors' ability to make repayment, taking into consideration of recovery risk and the value of the collateral. An allowance is set aside for doubtful debts that their collaterals are not fully covered and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notification of the Office of the Securities and Exchange Commission and consideration of other relevant factors.
- c) For the subsidiary companies operating hire purchase business, allowance for doubtful accounts is set aside using a collective approach, based on historical loss and behavioral grading of the hire purchase receivables.
- d) Subsidiary companies operating other lending business set aside allowance for doubtful accounts for loans to customers classified as pass and special mention at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables, respectively. For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, the subsidiary companies record allowance for doubtful accounts at a rate 100% of the debt balance net of collateral value.
- e) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- f) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the allowance for doubtful accounts in the period of recovery.

1.5.10 Troubled debt restructuring

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

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash inflows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the subsidiary will use the interest rates specified in the term of modifications as the discount rates. The subsidiary records differences between the fair value of receivables and the balance of net book value of receivables as of restructuring date as expenses in profit or loss. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in profit or loss when incurred.

1.5.11 Recognition and derecognition of customer deposits

Cash which customers have placed with a subsidiary company operating securities business in cash accounts for securities trading and derivatives trading is recorded as an asset of the subsidiary company for the customers' position for internal control purposes. At the financial statement date, the subsidiary company writes the amounts which are unsecured off from both assets and liabilities and presents only those assets which belong to the subsidiary company.

1.5.12 Borrowing and lending of securities

A subsidiary company operating securities business is engaged in securities borrowing and lending transactions through agreements made with borrowers and lenders of securities, which are the subsidiary company's customers.

A subsidiary company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the statement of financial position. At the end of the year, the balances of securities borrowing payables and securities borrowing receivables are adjusted based on the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the year. Gains or losses arising from such adjustments are included in part of profit or loss in the statement of comprehensive income. The subsidiary company records cash paid or received as collateral for securities borrowing and lending as "Guarantee deposit receivables" or "Guarantee deposit payables". Fees from borrowing and lending are recognised on an accrual basis over the term of the lending.

1.5.13 Properties foreclosed

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

The subsidiary companies recognise loss on impairment in profit or loss. Gains or losses from disposal of properties foreclosed are recognised upon disposal.

1.5.14 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

On disposal of investment properties, the difference between the net disposal proceed and the carrying amount of the asset is recognised in profit or loss in the year when the asset is derecognised (if any).

1.5.15 Premises and equipment/Depreciation

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

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

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

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

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

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

Buildings and office condominiums	-	18 - 35	years
Office improvements	-	5, 20	years
Furniture, fixtures and equipment	-	3, 5	years
Motor vehicles	-	5, 6	years

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

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

No depreciation is provided on land and assets under installation.

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

1.5.16 Intangible assets

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

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

Intangible assets with finite lives are software license fees that the Company and its subsidiaries amortise over the following estimated useful lives:

The license agreements with specified number of years of usage	-	according to the year of license agreement by the straight-line basis
The license agreements with no specified number of years of usage	-	5 years by the straight-line basis
No license agreements	-	3 years by the sum-of-the-year-digits method

1.5.17 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. These will be realised in future years when the income is realised, or the expenses provided for are actually incurred and considered deductible for income tax purposes.

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

The Company and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

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

1.5.18 Impairment of assets

The Company and its subsidiaries assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

1.5.19 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. If the Company and its subsidiaries neither transfer nor retain substantially all risks and rewards of ownership of such financial assets, and retain control of such financial assets, the Company and its subsidiaries continue to recognise the financial assets to the extent of its continuing involvement. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

1.5.20 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

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

Gains and losses on exchange are included in determining income.

1.5.21 Employee benefits

Short-term employee benefits

The Company and its subsidiaries record salaries, wages, bonuses and contributions to the social security fund as expenses when incurred.

Part of bonus expenses of the Company and its subsidiaries is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the Company's share price. The Company and its subsidiaries record 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 Company and its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by the employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company's and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan is determined by the Company and its subsidiaries based on actuarial techniques.

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

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

1.5.22 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

1.5.23 Derivatives and hedge accounting

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

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

- b) A subsidiary operating securities business recognises gains (losses) from changes in the fair value of the future contracts held for trading in profit or loss, with fair value determined based on the daily settlement prices quoted by Thailand Futures Exchange Public Company Limited.

1.5.24 Fair value measurement

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on 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 Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

1.5.25 Financial instruments

a) Financial risk management

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

b) Fair value of financial instruments

In determining the fair value of financial instruments, the 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 Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), securities and derivatives business receivables, receivable from clearing house, deposits, interbank and money market items (liabilities), liabilities payable on demand, securities and derivatives business payables and payable to clearing house, 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 subsidiary has considered to counterparty credit risk when determining the fair value of derivatives.

1.5.26 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.

1.5.27 Significant accounting judgements and estimates

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

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

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

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk of both the Company and its subsidiaries 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 Company and its subsidiaries treat available-for-sale securities and general investments as impaired when the management judges that there has been a significant and prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" and "prolonged" requires judgement of the management.

Investment properties

The Company and its subsidiaries present investment properties at the fair value estimated by an independent appraiser, and recognise changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the market approach. The key assumptions used in estimating the fair value are described in Note 3.10 to the financial statements.

Premises and equipment/Depreciation

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

The Company and its subsidiaries measure office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the market approach. The valuation involves certain assumptions and estimates as described in Note 3.11 to the financial statements.

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

Deferred tax assets

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

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

The obligation under the defined benefit 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 Company and its subsidiaries have contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of the reporting period.

Consolidation and deconsolidation of subsidiaries

In preparation of the consolidated financial statements, the management is required to make judgement whether the Company has control over the subsidiaries that are included in the consolidated financial statements or not.

2. General information

2.1 The Company's information

TISCO Financial Group Public Company Limited ("the Company") is a holding company and is the parent company of TISCO Group. Its registered address is 48/49 TISCO Tower, 21st Floor, North Sathorn Road, Silom, Bangrak, Bangkok.

2.2 Statutory reserve

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

2.3 Directors' remuneration

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

2.4 Related party transactions

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

The Company has significant business transactions with related parties. These transactions have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those related parties, which are reference to the terms and price as charged to other customers.

3. Supplemental information

3.1 Consolidated financial statements

A list of subsidiaries included in the consolidated financial statements as at 31 December 2018 and 2017 is provided below.

Company's name	Nature of business	Country of incorporation	(Unit: Percent)	
			Percentage of shares held by the Company as at 31 December	
			2018	2017
<u>Subsidiaries directly held by the Company</u>				
TISCO Bank Public Company Limited	Banking	Thailand	99.99	99.99
TISCO Securities Co., Ltd.	Securities business	Thailand	99.99	99.99
TISCO Asset Management Co., Ltd.	Asset management	Thailand	99.99	99.99
Hi-Way Co., Ltd.	Hire purchase and retail loan	Thailand	99.99	99.99
TISCO Information Technology Co., Ltd.	Services	Thailand	99.99	99.99
TISCO Insurance solution Co., Ltd.	Insurance broker	Thailand	99.99	99.99
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Thailand	99.99	99.99
TISCO Learning Center Co., Ltd.	Services	Thailand	99.99	99.99
All-Ways Co., Ltd.	Services	Thailand	99.99	99.99
<u>Subsidiaries indirectly held by the Company</u>				
Deutsche TISCO Investment Advisory Co., Ltd.	Securities business	Thailand	51.00	51.00

3.2 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	Consolidated financial statements 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	1,527,020	745,000	2,272,020	1,148,951	800,000	1,948,951
Commercial banks	247,139	42,869,675	43,116,814	500,213	20,172,622	20,672,835
Specialised Financial Institutions	997	8,656,727	8,657,724	452	22,010,897	22,011,349
Total	1,775,156	52,271,402	54,046,558	1,649,616	42,983,519	44,633,135
Add: Accrued interest	196	24,527	24,723	2,832	11,172	14,004
Total domestic	1,775,352	52,295,929	54,071,281	1,652,448	42,994,691	44,647,139
<u>Foreign</u>						
Hong Kong dollars	108	-	108	10	-	10
Total foreign	108	-	108	10	-	10
Total domestic and foreign	1,775,460	52,295,929	54,071,389	1,652,458	42,994,691	44,647,149

(Unit: Thousand Baht)

	Separate financial statements as at 31 December					
	2018			2017		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	641,306	-	641,306	237,142	-	237,142
Total	641,306	-	641,306	237,142	-	237,142
Add: Accrued interest	89	-	89	59	-	59
Total domestic	641,395	-	641,395	237,201	-	237,201

(Unit: Million Baht)

Interbank and money market items (assets) which are pledged	Consolidated financial statements as at 31 December		Type of pledge
	2018	2017	
	Cash at banks of local subsidiary	10	

The subsidiary company operating banking business 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
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
Specialised Financial Institutions	8,374	22,008

3.3 Derivatives

The subsidiary company operating banking business 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	Consolidated financial statements 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.

3.4 Investments

3.4.1 Classified by type of investments

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	as at 31 December	
	2018	2017
Available-for-sale investments - fair value		
Government and state enterprise securities	7,467,598	4,642,791
Private sector debt securities	186,078	692,188
Foreign sector debt securities	-	408,961
Domestic marketable equity securities	299,562	449,179
Other securities - domestic unit trusts	60,777	65,540
Other securities - foreign unit trusts	780,284	869,582
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	8,792,839	7,126,781
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	254,134	456,014
Less: Allowance for impairment	(34,628)	(35,652)
Total general investments	219,506	420,362
Investments - net	9,012,345	7,547,143

	(Unit: Thousand Baht)	
	Separate financial statements	
	as at 31 December	
	2018	2017
Available-for-sale investments - fair value		
Other securities - foreign unit trusts	780,284	869,582
Investment - net	780,284	869,582

3.4.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

	Consolidated financial statements 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	7,464	3	-	7,467	4,641	-	2	4,643
Private sector debt securities	1	185	-	186	812	289	-	1,101
Total	7,465	188	-	7,653	5,453	289	2	5,744
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	7,464	188	-	7,652	5,452	289	2	5,743
Held-to-maturity debt securities								
Investment in receivables	13	-	-	13	14	-	-	14
Less: Allowance for impairment	(13)	-	-	(13)	(14)	-	-	(14)
Total	-	-	-	-	-	-	-	-
Total debt securities	7,464	188	-	7,652	5,452	289	2	5,743

3.4.3 Investments subject to restrictions

(Unit: Million Baht)

Type of investment	Consolidated financial statements 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

3.4.4 Investments in companies with weak financial positions and poor operating results of a subsidiary company operating banking business

(Unit: Thousand Baht)

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

(Unit: Thousand Baht)

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

3.4.5 Investments in which a subsidiary company operating banking business holds not less than 10 percent of the equity of the investees

(Unit: Thousand Baht)

Securities' name	Consolidated financial statements as at 31 December					
	2018			2017		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K Line (Thailand) Co., Ltd.	-	-	-	37,335	-	10
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

3.5 Investments in subsidiaries and joint venture

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2018	2017	2018	2017
Investments in subsidiaries	-	-	19,995,882	19,995,859
Investment in joint venture	800,151	573,925	73,245	73,245
	<u>800,151</u>	<u>573,925</u>	<u>20,069,127</u>	<u>20,069,104</u>

3.5.1 Investments in subsidiaries

(Unit: Million Baht)

Company's name	Nature of business	Separate financial statements							
		Type of investments as at 31 December		Percentage of holding as at 31 December		Investment value - cost method as at 31 December		Dividend received for the years ended 31 December	
		2018	2017	2018	2017	2018	2017	2018	2017
				(%)	(%)				
Subsidiaries directly held by the Company									
TISCO Bank Public Company Limited	Banking	Ordinary shares	Ordinary shares	99.99	99.99	17,641	17,641	3,594	2,764
TISCO Securities Co., Ltd.	Securities business	Ordinary shares	Ordinary shares	99.99	99.99	1,075	1,075	140	200
TISCO Asset Management Co., Ltd.	Asset management	Ordinary shares	Ordinary shares	99.99	99.99	110	110	935	798
Hi-Way Co., Ltd.	Hire purchase and retail loan	Preference shares	Preference shares	99.99	99.99	3	3	2	1
		Ordinary shares	Ordinary shares	99.99	99.99	270	270	133	99
TISCO Information Technology Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	22	22	35	80
TISCO Insurance Solution Co., Ltd.	Insurance broker	Ordinary shares	Ordinary shares	99.99	99.99	137	137	390	165
Primus Leasing Co., Ltd. (in the process of liquidation)	Hire purchase	Ordinary shares	Ordinary shares	99.99	99.99	142	142	-	-
TISCO Learning Center Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	5	5	30	25
All-Ways Co., Ltd.	Services	Ordinary shares	Ordinary shares	99.99	99.99	700	700	-	-
						<u>20,105</u>	<u>20,105</u>	<u>5,259</u>	<u>4,132</u>
Less: Allowance for impairment						(109)	(109)		
Investment in subsidiaries - net						<u>19,996</u>	<u>19,996</u>		

3.5.2 Investment in joint venture

a) Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other company. Details of this investment are as follows:

(Unit: Thousand Baht)

		Consolidated financial statements					
Jointly controlled entity	Nature of business	Shareholding percentage as at 31 December		Cost as at 31 December		Carrying amounts based on equity method as at 31 December	
		2018	2017	2018	2017	2018	2017
		(%)	(%)				
TISCO Tokyo Leasing Co., Ltd.	Leasing	49.00	49.00	73,245	73,245	800,151	573,925

(Unit: Thousand Baht)

		Separate financial statements							
Jointly controlled entity	Nature of business	Shareholding percentage as at 31 December		Cost as at 31 December		Allowance for impairment of investment as at 31 December		Carrying amounts based on cost method - net as at 31 December	
		2018	2017	2018	2017	2018	2017	2018	2017
		(%)	(%)						
TISCO Tokyo Leasing Co., Ltd.	Leasing	49.00	49.00	73,245	73,245	-	-	73,245	73,245

b) Share of comprehensive income and dividend received

During the year, the Company recognised its share of comprehensive income from investment in joint venture in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

		Consolidated financial statements				Separate financial statements	
Jointly controlled entity		Share of profit/loss from investment in joint venture for the years ended 31 December		Share of other comprehensive income from investments in joint venture for the years ended 31 December		Dividend received for the years ended 31 December	
		2018	2017	2018	2017	2018	2017
TISCO Tokyo Leasing Co., Ltd.		222,708	130,420	3,517	755	-	-

c) Summarised financial information about material joint venture

The Company holds a 49% interest in TISCO Tokyo Leasing Co., Ltd, which is a joint venture operating a leasing business, and accounts for this investment in the consolidated financial statements using the equity method. Summary of financial information of the jointly controlled entity is presented as follows:

Summarised information about financial position

	(Unit: Million Baht)	
	As at 31 December	
	2018	2017
Total assets	9,439	10,327
Total liabilities	(7,433)	(8,794)
Non-controlling interests of the subsidiaries	(372)	(361)
Net assets	1,634	1,172
The Company's proportion of shareholding	49%	49%
Carrying amounts of joint venture based on equity method	800	574

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 31 December	
	2018	2017
Total revenues	862	771
Total expenses	(282)	(511)
Profit before income tax expenses	580	260
Tax benefit (Income tax expenses)	(89)	40
Non-controlling interest	(36)	(34)
Profit for the year	455	266
Other comprehensive income	4	2
Total comprehensive income	459	268

d) Commitments and contingent liabilities of joint venture

Avals, guarantees and commitments

	(Unit: Million Baht)	
	As at 31 December	
	2018	2017
Cross currency interest rate swap agreements	300	1,008

3.6 Loans to customers and accrued interest receivables

3.6.1 Classified by type of loans to customers

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2018	2017
Loans to customers		
Overdrafts	369,084	551,542
Loans	98,933,065	109,917,587
Hire purchase receivables	161,733,691	160,573,930
Finance lease receivables	53,970	197,102
Less: Deferred revenue	(20,402,559)	(19,741,455)
Advances received from finance lease receivables	(32,911)	(114,906)
Total loans to customers	240,654,340	251,383,800
Add: Accrued interest receivables	642,526	715,653
Less: Allowance for doubtful accounts	(11,665,492)	(11,447,166)
Allowance for loss on debt restructuring	(8,146)	(8,948)
Loans to customers and accrued interest receivables - net	229,623,228	240,643,339

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2018	2017
Loans to customers		
Loans	2,075,000	3,540,000
Add: Accrued interest receivables	-	-
Loans to customers and accrued interest receivables - net	2,075,000	3,540,000

3.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	233,094,849	6,841,740	239,936,589	245,051,902	6,331,898	251,383,800
US Dollars	-	717,751	717,751	-	-	-
Total loans to customers						
net of deferred revenue	233,094,849	7,559,491	240,654,340	245,051,902	6,331,898	251,383,800

(Unit: Thousand Baht)

Separate financial statements as at 31 December

	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	2,075,000	-	2,075,000	3,540,000	-	3,540,000
Total loans to customers						
net of deferred revenue	2,075,000	-	2,075,000	3,540,000	-	3,540,000

3.6.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2018

	Subsidiary company operating banking business						Other subsidiaries	Total
	Pass	Special	Sub-standard	Doubtful	Doubtful			
		mention			of loss	Total		
Agricultural and mining	538,998	88,335	31,161	14,373	1,901	674,768	-	674,768
Manufacturing and commerce	20,749,893	1,427,083	181,499	81,825	86,390	22,526,690	-	22,526,690
Real estate and construction	11,328,190	204,335	57,126	22,448	26,633	11,638,732	-	11,638,732
Public utilities and services	24,434,715	377,707	84,322	51,388	62,892	25,011,024	-	25,011,024
Personal consumption								
Hire purchase	110,267,625	10,439,773	1,598,997	784,555	491,511	123,582,461	4,038,069	127,620,530
Loan against auto license	21,360,877	2,588,898	849,756	213,952	39,002	25,052,485	5,328	25,057,813
Housing loans	15,889,780	625,324	278,532	224,047	563,419	17,581,102	-	17,581,102
Others	9,198,444	781,902	274,733	143,878	144,724	10,543,681	-	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	4,043,397	240,654,340
Add: Accrued interest receivables	424,610	173,134	-	-	519	598,263	44,263	642,526
Total loans to customers and accrued interest receivables	214,193,132	16,706,491	3,356,126	1,536,466	1,416,991	237,209,206	4,087,660	241,296,866

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2017

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

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

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

⁽²⁾ As at 31 December 2018, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor. 5/2559 minimum requirement by a total of Baht 6,428 million (As at 31 December 2017: total of Baht 6,140 million). TISCO 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	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.

3.6.5 Hire purchase and finance lease receivables

As at 31 December 2018, receivables of the subsidiaries under hire purchase and finance lease agreements amount to Baht 141,531 million (31 December 2017: Baht 141,107 million) and mostly comprise hire purchase agreements for cars and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 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	50,480	96,776	6,502	8,030	161,788
Less: Deferred revenue ⁽¹⁾	(6,878)	(8,926)	(277)	(4,143)	(20,224)
Advances received from finance lease receivables	(24)	(9)	-	-	(33)
Present value of minimum lease pay from agreements	43,578	87,841	6,225	3,887	141,531
Allowance for doubtful accounts ⁽²⁾					(3,835)
Net hire purchase and finance lease receivables					137,696

⁽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)

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

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

⁽²⁾ 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.

3.6.6 Loans to customers of subsidiary companies for which the recognition of interest income has been ceased

(Unit: Million Baht)

TISCO Bank	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under TISCO 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	6,860

⁽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.

(Unit: Million Baht)

Other subsidiaries	As at 31 December	
	2018	2017
Hire purchase receivables, financial lease receivables and other loan receivables for which the recognition of interest income has been ceased	615	559

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

(Unit: Million Baht)

	Consolidated financial statements as at 31 December	
	2018	2017
Deferred revenue ⁽¹⁾	20,403	19,741

⁽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.

3.6.8 Troubled debt restructuring of a subsidiary company operating banking business

	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, a subsidiary company operating banking business has the outstanding balances with troubled debt restructuring 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

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

3.7.1 Allowance for doubtful accounts - classified by receivables classification

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2018							
	Pass	Special mention	Sub- Standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	3,608,773	3,677,986	996,640	488,633	473,173	2,201,961	11,447,166
Increase (decrease) in allowance for doubtful accounts during the year	(799,957)	(354,990)	761,179	1,556,488	2,872,834	862,956	4,898,510
Bad debt written-off	(10,266)	(30,732)	(305,846)	(1,373,488)	(2,733,124)	-	(4,453,456)
Transfer out from sales of receivables (Note 5)	(142,148)	(8,753)	(75,011)	(780)	(36)	-	(226,728)
Balance - end of year	<u>2,656,402</u>	<u>3,283,511</u>	<u>1,376,962</u>	<u>670,853</u>	<u>612,847</u>	<u>3,064,917</u>	<u>11,665,492</u>

(Unit: Thousand Baht)

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

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

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December 2018				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	4,528,536	4,716,669	2,201,961	11,447,166
Increase in allowance for doubtful accounts during the year	1,189,150	2,846,404	862,956	4,898,510
Bad debt written-off	(1,993,107)	(2,460,349)	-	(4,453,456)
Transfer out from sales of receivables (Note 5)	(93,531)	(133,197)	-	(226,728)
Balance - end of year	<u>3,631,048</u>	<u>4,969,527</u>	<u>3,064,917</u>	<u>11,665,492</u>

(Unit: Thousand Baht)

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

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

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
Balance - beginning of year	8,948	9,748
Increase during the year	-	-
Amortisation during the year	(802)	(800)
Balance - end of year	<u>8,146</u>	<u>8,948</u>

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

(Unit: Million Baht)

	As at 31 December	
	2018	2017
Non-performing loans to customers	6,309	5,300
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.

3.8 Classification of assets

3.8.1 Investments in companies with weak financial position and poor operating results of a subsidiary company operating banking business

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts	
	as at 31 December		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.

3.8.2 Classification of assets under the Bank of Thailand's guidelines of a subsidiary company operating banking business.

As at 31 December 2018 and 2017, the quality of assets of a subsidiary company operating banking business classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	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).

3.8.3 Classification of assets under the Bank of Thailand's guidelines for which a subsidiary company operating banking business sets aside provision using a collective approach

3.8.3.1 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 setup ⁽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 subsidiary company operating banking business does not deduct the collateral value from the outstanding loan balance for calculation of allowance for doubtful accounts for hire purchase receivables.

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

3.8.3.2 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 accounts 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.

3.8.4 Hire purchase receivables/finance lease receivables and other loan receivables of other subsidiaries classified in accordance with the Bank of Thailand's guidelines are as follows:

(Unit: Million Baht)

	Debt balance		Allowance for doubtful accounts		Debt balance - net	
	as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
Pass	2,960	5,407	138	338	2,822	5,069
Special mention	516	512	188	127	328	385
Sub-standard	201	195	108	108	93	87
Doubtful	163	124	85	66	78	58
Doubtful of loss	203	209	103	108	100	101
Total	4,043	6,447	622	747	3,421	5,700

3.8.5 Loans to customers with weak financial position and operating results of a subsidiary company operating banking business

	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)
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.

3.9 Properties foreclosed

(Unit: Thousand Baht)

Consolidated financial statements
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	5,700	7,398
Additions	2,987,632	3,284,008
Disposals	(2,982,317)	(3,285,706)
Balance - end of year	11,015	5,700
Total properties foreclosed	22,728	17,413
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	10,857	5,274

3.10 Investment properties

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2018	2017	2018	2017
Book value - beginning of year	32,396	32,157	834,503	778,245
Transfer type of asset	-	-	-	40,690
Gain (loss) from fair value adjustment	6,992	239	(3,460)	15,568
Book value - end of year	<u>39,388</u>	<u>32,396</u>	<u>831,043</u>	<u>834,503</u>

The investment property of the Company and its subsidiaries 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.

	Consolidated financial statements as at 31 December 2018	Result to fair value where as an increase in assumption value
	Estimated office condominium price rate (Baht/Sq.m.)	82,960 - 181,475
	Separate financial statements as at 31 December 2018	Result to fair value where as an increase in assumption value
	Estimated office condominium price rate (Baht/Sq.m.)	82,960 - 103,700

3.11 Premises and equipment

(Unit: Thousand Baht)

	Consolidated financial statements					Total
	Revaluation	Cost basis				
	basis	Land	Building and improvements	Furniture, fixtures and equipment	Motor vehicles	
	Office condominium and building improvements					
Cost:						
As at 1 January 2017	2,561,196	17,509	636,296	1,071,646	186,181	4,472,828
Additions/transfers in	24,660	-	86,686	89,494	8,319	209,159
Disposals/written-off/transfers out	-	-	(25,248)	(7,379)	(37,700)	(70,327)
As at 31 December 2017	2,585,856	17,509	697,734	1,153,761	156,800	4,611,660
Additions/transfers in	2,747	-	69,109	99,328	24,099	195,283
Disposals/written-off/transfers out	(2,495)	-	(20,008)	(69,493)	(16,587)	(108,583)
Transfer accumulated depreciation to deduct cost	(496,631)	-	-	-	-	(496,631)
Surplus on revaluation	387,623	-	-	-	-	387,623
As at 31 December 2018	2,477,100	17,509	746,835	1,183,596	164,312	4,589,352
Accumulated depreciation:						
As at 1 January 2017	386,369	-	501,725	841,490	90,729	1,820,313
Depreciation for the year	52,976	-	53,700	71,803	24,284	202,763
Depreciation on disposals/written-off /transfers out	-	-	(20,007)	(6,913)	(37,691)	(64,611)
As at 31 December 2017	439,345	-	535,418	906,380	77,322	1,958,465
Depreciation for the year	57,286	-	57,280	86,567	22,624	223,757
Transfer accumulated depreciation to deduct cost	(496,631)	-	-	-	-	(496,631)
Depreciation on disposals/written-off /transfers out	-	-	(6,866)	(65,276)	(16,326)	(88,468)
As at 31 December 2018	-	-	585,832	927,671	83,620	1,597,123
Net book value:						
As at 31 December 2017	2,146,511	17,509	162,316	247,381	79,478	2,653,195
As at 31 December 2018	2,477,100	17,509	161,003	255,925	80,692	2,992,229
Depreciation for the years ended 31 December:						
2017						202,763
2018						223,757

(Unit: Thousand Baht)

	Separate financial statements			
	Revaluation basis	Cost basis		
	Office condominium and building improvements	Furniture, fixtures and equipment	Motor vehicles	Total
Cost:				
As at 1 January 2017	782,605	347,690	90,523	1,220,818
Additions/transfers in	6,747	49,428	-	56,175
Disposals/written-off/transfers out	(43,935)	(132)	(23,830)	(67,897)
As at 31 December 2017	745,417	396,986	66,693	1,209,096
Additions/transfers in	1,170	52,772	18,665	72,607
Disposals/written-off/transfers out	(2,348)	(3,591)	(2,414)	(8,353)
Transfer accumulated depreciation to deduct cost	(93,333)	-	-	(93,333)
Surplus on revaluation	106,651	-	-	106,651
As at 31 December 2018	757,557	446,167	82,944	1,286,668
Accumulated depreciation:				
As at 1 January 2017	52,871	209,732	35,982	298,585
Depreciation for the year	21,462	41,367	10,335	73,164
Depreciation on disposals/transfers out	(3,246)	(132)	(23,830)	(27,208)
As at 31 December 2017	71,087	250,967	22,487	344,541
Depreciation for the year	22,246	50,212	11,292	83,750
Transfer accumulated depreciation to deduct cost	(93,333)	-	-	(93,333)
Depreciation on disposals/transfers out	-	(3,590)	(2,414)	(6,004)
As at 31 December 2018	-	297,589	31,365	328,954
Net book value:				
As at 31 December 2017	674,330	146,017	44,206	864,555
As at 31 December 2018	757,557	148,578	51,579	957,714
Depreciation for the years ended 31 December:				
2017				73,164
2018				83,750

The Company and its subsidiaries 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)			
	Consolidated		Separate	
	financial statements		financial statements	
	as at 31 December		as at 31 December	
	2018	2017	2018	2017
Office condominiums - net of accumulated depreciation	1,021,651	1,032,372	373,901	388,169

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

	Consolidated	Result to fair value
	financial statements	where as an increase in
	as at 31 December 2018	assumption value
Estimated office condominium price rate (Baht/Sq.m.)	82,960 - 181,475	Increase in fair value
	Separate	Result to fair value
	financial statements	where as an increase in
	as at 31 December 2018	assumption value
Estimated office condominium price rate (Baht/Sq.m.)	82,960 - 103,700	Increase in fair value

At the end of 2018, the Company and its subsidiaries 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 Company and its subsidiaries have 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.

	Consolidated financial statements		Separate financial statements	
	Increase (decrease) in profit after tax (Thousand Baht)	Increase (decrease) in basic earnings per share (Baht per share)	Increase (decrease) in profit after tax (Thousand Baht)	Increase (decrease) in basic earnings per share (Baht per share)
For the year 2019	15,584	0.02	4,347	0.01
For the year 2020	15,584	0.02	4,347	0.01
For the year 2021	15,584	0.02	4,347	0.01
For the year 2022	15,584	0.02	4,347	0.01
For the year 2023 - 2048	(62,337)	(0.08)	(17,388)	(0.02)

3.12 Intangible assets

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

	(Unit: Thousand Baht)	
	Consolidated financial statements Computer software	Separate financial statements Computer software
As at 31 December 2018:		
Cost	1,554,441	544,565
Less: Accumulated amortisation	(1,106,219)	(385,034)
Net book value	448,222	159,531
As at 31 December 2017:		
Cost	1,477,211	497,298
Less: Accumulated amortisation	(939,515)	(314,816)
Net book value	537,696	182,482

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)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Net book value at beginning of year	537,696	567,053	182,482	196,303
Acquisitions of computer software	79,132	133,396	47,267	48,782
Transfer in of computer software	-	2,265	-	-
Disposals of computer software	(1,606)	(17,143)	-	-
Amortisation	(167,000)	(147,875)	(70,218)	(62,603)
Net book value at end of year	<u>448,222</u>	<u>537,696</u>	<u>159,531</u>	<u>182,482</u>

3.13 Other assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2018	2017	2018	2017
Receivables from clearing house	114,611	387	-	-
Value added tax - net	571,227	478,262	3,300	3,810
Accrued interest receivables	20,365	27,468	-	-
Fee and service receivables	324,002	585,431	124,128	130,240
Refundable income tax and prepaid income tax	35,156	29,122	-	-
Deposits	81,170	74,638	2,118	2,118
Other receivables	858,713	732,083	-	3
Other assets	<u>404,043</u>	<u>410,908</u>	<u>37,437</u>	<u>29,630</u>
Total other assets	<u>2,409,287</u>	<u>2,338,299</u>	<u>166,983</u>	<u>165,801</u>

3.14 Deposits

3.14.1 Classified by type of deposits

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2018	2017
Deposits		
Current accounts	2,483,555	3,785,003
Savings 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	95,866,169	92,614,160
Total	193,108,310	180,803,844

3.14.2 Classified by the remaining year of contract

(Unit: Thousand Baht)

Consolidated financial statements as at 31 December

	2018	2017
Not over 1 year ⁽¹⁾	189,170,624	180,398,973
Over 1 year	3,937,686	404,871
Total deposits	193,108,310	180,803,844

⁽¹⁾ Including fully-mature deposit contracts

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

3.15 Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	Consolidated financial statements as at 31 December					
	2018			2017		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Commercial banks	97,708	1,050,000	1,147,708	133,861	800,000	933,861
Specialised Financial Institutions	-	2,287,710	2,287,710	-	2,269,000	2,269,000
Other financial institutions	421,756	517,500	939,256	406,107	408,539	814,646
Total	519,464	3,855,210	4,374,674	539,968	3,477,539	4,017,507

3.16 Debts issued and borrowings

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2018	2017	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	5,876,122	7,476,122	5,840,000	7,440,000
Promissory notes	797	797	-	-
Total	55,556,919	71,078,619	5,840,000	7,440,000

3.16.1 Subordinated unsecured debentures

As at 31 December 2018 and 2017, a subsidiary company operating banking business has long-term subordinated unsecured debentures as follows:

Issued year	Units as at 31 December		Face value	Balance		Maturity in the year	Interest rate
	2018	2017	per unit	as at 31 December			
	(Million units)	(Million units)	(Baht)	2018	2017		
				(Million Baht)	(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				<u>6,680</u>	<u>6,680</u>		

3.16.2 Unsubordinated unsecured debentures

As at 31 December 2018 and 2017, a subsidiary company operating banking business has short-term and long-term unsubordinated unsecured debentures as follows:

Issued year	Type of debentures	Units as at 31 December		Face value	Balance		Maturity in the year	Interest rate
		2018	2017	per unit	as at 31 December			
		(Million units)	(Million units)	(Baht)	2018	2017		
				(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>		

3.16.3 Bills of exchange

Bills of exchange comprise those that bear fixed interest rates between 1.68 and 2.50 percent per annum, which will gradually mature in 2019.

3.17 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 31 December 2018 and 2017 is as follows:

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2018	2017
Defined post-employment benefit obligation at beginning of year	575,796	396,988
Past service cost	-	160
Current service cost	46,464	36,039
Interest cost	17,326	13,467
Benefits paid during the year	(36,810)	(26,243)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	(2,903)	40,463
Financial assumptions changes	33,387	89,787
Other assumptions changes	26,459	25,135
Defined post-employment benefit obligation at end of year	659,719	575,796
Other long-term benefits	167,723	159,057
Total provision for long-term employee benefits at end of year	827,442	734,853

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2018	2017
Defined post-employment benefit obligation at beginning of year	134,134	99,752
Current service cost	8,410	7,692
Interest cost	3,675	3,188
Benefits paid during the year	(19,769)	(13,139)
Included in other comprehensive income:		
Actuarial (gains) losses arising from		
Demographic assumptions changes	(700)	5,772
Financial assumptions changes	27,710	17,954
Other assumptions changes	2,500	12,915
Defined post-employment benefit obligation at end of year	155,960	134,134
Other long-term benefits	21,026	20,094
Total provision for long-term employee benefits at end of year	176,986	154,228

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)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Past service cost	-	160	-	-
Current service cost	65,148	54,821	10,335	9,683
Interest cost	21,051	16,718	4,134	3,595
Actuarial gains	(3,061)	(28,991)	(183)	(5,282)
Total employee benefit expenses	<u>83,138</u>	<u>42,708</u>	<u>14,286</u>	<u>7,996</u>

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Company and its subsidiaries as at 31 December 2018 and 2017 amounted to Baht 248 million and Baht 233 million, respectively (The Company only: Baht 65 million and Baht 58 million, respectively).

As at 31 December 2018 and 2017, the Company and its subsidiaries expect to pay long-term employee benefits during the next year of Baht 40 million and Baht 12 million, respectively (The Company only: Baht 18 million and Baht 3 million, respectively).

As at 31 December 2018 and 2017, the weighted average duration of the liabilities for long-term employee benefits are 19 years and 20 years, respectively (The Company only: 15 years).

Significant actuarial assumptions are summarised below:

	(Unit: Percent per annum)			
	Consolidated financial statements		Separate financial statements	
	As at 31 December		As at 31 December	
	2018	2017	2018	2017
Discount rate	1.72 - 4.02	1.45 - 3.67	1.72 - 4.02	1.45 - 3.60
Average salary increase rate	5.00	5.00	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)

	Consolidated financial statements as at 31 December			
	2018		2017	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(22,763)	20,144	(19,200)	20,115
Average salary increase rate	19,709	(22,460)	19,797	(19,000)

(Unit: Thousand Baht)

	Separate financial statements as at 31 December			
	2018		2017	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(3,550)	3,686	(3,324)	3,451
Average salary increase rate	3,608	(3,493)	3,399	(3,292)

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 Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 213 million (The Company only: Baht 50 million). The Company and its subsidiaries 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.

3.18 Other liabilities

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	as at 31 December		as at 31 December	
	2018	2017	2018	2017
Payable to clearing house	60,565	113,385	-	-
Withholding income tax and other				
tax payables	477,062	492,052	127,572	90,939
Accrued insurance premium	638,693	628,572	-	-
Deferred income	1,464,621	1,080,943	-	-
Deferred revenue from customer				
loyalty programs	-	296,865	-	-
Accrued expenses	3,876,110	3,339,489	1,353,893	1,342,337
Suspense creditors	1,082,473	1,282,132	-	-
Other liabilities	360,541	516,889	97	91
Total other liabilities	7,960,065	7,750,327	1,481,562	1,433,367

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 Company's share price, paid to employees whose performance impacts the Company's operation results, as an incentive to work effectively and to build loyalty to the Company. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the Company's shares over the period of five years from grant date to settlement date. As of 31 December 2018 and 2017, the Company and its subsidiaries have issued bonus under this scheme amounting to Baht 859 million and Baht 972 million, respectively (The Company only: Baht 419 million and Baht 530 million, respectively).

3.19 Capital funds

The primary objectives of TISCO Group's capital management are to maintain its ability to continue as a going concern and to maintain capital adequacy ratio, cash liquidity and others in accordance with the regulations of the Bank of Thailand or relevant regulatory agencies.

TISCO Group maintains capital adequacy ratio in compliance with Basel III principles 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, TISCO Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

Capital funds of the Financial Business Group (under Basel III principles) are as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2018	2017
<u>Common Equity Tier I capital</u>		
Issued and paid-up share capital	8,006,456	8,006,456
Premium on share capital	1,018,408	1,018,408
Statutory reserve	801,000	801,000
Net profits after appropriation	19,122,322	17,711,512
Other components of equity	1,458,770	1,649,726
Less: Deductions from Common Equity Tier I items	(1,581,233)	(1,285,612)
Total Common Equity Tier I capital	28,825,723	27,901,490
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	99	99
Total Tier I capital	28,825,822	27,901,589
<u>Tier II capital</u>		
Long-term subordinated debentures	6,680,000	6,680,000
Surplus of provision	682,051	685,518
Reserve for loans classified as pass	729,829	903,089
Total Tier II capital	8,091,880	8,268,607
Total capital funds	36,917,702	36,170,196

(Unit: Percent)

	As at 31 December			
	2018		2017	
	Financial Business Group	Requirement	Financial Business Group	Requirement
Capital fund ratios				
Common Equity Tier I capital to risk assets	16.75	6.375	14.96	5.75
Tier I capital to risk assets	16.75	7.875	14.96	7.25
Total capital to risk assets	21.46	10.375	19.39	9.75

Capital funds of the TISCO 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	
	TISCO Bank	Requirement	TISCO 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. 5/2556 regarding “Public Disclosure of Capital Maintenance for Financial Business Group”, the Company has disclosed capital maintenance information of the Financial Business Group as at 30 June 2018 on its website on 19 October 2018.

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

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2018	2017
Balance - beginning of year	144,500	(125,899)
Increase (decrease) from changes in value of investments during the year	(233,032)	270,399
	(88,532)	144,500
Less: The effect of deferred tax liabilities	(2,530)	(47,592)
Balance - end of year	(91,062)	96,908

(Unit: Thousand Baht)

Separate financial statements
as at 31 December

	2018	2017
Balance - beginning of year	20,572	(151,886)
Increase (decrease) from changes in value of investments during the year	(82,598)	172,458
	(62,026)	20,572
Less: The effect of deferred tax assets (liabilities)	12,405	(4,115)
Balance - end of year	(49,621)	16,457

3.21 Surplus on revaluation of assets

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

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2018	2017
Balance - beginning of year	1,099,106	1,111,580
Revaluation	387,623	-
Transfer to retained earnings	(31,280)	(12,474)
	1,455,449	1,099,106
Less: The effect of deferred tax liabilities	(291,089)	(219,821)
Balance - end of year	1,164,360	879,285

(Unit: Thousand Baht)

	Separate financial statements	
	as at 31 December	
	2018	2017
Balance - beginning of year	281,231	283,109
Revaluation	106,651	-
Transfer to retained earnings	(4,226)	(1,878)
	383,656	281,231
Less: The effect of deferred tax liabilities	(76,731)	(56,246)
Balance - end of year	306,925	224,985

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

3.22 Interest income

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

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Interbank and money market items	706,371	584,916
Investments in debt securities	202,092	194,158
Loans to customers	8,090,394	6,608,707
Hire purchase and finance lease	8,691,419	8,993,740
Total interest income	17,690,276	16,381,521

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2018	2017
Interbank and money market items	6,164	7,945
Investments in debt securities	2,424	-
Loans to customers	58,705	44,404
Total interest income	67,293	52,349

3.23 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)

	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Deposits	2,602,009	2,313,868
Interbank and money market items	28,988	29,148
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	90,415	114,613
Total interest expenses	<u>5,075,507</u>	<u>4,814,374</u>

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2018	2017
Interbank and money market items	1	6
Borrowings	89,469	96,195
Total interest expenses	<u>89,470</u>	<u>96,201</u>

3.24 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)	
	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Fee and service income		
- Acceptance, aval and guarantees	6,135	8,784
- Insurance service	2,857,353	2,647,709
- Brokerage fees	834,107	830,756
- Fund management	1,262,244	1,418,815
- Financial advisory	35,458	31,414
- Underwriting fee	50,684	164,360
- Others	1,293,112	1,242,814
Total fee and service income	6,339,093	6,344,652
Fee and service expenses		
- Information service expenses	(15,213)	(24,894)
- Others	(228,453)	(221,070)
Total fee and service expenses	(243,666)	(245,964)
Net fee and service income	6,095,427	6,098,688

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2018	2017
Fee and service income	-	-
Fee and service expenses	(17,857)	(16,983)
Net fee and service income	(17,857)	(16,983)

3.25 Net gains (losses) on trading and foreign exchange transactions

Net gains (losses) 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)	
	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(7,307)	(84,764)
- Derivatives on interest rates	(1,926)	(13,831)
- Debt securities	15,641	14,738
- Others	(69)	-
Net gains (losses) on trading and foreign exchange transactions	<u>6,339</u>	<u>(83,857)</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2018	2017
Losses on trading and foreign exchange transactions		
- Foreign currencies	(6,700)	(84,761)
Net losses on trading and foreign exchange transactions	<u>(6,700)</u>	<u>(84,761)</u>

3.26 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)	
	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Gains on disposal		
- Available-for-sale investments	57,411	22,681
- General investments	437,856	15,476
Total	495,267	38,157
Reversal of losses on impairment		
- General investments	1,024	3,811
Total	1,024	3,811
Net gains on investments	496,291	41,968

	(Unit: Thousand Baht)	
	Separate financial statements	
	For the years ended 31 December	
	2018	2017
Gains on disposal		
- Available-for-sale investments	24	-
Total	24	-
Losses on impairment		
- Investment in subsidiaries	(1)	-
Total	(1)	-
Net gains on investments	23	-

3.27 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)	
	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Held-to-maturity debt securities (reversal)	(331)	139
Loans to customers	2,701,783	3,078,512
Total	2,701,452	3,078,651

3.28 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)

	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Gains on disposal of properties foreclosed	71,336	81,678
Gains on sales of receivables (Note 5)	52,588	-
Others	80,094	44,274
Total	204,018	125,952

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2018	2017
Rental income	70,489	63,155
Others	416	25,840
Total	70,905	88,995

3.29 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)

	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Mailing expenses	70,935	64,773
Software amortisation expenses	167,000	147,878
Legal expenses	514,297	408,073
Transportation expenses	107,317	99,080
Advertising and business promotion expenses	159,791	123,886
Others	361,694	339,385
Total	1,381,034	1,183,075

(Unit: Thousand Baht)

	Separate financial statements	
	For the years ended 31 December	
	2018	2017
Mailing expenses	250	220
Software amortisation expenses	70,218	62,604
Transportation expenses	9,693	8,972
Others	56,759	44,807
Total	136,920	116,603

3.30 Income tax expenses

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Current income tax:				
Income tax expenses for the year	1,929,003	1,727,729	82,974	90,589
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	(265,986)	(240,913)	1,418	(30,059)
Income tax expenses reported in the statement of comprehensive income	1,663,017	1,486,816	84,392	60,530

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)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
(Gains) losses on valuation in available-for-sale investments	45,062	(55,109)	16,520	(34,492)
Change in surplus on revaluation of assets	(77,525)	-	(21,330)	-
Actuarial losses	10,813	30,909	5,902	7,328
Income tax expenses recorded directly to other comprehensive income	(21,650)	(24,200)	1,092	(27,164)

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)			
	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Accounting profit before tax	8,578,452	7,644,659	5,711,187	4,477,619
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	1,715,690	1,528,932	1,142,238	895,524
Income tax effect:				
Tax effect of net tax-exempt income and net disallowed expenses	(21,685)	(28,944)	(1,057,846)	(834,994)
Others	(30,988)	(13,172)	-	-
Income tax expenses reported in the statement of comprehensive income	1,663,017	1,486,816	84,392	60,530

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

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2018	2017	2018	2017
Allowance for doubtful accounts	713,489	530,279	183,210	179,777
Allowance for impairment of investments	43,726	43,997	(271)	(734)
Allowance for impairment of properties foreclosed	2,374	2,428	(54)	79
Non-accrual of interest income	50,684	42,761	7,923	(2,522)
Depreciation of assets	(69,478)	(53,473)	(16,005)	(20,346)
Finance leases	(162)	6,013	(6,175)	(10,506)
Gains on changes in value of investment properties	(4,927)	-	(4,927)	3,371
Surplus on revaluation of assets	(265,945)	(233,221)	-	-
Surplus on changes in value of investments	(2,530)	(8,118)	-	-
Unrealised loss on derivatives	1,917	5,749	(3,832)	(861)
Deferred commission and direct expenses incurred at the initiation of hire purchase	(592,326)	(532,481)	(59,845)	(33,788)
Losses on disposal of properties foreclosed	21,842	21,752	90	(5,740)
Unearned interest income on hire purchase	179,221	116,891	62,330	3,614
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Accrued expenses	606,400	516,996	89,404	121,637
Employee benefit expenses	155,788	134,148	10,209	(3,942)
Others	130,017	127,989	2,028	13,041
Deferred tax assets	991,525	743,145	264,085	243,080

(Unit: Thousand Baht)

Consolidated financial statements

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2018	2017	2018	2017
	Depreciation of assets	1,200	1,082	118
Gains on changes in value of investment properties	-	3,486	(3,486)	3,486
Surplus on revaluation of assets	33,813	-	-	-
Surplus on changes in value of investments	-	39,474	-	-
Accrued expenses	(17,406)	(8,618)	(8,788)	7,683
Employee benefit expenses	(8,906)	(12,152)	2,723	(2,120)
Others	(202)	(7,639)	7,532	(7,299)
Deferred tax liabilities	8,499	15,633	(1,901)	2,167

(Unit: Thousand Baht)

Separate financial statements

	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2018	2017	2018	2017
	Allowance for impairment of investments	21,732	21,732	-
Depreciation of assets	(35,883)	(31,681)	(4,202)	(8,320)
Gains on changes in value of investment properties	(92,082)	(92,774)	692	(3,114)
Surplus on revaluation of assets	(76,731)	(57,749)	-	-
(Surplus) deficit on changes in value of investments	12,405	(4,114)	-	-
Reduction of subsidiaries' share capital	21,435	21,435	-	-
Accrued expenses	266,298	262,856	3,442	42,520
Employee benefit expenses	35,397	30,845	(1,350)	(882)
Others	-	-	-	(145)
Deferred tax assets	152,571	150,550	(1,418)	30,059

3.31 Components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2018	2017	2018	2017
Other comprehensive income				
Available-for-sale investments:				
Gains (losses) during the year	(175,621)	293,080	(82,574)	172,458
Less: Reclassification adjustments for gains included in profit or loss	(57,411)	(22,681)	(24)	-
	(233,032)	270,399	(82,598)	172,458
Change in surplus on revaluation of assets	387,623	-	106,651	-
Actuarial losses	(56,943)	(155,385)	(29,510)	(36,641)
Share of other comprehensive income of joint venture:				
Cash flow hedges of joint venture	3,517	755	-	-
Other comprehensive income	101,165	115,769	(5,457)	135,817
Income tax effects relating to components of other comprehensive income	(21,650)	(24,200)	1,092	(27,164)
Net other comprehensive income for the year	79,515	91,569	(4,365)	108,653

3.32 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	Consolidated financial statements					
	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	
Gains (losses) on valuation in available-for-sale investments	(233,032)	45,062	(187,970)	270,399	(55,109)	215,290
Change in surplus on revaluation of assets	387,623	(77,525)	310,098	-	-	-
Actuarial losses	(56,943)	10,813	(46,130)	(155,385)	30,909	(124,476)
	<u>97,648</u>	<u>(21,650)</u>	<u>75,998</u>	<u>115,014</u>	<u>(24,200)</u>	<u>90,814</u>

(Unit: Thousand Baht)

	Separate financial statements					
	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	
Gains (losses) on valuation in available-for-sale investments	(82,598)	16,520	(66,078)	172,458	(34,492)	137,966
Change in surplus on revaluation of assets	106,651	(21,330)	85,321	-	-	-
Actuarial losses	(29,510)	5,902	(23,608)	(36,641)	7,328	(29,313)
	<u>(5,457)</u>	<u>1,092</u>	<u>(4,365)</u>	<u>135,817</u>	<u>(27,164)</u>	<u>108,653</u>

3.33 Earnings per share

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

	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Profit for the year from continuing operations				
attributable to equity holders of the Company				
(Thousand Baht)	6,887,379	6,130,544	5,626,795	4,417,089
Basic earnings per share from continuing operations				
(Baht/share)	8.60	7.66	7.03	5.52
Profit (loss) for the year from discontinued operations				
attributable to equity holders of the Company				
(Thousand Baht)	128,306	(40,536)	-	-
Basic earnings (losses) per share from discontinued				
operations (Baht/share)	0.16	(0.05)	-	-
Weighted average number of shares				
(Thousand shares)	800,655	800,655	800,655	800,655

3.34 Related party transactions

The relationships between the Company and its related parties

Name of related parties	Relationship
TISCO Bank Public Company Limited	Subsidiary company
TISCO Securities Co., Ltd.	Subsidiary company
TISCO Asset Management Co., Ltd.	Subsidiary company
Deutsche TISCO Investment Advisory Co., Ltd.	Subsidiary company
Hi-Way Co., Ltd.	Subsidiary company
TISCO Insurance Solution Co., Ltd.	Subsidiary company
TISCO Information Technology Co., Ltd.	Subsidiary company
TISCO Learning Center Co., Ltd.	Subsidiary company
All-Ways Co., Ltd.	Subsidiary company
Primus Leasing Co., Ltd. (In the process of liquidation)	Subsidiary company
TISCO Tokyo Leasing Co., Ltd.	Joint venture company

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

	(Unit: Thousand Baht)	
	As at 31 December	
	2018	2017
<u>Outstanding balance</u>		
(Eliminated from the consolidated financial statements)		
Subsidiary companies		
Interbank and money market items - net (Assets):		
TISCO Bank Public Company Limited	641,395	237,201
Dividend receivables:		
TISCO Bank Public Company Limited	3,593,665	2,764,357
TISCO Securities Co., Ltd.	140,000	200,000
TISCO Asset Management Co., Ltd.	934,994	797,995
Hi-Way Co., Ltd.	135,000	100,000
TISCO Information Technology Co., Ltd.	34,999	79,998
TISCO Insurance Solution Co., Ltd.	389,986	164,993
TISCO Learning Center Co., Ltd.	29,998	24,999
Other assets:		
TISCO Bank Public Company Limited	123,647	130,011
TISCO Learning Center Co., Ltd.	705	436
Other liabilities:		
TISCO Learning Center Co., Ltd.	971	161

Loans to related companies

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

	(Unit: Thousand Baht)			
	As at			As at
	1 January 2018	Increase	Decrease	31 December 2018
Subsidiary Companies				
Loans to customers				
All-ways Co., Ltd.	1,820,000	-	(1,820,000)	-
Hi-Way Co., Ltd	1,720,000	355,000	-	2,075,000

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

(Unit: Thousand Baht)

	Separate financial statements		Terms and pricing policy
	For the years ended 31 December		
	2018	2017	
<u>Transactions occurred during the year</u>			
(Eliminated from the consolidated financial statements)			
Subsidiary companies			
Risk and financial management fee income, human resources management fee income and office administration fee income	2,156,929	2,117,903	Determined on market prices and/or actual cost in compliance with the criteria specified by the Bank of Thailand
Interest income	64,714	52,264	With reference to the terms and prices as offered to other customers
Rental income	70,489	63,155	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	199,000	175,000	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	11,759	9,477	With reference to the prices as offered from other service providers
Other expenses	1,962	1,987	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2018	2017
Loans ⁽¹⁾	17,581	15,818

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	Consolidated financial statements	
	as at 31 December	
	2018	2017
Deposits	383,693	317,664

Directors and management's benefits

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the years ended 31 December		For the years ended 31 December	
	2018	2017	2018	2017
Short-term benefits	695	643	400	385
Post-employment benefits	53	50	26	28
Other long-term benefits	126	141	94	88
Total	874	834	520	501

3.35 Segment information

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

For management purposes, the Company and its subsidiaries operate four main businesses as follows:

1. Commercial banking business: Provides financial services under the Commercial Banking Business license. Banking services are provided through TISCO Bank Public Company Limited headquarter and its branches.
2. Securities business: Provides securities business services under the Securities Business license. These businesses are serviced through the headquarter and branches of the subsidiary across the country.

3. Asset management business: Provides asset management services.
4. Support business: Provides all governance and support functions of the Group.

The Company and its subsidiaries have aggregated operating segments that have similar economic characteristics and are similar in the other respects required by the Thai Financial Reporting Standard.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements. However, the Company's and its subsidiaries' income taxes are managed on a group basis. Therefore, these expenses are not allocated to operating segments.

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

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

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

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

	Commercial banking business	Securities business	Asset management business	Support business	Total segments	Adjustments and eliminations	(Unit: Million Baht) Consolidated financial statements
For the year ended 31 December 2018							
Revenue							
External customers	17,456	963	1,502	112	20,033	-	20,033
Inter-segment	358	284	-	8,040	8,682	(8,682)	-
Total revenue	17,814	1,247	1,502	8,152	28,715	(8,682)	20,033
Operating results:							
Net interest income	12,631	17	8	(20)	12,636	(21)	12,615
Net fee and service income	4,147	1,146	1,489	692	7,474	(1,379)	6,095
Other operating income	1,036	84	5	7,480	8,605	(7,282)	1,323
Total operating income	17,814	1,247	1,502	8,152	28,715	(8,682)	20,033
Premises and equipment expenses and amortisation	(1,316)	(85)	(36)	(628)	(2,065)	684	(1,381)
Other operating expenses	(7,059)	(913)	(563)	(1,740)	(10,275)	2,902	(7,373)
Bad debt, doubtful accounts and impairment losses	(2,702)	-	-	-	(2,702)	1	(2,701)
Total operating expenses	(11,077)	(998)	(599)	(2,368)	(15,042)	3,587	(11,455)
Segment profit from continuing operations before income tax	6,737	249	903	5,784	13,673	(5,095)	8,578
Income tax expenses							(1,663)
Profit from continuing operations							6,915
Profit from discontinued operations							128
Non-controlling interests of the subsidiaries							(28)
Profit for the year - equity holders of the Company							7,015
As at 31 December 2018							
Segment total assets	296,342	3,274	1,605	31,396	332,617	(30,072)	302,545
Premises and equipment - net	919	18	254	966	2,157	835	2,992

(Unit: Million Baht)

	Commercial banking business	Securities business	Asset management business	Support business	Total segments	Adjustments and eliminations	Consolidated financial statements
For the year ended 31 December 2017							
Revenue							
External customers	15,740	1,040	1,671	(57)	18,394	-	18,394
Inter-segment	201	265	2	6,870	7,338	(7,338)	-
Total revenue	15,941	1,305	1,673	6,813	25,732	(7,338)	18,394
Operating results:							
Net interest income	11,593	18	7	(42)	11,576	(9)	11,567
Net fee and service income	3,708	1,260	1,661	600	7,229	(1,130)	6,099
Other operating income	640	27	5	6,255	6,927	(6,199)	728
Total operating income	15,941	1,305	1,673	6,813	25,732	(7,338)	18,394
Premises and equipment expenses and amortisation	(1,191)	(79)	(29)	(568)	(1,867)	571	(1,296)
Other operating expenses	(5,979)	(908)	(513)	(1,677)	(9,077)	2,703	(6,374)
Bad debt, doubtful accounts and impairment losses	(3,079)	-	-	-	(3,079)	-	(3,079)
Total operating expenses	(10,249)	(987)	(542)	(2,245)	(14,023)	3,274	(10,749)
Segment profit from continuing operations before income tax	5,692	318	1,131	4,568	11,709	(4,064)	7,645
Income tax expenses							(1,487)
Profit from continuing operations							6,158
Losses from discontinued operations							(41)
Non-controlling interests of the subsidiaries							(27)
Profit for the year - equity holders of the Company							6,090
As at 31 December 2017							
Segment total assets	294,933	4,732	1,613	31,345	332,623	(29,235)	303,388
Premises and equipment - net	780	20	218	872	1,890	763	2,653

3.36 Provident fund

The Company, its nine subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The provident funds of the Company and its eight subsidiaries are managed by TISCO Asset Management Company Limited, and the fund of another subsidiary is managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon termination in accordance with the fund rules. During the years 2018 and 2017, the Company and its subsidiaries recognised the contributions as expenses totaling Baht 268 million and Baht 235 million, respectively (the Company only: Baht 48 million and Baht 47 million, respectively).

3.37 Commitments and contingent liabilities

3.37.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

Consolidated financial statements
as at 31 December

	2018	2017
Other guarantees	753,963	627,912
Undrawn client overdraft facilities	351,660	575,279
Interest rate swap agreements (Note 3.38.4)	1,200,000	1,200,000
Foreign exchange contracts (Note 3.38.4)	717,751	-
Others	517,961	1,034,498
Total	<u>3,541,335</u>	<u>3,437,689</u>

3.37.2 Litigation

As at 31 December 2018 and 2017, the subsidiaries have been sued for compensation totaling approximately Baht 334 million and Baht 345 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Company and its subsidiaries believe that no material losses to the consolidated financial statements will be incurred as a result of the mentioned lawsuits.

3.37.3 Other commitments

- a) The subsidiary companies have commitments in relation to computer service agreements, whereby they are to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The subsidiary companies have entered into several lease agreements in respect of the lease of office buildings and branch offices. The terms of the agreements are generally 1 - 15 years.

As at 31 December 2018 and 2017, the subsidiary companies have future minimum lease payments required under the non-cancellable operating lease contracts as follows:

	(Unit: Million Baht)	
	As at 31 December	
	2018	2017
Payable within:		
Not over 1 year	192	213
Over 1 to 5 years	281	319
Over 5 years	56	70

- c) As at 31 December 2017, the subsidiary company has commitments on computer and operation services agreements in relation to credit card business, whereby it is to pay service fees as stipulated in the agreements. The subsidiary company has payables to service fees within 1 year amounting to Baht 191 million.
- d) The subsidiary that operates a banking business 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.
- e) The subsidiary has provided warranties in accordance with the terms of an agreement, related to the sale of a credit card business. The warranties cover a period of 2 years after the transfer of the business.

3.38 Financial instruments

3.38.1 Credit risk

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

TISCO Group is exposed to credit risk primarily with respect to loans to customers and guarantees of loans and others.

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

Quality of risk from provision of hire purchase receivables by a subsidiary company operating banking business, which comprises the largest portion of credit granted by the Group, is as detailed below.

The risk of hire purchase credit that is not overdue of the subsidiary operating banking business can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very high grade”, “High grade” and “Medium grade”, with “Very high grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium grade” as credit from which losses within one year are expected to exceed 2.0% 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

3.38.2 Market risk

Market risk is defined as the degree of vulnerability to movements in securities market prices and interest rates, which may affect income or the capital funds of the Group. In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. TISCO Group uses a combination of risk sensitivities, Value at Risk and stress testing to manage market risks and establish limits. The Value at Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value at Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

3.38.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the Group measures is an estimate, using a confidence level of 99%, of they 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	279	233
Debt securities	6	3
Derivatives	-	3
Foreign currencies	46	32

3.38.2.2 Market risk sensitivity - Interest bearing assets and liabilities

The market risk sensitivity of interest bearing assets and liabilities is measured by assessing the effect of changes in interest rates on the net interest income over the period of one year, based on the fixed interest bearing asset and liability positions held by the Group at the financial statements date. In making such assessment, changes in interest rates are applied prospectively and normal increases in assets and liabilities are not taken into account as presented below.

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2018	2017
Change in interest rate		
Increase by 1 percent	263.55	299.01
Decrease by 1 percent	(263.55)	(299.01)

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

3.38.2.3 Interest rate risk

The Company and its subsidiaries have the following significant exposures to interest rate risk related to financial instruments.

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2018				
Outstanding balances of financial instruments				
<u>Transactions</u>	<u>Floating interest rate</u>	<u>Fixed interest rate</u>	<u>Non-interest bearing</u>	<u>Total</u>
<u>Financial assets</u>				
Cash	-	-	1,192	1,192
Interbank and money market items - net	222	52,192	1,657	54,071
Derivatives assets	-	-	6	6
Investments - net	-	2,421	6,591	9,012
Loans to customers ⁽¹⁾	25,169	208,516	7,612	241,297
Securities and derivatives business				
receivables - net	-	-	949	949
Receivables from clearing house	-	-	115	115
	<u>25,391</u>	<u>263,129</u>	<u>18,122</u>	<u>306,642</u>
<u>Financial liabilities</u>				
Deposits	56,567	135,941	600	193,108
Interbank and money market items	419	3,855	101	4,375
Liabilities payable on demand	-	-	238	238
Derivatives liabilities	-	-	11	11
Debts issued and borrowings	-	55,557	-	55,557
Securities and derivatives business				
payables - net	-	-	995	995
Payables to clearing house	-	-	61	61
	<u>56,986</u>	<u>195,353</u>	<u>2,006</u>	<u>254,345</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)

Consolidated financial statements as at 31 December 2017

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

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2018

<u>Transactions</u>	Outstanding balances of financial instruments			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
<u>Financial assets</u>				
Interbank and money market items - net	8	633	-	641
Investments - net	-	-	780	780
Loans to customers	-	2,075	-	2,075
	<u>8</u>	<u>2,708</u>	<u>780</u>	<u>3,496</u>
<u>Financial liabilities</u>				
Debts issued and borrowings	-	5,840	-	5,840
	<u>-</u>	<u>5,840</u>	<u>-</u>	<u>5,840</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2017

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

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

(Unit: Million Baht)

Consolidated financial statements as at 31 December 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		
Financial assets							
Interbank and money market items - net	77	52,115	-	-	-	52,192	1.8253
Investments - net	-	1,727	506	188	-	2,421	2.6722
Loans to customers	2,795	17,201	44,016	118,015	26,489	208,516	7.8347
	<u>2,872</u>	<u>71,043</u>	<u>44,522</u>	<u>118,203</u>	<u>26,489</u>	<u>263,129</u>	
Financial liabilities							
Deposits	1,215	68,914	61,874	3,938	-	135,941	1.6746
Interbank and money market items	-	1,470	140	2,245	-	3,855	1.5144
Debts issued and borrowings	37	15,840	21,000	12,000	6,680	55,557	2.3195
	<u>1,252</u>	<u>86,224</u>	<u>83,014</u>	<u>18,183</u>	<u>6,680</u>	<u>195,353</u>	

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2017

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

(Unit: Million Baht)

Separate financial statements as at 31 December 2018

Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items - net	633	-	-	-	-	633	0.7500
Loans to customers	2,075	-	-	-	-	2,075	2.2000
	<u>2,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,708</u>	
Financial liabilities							
Debts issued and borrowings	-	5,840	-	-	-	5,840	1.7807
	<u>-</u>	<u>5,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,840</u>	

(Unit: Million Baht)

Separate financial statements as at 31 December 2017

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

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

3.38.3 Liquidity risk

Liquidity risk is uncertainty that the subsidiary operating banking business is unable to meet repayment obligations when they fall due. This could arise from a failure in asset conversion or to raise adequate fund for timely fulfillment of obligations, which could result in damages to the subsidiary. Liquidity risk may result from both internal and external factors. Internal factors hinge on liquidity reserve and a structure of assets and liabilities. Meanwhile, external factors are mainly driven by market liquidity and confidence of depositors.

Liquidity risk management framework

The overall liquidity risk management is overseen by the Risk Management Committee. Treasury function will be responsible for ensuring that daily liquidity position complies with the risk management policy of the subsidiary operating banking business and regulatory requirement. On the other hand, 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 subsidiary operating banking business's risks. A manageable level of maturity mismatches of cash flows from assets and liabilities will then be consistently maintained and regularly monitored, together with the level of liquidity reserve assets. The procurement and concentration of funding sources will be well-planned to optimise risk and return. Contingency procedures for liquidity management in the times of unexpected financial crisis must be established and made ready for timely activation. In addition to the liquidity risk measurement, the subsidiary sets the limit of loan to total borrowing ratio and liquidity reserve asset level. The position of liquidity risk is monitored daily and reported to the Risk Management Committee and other relevant functions.

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

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

3.38.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

	As at 31 December 2018			
	Remaining contractual maturity			
	Less than 3 months	3 - 12 months	More than 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 3 months	3 - 12 months	More than 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 deposits and saving deposits. Both current deposits and saving deposits are considered to be more stable than term deposits in terms of cash outflow.

3.38.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at 31 December	
	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 subsidiary operating banking business has a policy in maintaining the highly liquid assets higher than the internal liquid asset requirement. As at 31 December 2018 and 2017, the subsidiary operating banking business 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 subsidiary operating banking business has operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

3.38.3.3 Counting from the financial statement date, as at 31 December 2018 and 2017, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2018								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-		Total
						Unspecified	performing loans	
Financial assets								
Cash	1,192	-	-	-	-	-	-	1,192
Interbank and money market items								
- net	1,956	52,115	-	-	-	-	-	54,071
Derivatives assets	-	6	-	-	-	-	-	6
Investments - net	-	5,507	1,948	188	-	1,369	-	9,012
Loans to customers	2,369	17,615	45,562	122,796	46,079	-	6,876	241,297
Securities and derivatives business								
receivables - net	-	949	-	-	-	-	-	949
Receivables from clearing house	-	115	-	-	-	-	-	115
	<u>5,517</u>	<u>76,307</u>	<u>47,510</u>	<u>122,984</u>	<u>46,079</u>	<u>1,369</u>	<u>6,876</u>	<u>306,642</u>
Financial liabilities								
Deposits	58,382	68,914	61,874	3,938	-	-	-	193,108
Interbank and money market items	520	1,470	140	2,245	-	-	-	4,375
Liabilities payable on demand	238	-	-	-	-	-	-	238
Derivatives liabilities	-	5	6	-	-	-	-	11
Debts issued and borrowings	37	15,840	21,000	12,000	6,680	-	-	55,557
Securities and derivatives business								
payables - net	-	995	-	-	-	-	-	995
Payables to clearing house	-	61	-	-	-	-	-	61
	<u>59,177</u>	<u>87,285</u>	<u>83,020</u>	<u>18,183</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>254,345</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)

Consolidated financial statements as at 31 December 2017

<u>Transactions</u>	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing loans	
Financial assets								
Cash	1,325	-	-	-	-	-	-	1,325
Interbank and money market items - net	1,652	42,995	-	-	-	-	-	44,647
Investments - net	-	3,391	2,059	289	2	1,806	-	7,547
Loans to customers	2,503	21,513	49,194	128,921	44,140	-	5,829	252,100
Securities and derivatives business receivables - net	-	2,342	-	-	-	-	-	2,342
	<u>5,480</u>	<u>70,241</u>	<u>51,253</u>	<u>129,210</u>	<u>44,142</u>	<u>1,806</u>	<u>5,829</u>	<u>307,961</u>
Financial liabilities								
Deposits	70,469	64,558	45,372	405	-	-	-	180,804
Interbank and money market items	540	993	215	2,269	-	-	-	4,017
Liabilities payable on demand	431	-	-	-	-	-	-	431
Derivatives liabilities	-	-	-	30	-	-	-	30
Debts issued and borrowings	37	30,014	11,348	23,000	6,680	-	-	71,079
Securities and derivatives business payables - net	-	2,216	-	-	-	-	-	2,216
Payables to clearing house	-	114	-	-	-	-	-	114
	<u>71,477</u>	<u>97,895</u>	<u>56,935</u>	<u>25,704</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>258,691</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

(Unit: Million Baht)

Separate financial statements as at 31 December 2018

<u>Transactions</u>	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-	Total
							performing loans	
Financial assets								
Interbank and money market items - net	641	-	-	-	-	-	-	641
Investments - net	-	-	-	-	-	780	-	780
Loans to customers	2,075	-	-	-	-	-	-	2,075
	<u>2,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780</u>	<u>-</u>	<u>3,496</u>
Financial liabilities								
Debts issued and borrowings	-	5,840	-	-	-	-	-	5,840
	<u>-</u>	<u>5,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,840</u>

(Unit: Million Baht)

Separate financial statements 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								
Interbank and money market items - net	237	-	-	-	-	-	-	237
Investments - net	-	-	-	-	-	870	-	870
Loans to customers	3,540	-	-	-	-	-	-	3,540
	<u>3,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>870</u>	<u>-</u>	<u>4,647</u>
Financial liabilities								
Debts issued and borrowings	-	7,440	-	-	-	-	-	7,440
	<u>-</u>	<u>7,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,440</u>

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

3.38.4 Derivatives

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

As at 31 December 2018 and 2017, the subsidiary operating banking business was trading financial derivatives instruments as follows:

a) Interest rate swap agreements

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

(Unit: Million Baht)

As at 31 December 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 contracts

The subsidiary operating banking business 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

3.38.5 Fair value of financial instruments

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

(Unit: Million Baht)

<u>Transactions</u>	Consolidated financial statements			
	As at 31 December			
	2018		2017	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	1,192	1,192	1,325	1,325
Interbank and money market items - net	54,071	54,071	44,647	44,647
Derivatives assets	6	6	-	-
Investments - net	9,012	9,792	7,547	8,968
Loans to customers and accrued interest receivables - net	232,574 ⁽¹⁾	235,815	242,731 ⁽¹⁾	245,812
Securities and derivatives business receivables - net	949	949	2,342	2,342
Receivables from clearing house	115	115	-	-
<u>Financial liabilities</u>				
Deposits	193,108	193,108	180,804	180,804
Interbank and money market items	4,375	4,375	4,017	4,017
Liabilities payable on demand	238	238	431	431
Derivatives liabilities	11	11	30	30
Debt issued and borrowings	55,557	55,537	71,079	71,232
Securities and derivatives business payables - net	995	995	2,216	2,216
Payables to clearing house	61	61	114	114

⁽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.

(Unit: Million Baht)

<u>Transactions</u>	Separate financial statements			
	As at 31 December			
	2018		2017	
	Book value	Fair value	Book value	Fair value
<u>Financial assets</u>				
Cash	70	70	70	70
Interbank and money market items - net	641	641	237	237
Investments - net	780	780	870	870
Loans to customers and accrued interest receivables - net	2,075	2,075	3,540	3,540
<u>Financial liabilities</u>				
Debts issued and borrowings	5,840	5,840	7,440	7,440

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.

3.39 Fair value hierarchy

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

(Unit: Million Baht)

Consolidated financial statements					
As at 31 December 2018					
Book value	Fair value				Total
	Level 1	Level 2	Level 3		
Assets measured at fair value					
Derivatives					
Foreign exchange contracts	6	-	6	-	6
Available-for-sale investments					
Equity securities	300	300	-	-	300
Debt securities	7,652	-	7,652	-	7,652
Unit trusts	841	780	61	-	841
Investment properties	39	-	-	39	39
Office condominiums	2,477	-	-	2,477	2,477
Liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	11	-	11	-	11
Assets for which fair value is disclosed					
Cash	1,192	1,192	-	-	1,192
Interbank and money market items - net	54,071	2,454	51,617	-	54,071
General investments	219	-	-	999	999
Loans to customers and accrued interest receivables	232,574 ⁽¹⁾	-	60,035	175,780	235,815
Securities and derivatives business					
receivables - net	949	-	949	-	949
Receivables from clearing house	115	115	-	-	115
Liabilities for which fair value is disclosed					
Deposits	193,108	57,167	135,941	-	193,108
Interbank and money market items	4,375	856	3,519	-	4,375
Liabilities payable on demand	238	238	-	-	238
Debts issued and borrowings	55,557	-	55,537	-	55,537
Securities and derivatives business					
payables - net	995	-	995	-	995
Payables to clearing house	61	61	-	-	61

⁽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)

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

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

(Unit: Million Baht)

Separate financial statements					
As at 31 December 2018					
Book value	Fair value			Total	
	Level 1	Level 2	Level 3		
Assets measured at fair value					
Available-for-sale investments					
Unit trusts	780	780	-	-	780
Investment properties	831	-	-	831	831
Office condominiums	758	-	-	758	758
Assets for which fair value is disclosed					
Cash	70	70	-	-	70
Interbank and money market items - net	641	8	633	-	641
Loans to customers and accrued interest receivables	2,075	-	-	2,075	2,075
Liabilities for which fair value is disclosed					
Debts issued and borrowings	5,840	-	5,840	-	5,840

(Unit: Million Baht)

Separate financial statements					
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					
Unit trusts	870	870	-	-	870
Investment properties	835	-	-	835	835
Office condominiums	534	-	-	534	534
Assets for which fair value is disclosed					
Cash	70	70	-	-	70
Interbank and money market items - net	237	7	230	-	237
Loans to customers and accrued interest receivables	3,540	-	-	3,540	3,540
Liabilities for which fair value is disclosed					
Debts issued and borrowings	7,440	-	7,440	-	7,440

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

4. Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend payment
		Preference	Ordinary	dividend paid	period
		share	share	(Million Baht)	
		(Baht per share)	(Baht per share)		
Annual dividends for 2016	The 2017 Annual General Meeting of the Shareholders on 20 April 2017	3.50	3.50	2,802	May 2017
Total dividend payment in year 2017				<u>2,802</u>	
Annual dividends for 2017	The 2018 Annual General Meeting of the Shareholders on 23 April 2018	5.00	5.00	4,003	May 2018
Total dividend payment in year 2018				<u>4,003</u>	

5. Significant events during the year

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

On 4 June 2018 TISCO Bank Public Company Limited successfully completed the sale of the personal loan portfolio to Citibank N.A. (Bangkok Branch), and All-Ways Company Limited successfully completed the sale of the credit card business to Citibank N.A. (Bangkok Branch) with the transfer effective on 23 September 2018.

To comply with the requirements of accounting standards, the Company presented the operating results of the transferred credit card business (the discontinued operations) under “Profit for the year from discontinued operations” in the consolidated statement of comprehensive income for the accounting year of 2018, and that of 2017 for comparative purposes. The details are as follows:

	(Unit: Million Baht)	
	For the years ended 31 December	
	2018	2017
<u>Consolidated statement of comprehensive income</u>		
<i>Profit or loss:</i>		
Interest income	214	88
Interest expenses	-	-
Net interest income	214	88
Fee and service income	128	28
Fee and service expenses	(23)	(4)
Net fee and service income	105	24
Net losses on trading and foreign exchange transactions	(8)	(3)
Gain on sale of credit card business	336	-
Total income	647	109
Operating expenses	(438)	(90)
Bad debt, doubtful accounts and impairment losses	(81)	(21)
Profit (loss) before income tax expenses	128	(2)
Income tax expenses	-	-
Profit (loss) for the year from discontinued operations	128	(41)
Total comprehensive income from discontinued operations	128	(41)

6. Reclassification

The Company and its subsidiaries have 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)	
	Consolidated financial statements	
	For the year ended 31 December 2017	
	As reclassified	As previously reported
Fee and service income	6,344,652	6,395,607
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 Company's Audit Committee on 14 February 2019.