

TISCO Bank Public Company Limited
Report and financial statements
31 December 2014

Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying financial statements of TISCO Bank Public Company Limited, which comprise the statement of financial position as at 31 December 2014, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit.

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

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

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



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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2014, its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 10 February 2015

TISCO Bank Public Company Limited

Statement of financial position

As at 31 December 2014

(Unit: Thousand Baht)

| | Note | 2014 | 2013 |
|---|-----------|--------------------|--------------------|
| Assets | | | |
| Cash | | 1,179,613 | 1,130,135 |
| Interbank and money market items - net | 3.1 | 36,852,663 | 52,777,951 |
| Derivatives assets | 3.2 | - | 28,220 |
| Investments - net | 3.3, 3.7 | 13,308,949 | 10,029,363 |
| Loans to customers and accrued interest receivables | 3.5, 3.7 | | |
| Loans to customers | | 279,989,638 | 307,220,484 |
| Accrued interest receivables | | 527,506 | 493,055 |
| Total loans to customers and accrued interest receivables | | 280,517,144 | 307,713,539 |
| Less: Deferred revenue | | (21,947,954) | (26,394,058) |
| Less: Allowance for doubtful accounts | 3.6 | (6,380,337) | (5,774,792) |
| Loans to customers and accrued interest receivables - net | | 252,188,853 | 275,544,689 |
| Property foreclosed - net | 3.7, 3.8 | 117,967 | 114,923 |
| Investment properties | 3.9 | 16,067 | 16,067 |
| Premises and equipment - net | 1.3, 3.10 | 751,427 | 742,371 |
| Intangible assets - net | 3.11 | 223,601 | 39,821 |
| Deferred tax assets | 3.30 | 26,142 | - |
| Other assets | 3.12 | 1,220,460 | 1,606,168 |
| Total assets | | 305,885,742 | 342,029,708 |

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

TISCO Bank Public Company Limited**Statement of financial position (continued)****As at 31 December 2014**

(Unit: Thousand Baht)

| | Note | 2014 | 2013 |
|---|------|--------------------|--------------------|
| Liabilities and shareholders' equity | | | |
| Liabilities | | | |
| Deposits | 3.13 | 206,391,307 | 265,547,495 |
| Interbank and money market items - net | 3.14 | 10,352,384 | 12,283,394 |
| Liability payable on demand | | 399,916 | 344,864 |
| Derivatives liabilities | 3.2 | 40,729 | 310,945 |
| Debts issued and borrowings | 3.15 | 57,736,819 | 36,955,619 |
| Provision for long-term employee benefits | 3.16 | 176,786 | 144,553 |
| Deferred tax liabilities | 3.30 | - | 119,720 |
| Accrued interest payable | | 1,088,888 | 1,627,704 |
| Income tax payable | | 421,170 | 302,283 |
| Dividend payable | | 1,105,881 | 655,337 |
| Other liabilities | 3.17 | 4,168,098 | 4,165,434 |
| Total liabilities | | 281,881,978 | 322,457,348 |

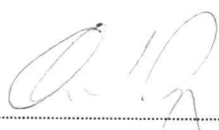
The accompanying notes are an integral part of the financial statements.

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 December 2014

(Unit: Thousand Baht)

| | Note | 2014 | 2013 |
|---|------|--------------------|--------------------|
| Shareholders' equity | | | |
| Share capital | 5 | | |
| Registered | | | |
| 104 preference shares of Baht 10 each | | 1 | 1 |
| 921,567,588 ordinary shares of Baht 10 each (31 December 2013: 819,171,178 shares of Baht 10 each) | | 9,215,676 | 8,191,712 |
| | | <u>9,215,677</u> | <u>8,191,713</u> |
| Issued and fully paid-up | | | |
| 104 preference shares of Baht 10 each | | 1 | 1 |
| 921,567,588 ordinary shares of Baht 10 each (31 December 2013: 819,171,178 shares of Baht 10 each) | | 9,215,676 | 8,191,712 |
| | | <u>9,215,677</u> | <u>8,191,713</u> |
| Share premium on ordinary shares | | 2,543,024 | 1,120,738 |
| Other components of shareholders' equity | | 246,994 | 244,503 |
| Retained earnings | | | |
| Appropriated-statutory reserve | | 984,000 | 984,000 |
| Unappropriated | | 11,014,069 | 9,031,406 |
| Total shareholders' equity | | <u>24,003,764</u> | <u>19,572,360</u> |
| Total liabilities and shareholders' equity | | <u>305,885,742</u> | <u>342,029,708</u> |

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



Mrs. Oranuch Apisaksirikul
(Chairperson of the Executive Board)



ธนาคารทีเอสซี จำกัด (มหาชน)
TISCO Bank Public Company Limited

TISCO Bank Public Company Limited

Statement of comprehensive income

For the year ended 31 December 2014

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

| | Note | 2014 | 2013 |
|---|------|-------------------|-------------------|
| Interest income | 3.22 | 17,943,555 | 17,919,291 |
| Interest expenses | 3.23 | (9,083,757) | (9,884,932) |
| Net interest income | | 8,859,798 | 8,034,359 |
| Fee and service income | | 3,067,805 | 3,294,413 |
| Fee and service expenses | | (64,447) | (77,481) |
| Net fee and service income | 3.24 | 3,003,358 | 3,216,932 |
| Net gains on trading and foreign exchange transactions | 3.25 | 23,590 | 16,963 |
| Net gains on investments | 3.26 | 141,505 | 38,592 |
| Penalty fee income from loans | | 320,622 | 263,861 |
| Income from business promotion relating to the hire purchase business | | 268,333 | 736,858 |
| Other operating income | 3.28 | 120,205 | 108,578 |
| Total operating income | | 12,737,411 | 12,416,143 |
| Expense from business promotion relating to the hire purchase business | | 274,765 | 900,370 |
| Total net operating income | | 12,462,646 | 11,515,773 |
| Operating expenses | | | |
| Employee's expenses | | 1,870,596 | 1,684,416 |
| Directors' remuneration | | - | 160 |
| Premises and equipment expenses | | 786,721 | 764,242 |
| Taxes and duties | | 214,748 | 205,117 |
| Intercompany supporting fee expenses | 3.34 | 1,098,314 | 1,102,927 |
| Other operating expenses | 3.29 | 647,767 | 523,190 |
| Total operating expenses | | 4,618,146 | 4,280,052 |
| Bad debt, doubtful accounts and impairment losses | 3.27 | 3,978,149 | 3,641,626 |
| Profit from operating before income tax expenses | | 3,866,351 | 3,594,095 |
| Income tax expenses | 3.30 | 768,046 | 716,894 |
| Profit for the year | | 3,098,305 | 2,877,201 |

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

TISCO Bank Public Company Limited

Statement of comprehensive income (continued)

For the year ended 31 December 2014

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

| | Note | 2014 | 2013 |
|--|------------|-------------------------|-------------------------|
| Other comprehensive income | 3.31 | | |
| Gains on valuation in available-for-sale investments | 3.20 | 33,585 | 2,937 |
| Actuarial gains (losses) | | (15,672) | 6,526 |
| Gains (losses) on revaluation of assets | 3.21 | (27,000) | 298,463 |
| Income tax effect | 3.30, 3.32 | 1,817 | (61,585) |
| Other comprehensive income for the year | | <u>(7,270)</u> | <u>246,341</u> |
| Total comprehensive income for the year | | <u><u>3,091,035</u></u> | <u><u>3,123,542</u></u> |
| | | | |
| Earnings per share | | | |
| Basic earnings per share | 3.33 | <u><u>3.53</u></u> | <u><u>3.68</u></u> |

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

TISCO Bank Public Company Limited**Cash flow statement****For the year ended 31 December 2014**

| | (Unit: Thousand Baht) | |
|--|-----------------------|--------------|
| | 2014 | 2013 |
| Cash flows from operating activities | | |
| Profit before income tax | 3,866,351 | 3,594,095 |
| Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities: | | |
| Depreciation and amortisation | 101,409 | 138,040 |
| Bad debt and doubtful accounts | 5,144,630 | 4,477,408 |
| Reversal of allowance for impairment of investments | (1,197) | (5,467) |
| Reversal of allowance for impairment of property foreclosed | (67) | (17) |
| Gain on disposal of investments in securities | (140,637) | (36,200) |
| Unrealised loss on foreign exchange transactions and trading derivatives | 21,501 | 6,253 |
| Gain on disposal of equipment | (2,235) | (2,227) |
| Loss on written-off of equipment | 1,310 | - |
| Loss on written-off of intangible assets | 5,283 | - |
| Gain on changes in value of investment properties | - | (7,445) |
| Gain on disposal of property foreclosed | (21,774) | (4,789) |
| Employee benefit expenses | 28,690 | 32,833 |
| (Increase) decrease in accrued income | (2,290) | 12,269 |
| Increase in accrued expenses | 59,430 | 69,786 |
| Net interest income | (8,859,798) | (8,034,359) |
| Dividend income | (75,295) | (74,956) |
| Cash received on interest income | 18,031,873 | 17,779,727 |
| Cash paid on interest expenses | (8,338,425) | (8,729,185) |
| Cash received on dividend income | 75,295 | 74,956 |
| Cash paid on income tax expenses | (793,202) | (312,640) |
| Profit from operating activities before changes in operating assets and liabilities | 9,100,852 | 8,978,082 |
| Operating assets (increase) decrease | | |
| Interbank and money market items | 15,920,288 | (21,404,812) |
| Loans to customers | 14,873,919 | (48,094,018) |
| Property foreclosed | 2,763,801 | 2,590,686 |
| Other assets | 418,789 | 866,855 |

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

TISCO Bank Public Company Limited**Cash flow statement (continued)****For the year ended 31 December 2014**

| | (Unit: Thousand Baht) | |
|---|-----------------------|--------------------|
| | 2014 | 2013 |
| Operating liabilities increase (decrease) | | |
| Deposits | (59,156,187) | 44,913,786 |
| Interbank and money market items | (1,931,010) | 2,340,166 |
| Liability payable on demand | 55,052 | (307,446) |
| Short-term debts issued and borrowings | 22,381,200 | 15,500,700 |
| Provision for long-term employee benefits | (12,130) | (13,440) |
| Other liabilities | (1,126,210) | (700,664) |
| Net cash flows from operating activities | 3,288,364 | 4,669,895 |
| Cash flows from investing activities | | |
| Cash paid for purchase of investment in securities held for investment | (29,143,252) | (17,255,481) |
| Cash received from disposal of investment in securities held for investment | 26,039,056 | 12,186,955 |
| Cash paid for purchase of equipment | (119,719) | (106,343) |
| Cash paid for purchase of intangible assets | (208,119) | (5,091) |
| Cash received from disposal of equipment | 2,235 | 2,235 |
| Cash received from return of capital of a subsidiary | - | 40,400 |
| Net cash flows used in investing activities | (3,429,799) | (5,137,325) |
| Cash flows from financing activities | | |
| Cash received from issuance of long-term debentures | 2,400,000 | 1,243,000 |
| Cash paid for redemption of long-term debentures | (4,000,000) | (1,353,700) |
| Dividend paid | (655,337) | (1,237,859) |
| Cash received from increase in share capital | 2,446,250 | 1,900,477 |
| Net cash flows from financing activities | 190,913 | 551,918 |
| Net increase in cash | 49,478 | 84,488 |
| Cash at beginning of the year | 1,130,135 | 1,045,647 |
| Cash at end of the year | 1,179,613 | 1,130,135 |
| | - | - |
| Supplemental cash flows information | | |
| Non-cash transaction | | |
| Revaluation adjustment of assets | - | 298,463 |

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

TISCO Bank Public Company Limited

Statement of changes in shareholders' equity

For the year ended 31 December 2014

(Unit: Thousand Baht)

| | Note | Issued and fully paid-up | | Share premium on ordinary shares | Other components of shareholders' equity | | Retained earnings | | Total | |
|---|------|--------------------------|--------------------|--|---|--|---|--------------|-------------|----------------|
| | | Preference shares | Ordinary shares | | Surplus (deficit) on change in value of available-for-sale investments | Surplus on revaluation of assets | Total other components of shareholders' equity | Appropriated | | Unappropriated |
| | | | | | | | | | | |
| Balance as at 1 January 2013 | | 1 | 7,281,521 | 130,451 | 3,383 | - | 3,383 | 984,000 | 6,804,322 | 15,203,678 |
| Dividend paid | 4 | - | - | - | - | - | - | - | (655,338) | (655,338) |
| Increase ordinary share capital | | - | 910,191 | 990,287 | - | - | - | - | - | 1,900,478 |
| Total comprehensive income for the year | | - | - | - | 2,350 | 238,770 | 241,120 | - | 2,882,422 | 3,123,542 |
| Balance as at 31 December 2013 | | 1 | 8,191,712 | 1,120,738 | 5,733 | 238,770 | 244,503 | 984,000 | 9,031,406 | 19,572,360 |
| Balance as at 1 January 2014 | | 1 | 8,191,712 | 1,120,738 | 5,733 | 238,770 | 244,503 | 984,000 | 9,031,406 | 19,572,360 |
| Dividend paid | 4 | - | - | - | - | - | - | - | (1,105,881) | (1,105,881) |
| Increase ordinary share capital | 5 | - | 1,023,964 | 1,422,286 | - | - | - | - | - | 2,446,250 |
| Total comprehensive income for the year | | - | - | - | 26,868 | (21,600) | 5,268 | - | 3,085,767 | 3,091,035 |
| Transfer surplus on revaluation of assets to retained earnings | | - | - | - | - | (2,777) | (2,777) | - | 2,777 | - |
| Balance as at 31 December 2014 | | 1 | 9,215,676 | 2,543,024 | 32,601 | 214,393 | 246,994 | 984,000 | 11,014,069 | 24,003,764 |

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

TISCO Bank Public Company Limited

Notes to financial statements

For the year ended 31 December 2014

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

1.1 Basis of preparation of financial statements

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

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

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

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

1.2 New financial reporting standards

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

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

| | |
|-----------------------|--------------------------------------|
| TAS 1 (revised 2012) | Presentation of Financial Statements |
| TAS 7 (revised 2012) | Statement of Cash Flows |
| TAS 12 (revised 2012) | Income Taxes |
| TAS 17 (revised 2012) | Leases |
| TAS 18 (revised 2012) | Revenue |
| TAS 19 (revised 2012) | Employee Benefits |

| | |
|-----------------------|--|
| TAS 21 (revised 2012) | The Effects of Changes in Foreign Exchange Rates |
| TAS 24 (revised 2012) | Related Party Disclosures |
| TAS 28 (revised 2012) | Investments in Associates |
| TAS 31 (revised 2012) | Interests in Joint Ventures |
| TAS 34 (revised 2012) | Interim Financial Reporting |
| TAS 36 (revised 2012) | Impairment of Assets |
| TAS 38 (revised 2012) | Intangible Assets |

Financial Reporting Standards:

| | |
|-----------------------|---|
| TFRS 2 (revised 2012) | Share-based Payment |
| TFRS 3 (revised 2012) | Business Combinations |
| TFRS 5 (revised 2012) | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 8 (revised 2012) | Operating Segments |

Accounting Standard Interpretations:

| | |
|---------|---|
| TSIC 15 | Operating Leases - Incentives |
| TSIC 27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |
| TSIC 29 | Service Concession Arrangements: Disclosures |
| TSIC 32 | Intangible Assets - Web Site Costs |

Financial Reporting Standard Interpretations:

| | |
|----------|---|
| TFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| TFRIC 4 | Determining whether an Arrangement contains a Lease |
| TFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| TFRIC 7 | Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> |
| TFRIC 10 | Interim Financial Reporting and Impairment |
| TFRIC 12 | Service Concession Arrangements |
| TFRIC 13 | Customer Loyalty Programmes |
| TFRIC 17 | Distributions of Non-cash Assets to Owners |
| TFRIC 18 | Transfers of Assets from Customers |

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

(b) Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. The management of the Bank believes that they will not have any significant impact on the financial statements for the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Bank already recognised actuarial gains and losses immediately in other comprehensive income.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Bank believes that this standard will not have any significant impact on the Bank's financial statements.

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

At the end of 2013, the Bank changed its accounting policy regarding measurement of premises and equipment as it relates to office condominiums, switching from the previously applied cost model to the revaluation model, and at the same time had the useful lives of its office condominiums estimated by an independent professional appraiser. In this regard, effective from 1 January 2014, the Bank has changed remaining useful lives of office condominiums from 4 - 13 years to 20 years in order to align with the estimated useful lives of the assets determined using a prospective method.

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

| | Increase (decrease) in profit after tax | Increase (decrease) in basic earnings per share |
|--------------------------|--|--|
| | (Thousand Baht) | (Baht per share) |
| For the year 2014 | 22,908 | 0.03 |
| For the year 2015 | 22,908 | 0.03 |
| For the year 2016 | 22,908 | 0.03 |
| For the year 2017 | 20,022 | 0.02 |
| For the year 2018 - 2033 | (88,747) | (0.10) |

The effect of the change in the accounting policy of the Bank regarding measurement of premises and equipment as it relates to office condominiums, from the previously applied cost model to the revaluation model to the financial statements for the year 2014 is to decrease profit after tax by approximately Baht 17 million and decrease basic earnings per share by Baht 0.02 per share. The changes were the result of increasing value of the asset base used for determining depreciation to fair value.

The net effect of the change from the previously applied cost model to the revaluation model and in the estimations of useful lives to the financial statements for the year 2014 is to increase profit after tax by approximately Baht 6 million and increase basic earnings per share by Baht 0.01 per share.

1.4 Significant accounting policies

1.4.1 Income recognition

a) Interest and discounts on loans

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

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

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

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

b) Interest and dividends on investment in securities

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

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

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

d) Fee and service income

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

1.4.2 Expense recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

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

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

1.4.3 Securities purchased under resale agreements according to private repurchase transactions

The Bank has purchased securities under resale agreements according to private repurchase transactions, which stipulate definite dates, terms and prices. Amounts paid for the securities purchased under resale agreements are presented under the caption of "Interbank and money market items" in the statements of financial position and the securities purchased are used as collateral.

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

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

1.4.4 Investments

- a) Investments in trading securities are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) Investments in subsidiaries are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).
- f) The Bank does not record investments which the Bank holds not less than 20% of the equity in associated companies under the equity method in the financial statements, if the investment was transferred as a result of debt restructuring. The Bank is obliged to dispose of these investments within 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 other investments are recognised in profit or loss.
- i) The weighted average method is used for computation of the cost of investments.

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

1.4.5 Investments in receivable purchased or transferred in

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

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

1.4.6 Loans to customers

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

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

1.4.7 Allowance for doubtful accounts and losses from troubled debt restructuring

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

For all loans to customers classified as pass and special mention, except for hire purchase receivables that are classified as pass and special mention, the Bank records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivable, 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, the Bank records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the year of collateral disposal being set with reference to BOT's Notifications.

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

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

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

1.4.8 Troubled debt restructuring

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

In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash flows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank 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.

1.4.9 Property foreclosed

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

The Bank will recognise loss on impairment in profit or loss. Gains or losses from disposal of property foreclosed are recognised upon disposal.

1.4.10 Investment properties

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

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

1.4.11 Premises and equipment/Depreciation

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

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

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

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

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

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

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

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

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

No depreciation is provided on land and assets under installation.

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

1.4.12 Intangible assets

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

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

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

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

1.4.13 Income tax

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

Current tax

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

Deferred tax

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

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

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

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

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

1.4.14 Impairment of assets

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

Impairment losses are recognised in profit or loss.

1.4.15 Derecognition of financial assets and financial liabilities

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

1.4.16 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

1.4.17 Employee benefits

Short-term employee benefits

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

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Bank and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Bank. The fund's assets are held in a separate trust fund and the Bank's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

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

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

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

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

1.4.18 Provisions

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

1.4.19 Derivatives and hedge accounting

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

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

The Bank records derivatives for cash flow hedged by using hedge accounting as follows:

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

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

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

1.4.20 Financial instruments

a) Financial risk management

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

b) Fair value of financial instruments

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

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

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the financial statements approximate their fair value.
- The fair value of debts and equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

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

1.4.21 Offsetting financial assets and financial liabilities

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

1.4.22 Significant accounting 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 estimate. Significant judgements and estimates are as follows:

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

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

Fair value of financial instruments

In determining the fair value of financial instruments 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 liquidity, correlation and longer-term volatility of financial instruments.

Impairment of investments

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

Investment properties

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

Premises and equipment/Depreciation

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

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

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

Deferred tax assets

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

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

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

Leases

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

Litigation

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

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2014, the Bank has 55 branches in Thailand.

2.2 Share capital

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

2.3 Statutory reserve

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

2.4 Directors' remuneration

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

2.5 Related party transactions

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

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

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

| | As at 31 December | | | | | |
|--|-------------------|------------|------------|-----------|------------|------------|
| | 2014 | | | 2013 | | |
| | At call | Term | Total | At call | Term | Total |
| <u>Domestic</u> | | | | | | |
| Bank of Thailand and Financial Institutions | | | | | | |
| Development Fund | 1,788,263 | - | 1,788,263 | 3,120,483 | 800,000 | 3,920,483 |
| Commercial banks | 350,986 | 30,701,000 | 31,051,986 | 239,303 | 44,400,000 | 44,639,303 |
| Specialised financial institutions | 92 | 3,700,000 | 3,700,092 | 761 | 3,700,000 | 3,700,761 |
| Other financial institutions | - | 300,000 | 300,000 | - | 500,000 | 500,000 |
| Total | 2,139,341 | 34,701,000 | 36,840,341 | 3,360,547 | 49,400,000 | 52,760,547 |
| Add: Accrued interest | - | 13,832 | 13,832 | - | 25,397 | 25,397 |
| Less: Allowance for doubtful accounts | - | (3,000) | (3,000) | - | (8,000) | (8,000) |
| Total domestic | 2,139,341 | 34,711,832 | 36,851,173 | 3,360,547 | 49,417,397 | 52,777,944 |
| <u>Foreign</u> | | | | | | |
| US Dollar | 1,490 | - | 1,490 | 7 | - | 7 |
| Total foreign | 1,490 | - | 1,490 | 7 | - | 7 |
| Total domestic and foreign | 2,140,831 | 34,711,832 | 36,852,663 | 3,360,554 | 49,417,397 | 52,777,951 |

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

(Unit: Million Baht)

Securities purchase under resale agreements
according to private repurchase transactions
as at 31 December

| | 2014 | 2013 |
|------------------|--------|--------|
| Commercial banks | 34,400 | 47,800 |

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

Fair value of securities received as collateral
as at 31 December

| | 2014 | 2013 |
|------------------|--------|--------|
| Commercial banks | 34,218 | 47,873 |

3.2 Derivatives

Trading Derivative

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

(Unit: Thousand Baht)

As at 31 December

| Type of risk | 2014 | | Notional amount | 2013 | | Notional amount |
|---------------|------------|-------------|--------------------|-------------|---------|--------------------|
| | Fair value | | | Fair value | | |
| | Assets | Liabilities | Assets | Liabilities | | |
| Exchange rate | - | 5,219 | 3,296,300 | - | 310,945 | 3,315,434 |
| Interest rate | - | 35,510 | 1,200,000 | 28,220 | - | 2,274,303 |
| Total | - | 40,729 | 4,496,300 | 28,220 | 310,945 | 5,589,737 |

All counterparties of these derivative transactions are financial institutions.

3.3 Investments

3.3.1 Classified by type of investment

(Unit: Thousand Baht)

| | As at 31 December | |
|---|-------------------|-------------------|
| | 2014 | 2013 |
| Available-for-sale investments - fair value | | |
| Government and state enterprise securities | 12,060,173 | 5,637,810 |
| Private sector debt securities | 811,472 | 938,819 |
| Less: Allowance for impairment | (1,460) | (1,460) |
| Total available-for-sale investments | 12,870,185 | 6,575,169 |
| Held-to-maturity debt securities - cost/amortised cost | | |
| Government and state enterprise securities | - | 3,000,000 |
| Investment in receivables | 17,816 | 33,872 |
| Less: Allowance for impairment | (17,394) | (17,722) |
| Total held-to-maturity debt securities | 422 | 3,016,150 |
| General investments - cost | | |
| Domestic non-marketable equity securities | 483,303 | 483,873 |
| Less: Allowance for impairment | (44,961) | (45,829) |
| Total general investments | 438,342 | 438,044 |
| Investments - net | 13,308,949 | 10,029,363 |

In August 2014, the Bank reclassified part of its investment portfolio, transferring certain long-term held-to-maturity debt securities to short-term available-for-sale securities at the fair value at the transfer date, to bring them in line with the Bank's liquidity management strategy. The amortised cost of the transferred debt securities at the transfer date was approximately Baht 3,001 million. The Bank recorded the difference between this amortised cost and the fair value, amounting to Baht 73 million, as unrealised gain on transfer of investment portfolio and presented it under shareholders' equity in the statement of financial position. The Bank disposed of Baht 2,960 million of these investments, with a realised gain of Baht 72 million. The balance of unrealised gain as at 31 December 2014 was Baht 1 million.

3.3.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

| | As at 31 December | | | | | | | |
|---|---------------------|----------------|-----------------|---------------|---------------------|----------------|-----------------|--------------|
| | 2014 | | | | 2013 | | | |
| | Due within | | | | Due within | | | |
| | Less than 1 year | 1 - 5 years | Over 5 years | Total | Less than 1 year | 1 - 5 years | Over 5 years | Total |
| Available-for-sale investments | | | | | | | | |
| Government and state enterprise securities | 11,087 | 973 | - | 12,060 | 5,435 | 203 | - | 5,638 |
| Private sector debt securities | 1 | 810 | - | 811 | 31 | 907 | - | 938 |
| Total | 11,088 | 1,783 | - | 12,871 | 5,466 | 1,110 | - | 6,576 |
| Less: Allowance for impairment | (1) | - | - | (1) | (1) | - | - | (1) |
| Total | 11,087 | 1,783 | - | 12,870 | 5,465 | 1,110 | - | 6,575 |
| Held-to-maturity debt securities | | | | | | | | |
| Government and state enterprise securities | - | - | - | - | - | 3,000 | - | 3,000 |
| Investment in receivables | 13 | 5 | - | 18 | 32 | 2 | - | 34 |
| Less: Allowance for impairment | (12) | (5) | - | (17) | (18) | - | - | (18) |
| Total | 1 | - | - | 1 | 14 | 3,002 | - | 3,016 |
| Total debt securities | 11,088 | 1,783 | - | 12,871 | 5,479 | 4,112 | - | 9,591 |

3.3.3 Investments subject to restriction

(Unit: Million Baht)

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

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

(Unit: Thousand Baht)

| | As at 31 December 2014 | | |
|--|------------------------|------------|---|
| | Cost | Fair value | Allowance for changes in value ⁽¹⁾ |
| Companies having problems with debt repayment or in default | 7,060 | - | 7,060 |

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

(Unit: Thousand Baht)

As at 31 December 2013

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

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

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

(Unit: Thousand Baht)

As at 31 December

| Securities' name | 2014 | | 2013 | | | |
|-----------------------------------|------------|---------------------------|------------|---------------------------|-----|----|
| | Book value | Unpaid amounts | Book value | Unpaid Amounts | | |
| | | Percentage of holding (%) | | Percentage of holding (%) | | |
| Services: | | | | | | |
| Jiji Press (Thailand) Co., Ltd. | 814 | 300 | 10 | 814 | 300 | 10 |
| K. Line (Thailand) Co., Ltd. | 37,335 | - | 10 | 37,335 | - | 10 |
| Trading import and export: | | | | | | |
| Shin Thai Enterprises Co., Ltd. | 5,707 | - | 10 | 5,707 | - | 10 |
| PDTL Trading Co., Ltd. | 5,894 | - | 10 | 6,925 | - | 10 |
| Wattana Inter-Trade Co., Ltd. | 5,382 | - | 10 | 5,382 | - | 10 |
| Real estate: | | | | | | |
| UMI Property Co., Ltd. | 4,110 | - | 10 | 4,647 | - | 10 |
| Industrial: | | | | | | |
| Siam Art Ceramic Co., Ltd. | 17,358 | - | 10 | 17,083 | - | 10 |

3.4 Investment in subsidiary

(Unit: Million Baht)

| Company's name | Nature of Business | Type of investment 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 | |
|--|---------------------|--------------------------------------|-----------------|---|------|--|------|---|------|
| | | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | (%) | (%) | | | | |
| Subsidiary directly held by the Bank | | | | | | | | | |
| TISCO Securities Hong Kong Limited (In the process of liquidation) | Securities business | Ordinary shares | Ordinary shares | 100 | 100 | 66 | 66 | - | - |
| Less: Allowance for impairment | | | | | | (22) | (22) | - | - |
| Net Investment in subsidiary | | | | | | 44 | 44 | - | - |
| Less: Return of capital | | | | | | (40) | (40) | - | - |
| Loss on return of capital from a subsidiary | | | | | | (4) | (4) | - | - |
| Investment in subsidiary - net | | | | | | - | - | - | - |

In October 2013, the Bank received the return of capital from the dissolution of TISCO Securities Hong Kong Limited amounting to Baht 40 million and TISCO Securities Hong Kong Limited already completed the liquidation in January 2015.

3.5 Loans to customers and accrued interest receivables

3.5.1 Classified by loans to customers type

(Unit: Thousand Baht)

| | As at 31 December | |
|--|--------------------|--------------------|
| | 2014 | 2013 |
| Loans to customers | | |
| Loans | 76,542,379 | 80,126,779 |
| Hire purchase receivables | 202,646,374 | 226,283,511 |
| Financial lease receivables | 1,066,507 | 1,033,508 |
| Less: Deferred revenue | (21,947,954) | (26,394,058) |
| Advances received from financial lease receivables | (265,622) | (223,314) |
| Total loans to customers | 258,041,684 | 280,826,426 |
| Add: Accrued interest receivables | 527,506 | 493,055 |
| Less: Allowance for doubtful accounts | (6,380,337) | (5,774,792) |
| Loans to customers and accrued interest receivables - net | 252,188,853 | 275,544,689 |

3.5.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

| | As at 31 December | | | | | |
|---------------------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|
| | 2014 | | | 2013 | | |
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| Baht | 254,745,384 | - | 254,745,384 | 277,545,066 | - | 277,545,066 |
| US Dollars | - | 3,296,300 | 3,296,300 | - | 3,281,360 | 3,281,360 |
| Total loans to customers | | | | | | |
| net of deferred revenue | <u>254,745,384</u> | <u>3,296,300</u> | <u>258,041,684</u> | <u>277,545,066</u> | <u>3,281,360</u> | <u>280,826,426</u> |

3.5.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

| | As at 31 December 2014 | | | | | |
|---|------------------------|--------------------|------------------|------------------|---------------------|--------------------|
| | Pass | Special mention | Sub-standard | Doubtful | Doubtful of loss | Total |
| Agricultural and mining | 678,918 | 4,782 | 1,925 | - | - | 685,625 |
| Manufacturing and commerce | 26,649,756 | 4,418,127 | 82,187 | 68,003 | 22,557 | 31,240,630 |
| Real estate and construction | 12,581,620 | 121,227 | 33,574 | 21,681 | 14,989 | 12,773,091 |
| Public utilities and services | 30,290,942 | 542,126 | 147,555 | 40,706 | 51,002 | 31,072,331 |
| Personal consumption | | | | | | |
| Hire purchase | 141,491,289 | 15,130,448 | 2,595,705 | 1,737,303 | 388,553 | 161,343,298 |
| Auto cash loan | 13,237,195 | 1,121,072 | 253,833 | 84,965 | 12,087 | 14,709,152 |
| Housing loans | 1,163,235 | 51,545 | 22,652 | 22,019 | 51,366 | 1,310,817 |
| Others | 4,146,317 | 511,022 | 129,270 | 82,407 | 37,724 | 4,906,740 |
| Total loans to customers | 230,239,272 | 21,900,349 | 3,266,701 | 2,057,084 | 578,278 | 258,041,684 |
| Add: Accrued interest receivable | 315,385 | 212,121 | - | - | - | 527,506 |
| Total loans to customers and accrued interest receivable | 230,554,657 | 22,112,470 | 3,266,701 | 2,057,084 | 578,278 | 258,569,190 |

(Unit: Thousand Baht)

| | As at 31 December 2013 | | | | | Total |
|---|------------------------|-----------------|--------------|----------|------------------|-------------|
| | Pass | Special mention | Sub-standard | Doubtful | Doubtful of loss | |
| Agricultural and mining | 1,441,228 | 71,195 | 23,157 | 2,795 | - | 1,538,375 |
| Manufacturing and commerce | 38,468,365 | 538,751 | 140,002 | 39,767 | 16,035 | 39,202,920 |
| Real estate and construction | 11,749,451 | 152,775 | 25,901 | 10,997 | 11,912 | 11,951,036 |
| Public utilities and services | 31,235,584 | 630,004 | 97,881 | 78,089 | 1,777 | 32,043,335 |
| Personal consumption | | | | | | |
| Hire purchase | 160,187,190 | 14,723,922 | 2,584,821 | 824,665 | 66,641 | 178,387,239 |
| Auto cash loan | 12,707,215 | 948,514 | 188,453 | 27,427 | 822 | 13,872,431 |
| Housing loans | 1,302,535 | 56,425 | 2,355 | 9,294 | 57,583 | 1,428,192 |
| Others | 2,230,065 | 124,769 | 23,695 | 2,860 | 21,509 | 2,402,898 |
| Total loans to customers | 259,321,633 | 17,246,355 | 3,086,265 | 995,894 | 176,279 | 280,826,426 |
| Add: Accrued interest receivables | 272,962 | 220,093 | - | - | - | 493,055 |
| Total loans to customers and accrued interest receivables | 259,594,595 | 17,466,448 | 3,086,265 | 995,894 | 176,279 | 281,319,481 |

3.5.4 Classified by loan classification

(Unit: Million Baht)

| | As at 31 December | | | | | |
|---------------------------------|---|---|--|---|---|--|
| | 2014 | | | 2013 | | |
| | Loans to customers and accrued interest receivables | Net amount used for setting the allowance for doubtful accounts | Allowance for doubtful accounts ^{(1) (2)} | Loans to customers and accrued interest receivables | Net amount used for setting the allowance for doubtful accounts | Allowance for doubtful accounts ^{(1) (2)} |
| Provision under BOT's guideline | | | | | | |
| - Pass | 230,555 | 207,633 | 1,822 | 259,595 | 235,950 | 3,259 |
| - Special mention | 22,112 | 17,843 | 2,494 | 17,466 | 17,189 | 1,121 |
| - Sub-standard | 3,267 | 3,242 | 1,073 | 3,086 | 3,083 | 944 |
| - Doubtful | 2,057 | 2,033 | 623 | 996 | 988 | 279 |
| - Doubtful of loss | 578 | 524 | 177 | 176 | 107 | 63 |
| Allowance established in excess | - | - | 191 | - | - | 109 |
| Total | 258,569 | 231,275 | 6,380 | 281,319 | 257,317 | 5,775 |

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

⁽²⁾ As at 31 December 2014, the provisions set aside by TISCO Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 2,826 million (As at 31 December 2013: total of Baht 2,345 million). TISCO Bank allocated Baht 2,635 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2013: total of Baht 2,236 million) and so combined with the minimum provision requirement of Baht 3,554 million (As at 31 December 2013: total of Baht 3,430 million), the total provision set aside in accordance with BOT requirements is Baht 6,189 million (As at 31 December 2013: total of Baht 5,666 million).

| | Percentage of allowance for doubtful account setup | | | |
|------------------|--|-------|----------------------------|------|
| | Hire purchase receivables ⁽¹⁾ | | Other loans ⁽²⁾ | |
| | As at 31 December | | As at 31 December | |
| | 2014 | 2013 | 2014 | 2013 |
| Pass | 0.58 | 0.58 | 1 | 1 |
| Special mention | 3.84 | 4.67 | 2 | 2 |
| Sub-standard | 23.24 | 22.95 | 100 | 100 |
| Doubtful | 23.39 | 23.13 | 100 | 100 |
| Doubtful of loss | 23.33 | 22.75 | 100 | 100 |

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

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

3.5.5 Hire purchase and financial lease receivables

As at 31 December 2014, net receivables of the Bank under hire purchase and financial lease agreements amount to Baht 181,673 million (2013: Baht 200,883 million) and mostly comprise hire purchase agreements for cars, and financial lease agreements for machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

| | As at 31 December 2014 | | | | |
|---|--|--|-----------------|-----------------------------|----------|
| | Amounts of installments due under the long-term lease agreements | | | | |
| | Not over 1 year | Over 1 year but not over 5 years | Over 5 years | Non- performing loans | Total |
| Gross investment in the agreements | 64,545 | 127,403 | 4,745 | 7,020 | 203,713 |
| Less: Deferred revenue* | (8,637) | (11,206) | (38) | (1,893) | (21,774) |
| Advances received from financial lease receivables | (119) | (146) | - | (1) | (266) |
| Present value of minimum lease pay from agreements | 55,789 | 116,051 | 4,707 | 5,126 | 181,673 |
| Allowance for doubtful accounts** | | | | | (2,755) |
| Net hire purchase and financial lease receivables | | | | | 178,918 |

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

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

(Unit: Million Baht)

As at 31 December 2013

| | Amounts of installments due under the long-term lease agreements | | | | |
|--|--|-------------------------|---------|---------------------|----------|
| | Not over | Over 1 year | Over | Non- | Total |
| | 1 year | but not over 5 years | 5 years | performing loans | |
| Gross investment in the agreements | 66,868 | 147,877 | 7,197 | 5,375 | 227,317 |
| Less: Deferred revenue* | (9,956) | (14,426) | (225) | (1,604) | (26,211) |
| Advances received from financial lease receivables | (42) | (180) | - | (1) | (223) |
| Present value of minimum lease pay from agreements | 56,870 | 133,271 | 6,972 | 3,770 | 200,883 |
| Allowance for doubtful accounts** | | | | | (2,658) |
| Net hire purchase and financial lease receivables | | | | | 198,225 |

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

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

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

(Unit: Million Baht)

| | Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December | | Amounts calculated under the Bank's policy as at 31 December | |
|--|--|-------|--|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾ | 7,308 | 5,328 | 11,494 |

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

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

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

(Unit: Million Baht)

| | As at 31 December | |
|---------------------------------|-------------------|--------|
| | 2014 | 2013 |
| Deferred revenue ⁽¹⁾ | 21,948 | 26,394 |

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

3.5.8 Troubled debt restructuring

| | For the years ended 31 December | |
|---|---------------------------------|------|
| | 2014 | 2013 |
| Debtors restructured during the year | | |
| Number of debtors restructured by modification | | |
| of terms (number) | 2,657 | 133 |
| Loan balances before restructuring (Million Baht) | 981 | 138 |
| Loan balances after restructuring (Million Baht) | 981 | 138 |
| Loss on troubled debt restructuring (Million Baht) | - | - |
| Average contract period of debt restructuring (years) | | |
| Hire purchase receivables | 5 | 4 |
| Mortgage loan receivables | 3 | 2 |
| Auto cash loan receivables | 4 | - |

Supplemental information for the years ended 31 December 2014 and 2013 relating to the restructured debts is as follows:

(Unit: Million Baht)

| | For the years ended 31 December | |
|---|---------------------------------|------|
| | 2014 | 2013 |
| Interest income on restructured receivables | 60 | 32 |
| Receipt of principal and interest | 366 | 217 |

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

(Unit: Million Baht)

| | As at 31 December | | | |
|---------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | 2014 | | 2013 | |
| | Number of debtors | Outstanding balance | Number of debtors | Outstanding balance |
| The balance of the restructured debts | 2,767 | 1,152 | 545 | 390 |

3.6 Allowance for doubtful accounts

3.6.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

| As at 31 December 2014 | | | | | | | |
|--|-------------|--------------------|--------------|-------------|---------------------|---------------------------------------|-------------|
| | Pass | Special mention | Sub-standard | Doubtful | Doubtful of loss | Allowance established in excess | Total |
| Balance - beginning of year | 3,259,533 | 1,121,141 | 943,918 | 278,617 | 62,632 | 108,951 | 5,774,792 |
| Increase (decrease) in allowance for doubtful accounts during the year | (1,436,389) | 1,373,888 | 1,223,802 | 3,674,965 | 231,564 | 81,800 | 5,149,630 |
| Bad debt written-off | (1,324) | (755) | (1,094,742) | (3,329,941) | (117,323) | - | (4,544,085) |
| Balance - end of year | 1,821,820 | 2,494,274 | 1,072,978 | 623,641 | 176,873 | 190,751 | 6,380,337 |

(Unit: Thousand Baht)

| As at 31 December 2013 | | | | | | | |
|---|-----------|--------------------|--------------|-------------|---------------------|---------------------------------------|-------------|
| | Pass | Special mention | Sub-standard | Doubtful | Doubtful of loss | Allowance established in excess | Total |
| Balance - beginning of year | 2,751,870 | 1,024,157 | 555,487 | 136,361 | 216,329 | 3,440 | 4,687,644 |
| Increase in allowance for doubtful accounts during the year | 507,879 | 97,320 | 1,018,024 | 2,597,723 | 147,951 | 105,511 | 4,474,408 |
| Bad debt written-off | (216) | (336) | (629,593) | (2,455,467) | (301,648) | - | (3,387,260) |
| Balance - end of year | 3,259,533 | 1,121,141 | 943,918 | 278,617 | 62,632 | 108,951 | 5,774,792 |

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

(Unit: Thousand Baht)

| As at 31 December 2014 | | | | |
|--|--------------------------|--------------------------|---------------------------------------|-------------|
| | Individual impairment | Collective impairment | Allowance established in excess | Total |
| Balance - beginning of year | 3,018,513 | 2,647,328 | 108,951 | 5,774,792 |
| Increase in allowance for doubtful accounts during the year | 932,588 | 4,135,242 | 81,800 | 5,149,630 |
| Bad debt written-off | (504,728) | (4,039,357) | - | (4,544,085) |
| Balance - end of year | 3,446,373 | 2,743,213 | 190,751 | 6,380,337 |

(Unit: Thousand Baht)

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

3.6.3 Non-performing loans to customers

(Unit: Million Baht)

| | As at 31 December | |
|-----------------------------------|-------------------|-------|
| | 2014 | 2013 |
| Non-performing loans to customers | 5,902 | 4,258 |
| Allowance for doubtful accounts | 1,873 | 1,285 |

3.7 Classification of assets

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

(Unit: Million Baht)

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

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

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

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

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

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

| | Loans to customer ⁽¹⁾ | | Investments in securities | | Investments in receivables | | Property foreclosed | | Total | |
|------------------|----------------------------------|---------|---------------------------|------|----------------------------|------|---------------------|------|-------------------|---------|
| | as at 31 December | | as at 31 December | | as at 31 December | | as at 31 December | | as at 31 December | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Pass | 264,939 | 307,922 | - | - | - | - | - | - | 264,939 | 307,922 |
| Special mention | 21,900 | 17,246 | - | - | - | - | - | - | 21,900 | 17,246 |
| Sub-standard | 3,267 | 3,086 | - | - | - | - | - | - | 3,267 | 3,086 |
| Doubtful | 2,057 | 996 | - | - | - | - | - | - | 2,057 | 996 |
| Doubtful of loss | 578 | 176 | 46 | 47 | 17 | 18 | 18 | 18 | 659 | 259 |
| Total | 292,741 | 329,426 | 46 | 47 | 17 | 18 | 18 | 18 | 292,822 | 329,509 |

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

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

(Unit: Million Baht)

| | Debt balance | | Net amount used for setting the allowance for doubtful accounts ⁽¹⁾ | | Percentage of allowance for doubtful account setup ⁽²⁾ | | Allowance for doubtful accounts ⁽³⁾ | |
|------------------|-------------------|----------------|--|----------------|---|-------|--|--------------|
| | as at 31 December | | as at 31 December | | as at 31 December | | as at 31 December | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | | | | | (%) | (%) | | |
| Pass | 159,758 | 180,736 | 159,758 | 180,736 | 0.58 | 0.58 | 933 | 1,049 |
| Special mention | 16,071 | 15,660 | 16,071 | 15,660 | 3.84 | 4.67 | 616 | 732 |
| Sub-standard | 2,826 | 2,777 | 2,826 | 2,777 | 23.24 | 22.95 | 657 | 637 |
| Doubtful | 1,840 | 922 | 1,840 | 922 | 23.39 | 23.13 | 430 | 213 |
| Doubtful of loss | 459 | 69 | 459 | 69 | 23.33 | 22.75 | 107 | 16 |
| Total | 180,954 | 200,164 | 180,954 | 200,164 | | | 2,743 | 2,647 |

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

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

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

3.8 Property foreclosed

(Unit: Thousand Baht)

| | As at 31 December | |
|---|-------------------|-------------|
| | 2014 | 2013 |
| Acquisition of assets for debt repayment | | |
| Immovable assets | | |
| <u>Appraisal by an external appraiser</u> | | |
| Balance - beginning of year | 3,404 | 239,700 |
| Transfer type of appraiser | - | (48,272) |
| Disposals | - | (188,024) |
| Balance - end of year | 3,404 | 3,404 |
| <u>Appraisal by an internal appraiser</u> | | |
| Balance - beginning of year | 73,725 | 25,453 |
| Transfer type of appraiser | - | 48,272 |
| Additions | 83 | - |
| Disposals | (6,728) | - |
| Balance - end of year | 67,080 | 73,725 |
| Total property foreclosed - Immovable assets | 70,484 | 77,129 |
| Movable assets | | |
| Balance - beginning of year | 55,963 | 19,274 |
| Additions | 5,576,372 | 4,056,464 |
| Disposals | (5,566,750) | (4,019,775) |
| Balance - end of year | 65,585 | 55,963 |
| Total property foreclosed | 136,069 | 133,092 |
| Less: Allowance for impairment | | |
| Balance - beginning of year | 18,169 | 18,187 |
| Increase | 369 | 918 |
| Decrease | (436) | (936) |
| Balance - end of year | 18,102 | 18,169 |
| Total property foreclosed - net | 117,967 | 114,923 |

3.9 Investment properties

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

(Unit: Thousand Baht)

| | As at 31 December | |
|---------------------------------|-------------------|---------------|
| | 2014 | 2013 |
| Book value - beginning of year | 16,067 | 63,139 |
| Transfer type of asset | - | (49,655) |
| Gain from fair value adjustment | - | 7,445 |
| Others | - | (4,862) |
| Book value - end of year | <u>16,067</u> | <u>16,067</u> |

The investment property is an office condominium for rent and stated at fair value at the end of 2014. The fair value of investment properties was calculated by the asset appraisal method based on the income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalisation rate, discount rate and other relevant factors. These asset appraisal approach also made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of the Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

3.10 Premises and equipment

(Unit: Thousand Baht)

| | Revaluation basis | | Cost basis | | | Total |
|--|--|--------|--|--|----------------|-----------|
| | Building, office condominium and building improvements | Land | Building, office condominium and building improvements | Furniture, fixtures computer and equipment | Motor vehicles | |
| Cost | | | | | | |
| As at 1 January 2013 | - | 17,509 | 917,030 | 565,734 | 51,228 | 1,551,501 |
| Additions/transfers in | 482,355 | - | 42,770 | 43,641 | 19,931 | 588,697 |
| Transfer accumulated depreciation to deduct cost | (223,598) | - | - | - | - | (223,598) |
| Surplus on revaluation | 298,463 | - | - | - | - | 298,463 |
| Disposals/written-off/transfers out | - | - | (516,651) | (1,709) | (7,468) | (525,828) |
| As at 31 December 2013 | 557,220 | 17,509 | 443,149 | 607,666 | 63,691 | 1,689,235 |
| Additions/transfers in | - | - | 65,154 | 47,495 | 7,070 | 119,719 |
| Adjustment item | (27,000) | - | - | - | - | (27,000) |
| Disposals/written-off/transfers out | - | - | (12,858) | (60,363) | (6,197) | (79,418) |
| As at 31 December 2014 | 530,220 | 17,509 | 495,445 | 594,798 | 64,564 | 1,702,536 |
| Accumulated depreciation: | | | | | | |
| As at 1 January 2013 | - | - | 556,381 | 514,986 | 37,938 | 1,109,305 |
| Depreciation for the year | - | - | 59,667 | 35,594 | 8,009 | 103,270 |
| Depreciation on transfers in | 223,598 | - | - | - | - | 223,598 |
| Transfer accumulated depreciation to deduct cost | (223,598) | - | - | - | - | (223,598) |
| Depreciation on disposals/written-off/transfers out | - | - | (256,551) | (1,692) | (7,468) | (265,711) |
| As at 31 December 2013 | - | - | 359,497 | 548,888 | 38,479 | 946,864 |
| Depreciation for the year | 9,454 | - | 32,939 | 29,952 | 10,008 | 82,353 |
| Depreciation on disposals/written-off/transfers out | - | - | (11,574) | (60,337) | (6,197) | (78,108) |
| As at 31 December 2014 | 9,454 | - | 380,862 | 518,503 | 42,290 | 951,109 |
| Net book value: | | | | | | |
| As at 31 December 2013 | 557,220 | 17,509 | 83,652 | 58,778 | 25,212 | 742,371 |
| As at 31 December 2014 | 520,766 | 17,509 | 114,583 | 76,295 | 22,274 | 751,427 |
| Depreciation for the years ended 31 December: | | | | | | |
| 2013 | | | | | | 103,270 |
| 2014 | | | | | | 82,353 |

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

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

| | (Unit: Thousand Baht) | |
|---|-----------------------|---------|
| | As at 31 December | |
| | 2014 | 2013 |
| Office condominiums - net of accumulated depreciation | 252,765 | 258,757 |

3.11 Intangible assets

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

| | (Unit: Thousand Baht) |
|--------------------------------|-----------------------|
| | Computer software |
| As at 31 December 2014: | |
| Cost | 584,759 |
| Less: Accumulated amortisation | (361,158) |
| Net book value | 223,601 |
| As at 31 December 2013: | |
| Cost | 382,876 |
| Less: Accumulated amortisation | (343,055) |
| Net book value | 39,821 |

A reconciliation of the net book value of intangible assets for the years ended 31 December 2014 and 2013 is presented as follows:

| | (Unit: Thousand Baht) | |
|-------------------------------------|---------------------------------|---------------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Net book value at beginning of year | 39,821 | 64,638 |
| Acquisitions of computer software | 208,119 | 5,091 |
| Disposals of computer software | (5,283) | - |
| Amortisation | (19,056) | (29,908) |
| Net book value at end of year | <u>223,601</u> | <u>39,821</u> |

3.12 Other assets

| | (Unit: Thousand Baht) | |
|------------------------------|-----------------------|------------------|
| | As at 31 December | |
| | 2014 | 2013 |
| Value added tax - net | 360,056 | 413,971 |
| Accrued interest receivables | 61,426 | 53,518 |
| Fee and service receivables | 52,600 | 50,310 |
| Deposits | 40,768 | 36,120 |
| Other receivables | 491,149 | 587,580 |
| Other assets | 214,461 | 464,669 |
| Total other assets | <u>1,220,460</u> | <u>1,606,168</u> |

3.13 Deposits

3.13.1 Classified by type of deposits

| | (Unit: Thousand Baht) | |
|--|-----------------------|--------------------|
| | As at 31 December | |
| | 2014 | 2013 |
| Deposits | | |
| Current accounts | 3,250,954 | 2,716,643 |
| Savings accounts | 49,606,051 | 40,751,442 |
| Fixed accounts | | |
| - not over 6 months | 22,613,265 | 12,917,074 |
| - over 6 months but not over 1 year | 1,034,917 | 20,938,222 |
| - over 1 year | 313,129 | 201,249 |
| Certificates of deposit/negotiable certificates of deposit | 129,572,991 | 188,022,865 |
| Total | <u>206,391,307</u> | <u>265,547,495</u> |

3.13.2 Classified by the remaining year of contract

(Unit: Thousand Baht)

| | As at 31 December | |
|-----------------------|--------------------|--------------------|
| | 2014 | 2013 |
| Not over 1 year* | 205,885,759 | 265,059,553 |
| Over 1 year | 505,548 | 487,942 |
| Total deposits | 206,391,307 | 265,547,495 |

**Including fully-mature deposit contracts*

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

3.14 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

| | As at 31 December | | | | | |
|--|-------------------|------------------|-------------------|------------------|------------------|-------------------|
| | 2014 | | | 2013 | | |
| | At call | Term | Total | At call | Term | Total |
| <u>Domestic</u> | | | | | | |
| Bank of Thailand and Financial Institutions | | | | | | |
| Development Fund | - | 23,645 | 23,645 | - | 26,118 | 26,118 |
| Commercial banks | 52,836 | 500,000 | 552,836 | 98,795 | - | 98,795 |
| Specialised financial institutions | - | 500,000 | 500,000 | - | 532,520 | 532,520 |
| Other financial institutions | 1,376,577 | 7,899,326 | 9,275,903 | 3,012,474 | 8,613,487 | 11,625,961 |
| Total | 1,429,413 | 8,922,971 | 10,352,384 | 3,111,269 | 9,172,125 | 12,283,394 |

3.15 Debt issued and borrowings

(Unit: Thousand Baht)

| | As at 31 December | |
|-------------------------------------|-------------------|-------------------|
| | 2014 | 2013 |
| <u>Domestic borrowings</u> | | |
| Subordinated unsecured debentures | 6,643,000 | 8,243,000 |
| Unsubordinated unsecured debentures | 51,056,900 | 28,566,000 |
| Bills of exchange | 36,122 | 145,822 |
| Promissory notes | 797 | 797 |
| Total | 57,736,819 | 36,955,619 |

3.15.1 Subordinated unsecured debentures

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

| Year | Units as at 31 December | | Face value per unit (Baht) | Balance as at 31 December | | Maturity in the year | Interest rate |
|-------|-------------------------|-----------------|----------------------------------|------------------------------|----------------|-------------------------|---|
| | 2014 | 2013 | | 2014 | 2013 | | |
| | (Million units) | (Million units) | | (Million Baht) | (Million Baht) | | |
| 2009 | - | 2.00 | 1,000 | - | 2,000 | 2019 | 5.50 percent per annum in the first to third year, 6.00 percent per annum in the fourth to seventh year and 6.50 percent per annum in the eighth to tenth year. |
| 2009 | - | 2.00 | 1,000 | - | 2,000 | 2019 | 5.00 percent per annum in the first to third year, 5.50 percent per annum in the fourth to seventh year and 6.00 percent per annum in the eighth to tenth year. |
| 2010 | 1.00 | 1.00 | 1,000 | 1,000 | 1,000 | 2020 | 5.00 percent per annum. |
| 2010 | 1.00 | 1.00 | 1,000 | 1,000 | 1,000 | 2020 | 4.80 percent per annum. |
| 2012 | 1.00 | 1.00 | 1,000 | 1,000 | 1,000 | 2022 | 4.85 percent per annum. |
| 2012 | 1.24 | 1.24 | 1,000 | 1,243 | 1,243 | 2022 | 4.60 percent per annum. |
| 2014 | 1.60 | - | 1,000 | 1,600 | - | 2024 | 6.00 percent per annum. |
| 2014 | 0.80 | - | 1,000 | 800 | - | 2024 | 6.00 percent per annum. |
| Total | | | | <u>6,643</u> | <u>8,243</u> | | |

3.15.2 Unsubordinated unsecured debentures

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

| Year | Units as at 31 December | | Face value per unit (Baht) | Balance as at 31 December | | Maturity in the year | Interest rate |
|-------|-------------------------|-----------------|----------------------------------|------------------------------|----------------|-------------------------|-------------------------------|
| | 2014 | 2013 | | 2014 | 2013 | | |
| | (Million units) | (Million units) | | (Million Baht) | (Million Baht) | | |
| 2013 | - | 16.166 | 1,000 | - | 16,166 | 2014 | 2.80 - 3.15 percent per annum |
| 2013 | - | 3.00 | 1,000 | - | 3,000 | 2014 | 3.15 percent per annum |
| 2013 | - | 3.50 | 1,000 | - | 3,500 | 2014 | 3.15 percent per annum |
| 2013 | - | 3.00 | 1,000 | - | 3,000 | 2014 | 3.10 percent per annum |
| 2013 | - | 2.60 | 1,000 | - | 2,600 | 2014 | 3.05 percent per annum |
| 2013 | - | 0.30 | 1,000 | - | 300 | 2014 | 3.10 percent per annum |
| 2014 | 51.057 | - | 1,000 | 51,057 | - | 2015 | 2.55 - 2.87 percent per annum |
| Total | | | | <u>51,057</u> | <u>28,566</u> | | |

3.15.3 Bills of exchange

Bills of exchange comprise the fixed interest rate bearing and the floating interest rate bearing ones, which will gradually mature in 2014 to 2015. The interest rates of the fixed interest rate bearing bills of exchange are between 2.50 and 3.20 percent per annum.

3.16 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 31 December 2014 and 2013 was as follows:

| | (Unit: Thousand Baht) | |
|---|-----------------------|----------------|
| | As at 31 December | |
| | 2014 | 2013 |
| Defined post employment benefit obligation at beginning of year | 100,885 | 98,534 |
| Current service cost | 11,368 | 8,467 |
| Interest cost | 4,955 | 3,465 |
| Benefits paid during the year | (2,139) | (3,055) |
| Actuarial (gains) losses | 15,672 | (6,526) |
| Defined post employment benefit obligation at end of year | 130,741 | 100,885 |
| Other long-term benefits | 46,045 | 43,668 |
| Total provisions for long-term employee benefits at end of year | <u>176,786</u> | <u>144,553</u> |

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2014 and 2013 were as follows:

| | (Unit: Thousand Baht) | |
|----------------------------------|-----------------------|---------------|
| | For the years ended | |
| | 31 December | |
| | 2014 | 2013 |
| Current service cost | 19,403 | 13,821 |
| Interest cost | 6,332 | 4,390 |
| Actuarial losses | 2,955 | 14,622 |
| Total employee benefits expenses | <u>28,690</u> | <u>32,833</u> |

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Bank as at 31 December 2014 and 2013 amounted to Baht 33 million and Baht 20 million, respectively.

Principal actuarial assumptions at the valuation date were as follows:

| | (Unit: Percent per annum) | |
|------------------------------|---------------------------|-------------|
| | 2014 | 2013 |
| Discount rate | 2.13 - 4.27 | 2.36 - 4.64 |
| Average salary increase rate | 4.21 | 3.80 |
| Average inflation rate | 2.21 | 2.92 |

Amounts of defined benefit obligation and experience adjustments arising on the plan liabilities for the current year and previous four years are as follows:

| | Defined benefit obligation | Experience adjustments arising on the plan liabilities |
|------------------|-------------------------------|--|
| 31 December 2014 | 176,786 | 11,531 |
| 31 December 2013 | 144,553 | 8,974 |
| 31 December 2012 | 131,686 | 18,574 |
| 31 December 2011 | 83,767 | 4,925 |
| 31 December 2010 | 62,567 | - |

3.17 Other liabilities

| | As at 31 December | |
|---|-------------------|------------------|
| | 2014 | 2013 |
| Withholding income tax and other tax payables | 346,168 | 204,714 |
| Accrued insurance premium | 664,267 | 809,500 |
| Deferred income | 1,153,412 | 967,917 |
| Accrued expenses | 1,465,741 | 1,406,311 |
| Suspense creditors | 345,707 | 583,942 |
| Other liabilities | 192,803 | 193,050 |
| Total other liabilities | <u>4,168,098</u> | <u>4,165,434</u> |

The above accrued expenses include accrued bonus expenses which are remunerations paid to the management and employees based on annual performance. These accrued bonus expenses include costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily share price of the parent company's shares over the year of five years from grant date to settlement date. As of 31 December 2014 and 2013, the Bank has issued bonus under this scheme amounting to Baht 176 million and Baht 122 million, respectively.

3.18 Preference shares converted to ordinary shares

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

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

3.19 Capital funds

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

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

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

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

(Unit: Thousand Baht)

| | As at 31 December | |
|--|-------------------|-------------------|
| | 2014 | 2013 |
| <u>Common Equity Tier I capital</u> | | |
| Issued and fully paid up share capital | 9,215,676 | 8,191,712 |
| Premium on share capital | 2,543,024 | 1,120,738 |
| Statutory reserve | 984,000 | 984,000 |
| Net profits after appropriation | 9,764,407 | 7,943,322 |
| Other components of shareholders' equity | 220,913 | - |
| Less : Deductions from Common Equity Tier I items | (125,120) | (620,223) |
| Total Common Equity Tier I capital | 22,602,900 | 17,619,549 |
| <u>Financial Instrument Tier I capital</u> | | |
| Issued and paid up share capital - non cumulative preferred shares | 1 | 1 |
| Total Tier I capital | 22,602,901 | 17,619,550 |
| <u>Tier II Capital</u> | | |
| Long-term subordinated debentures | 6,643,000 | 7,518,700 |
| Surplus of provision | 340,851 | - |
| Reserve for loans classified as pass | 653,690 | 608,075 |
| Total Tier II capital | 7,637,541 | 8,126,775 |
| Total capital funds | 30,240,442 | 25,746,325 |

(Unit: Percent)

| Capital fund ratios | As at 31 December | | | |
|---|-------------------|-------------|----------|-------------|
| | 2014 | | 2013 | |
| | The Bank | Requirement | The Bank | Requirement |
| Common Equity Tier I capital to risk assets | 12.55 | 4.50 | 9.15 | 4.50 |
| Tier I capital to risk assets | 12.55 | 6.00 | 9.15 | 6.00 |
| Total capital to risk assets | 16.80 | 8.50 | 13.37 | 8.50 |

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

3.20 Surplus on change in value of investments

(Unit: Thousand Baht)

| | As at 31 December | |
|---|-------------------|---------|
| | 2014 | 2013 |
| Balance - beginning of year | 7,166 | 4,229 |
| Increase from changes in value of investments during the year | 33,585 | 2,937 |
| | 40,751 | 7,166 |
| Less: The effect of deferred tax assets / liabilities | (8,150) | (1,433) |
| Balance - end of year | 32,601 | 5,733 |

3.21 Surplus on revaluation of assets

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

(Unit: Thousand Baht)

| | As at 31 December | |
|---|-------------------|----------|
| | 2014 | 2013 |
| Balance - beginning of year | 298,463 | - |
| Revaluation | - | 298,463 |
| Adjustments | (27,000) | - |
| Transfer to retained earnings | (2,777) | - |
| | 268,686 | 298,463 |
| Less: The effect of deferred tax assets/liabilities | (54,293) | (59,693) |
| Balance - end of year | 214,393 | 238,770 |

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

3.22 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Thousand Baht)

| | For the years ended 31 December | |
|-----------------------------------|---------------------------------|-------------------|
| | 2014 | 2013 |
| Interbank and money market items | 587,357 | 910,446 |
| Investments in debt securities | 404,751 | 215,356 |
| Loans to customers | 6,062,734 | 5,797,993 |
| Hire purchase and financial lease | 10,888,713 | 10,995,496 |
| Total interest income | <u>17,943,555</u> | <u>17,919,291</u> |

3.23 Interest expenses

Interest expenses in the statements of comprehensive income for the years ended 31 December 2014 and 2013 consisted of the following:

(Unit: Thousand Baht)

| | For the years ended 31 December | |
|---|---------------------------------|------------------|
| | 2014 | 2013 |
| Deposits | 6,112,189 | 7,362,433 |
| Interbank and money market items | 254,050 | 299,789 |
| Contribution fee to the Deposit Protection Agency and Bank of Thailand | 1,284,148 | 1,254,479 |
| Issued debt instruments | | |
| - Subordinated debentures | 422,938 | 433,678 |
| - Unsubordinated debentures | 1,007,531 | 354,475 |
| Borrowings | <u>2,901</u> | <u>180,078</u> |
| Total interest expenses | <u>9,083,757</u> | <u>9,884,932</u> |

3.24 Net fee and service income

Net fee and service income in the statements of comprehensive income for the year ended 31 December 2014 and 2013 consisted of the following:

| | (Unit: Thousand Baht) | |
|-----------------------------------|---------------------------------|-----------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Fee and service income | | |
| - Acceptance, aval and guarantees | 10,822 | 10,498 |
| - Insurance service | 2,313,135 | 2,605,753 |
| - Financial advisory | 2,250 | 3,000 |
| - Others | 741,598 | 675,162 |
| Total fee and service income | 3,067,805 | 3,294,413 |
| Fee and service expenses | (64,447) | (77,481) |
| Net fee and service income | 3,003,358 | 3,216,932 |

3.25 Net gains on trading and foreign exchange transactions

Net gains on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2014 and 2013 consisted of the following:

| | (Unit: Thousand Baht) | |
|---|---------------------------------|---------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Gains (losses) on trading and foreign exchange transactions | | |
| - Foreign currencies and derivatives on foreign exchange | 50,114 | (7,492) |
| - Derivatives on interest rates | (38,386) | 11,039 |
| - Debt securities | 11,862 | 13,416 |
| Net gains on trading and foreign exchange transactions | 23,590 | 16,963 |

3.26 Net gains on investments

Net gains on investments in the statements of comprehensive income for the years ended 31 December 2014 and 2013 consisted of the following:

| | (Unit: Thousand Baht) | |
|--|---------------------------------|---------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Gains on disposal | | |
| - Available-for-sale investments | 117,392 | 512 |
| - Held-to-maturity securities | 29 | 155 |
| - General investments | 22,387 | 39,570 |
| Total | 139,808 | 40,237 |
| Reversal of losses on impairment | | |
| - General investments | 868 | 1,912 |
| - Investments in subsidiaries | - | 480 |
| Total | 868 | 2,392 |
| Gain (loss) from return of capital from a subsidiary company | 829 | (4,037) |
| Net gains on investments | 141,505 | 38,592 |

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 2014 and 2013 consisted of the following:

| | (Unit: Thousand Baht) | |
|---|---------------------------------|-----------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Interbank and money market items (reversal) | (5,000) | 3,000 |
| Investment in receivables (reversal) | (328) | (3,075) |
| Loans to customers | 3,983,477 | 3,641,701 |
| Total | 3,978,149 | 3,641,626 |

3.28 Other operating income

Other operating income in the statements of comprehensive income for the years ended 31 December 2014 and 2013 consisted of the following:

| | (Unit: Thousand Baht) | |
|--|---------------------------------|---------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Gains on disposal of property foreclosed | 21,774 | 4,789 |
| Dividend income | 75,295 | 74,956 |
| Others | 23,136 | 28,833 |
| Total | 120,205 | 108,578 |

3.29 Other operating expenses

Other operating expenses in the statements of comprehensive income for the years ended 31 December 2014 and 2013 consisted of the following:

| | (Unit: Thousand Baht) | |
|---|---------------------------------|---------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Mailing expenses | 47,479 | 44,293 |
| Software amortisation expenses | 19,056 | 29,908 |
| Legal expenses | 266,411 | 175,484 |
| Transportation expenses | 83,396 | 78,740 |
| Advertising and business promotion expenses | 91,355 | 70,475 |
| Others | 140,070 | 124,290 |
| Total | 647,767 | 523,190 |

3.30 Income tax expenses

Income tax expenses of the Bank for the years ended 31 December 2014 and 2013 are as follows:

| | (Unit: Thousand Baht) | |
|---|---------------------------------|----------------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Current income tax: | | |
| Income tax expenses for the year | 912,090 | 703,516 |
| Adjustment in respect of current income tax of previous year | - | 933 |
| Deferred tax: | | |
| Deferred tax on temporary differences and reversion of temporary differences | (144,044) | 12,445 |
| Income tax expenses reported in the statements of comprehensive income | 768,046 | 716,894 |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

| | (Unit: Thousand Baht) | |
|---|---------------------------------|----------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Decrease (Increase) in revaluation surplus in investments | (6,717) | (587) |
| Surplus on revaluation of assets | 5,400 | (59,693) |
| Actuarial gains (losses) | 3,134 | (1,305) |
| Income tax expenses recorded directly to other comprehensive income | 1,817 | (61,585) |

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2014 and 2013 is as follows:

| | (Unit: Thousand Baht) | |
|--|---------------------------------|-----------|
| | For the years ended 31 December | |
| | 2014 | 2013 |
| Accounting profit before tax | 3,866,351 | 3,594,095 |
| Applicable tax rate | 20% | 20% |
| Accounting profit before tax multiplied by applicable tax rate | 773,270 | 718,819 |
| Adjustment in respect of current income tax of previous year | - | 933 |
| Tax effect of net tax-exempt income and net disallowed expenses | (5,224) | (2,858) |
| Income tax expenses reported in the statements of comprehensive income | 768,046 | 716,894 |

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

(Unit: Thousand Baht)

| | As at 31 December | | Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December | |
|---|---------------------------------|------------------|--|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | Allowance for doubtful accounts | 38,150 | 21,796 | 16,354 |
| Allowance for impairment of investments | 26,688 | 26,928 | (240) | (1,385) |
| Allowance for impairment of property foreclosed | 3,621 | 3,634 | (13) | (3) |
| Non-accrual of interest income | 41,348 | 25,773 | 15,575 | 8,237 |
| Depreciation of assets | 3,151 | 6,812 | (3,661) | (2,497) |
| Financial leases | 12,631 | 25,479 | (12,848) | 10,445 |
| Gain on changes in value of investment properties | (1,489) | (1,489) | - | (1,489) |
| Surplus on revaluation of assets | (54,293) | (59,693) | - | - |
| Gains on valuation in available-for-sale investments | (8,150) | (1,433) | - | - |
| Unrealised (gain) loss on derivatives | 6,888 | (5,858) | 12,746 | (248) |
| Deferred commissions and direct expenses incurred at the initiation of hire purchase | (451,161) | (522,672) | 71,511 | (118,796) |
| Unearned interest income on hire purchase | 146,753 | 134,183 | 12,570 | 73,512 |
| Accrued expenses | 131,610 | 114,657 | 16,953 | (23,930) |
| Employee benefit expenses | 35,357 | 28,910 | 3,312 | 3,877 |
| Others | 95,038 | 83,253 | 11,785 | 18,724 |
| Deferred tax assets (liabilities) | 26,142 | (119,720) | 144,044 | (12,445) |

3.31 Components of other comprehensive income

(Unit: Thousand Baht)

| | For the years ended 31 December | |
|---|---------------------------------|----------|
| | 2014 | 2013 |
| Other comprehensive income | | |
| Available-for-sale investments: | | |
| Gains (losses) during the year | 150,977 | 3,449 |
| Less: Reclassification adjustments for gains included in profit or loss | (117,392) | (512) |
| | 33,585 | 2,937 |
| Gains (losses) on revaluation of assets | (27,000) | 298,463 |
| Actuarial gains (losses) | (15,672) | 6,526 |
| Other comprehensive income | (9,087) | 307,926 |
| Income tax effects relating to components of other comprehensive income | 1,817 | (61,585) |
| Net other comprehensive income for the year | (7,270) | 246,341 |

3.32 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

| | For the years ended 31 December | | | | | |
|---|---------------------------------|-----------------------|-------------------|-------------------|-----------------------|-------------------|
| | 2014 | | | 2013 | | |
| | Before tax amount | Tax (expense) benefit | Net of tax amount | Before tax amount | Tax (expense) benefit | Net of tax amount |
| Gains (losses) on valuation in available-for-sale investments | 33,585 | (6,717) | 26,868 | 2,937 | (587) | 2,350 |
| Gains (losses) on revaluation of assets | (27,000) | 5,400 | (21,600) | 298,463 | (59,693) | 238,770 |
| Actuarial gains (losses) | (15,672) | 3,134 | (12,538) | 6,526 | (1,305) | 5,221 |
| | (9,087) | 1,817 | (7,270) | 307,926 | (61,585) | 246,341 |

3.33 Earnings per share

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

| | For the years ended 31 December | |
|---|---------------------------------|-----------|
| | 2014 | 2013 |
| Profit attributable to equity holders of the Bank (Thousand Baht) | 3,098,305 | 2,877,201 |
| Weighted average number of shares (Thousand shares) | 878,084 | 782,514 |
| Basic earnings per share (Baht/share) | 3.53 | 3.68 |

3.34 Related party transactions

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-----------|-------------|-------------|
| | As at | | | As at |
| | 1 January | Increase | Decrease | 31 December |
| | 2014 | | | 2014 |
| <u>Outstanding balance</u> | | | | |
| Parent company | | | | |
| TISCO Financial Group Plc. | | | | |
| Deposits | 509,783 | 1,491,029 | (1,471,747) | 529,065 |
| Accrued interest payable | 289 | 169 | (342) | 116 |
| Dividend payable | 655,247 | 1,105,742 | (655,247) | 1,105,742 |
| Other liabilities | 73,685 | 46,130 | (29,857) | 89,958 |
| Related companies (related by common shareholder) | | | | |
| Interbank and money market items (Assets): | | | | |
| TISCO Securities Co., Ltd. | 495,000 | 297,000 | (495,000) | 297,000 |
| Other Assets: | | | | |
| TISCO Securities Co., Ltd. | 594 | 1,711 | (261) | 2,044 |
| TISCO Leasing Co., Ltd. | 9,729 | 10,546 | (13,724) | 6,551 |
| TISCO Information Technology Co., Ltd. | 30,000 | - | (30,000) | - |
| TISCO Tokyo Leasing Co., Ltd. | 400 | 2,800 | (3,200) | - |

(Unit: Thousand Baht)

| | As at 1 January 2014 | Increase | Decrease | As at 31 December 2014 |
|--|----------------------------|----------|-------------|------------------------------|
| Outstanding balance (Continued) | | | | |
| Related companies (related by common shareholder) | | | | |
| Deposits: | | | | |
| Hi-Way Co., Ltd. | 19,958 | 15,295 | (5,953) | 29,300 |
| TISCO Information Technology Co., Ltd. | 129,305 | 25,664 | (32,270) | 122,699 |
| Primus Leasing Co., Ltd. | 32,841 | - | - | 32,841 |
| TISCO Learning Center Co., Ltd. | 38,156 | 6,528 | (582) | 44,102 |
| Deutsche TISCO Investment Advisory Co., Ltd. | 170,651 | 55,186 | (20,779) | 205,058 |
| TISCO Leasing Co., Ltd. | 4,045 | 1,550 | (3,425) | 2,170 |
| All-Ways Co., Ltd. | 580 | 178 | (159) | 599 |
| TISCO Tokyo Leasing Co., Ltd. | 1,424 | 148 | (1,078) | 494 |
| Interbank and money market items (Liabilities): | | | | |
| TISCO Securities Co., Ltd. | 844,147 | 496,999 | (1,191,833) | 149,313 |
| TISCO Asset Management Co., Ltd. | 66,521 | 51,568 | (1,430) | 116,659 |
| Accrued interest payable: | | | | |
| TISCO Securities Co., Ltd. | 645 | 596 | (1,230) | 11 |
| TISCO Asset Management Co., Ltd. | 56 | 669 | (63) | 662 |
| TISCO Information Technology Co., Ltd. | 146 | 376 | (423) | 99 |
| TISCO Leasing Co., Ltd. | - | 25 | (25) | - |
| Hi-Way Co., Ltd. | - | 162 | (162) | - |
| TISCO Learning Center Co., Ltd. | 172 | 30 | (149) | 53 |
| Other liabilities: | | | | |
| Hi-Way Co., Ltd. | 36,840 | 7,120 | (11,920) | 32,040 |
| TISCO Learning Center Co., Ltd. | 1,960 | 3,368 | (2,565) | 2,763 |
| All-Ways Co., Ltd. | 748 | 183 | (281) | 650 |

| | For the years ended | | (Unit Thousand Baht) |
|--|---------------------|-----------|--|
| | 31 December | | |
| | 2014 | 2013 | |
| <u>Transactions occurred during the years</u> | | | |
| Parent company | | | |
| Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses | 975,434 | 1,042,666 | Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand |
| Interest expenses | 21,560 | 22,930 | With reference to the terms and prices as offered to other customers |
| Other expenses | 9,263 | 9,263 | With reference to the terms and prices as offered to other customers |
| Other income | 750 | - | With reference to the terms and prices as offered to other customers |
| Related companies | | | |
| Interest income | 9,526 | 19,416 | With reference to the terms and prices as offered to other customers |
| Income involving to loan | 5,175 | 10,320 | With reference to the terms and prices as offered to other customers |
| Other income | 10,434 | 4,461 | With reference to the terms and prices as offered to other customers |
| Computer system advisory service expenses | 260,000 | 250,000 | Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand |
| Training expenses | 49,852 | 44,071 | With reference to the prices as offered from other service providers |
| Expenses involving loan | 122,880 | 60,261 | Determined on the basis on actual cost |
| Interest expenses | 13,338 | 22,930 | With reference to the terms and prices as offered to other customers |
| Other expenses | 7,436 | 10,373 | With reference to the terms and prices as offered to other customers |

Loans to management-level employees (departmental manager upward)

| | (Unit: Thousand Baht) | |
|----------------------|-----------------------|-------|
| | As at 31 December | |
| | 2014 | 2013 |
| Loans ⁽¹⁾ | 6,306 | 7,568 |

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

| | As at 31 December | |
|----------|-------------------|--------|
| | 2014 | 2013 |
| Deposits | 90,118 | 84,899 |

Directors and management's benefits

During the year ended 31 December 2014 and 2013, the Bank had short-term benefit expenses paid to their directors and key management during the years and other employee benefit expenses payable to their directors and management as below:

(Unit: Million Baht)

| | For the years ended 31 December | |
|--------------------------|---------------------------------|------|
| | 2014 | 2013 |
| Short-term benefits | 148 | 147 |
| Post-employment benefits | 3 | 2 |
| Other long-term benefits | 19 | 16 |
| Total | 170 | 165 |

3.35 Segment information

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

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

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

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

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

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

The following tables present revenue, profit and total assets information regarding the Bank's operating segments for the year ended 31 December 2014 and 2013, respectively.

(Unit: Million Baht)

| | Retail banking | Corporate banking | Treasury investment and others | Total segments | Adjustments and eliminations | Financial statement |
|--|-------------------|----------------------|--------------------------------------|-------------------|------------------------------------|------------------------|
| For the year ended 31 December 2014 | | | | | | |
| Revenue | | | | | | |
| External customers | 9,842 | 2,168 | 727 | 12,737 | - | 12,737 |
| Inter-segment | - | - | 1,585 | 1,585 | (1,585) | - |
| Total revenue | 9,842 | 2,168 | 2,312 | 14,322 | (1,585) | 12,737 |
| Operating results: | | | | | | |
| Net interest income | 6,291 | 2,005 | 564 | 8,860 | - | 8,860 |
| Net fee and service income | 2,915 | 90 | (2) | 3,003 | - | 3,003 |
| Other operating income | 636 | 73 | 1,750 | 2,459 | (1,585) | 874 |
| Total operating income | 9,842 | 2,168 | 2,312 | 14,322 | (1,585) | 12,737 |
| Depreciation and amortisation | (256) | (36) | (514) | (806) | - | (806) |
| Other operating expenses | (3,865) | (704) | (1,103) | (5,672) | 1,585 | (4,087) |
| Bad debt, doubtful accounts and impairment losses | (3,569) | (105) | (304) | (3,978) | - | (3,978) |
| Total operating expenses | (7,690) | (845) | (1,921) | (10,456) | 1,585 | (8,871) |
| Segment profit | 2,152 | 1,323 | 391 | 3,866 | - | 3,866 |
| Income tax expenses | | | | | | (768) |
| Profit for the year | | | | | | 3,098 |

(Unit: Million Baht)

| | Retail Banking | Corporate Banking | Treasury investment and others | Total segments |
|-------------------------------|-------------------|----------------------|--------------------------------------|-------------------|
| As at 31 December 2014 | | | | |
| Segment total assets | 190,773 | 67,293 | 47,820 | 305,886 |
| Premises and equipment - net | 23 | 2 | 726 | 751 |

(Unit: Million Baht)

| | Retail Banking | Corporate Banking | Treasury investment and others | Total segments | Adjustments and elimination | Financial statement |
|--|-------------------|----------------------|--------------------------------------|-------------------|-----------------------------------|------------------------|
| For the year ended 31 December 2013 | | | | | | |
| Revenue | | | | | | |
| External customers | 9,683 | 2,017 | 716 | 12,416 | - | 12,416 |
| Inter-segment | - | - | 1,433 | 1,433 | (1,433) | - |
| Total revenue | <u>9,683</u> | <u>2,017</u> | <u>2,149</u> | <u>13,849</u> | <u>(1,433)</u> | <u>12,416</u> |
| Operating results: | | | | | | |
| Net interest income | 5,539 | 1,875 | 620 | 8,034 | - | 8,034 |
| Net fee and service income | 3,080 | 145 | (8) | 3,217 | - | 3,217 |
| Other operating income | 1,064 | (3) | 1,537 | 2,598 | (1,433) | 1,165 |
| Total operating income | <u>9,683</u> | <u>2,017</u> | <u>2,149</u> | <u>13,849</u> | <u>(1,433)</u> | <u>12,416</u> |
| Depreciation and amortisation | (260) | (33) | (501) | (794) | - | (794) |
| Other operating expenses | (4,205) | (652) | (962) | (5,819) | 1,433 | (4,386) |
| Bad debt, doubtful accounts and impairment losses | (3,246) | (861) | 465 | (3,642) | - | (3,642) |
| Total operating expenses | <u>(7,711)</u> | <u>(1,546)</u> | <u>(998)</u> | <u>(10,255)</u> | <u>1,433</u> | <u>(8,822)</u> |
| Segment profit | 1,972 | 471 | 1,151 | 3,594 | - | 3,594 |
| Income tax expenses | | | | | | (717) |
| Profit for the year | | | | | | <u>2,877</u> |

(Unit: Million Baht)

| | Retail Banking | Corporate Banking | Treasury investment and others | Total segments |
|-------------------------------|-------------------|----------------------|--------------------------------------|-------------------|
| As at 31 December 2013 | | | | |
| Segment total assets | 207,720 | 73,130 | 61,180 | 342,030 |
| Premises and equipment - net | 20 | 3 | 719 | 742 |

3.36 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the years 2014 and 2013, the Bank paid provident fund contributions totaling Baht 75 million and Baht 63 million, respectively.

3.37 Commitments and contingent liabilities

3.37.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

| | As at 31 December | |
|--|-------------------|------------------|
| | 2014 | 2013 |
| Avals | 7,151 | 42,552 |
| Other guarantees | 628,138 | 753,815 |
| Undrawn client overdraft facilities | 34,070 | 54,041 |
| Interest rate swap agreements (Note 3.38.5) | 1,200,000 | 2,274,303 |
| Cross currency swap agreements (Note 3.38.5) | 3,296,300 | 3,315,434 |
| Total | <u>5,165,659</u> | <u>6,440,145</u> |

3.37.2 Litigation

As at 31 December 2014 and 2013, the Bank has been sued for compensation totaling approximately Baht 359 million and Baht 354 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

3.37.3 Other commitments

- a) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has entered into several lease agreements in respect of the lease of office building and branch office. The terms of the agreements are generally 3-9 years.

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

| | (Unit: Million Baht) | |
|-------------------|----------------------|------|
| | As at 31 December | |
| | 2014 | 2013 |
| Payable within | | |
| Not over 1 year | 112 | 103 |
| Over 1 to 5 years | 136 | 61 |
| Over 5 years | 3 | 5 |

3.38 Financial instruments

3.38.1 Credit risk

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

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

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

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

The risk of hire purchase credit that is not overdue of the Bank can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2.0% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

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

(Unit: Million Baht)

| | As at 31 December | |
|---|-------------------|----------------|
| | 2014 | 2013 |
| Neither past due nor impaired | | |
| Very high grade | 112,689 | 110,130 |
| High grade | 41,865 | 60,983 |
| Medium grade | 5,204 | 9,623 |
| Subtotal | 159,758 | 180,736 |
| Hire purchase receivables - overdue for 31 to 90 days | 16,071 | 15,660 |
| Hire purchase receivables - overdue for more than 90 days | 5,124 | 3,768 |
| Total | 180,953 | 200,164 |

3.38.2 Market risk

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

In order to effectively manage market risk, a suitable risk treatment framework is to be implemented. The Bank uses a combination of risk sensitivities, Value-at-Risk and stress testing to manage market risks and establish limits. The Value-at-Risk (VaR) concept has employed methodologies and internal techniques appropriate to the nature of risks involved. On-going Back-testing is also performed to validate the internal Value-at-Risk model, and stress testing is performed under various extreme scenarios as a supplement to VaR. The risk assessment and corresponding risk treatment takes into account the transaction intent as well as the market liquidity of the securities.

3.38.2.1 Market risk - Marketable portfolio

The following table shows the VaR calculation for marketable portfolio position as at the financial statements date. The VaR that the Bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current marketable portfolio position were to be held unchanged for one year.

(Unit: Million Baht)

| | Market risk as at 31 December | |
|-----------------------------|-------------------------------|------|
| | 2014 | 2013 |
| Marketable financial assets | | |
| Debt securities | 15 | 38 |
| Derivatives | 22 | - |

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

(Unit: Million Baht)

| | Increase (decrease) in sensitivity of net interest income as at 31 December | |
|-------------------------|---|----------|
| | 2014 | 2013 |
| Change in interest rate | | |
| Increase by 1 percent | (426.59) | (657.56) |
| Decrease by 1 percent | 426.59 | 657.56 |

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

3.38.2.3 Interest rate risk

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

(Unit: Million Baht)

| <u>Transactions</u> | As at 31 December 2014 | | | |
|-------------------------------------|---|------------------------|--------------------------|----------------|
| | Outstanding balances of financial instruments | | | |
| | Floating interest rate | Fixed interest rate | Non- interest bearing | Total |
| <u>Financial assets</u> | | | | |
| Cash | - | - | 1,180 | 1,180 |
| Interbank and money market items | 50 | 34,712 | 2,091 | 36,853 |
| Investments - net | - | 7,893 | 5,416 | 13,309 |
| Loans to customers ⁽¹⁾ | 12,446 | 241,185 | 4,938 | 258,569 |
| | <u>12,496</u> | <u>283,790</u> | <u>13,625</u> | <u>309,911</u> |
| <u>Financial liabilities</u> | | | | |
| Deposits | 52,594 | 153,533 | 264 | 206,391 |
| Interbank and money market items | 465 | 9,846 | 41 | 10,352 |
| Liabilities payable on demand | - | - | 400 | 400 |
| Derivatives liabilities | - | - | 41 | 41 |
| Debts issued and borrowings | - | 57,737 | - | 57,737 |
| | <u>53,059</u> | <u>221,116</u> | <u>746</u> | <u>274,921</u> |

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

(Unit: Million Baht)

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

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

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

(Unit: Million Baht)

| As at 31 December 2014 | | | | | | | |
|----------------------------------|----------------------------|----------------|---------------|----------------|--------------|----------------|--------------------|
| <u>Transactions</u> | Repricing or maturity date | | | | | Total | Interest rates (%) |
| | At call | 0 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | | |
| Financial assets | | | | | | | |
| Interbank and money market items | - | 34,414 | - | 298 | - | 34,712 | 2.0154 |
| Investments - net | - | 2,078 | 4,031 | 1,784 | - | 7,893 | 3.3603 |
| Loans to customers | 23,349 | 28,720 | 51,422 | 131,773 | 5,921 | 241,185 | 6.8505 |
| | <u>23,349</u> | <u>65,212</u> | <u>55,453</u> | <u>133,855</u> | <u>5,921</u> | <u>283,790</u> | |
| Financial liabilities | | | | | | | |
| Deposits | 3,920 | 115,425 | 33,683 | 505 | - | 153,533 | 2.6197 |
| Interbank and money market items | 833 | 6,111 | 2,878 | 24 | - | 9,846 | 2.5430 |
| Debts issued and borrowings | 37 | 32,834 | 18,223 | - | 6,643 | 57,737 | 2.8393 |
| | <u>4,790</u> | <u>154,370</u> | <u>54,784</u> | <u>529</u> | <u>6,643</u> | <u>221,116</u> | |

(Unit: Million Baht)

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

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

3.38.3 Liquidity risk

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

Liquidity risk management framework

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

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

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

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

3.38.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

| As at 31 December 2014 | | | | |
|--------------------------------|-----------------------|---------------|---------------------|---------|
| Remaining contractual maturity | | | | |
| | Less than 3 months | 3 - 12 months | More than 1 year | Total |
| Liabilities | 219,889 | 54,785 | 7,208 | 281,882 |

(Unit: Million Baht)

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

The matured liabilities, are generally rolled-over with 90 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 less than three months comprised current deposit and saving deposit. Both current deposit and saving deposit are considered to be more stable than term deposit in terms of cash outflow.

3.38.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

| | As at 31 December | |
|---|-------------------|--------|
| | 2014 | 2013 |
| Composition of highly liquid assets | | |
| Cash | 1,180 | 1,130 |
| Interbank and money market - net | 36,853 | 52,778 |
| Current investments - net | 12,870 | 6,575 |
| Total liquid assets ⁽¹⁾ | 50,903 | 60,483 |
| Liquid asset requirement ⁽¹⁾ | 12,900 | 16,600 |

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

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As at 31 December 2014 and 2013, the Bank has highly liquid assets, which are daily calculated, at Baht 50,903 million and Baht 60,483 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 12,900 million and Baht 16,600 million, respectively. In addition, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

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

(Unit: Million Baht)

| Transactions | As at 31 December 2014 | | | | | | | Total |
|--|------------------------|----------------|---------------|----------------|--------------|-------------|-----------------------|----------------|
| | At call | 0 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | Unspecified | Non-performing Loans* | |
| Financial assets | | | | | | | | |
| Cash | 1,180 | - | - | - | - | - | - | 1,180 |
| Interbank and money market items | 2,141 | 34,414 | - | 298 | - | - | - | 36,853 |
| Investments - net | - | 6,234 | 4,853 | 1,784 | - | 438 | - | 13,309 |
| Loans to customers | 31,563 | 27,956 | 51,968 | 132,918 | 6,789 | - | 7,375 | 258,569 |
| | <u>34,884</u> | <u>68,604</u> | <u>56,821</u> | <u>135,000</u> | <u>6,789</u> | <u>438</u> | <u>7,375</u> | <u>309,911</u> |
| Financial liabilities | | | | | | | | |
| Deposits | 56,777 | 115,425 | 33,684 | 505 | - | - | - | 206,391 |
| Interbank and money market items | 1,339 | 6,111 | 2,878 | 24 | - | - | - | 10,352 |
| Liabilities payable on demand | 400 | - | - | - | - | - | - | 400 |
| Derivatives liabilities | - | 5 | - | 36 | - | - | - | 41 |
| Debts issued and borrowings | 37 | 32,834 | 18,223 | - | 6,643 | - | - | 57,737 |
| | <u>58,553</u> | <u>154,375</u> | <u>54,785</u> | <u>565</u> | <u>6,643</u> | <u>-</u> | <u>-</u> | <u>274,921</u> |
| Commitment and contingent liabilities | | | | | | | | |
| Aval and guarantees of loans | - | 4 | 3 | - | - | - | - | 7 |
| Other commitments | - | 3,303 | 28 | 1,213 | - | 615 | - | 5,159 |

* Non performing loans according to the BOT's guidelines

(Unit: Million Baht)

As at 31 December 2013

| Transactions | As at 31 December 2013 | | | | | | Non- | Total |
|--|------------------------|-----------------|------------------|----------------|-----------------|-------------|----------------------|----------------|
| | At call | 0 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | Unspecified | performing Loans* | |
| Financial assets | | | | | | | | |
| Cash | 1,130 | - | - | - | - | - | - | 1,130 |
| Interbank and money market items | 3,361 | 48,922 | 495 | - | - | - | - | 52,778 |
| Derivatives assets | - | - | - | 28 | - | - | - | 28 |
| Investments - net | 2 | 4,145 | 1,332 | 4,112 | - | 438 | - | 10,029 |
| Loans to customers | 30,096 | 27,564 | 56,114 | 153,775 | 8,327 | - | 5,444 | 281,320 |
| | <u>34,589</u> | <u>80,631</u> | <u>57,941</u> | <u>157,915</u> | <u>8,327</u> | <u>438</u> | <u>5,444</u> | <u>345,285</u> |
| Financial liabilities | | | | | | | | |
| Deposits | 50,055 | 161,925 | 53,079 | 488 | - | - | - | 265,547 |
| Interbank and money market items | 2,517 | 7,251 | 2,489 | 26 | - | - | - | 12,283 |
| Liabilities payable on demand | 345 | - | - | - | - | - | - | 345 |
| Derivatives liabilities | - | 311 | - | - | - | - | - | 311 |
| Debts issued and borrowings | 37 | 11,921 | 16,755 | - | 8,243 | - | - | 36,956 |
| | <u>52,954</u> | <u>181,408</u> | <u>72,323</u> | <u>514</u> | <u>8,243</u> | <u>-</u> | <u>-</u> | <u>315,442</u> |
| Commitment and contingent liabilities | | | | | | | | |
| Aval and guarantees of loans | 5 | 19 | 12 | 7 | - | - | - | 43 |
| Other commitments | 14 | 3,478 | 37 | 2,282 | 13 | 573 | - | 6,397 |

* Non performing loans according to the BOT's guidelines

3.38.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 31 December 2014 and 2013 are as follow:

Loans in foreign currency amounting to USD 100 million (31 December 2013: USD 100 million) (equivalent to Baht 3,296 million and Baht 3,281 million as at 31 December 2014 and 2013, respectively), of which the Bank entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.38.5 to the financial statements.

3.38.5 Derivatives

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

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

a) Interest rate swap agreement

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

(Unit: Million Baht)

| As at 31 December 2014 | | |
|------------------------|-----------------|------------------------|
| Maturity | Notional amount | Fair value gain (loss) |
| 2019 | 1,200 | (36) |

(Unit: Million Baht)

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

b) Cross currency swap agreement/Foreign exchange contract

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

(Unit: Million Baht)

| As at 31 December 2014 | | |
|------------------------|-----------------|------------------------|
| Maturity | Notional amount | Fair value gain (loss) |
| 2015 | 3,296 | (5) |

(Unit: Million Baht)

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

3.38.6 Fair value of financial instruments

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

(Unit: Million Baht)

| Transactions | As at 31 December | | | |
|---|-------------------|------------|------------|------------|
| | 2014 | | 2013 | |
| | Book Value | Fair Value | Book Value | Fair Value |
| <u>Financial assets</u> | | | | |
| Cash | 1,180 | 1,180 | 1,130 | 1,130 |
| Interbank and money market items - net | 36,853 | 36,853 | 52,778 | 52,778 |
| Investments - net | 13,309 | 13,309 | 10,029 | 10,029 |
| Loans to customers and accrued interest receivables - net | 252,189 | 256,772 | 275,545 | 280,401 |
| <u>Financial liabilities</u> | | | | |
| Deposits | 206,391 | 206,391 | 265,547 | 265,547 |
| Interbank and money market items - net | 10,352 | 10,352 | 12,283 | 12,283 |
| Liabilities payable on demand | 400 | 400 | 345 | 345 |
| Debt issued and borrowings | 57,737 | 58,264 | 36,956 | 37,082 |

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

4. Dividend payment

| | Approved by | Dividend per share | | Amounts of | Dividend |
|-------------------------------------|--|--------------------|------------------|----------------|----------------|
| | | Preference share | Ordinary share | dividend paid | payment period |
| | | (Baht per share) | (Baht per share) | (Million Baht) | |
| Interim dividend for 2013 | The Board of Directors' Meeting of TISCO Bank No. 7/2013 on 20 December 2013 | 0.80 | 0.80 | 655 | January 2014 |
| Total dividend payment in year 2013 | | | | 655 | |
| Interim dividend for 2014 | The Board of Directors' Meeting of TISCO Bank No. 7/2014 on 15 December 2014 | 1.20 | 1.20 | 1,106 | January 2015 |
| Total dividend payment in year 2014 | | | | 1,106 | |

5. Significant event during the year

Share Capital

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

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

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

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

6. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 10 February 2015.