

TISCO Bank Public Company Limited  
Report and interim financial statements  
30 June 2015

## **Independent Auditor's Report**

To the Shareholders of TISCO Bank Public Company Limited

### **Report on Audit of Financial Statements**

I have audited the accompanying financial statements of TISCO Bank Public Company Limited, which comprise the statement of financial position as at 30 June 2015, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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



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

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 30 June 2015, its financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

### **Report on Review of Interim Financial Information**

I have reviewed the accompanying statement of comprehensive income for the three-month period ended 30 June 2015 of TISCO Bank Public Company Limited. Management is responsible for the preparation and presentation of this interim statement of comprehensive income in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim statement of comprehensive income based on my review.

### **Scope of Review**

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### **Conclusion**

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim statement of comprehensive income for the three-month period ended 30 June 2015 is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 10 August 2015

**TISCO Bank Public Company Limited**

**Statement of financial position**

**As at 30 June 2015**

(Unit: Thousand Baht)

	Note	30 June 2015	31 December 2014
<b>Assets</b>			
Cash		1,020,633	1,179,613
Interbank and money market items - net	3.1	35,566,057	36,852,663
Investments - net	3.3, 3.6	7,619,010	13,308,949
Loans to customers and accrued interest receivables	3.4, 3.6		
Loans to customers		265,259,999	279,989,638
Accrued interest receivables		509,585	527,506
Total loans to customers and accrued interest receivables		265,769,584	280,517,144
Less: Deferred revenue		(20,414,677)	(21,947,954)
Less: Allowance for doubtful accounts	3.5	(7,023,917)	(6,380,337)
Loans to customers and accrued interest receivables - net		238,330,990	252,188,853
Properties foreclosed - net	3.6, 3.7	80,197	117,967
Investment properties	3.8	16,067	16,067
Premises and equipment - net	3.9	724,578	751,427
Intangible assets - net	3.10	219,132	223,601
Deferred tax assets	3.29	80,000	26,142
Other assets	3.11	1,162,048	1,220,460
<b>Total assets</b>		<b>284,818,712</b>	<b>305,885,742</b>

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

**TISCO Bank Public Company Limited**  
**Statement of financial position (continued)**  
**As at 30 June 2015**

(Unit: Thousand Baht)

	Note	30 June 2015	31 December 2014
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Deposits	3.12	185,309,414	206,391,307
Interbank and money market items - net	3.13	12,573,324	10,352,384
Liabilities payable on demand		479,866	399,916
Derivatives liabilities	3.2	46,254	40,729
Debts issued and borrowings	3.14	55,374,719	57,736,819
Provision for long-term employee benefits	3.15	202,213	176,786
Accrued interest payable		845,756	1,088,888
Income tax payable		368,971	421,170
Dividend payable		-	1,105,881
Other liabilities	3.16	4,121,965	4,168,098
<b>Total liabilities</b>		<b>259,322,482</b>	<b>281,881,978</b>

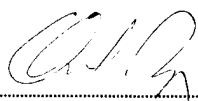
The accompanying notes are an integral part of the financial statements.

**TISCO Bank Public Company Limited**  
**Statement of financial position (continued)**  
**As at 30 June 2015**

(Unit: Thousand Baht)

Note	30 June 2015	31 December 2014
<b>Shareholders' equity</b>		
Share capital		
Registered		
104 preference shares of Baht 10 each	1	1
921,567,588 ordinary shares of Baht 10 each	9,215,676	9,215,676
	<u>9,215,677</u>	<u>9,215,677</u>
Issued and paid-up		
104 preference shares of Baht 10 each	1	1
921,567,588 ordinary shares of Baht 10 each	9,215,676	9,215,676
	<u>9,215,677</u>	<u>9,215,677</u>
Share premium on ordinary shares	2,543,024	2,543,024
Other components of shareholders' equity	249,390	246,994
Retained earnings		
Appropriated-statutory reserve	984,000	984,000
Unappropriated	12,504,139	11,014,069
<b>Total shareholders' equity</b>	<u>25,496,230</u>	<u>24,003,764</u>
<b>Total liabilities and shareholders' equity</b>	<u>284,818,712</u>	<u>305,885,742</u>

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



Mrs. Oranuch Apisaksirikul  
 (Chairperson of the Executive Board)



**TISCO**

ธนาคารทีเอสซี จำกัด (มหาชน)  
 TISCO Bank Public Company Limited

(Unaudited but reviewed)

**TISCO Bank Public Company Limited**  
**Statement of comprehensive income**  
**For the three-month period ended 30 June 2015**

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

	Note	2015	2014
Interest income	3.21	4,038,703	4,537,810
Interest expenses	3.22	(1,764,325)	(2,327,173)
<b>Net interest income</b>		<b>2,274,378</b>	<b>2,210,637</b>
Fee and service income		757,798	813,586
Fee and service expenses		(12,568)	(14,384)
<b>Net fee and service income</b>	3.23	<b>745,230</b>	<b>799,202</b>
Net gains on trading and foreign exchange transactions	3.24	3,389	12,143
Net gains on investments	3.25	12,817	15,528
Penalty fee income from loans		83,261	75,597
Income from business promotion relating to the hire purchase business		111,947	77,797
Other operating income	3.27	21,748	45,520
<b>Total operating income</b>		<b>3,252,770</b>	<b>3,236,424</b>
Expenses from business promotion relating to the hire purchase business		134,756	80,592
<b>Total net operating income</b>		<b>3,118,014</b>	<b>3,155,832</b>
<b>Operating expenses</b>			
Employee's expenses		458,720	422,535
Premises and equipment expenses		195,564	201,615
Taxes and duties		49,365	53,678
Intercompany supporting fee expenses	3.33	277,185	270,178
Other operating expenses	3.28	191,546	158,933
<b>Total operating expenses</b>		<b>1,172,380</b>	<b>1,106,939</b>
Bad debt, doubtful accounts and impairment losses	3.26	1,107,100	1,101,567
<b>Profit from operating before income tax expenses</b>		<b>838,534</b>	<b>947,326</b>
Income tax expenses	3.29	167,098	186,732
<b>Profit for the period</b>		<b>671,436</b>	<b>760,594</b>

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

(Unaudited but reviewed)

**TISCO Bank Public Company Limited**  
**Statement of comprehensive income (continued)**  
**For the three-month period ended 30 June 2015**

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

	Note	2015	2014
<b>Other comprehensive income</b>	3.30		
<b><i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i></b>			
Losses on valuation in available-for-sale investments		(6,983)	(4,140)
Income tax effects	3.31	1,397	828
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		<u>(5,586)</u>	<u>(3,312)</u>
<b><i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i></b>			
Actuarial loss		(6,659)	(14,143)
Income tax effects	3.31	1,332	2,829
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		<u>(5,327)</u>	<u>(11,314)</u>
<b>Other comprehensive income for the period</b>		<u>(10,913)</u>	<u>(14,626)</u>
<b>Total comprehensive income for the period</b>		<u>660,523</u>	<u>745,968</u>
<b>Earnings per share</b>			
Basic earnings per share	3.32	<u>0.73</u>	<u>0.90</u>

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



**TISCO Bank Public Company Limited**  
**Statement of comprehensive income**  
**For the six-month period ended 30 June 2015**

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

	Note	2015	2014
Interest income	3.21	8,182,112	9,209,711
Interest expenses	3.22	(3,678,108)	(4,922,597)
<b>Net interest income</b>		<b>4,504,004</b>	<b>4,287,114</b>
Fee and service income		1,476,044	1,674,197
Fee and service expenses		(34,351)	(31,132)
<b>Net fee and service income</b>	3.23	<b>1,441,693</b>	<b>1,643,065</b>
Net gains on trading and foreign exchange transactions	3.24	11,079	29,465
Net gains on investments	3.25	13,702	21,629
Penalty fee income from loans		197,362	154,498
Income from business promotion relating to the hire purchase business		162,696	165,048
Other operating income	3.27	95,811	79,613
<b>Total operating income</b>		<b>6,426,347</b>	<b>6,380,432</b>
Expenses from business promotion relating to the hire purchase business		187,427	188,744
<b>Total net operating income</b>		<b>6,238,920</b>	<b>6,191,688</b>
<b>Operating expenses</b>			
Employee's expenses		907,359	843,766
Premises and equipment expenses		384,186	388,869
Taxes and duties		102,945	106,165
Intercompany supporting fee expenses	3.33	654,728	531,305
Other operating expenses	3.28	365,147	309,454
<b>Total operating expenses</b>		<b>2,414,365</b>	<b>2,179,559</b>
Bad debt, doubtful accounts and impairment losses	3.26	1,962,781	2,186,968
<b>Profit from operating before income tax expenses</b>		<b>1,861,774</b>	<b>1,825,161</b>
Income tax expenses	3.29	367,751	359,487
<b>Profit for the period</b>		<b>1,494,023</b>	<b>1,465,674</b>

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

**TISCO Bank Public Company Limited**  
**Statement of comprehensive income (continued)**  
**For the six-month period ended 30 June 2015**

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

	Note	2015	2014
<b>Other comprehensive income</b>	3.30		
<b><i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i></b>			
Gains on valuation in available-for-sale investments		4,712	16,217
Income tax effects	3.31	(942)	(3,243)
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		3,770	12,974
<b><i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i></b>			
Actuarial loss		(6,659)	(14,143)
Income tax effects	3.31	1,332	2,829
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(5,327)	(11,314)
<b>Other comprehensive income for the period</b>		(1,557)	1,660
<b>Total comprehensive income for the period</b>		1,492,466	1,467,334
<b>Earnings per share</b>			
Basic earnings per share	3.32	1.62	1.76

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

**TISCO Bank Public Company Limited****Cash flow statement****For the six-month period ended 30 June 2015**

	(Unit: Thousand Baht)	
	2015	2014
<b>Cash flows from operating activities</b>		
Profit before income tax	1,861,774	1,825,161
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	43,987	52,522
Bad debt and doubtful accounts	2,739,719	2,685,866
Allowance for impairment of investments (reversal)	(1,413)	358
Allowance for impairment of properties foreclosed	50	72
Gain on disposal of investments in securities	(15,421)	(21,988)
Gain on disposal of equipment	(1,132)	(1,351)
Loss on written-off of equipment	4	10
Loss on written-off of intangible assets	-	53
Unrealised (gain) loss on foreign exchange transactions and trading derivatives	(75,844)	13,987
Gain on disposal of properties foreclosed	(16,461)	(10,208)
Employee benefit expenses	23,624	11,339
(Increase) decrease in accrued income	15,618	(1,104)
Increase in accrued expenses	139,133	194,572
Net interest income	(4,504,004)	(4,287,114)
Dividend income	(63,976)	(61,657)
Cash received on interest income	8,298,879	9,381,563
Cash paid on interest expenses	(3,332,541)	(4,630,240)
Cash received on dividend income	62,664	59,745
Cash paid on income tax expenses	(473,420)	(364,679)
Profit from operating activities before changes in operating assets and liabilities	4,701,240	4,846,907
Operating assets (increase) decrease		
Interbank and money market items	1,291,105	23,643,039
Loans to customers	9,839,225	7,560,318
Properties foreclosed	1,236,920	1,419,426
Other assets	(6,093)	(147,674)
Operating liabilities increase (decrease)		
Deposits	(21,081,893)	(38,195,274)
Interbank and money market items	2,220,940	2,304,447
Liabilities payable on demand	79,950	249,982
Short-term debts issued and borrowings	(2,362,100)	5,319,700
Provision for long-term employee benefits	(4,855)	(5,174)
Other liabilities	(667,441)	(1,000,972)
<b>Net cash flows from (used in) operating activities</b>	<b>(4,753,002)</b>	<b>5,994,725</b>

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

**TISCO Bank Public Company Limited****Cash flow statement (continued)****For the six-month period ended 30 June 2015**

	(Unit: Thousand Baht)	
	2015	2014
<b>Cash flows from investing activities</b>		
Cash paid for purchase of investment in securities held for investment	(9,277,198)	(14,040,657)
Cash received from disposal of investment in securities held for investment	14,988,642	8,038,970
Cash paid for purchase of equipment	(10,691)	(67,060)
Cash paid for purchase of intangible assets	(1,981)	(155,141)
Cash received from disposal of equipment	1,131	1,351
<b>Net cash flows from (used in) investing activities</b>	<b>5,699,903</b>	<b>(6,222,537)</b>
<b>Cash flows from financing activities</b>		
Cash received from issuance of long-term debentures	1,000,000	2,400,000
Cash paid for redemption of long-term debentures	(1,000,000)	(4,000,000)
Cash received from increase in share capital	-	2,446,250
Dividend paid	(1,105,881)	(655,337)
<b>Net cash flows from (used in) financing activities</b>	<b>(1,105,881)</b>	<b>190,913</b>
<b>Net decrease in cash</b>	<b>(158,980)</b>	<b>(36,899)</b>
Cash at beginning of the period	1,179,613	1,130,135
<b>Cash at end of the period</b>	<b>1,020,633</b>	<b>1,093,236</b>
	-	

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

TISCO Bank Public Company Limited

Statement of changes in shareholders' equity

For the six-month period ended 30 June 2015

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of shareholders' equity		Retained earnings			
	Preference shares	Ordinary shares		Surplus on change in value of available-for-sale investments	Surplus on revaluation of assets	Total other components of shareholders' equity	Appropriated	Unappropriated	Total
<b>Balance as at 1 January 2014</b>	1	8,191,712	1,120,738	5,733	238,770	244,503	984,000	9,031,406	19,572,360
Increase ordinary share capital	-	1,023,964	1,422,286	-	-	-	-	-	2,446,250
Profit for the period	-	-	-	-	-	-	-	1,465,674	1,465,674
Other comprehensive income for the period	-	-	-	12,974	-	12,974	-	(11,314)	1,660
Total comprehensive income for the period	-	-	-	12,974	-	12,974	-	1,454,360	1,467,334
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(1,381)	(1,381)	-	1,381	-
<b>Balance as at 30 June 2014</b>	<b>1</b>	<b>9,215,676</b>	<b>2,543,024</b>	<b>18,707</b>	<b>237,389</b>	<b>256,096</b>	<b>984,000</b>	<b>10,487,147</b>	<b>23,485,944</b>
<b>Balance as at 1 January 2015</b>	<b>1</b>	<b>9,215,676</b>	<b>2,543,024</b>	<b>32,601</b>	<b>214,393</b>	<b>246,994</b>	<b>984,000</b>	<b>11,014,069</b>	<b>24,003,764</b>
Profit for the period	-	-	-	-	-	-	-	1,494,023	1,494,023
Other comprehensive income for the period	-	-	-	3,770	-	3,770	-	(5,327)	(1,557)
Total comprehensive income for the period	-	-	-	3,770	-	3,770	-	1,488,696	1,492,466
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(1,374)	(1,374)	-	1,374	-
<b>Balance as at 30 June 2015</b>	<b>1</b>	<b>9,215,676</b>	<b>2,543,024</b>	<b>36,371</b>	<b>213,019</b>	<b>249,390</b>	<b>984,000</b>	<b>12,504,139</b>	<b>25,496,230</b>

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

## **TISCO Bank Public Company Limited**

### **Notes to interim financial statements**

**For the three-month and six-month periods ended 30 June 2015**

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

##### **1.1 Basis of preparation of interim financial statements**

These interim financial statements have been prepared in accordance with Thai Accounting Standard No. 34 (revised 2014) “Interim Financial Reporting”, with the Bank choosing to present the interim financial statement complete set of financial statements.

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

##### **1.2 New financial reporting standards**

During the period, the Bank has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements. However, some of these standards involve changes to key principles, which are summarised 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 adoption of this standard is to be recognised prospectively.

This standard does not have any significant impact on the Bank's financial statements.

## **1.3 Significant accounting policies**

### **1.3.1 Income recognition**

#### **a) Interest and discounts on loans**

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase, finance lease and 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.

### 1.3.2 Expense recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

The Bank records the initial commissions and direct expenses arising in respect of hire purchase contracts 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.

### 1.3.3 Securities purchased under resale agreements according to private repurchase transactions

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

Under securities 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 rate method, and are presented as interest income.

#### 1.3.4 Investments

- a) Investments in trading securities are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective interest 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 period 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.

#### 1.3.5 Investments in receivable purchased or transferred in

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

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

#### 1.3.6 Loans to customers

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

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

#### 1.3.7 Allowance for doubtful accounts and 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 receivables, respectively.

For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, except for non-performing hire purchase receivables, 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 period. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the allowance for doubtful accounts in the period of recovery.

#### 1.3.8 Troubled debt restructuring

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

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

#### 1.3.9 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.

#### 1.3.10 Investment properties

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

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

### 1.3.11 Premises and equipment/Depreciation

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

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

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

- When an asset's carrying amount is increased as a result of the revaluation of the Bank's assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, the revaluation increase is recognised as income to the extent that it reverses the revaluation decrease in respect of the same asset previously recognised as an 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, 6 years

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

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

No depreciation is provided on land and assets under installation.

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

#### 1.3.12 Intangible assets

The Bank initially 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

#### 1.3.13 Income tax

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

##### Current tax

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

## Deferred tax

Deferred tax assets/liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as at the end of reporting period. These will be realised in future 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.

### 1.3.14 Impairment of assets

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

Impairment losses are recognised in profit or loss.

### 1.3.15 Derecognition of financial assets and financial liabilities

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

### 1.3.16 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

### 1.3.17 Employee benefits

#### ***Short-term employee benefits***

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

Part of bonus 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.

#### 1.3.18 Provisions

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

#### 1.3.19 Derivatives and hedge accounting

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

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

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.

### 1.3.20 Fair value measurement

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

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

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

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

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

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

### 1.3.21 Financial instruments

#### a) Financial risk management

The Bank's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), 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 3.37 to the financial statements.

b) Fair value of financial instruments

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.
- For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For equity securities, their fair value is generally derived from quoted market prices, or based on discounted future cash flows and/or comparing with similar companies when no market price is available.
- Loans to customers and accrued interest receivables, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.

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

#### 1.3.22 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

#### 1.3.23 Significant accounting judgements and estimates

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

##### ***Recognition and derecognition of assets and liabilities***

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

##### ***Allowance for doubtful accounts for loans to customers***

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

### ***Fair value of financial instruments***

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

### ***Impairment of investments***

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

### ***Investment properties***

The Bank presents investment properties at the fair value estimated by an independent appraiser, and recognises changes in the fair value in profit or loss. The independent appraiser valued the investment properties using the income approach because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 3.8.

### ***Premises and equipment/Depreciation***

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

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

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

#### ***Deferred tax assets***

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

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

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

#### ***Leases***

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

#### ***Litigation***

The Bank has contingent liabilities as a result of litigation. The Bank's management has used judgement to assess 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 30 June 2015, the Bank has 59 branches in Thailand.

## **2.2 Share capital**

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

## **2.3 Statutory reserve**

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

## **2.4 Directors' remuneration**

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

## **2.5 Related party transactions**

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

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

### 3. Supplemental information

#### 3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at					
	30 June 2015			31 December 2014		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	2,260,307	-	2,260,307	1,788,263	-	1,788,263
Commercial banks	253,432	29,751,000	30,004,432	350,986	30,701,000	31,051,986
Specialised financial institutions	611	3,000,000	3,000,611	92	3,700,000	3,700,092
Other financial institutions	-	300,000	300,000	-	300,000	300,000
Total	2,514,350	33,051,000	35,565,350	2,139,341	34,701,000	36,840,341
Add: Accrued interest	-	7,267	7,267	-	13,832	13,832
Less: Allowance for doubtful accounts	-	(7,500)	(7,500)	-	(3,000)	(3,000)
Total domestic	2,514,350	33,050,767	35,565,117	2,139,341	34,711,832	36,851,173
<u>Foreign</u>						
US Dollar	940	-	940	1,490	-	1,490
Total foreign	940	-	940	1,490	-	1,490
Total domestic and foreign	2,515,290	33,050,767	35,566,057	2,140,831	34,711,832	36,852,663

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

(Unit: Million Baht)

Securities purchase under resale agreements  
according to private repurchase transactions

as at

	30 June 2015	31 December 2014
Commercial banks	32,300	34,400

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

Fair value of securities received as collateral

as at

	30 June 2015	31 December 2014
Commercial banks	32,339	34,218



## 3.2 Derivatives

### Trading Derivatives

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

(Unit: Thousand Baht)

Type of risk	As at					
	30 June 2015			31 December 2014		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	-	888	3,377,680	-	5,219	3,296,300
Interest rate	-	45,366	1,200,000	-	35,510	1,200,000
<b>Total</b>	<b>-</b>	<b>46,254</b>	<b>4,577,680</b>	<b>-</b>	<b>40,729</b>	<b>4,496,300</b>

All counterparties of these derivative transactions are financial institutions.

## 3.3 Investments

### 3.3.1 Classified by type of investment

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
<b>Available-for-sale investments - fair value</b>		
Government and state enterprise securities	5,837,342	12,060,173
Private sector debt securities	1,346,299	811,472
Less: Allowance for impairment	(1,460)	(1,460)
<b>Total available-for-sale investments</b>	<b>7,182,181</b>	<b>12,870,185</b>
<b>Held-to-maturity debt securities - cost/amortised cost</b>		
Investment in receivables	14,467	17,816
Less: Allowance for impairment	(14,261)	(17,394)
<b>Total held-to-maturity debt securities</b>	<b>206</b>	<b>422</b>
<b>General investments - cost</b>		
Domestic non-marketable equity securities	483,303	483,303
Less: Allowance for impairment	(46,680)	(44,961)
<b>Total general investments</b>	<b>436,623</b>	<b>438,342</b>
<b>Investments - net</b>	<b>7,619,010</b>	<b>13,308,949</b>

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 for the year of Baht 72 million. The balance of unrealised gain as at 30 June 2015 was Baht 1 million.

### 3.3.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

	As at							
	30 June 2015				31 December 2014			
	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
<b>Available-for-sale investments</b>								
Government and state enterprise securities	5,035	802	-	5,837	11,087	973	-	12,060
Private sector debt securities	108	1,238	-	1,346	1	810	-	811
<b>Total</b>	<b>5,143</b>	<b>2,040</b>	<b>-</b>	<b>7,183</b>	<b>11,088</b>	<b>1,783</b>	<b>-</b>	<b>12,871</b>
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
<b>Total</b>	<b>5,142</b>	<b>2,040</b>	<b>-</b>	<b>7,182</b>	<b>11,087</b>	<b>1,783</b>	<b>-</b>	<b>12,870</b>
<b>Held-to-maturity debt securities</b>								
Investment in receivables	14	-	-	14	13	5	-	18
Less: Allowance for impairment	(14)	-	-	(14)	(12)	(5)	-	(17)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Total debt securities</b>	<b>5,142</b>	<b>2,040</b>	<b>-</b>	<b>7,182</b>	<b>11,088</b>	<b>1,783</b>	<b>-</b>	<b>12,871</b>

### 3.3.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restrictions
	30 June 2015	31 December 2014	
Government debt securities	2	2	Pledged for electricity usage

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

(Unit: Thousand Baht)

	As at 30 June 2015		
	Cost	Fair value	Allowance for changes in value <sup>(1)</sup>
Companies having problems with debt repayment or in default	7,060	-	7,060

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

(Unit: Thousand Baht)

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

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

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

(Unit: Thousand Baht)

Securities' name	As at					
	30 June 2015			31 December 2014		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid Amounts	Percentage of holding (%)
<b>Services:</b>						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
<b>Trading import and export:</b>						
Shin Thai Enterprises Co., Ltd.	5,707	-	10	5,707	-	10
PDTL Trading Co., Ltd.	4,372	-	10	5,894	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
<b>Real estate:</b>						
UMI Property Co., Ltd.	4,110	-	10	4,110	-	10
<b>Industrial:</b>						
Siam Art Ceramic Co., Ltd.	17,127	-	10	17,358	-	10

### 3.4 Loans to customers and accrued interest receivables

#### 3.4.1 Classified by loans to customers type

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
<b>Loans to customers</b>		
Loans	73,897,835	76,542,379
Hire purchase receivables	190,687,709	202,646,374
Finance lease receivables	944,573	1,066,507
Less: Deferred revenue	(20,414,677)	(21,947,954)
Advances received from finance lease receivables	(270,118)	(265,622)
Total loans to customers	244,845,322	258,041,684
Add: Accrued interest receivables	509,585	527,506
Less: Allowance for doubtful accounts	(7,023,917)	(6,380,337)
Loans to customers and accrued interest receivables - net	<u>238,330,990</u>	<u>252,188,853</u>

#### 3.4.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at					
	30 June 2015			31 December 2014		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	241,467,642	-	241,467,642	254,745,384	-	254,745,384
US Dollars	-	3,377,680	3,377,680	-	3,296,300	3,296,300
Total loans to customers						
net of deferred revenue	<u>241,467,642</u>	<u>3,377,680</u>	<u>244,845,322</u>	<u>254,745,384</u>	<u>3,296,300</u>	<u>258,041,684</u>

### 3.4.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	As at 30 June 2015					Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	
Agricultural and mining	567,674	5,352	2,397	915	-	576,338
Manufacturing and commerce	22,994,015	4,447,790	104,023	59,884	67,635	27,673,347
Real estate and construction	13,330,163	128,875	30,931	30,233	22,865	13,543,067
Public utilities and services	28,796,787	355,956	188,352	135,490	55,516	29,532,101
Personal consumption						
Hire purchase	133,178,423	14,331,447	2,489,199	1,552,096	845,336	152,396,501
Auto cash loan	13,653,496	1,075,310	309,934	92,712	9,319	15,140,771
Housing loan	1,152,266	28,153	29,583	9,515	58,152	1,277,669
Others	4,057,284	424,892	107,557	85,501	30,294	4,705,528
Total loans to customers	217,730,108	20,797,775	3,261,976	1,966,346	1,089,117	244,845,322
Add: Accrued interest receivables	314,771	194,814	-	-	-	509,585
Total loans to customers and accrued interest receivable	<u>218,044,879</u>	<u>20,992,589</u>	<u>3,261,976</u>	<u>1,966,346</u>	<u>1,089,117</u>	<u>245,354,907</u>

(Unit: Thousand Baht)

	As at 31 December 2014					Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	
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 loan	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 receivables	315,385	212,121	-	-	-	527,506
Total loans to customers and accrued interest receivable	<u>230,554,657</u>	<u>22,112,470</u>	<u>3,266,701</u>	<u>2,057,084</u>	<u>578,278</u>	<u>258,569,190</u>

### 3.4.4 Classified by loan classification

(Unit: Million Baht)

	As at					
	30 June 2015			31 December 2014		
	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts <sup>(1) (2)</sup>	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts <sup>(1) (2)</sup>
Provision under BOT's guideline						
- Pass	218,045	196,693	1,828	230,555	207,633	1,822
- Special mention	20,993	16,685	2,891	22,112	17,843	2,494
- Sub-standard	3,262	3,232	1,108	3,267	3,242	1,073
- Doubtful	1,966	1,947	597	2,057	2,033	623
- Doubtful of loss	1,089	1,032	308	578	524	177
Allowance established in excess	-	-	292	-	-	191
Total	245,355	219,589	7,024	258,569	231,275	6,380

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

<sup>(2)</sup> As at 30 June 2015, the provisions set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 2,690 million (As at 31 December 2014: total of Baht 2,826 million). The Bank allocated Baht 2,398 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2014: total of Baht 2,635 million) and so combined with the minimum provision requirement of Baht 4,334 million (As at 31 December 2014: total of Baht 3,554 million), the total provision set aside in accordance with BOT requirements is Baht 6,732 million (As at 31 December 2014: total of Baht 6,189 million).

	Percentage of allowance for doubtful account set up			
	Hire purchase receivables <sup>(1)</sup>		Other loans <sup>(2)</sup>	
	As at		As at	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Pass	0.64	0.58	1	1
Special mention	3.67	3.84	2	2
Sub-standard	24.20	23.24	100	100
Doubtful	23.91	23.39	100	100
Doubtful of loss	24.00	23.33	100	100

<sup>(1)</sup> 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.

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

### 3.4.5 Hire purchase and finance lease receivables

As at 30 June 2015, net receivables of the Bank under hire purchase and finance lease agreements amount to Baht 171,120 million (31 December 2014: Baht 181,673 million) and mostly comprise hire purchase agreements for cars, and finance lease agreements for machine and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 30 June 2015				
	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	61,995	117,521	4,512	7,604	191,632
Less: Deferred revenue <sup>(1)</sup>	(8,010)	(10,167)	3	(2,068)	(20,242)
Advances received from finance lease receivables	(23)	(246)	-	(1)	(270)
Present value of minimum lease pay from agreements	53,962	107,108	4,515	5,535	171,120
Allowance for doubtful accounts <sup>(2)</sup>					(2,847)
Net hire purchase and finance lease receivables					<u>168,273</u>

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

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

(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 <sup>(1)</sup>	(8,637)	(11,206)	(38)	(1,893)	(21,774)
Advances received from finance 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 <sup>(2)</sup>					(2,755)
Net hire purchase and finance lease receivables					<u>178,918</u>

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

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

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

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines <sup>(2)</sup>		Amounts calculated under the Bank's policy	
	as at		as at	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Loans to customers for which the recognition of interest income has been ceased <sup>(1)</sup>	7,735	7,308	12,007	11,494

<sup>(1)</sup> These amounts are calculated on an account by account basis.

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

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

(Unit: Million Baht)

	As at	
	30 June 2015	31 December 2014
Deferred revenue <sup>(1)</sup>	20,415	21,948

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

### 3.4.8 Troubled debt restructuring

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2015	2014	2015	2014
Debtors restructured during the period				
Number of debtors restructured by modification				
of terms (number)	2,302	175	3,992	327
Loan balances before restructuring (Million Baht)	771	74	1,363	270
Loan balances after restructuring (Million Baht)	771	74	1,363	270
Loss on troubled debt restructuring (Million Baht)	-	-	-	-
Average contract period of debt restructuring				
(years)				
Hire purchase receivables	5	4	5	4
Mortgage loan receivables	9	2	4	2
Auto cash loan receivables	4	-	4	-
Commercial lending receivables	2	-	2	-



Supplemental information for the three-month and six-month periods ended 30 June 2015 and 2014 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Interest income on restructured				
receivables	34	14	59	20
Receipt of principal and interest	121	81	207	139

As at 30 June 2015 and 31 December 2014, the Bank has the outstanding balances with troubled restructured debtors as follows:

(Unit: Million Baht)

	As at			
	30 June 2015		31 December 2014	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	6,639	2,346	2,767	1,152

### 3.5 Allowance for doubtful accounts

#### 3.5.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

As at 30 June 2015							
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of period	1,821,820	2,494,274	1,072,978	623,641	176,873	190,751	6,380,337
Increase in allowance for doubtful accounts during the period	6,037	397,623	356,740	1,508,212	365,314	101,293	2,735,219
Bad debt written-off	(5)	(458)	(322,210)	(1,535,308)	(233,658)	-	(2,091,639)
Balance - end of period	<u>1,827,852</u>	<u>2,891,439</u>	<u>1,107,508</u>	<u>596,545</u>	<u>308,529</u>	<u>292,044</u>	<u>7,023,917</u>

(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	<u>1,821,820</u>	<u>2,494,274</u>	<u>1,072,978</u>	<u>623,641</u>	<u>176,873</u>	<u>190,751</u>	<u>6,380,337</u>

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

(Unit: Thousand Baht)

As at 30 June 2015				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of period	3,446,373	2,743,213	190,751	6,380,337
Increase in allowance for doubtful accounts during the period	774,852	1,859,074	101,293	2,735,219
Bad debt written-off	(325,913)	(1,765,726)	-	(2,091,639)
Balance - end of period	<u>3,895,312</u>	<u>2,836,561</u>	<u>292,044</u>	<u>7,023,917</u>

(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	<u>3,446,373</u>	<u>2,743,213</u>	<u>190,751</u>	<u>6,380,337</u>

### 3.5.3 Non-performing loans to customers

(Unit: Million Baht)

	As at	
	30 June 2015	31 December 2014
	Non-performing loans to customers	6,317
Allowance for doubtful accounts	2,013	1,873

## 3.6 Classification of assets

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

(Unit: Million Baht)

	Allowance for possible loss provided in the accounts <sup>(1)</sup>					
	Cost as at		Fair value as at		as at	
	30 June	31 December	30 June	31 December	30 June	31 December
	2015	2014	2015	2014	2015	2014
Debt instruments - debentures <sup>(2)</sup>	1	1	-	-	1	1
Equity instruments - ordinary shares <sup>(3)</sup>	6	6	-	-	6	6

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

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

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

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

As at 30 June 2015 and 31 December 2014, the quality of the Bank's assets classified in accordance with the Bank of Thailand's guidelines is as follows:

	(Unit: Million Baht)									
	Loans to customer <sup>(1)</sup>		Investments in securities		Investments in receivables		Properties foreclosed		Total	
	as at	as at	as at	as at	as at	as at	as at	as at	as at	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Pass	250,780	264,939	-	-	-	-	-	-	250,780	264,939
Special mention	20,798	21,900	-	-	-	-	-	-	20,798	21,900
Sub-standard	3,262	3,267	-	-	-	-	-	-	3,262	3,267
Doubtful	1,966	2,057	-	-	-	-	-	-	1,966	2,057
Doubtful of loss	1,089	578	48	46	14	17	18	18	1,169	659
Total	277,895	292,741	48	46	14	17	18	18	277,975	292,822

<sup>(1)</sup> 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 statement of financial position).

### 3.6.3 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 <sup>(1)</sup>		Percentage of allowance for doubtful account set up <sup>(2)</sup>		Allowance for doubtful accounts <sup>(3)</sup>	
	as at		as at		as at		as at	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
					(%)	(%)		
Pass	149,956	159,758	149,956	159,758	0.64	0.58	952	933
Special mention	15,018	16,071	15,018	16,071	3.67	3.84	552	616
Sub-standard	2,802	2,826	2,802	2,826	24.20	23.24	678	657
Doubtful	1,775	1,840	1,775	1,840	23.91	23.39	424	430
Doubtful of loss	957	459	957	459	24.00	23.33	230	107
<b>Total</b>	<b>170,508</b>	<b>180,954</b>	<b>170,508</b>	<b>180,954</b>			<b>2,836</b>	<b>2,743</b>

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

### 3.7 Properties foreclosed

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
<b>Acquisition of assets for debt repayment</b>		
<b>Immovable assets</b>		
<u>Appraisal by an external appraiser</u>		
Balance - beginning of period/year	3,404	3,404
Transfer type of appraiser	-	-
Disposals	-	-
Balance - end of period/year	3,404	3,404
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of period/year	67,080	73,725
Transfer type of appraiser	-	-
Additions	-	83
Disposals	(14,683)	(6,728)
Balance - end of period/year	52,397	67,080
Total properties foreclosed - Immovable assets	55,801	70,484
<b>Movable assets</b>		
Balance - beginning of period/year	65,585	55,963
Additions	2,226,404	5,576,372
Disposals	(2,249,441)	(5,566,750)
Balance - end of period/year	42,548	65,585
Total properties foreclosed	98,349	136,069
Less: Allowance for impairment		
Balance - beginning of period/year	18,102	18,169
Increase	129	369
Decrease	(79)	(436)
Balance - end of period/year	18,152	18,102
Total properties foreclosed - net	80,197	117,967

### 3.8 Investment properties

The book value of investment properties as at 30 June 2015 and 31 December 2014 is as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
Book value - beginning of period/year	16,067	16,067
Transfer type of asset	-	-
Gain (loss) from fair value adjustment	-	-
Book value - end of period/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.

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

	As at 30 June 2015	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	565 - 1,250	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	9.50	Decrease in fair value

### 3.9 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	
<b>Cost:</b>						
As at 1 January 2014	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
Additions/transfers in	-	-	4,840	3,273	2,578	10,691
Disposals/written-off/ transfers out	-	-	-	(4,944)	(3,253)	(8,197)
As at 30 June 2015	530,220	17,509	500,284	593,128	63,889	1,705,030
<b>Accumulated depreciation:</b>						
As at 1 January 2014	-	-	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
Depreciation for the period	4,688	-	16,509	11,692	4,648	37,537
Depreciation on disposals/ written-off/transfers out	-	-	-	(4,941)	(3,253)	(8,194)
As at 30 June 2015	14,142	-	397,371	525,254	43,685	980,452
<b>Net book value:</b>						
As at 31 December 2014	520,766	17,509	114,583	76,295	22,274	751,427
As at 30 June 2015	516,078	17,509	102,913	67,874	20,204	724,578
<b>Depreciation for the six-month periods ended 30 June:</b>						
2014						41,698
2015						37,537

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

Had the office condominiums been carried in the financial statements based on cost model cost, its net book value as at 30 June 2015 and 31 December 2014 would have been as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
Office condominiums - net of accumulated depreciation	249,794	252,765

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

	As at 30 June 2015	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	565 - 1,447	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	9.00	Decrease in fair value

### 3.10 Intangible assets

The book value of intangible assets as at 30 June 2015 and 31 December 2014 is presented as follows:

	(Unit: Thousand Baht)
	Computer software
As at 30 June 2015:	
Cost	586,740
Less: Accumulated amortisation	(367,608)
Net book value	219,132
As at 31 December 2014:	
Cost	584,759
Less: Accumulated amortisation	(361,158)
Net book value	223,601



A reconciliation of the net book value of intangible assets for the six-month period ended 30 June 2015 and for the year ended 31 December 2014 is presented as follows:

	(Unit: Thousand Baht)	
	For the six-month period ended 30 June 2015	For the year ended 31 December 2014
Net book value at beginning of period/year	223,601	39,821
Acquisitions of computer software	1,981	208,119
Disposals of computer software	-	(5,283)
Amortisation	(6,450)	(19,056)
Net book value at end of period/year	<u>219,132</u>	<u>223,601</u>

### 3.11 Other assets

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
Value added tax - net	303,328	360,056
Accrued interest receivables	35,712	61,426
Fee and service receivables	36,982	52,600
Deposits	42,507	40,768
Other receivables	498,370	491,149
Other assets	245,149	214,461
Total other assets	<u>1,162,048</u>	<u>1,220,460</u>

### 3.12 Deposits

#### 3.12.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
Deposits		
Current accounts	3,701,844	3,250,954
Saving accounts	52,906,511	49,606,051
Fixed accounts		
- not over 6 months	21,373,163	22,613,265
- over 6 months but not over 1 year	1,678,555	1,034,917
- over 1 year	376,864	313,129
Certificates of deposit/negotiable certificates of deposit	105,272,477	129,572,991
Total	<u>185,309,414</u>	<u>206,391,307</u>

### 3.12.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
Not over 1 year <sup>(1)</sup>	184,832,504	205,885,759
Over 1 year	476,910	505,548
<b>Total deposits</b>	<b>185,309,414</b>	<b>206,391,307</b>

<sup>(1)</sup>Including fully-mature deposit contracts

3.12.3 As at 30 June 2015 and 31 December 2014, all outstanding deposits are deposits from domestic depositors and in Baht.

### 3.13 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at					
	30 June 2015			31 December 2014		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	21,920	21,920	-	23,645	23,645
Commercial banks	81,701	-	81,701	52,836	500,000	552,836
Specialised financial institutions	-	-	-	-	500,000	500,000
Other financial institutions	1,581,220	10,888,483	12,469,703	1,376,577	7,899,326	9,275,903
<b>Total</b>	<b>1,662,921</b>	<b>10,910,403</b>	<b>12,573,324</b>	<b>1,429,413</b>	<b>8,922,971</b>	<b>10,352,384</b>

### 3.14 Debt issued and borrowings

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,643,000	6,643,000
Unsubordinated unsecured debentures	48,694,800	51,056,900
Bills of exchange	36,122	36,122
Promissory notes	797	797
<b>Total</b>	<b>55,374,719</b>	<b>57,736,819</b>

### 3.14.1 Subordinated unsecured debentures

As at 30 June 2015 and 31 December 2014, the Bank had long-term subordinated unsecured debentures as follows:

Year	Units as at		Face value	Balance		Maturity in the year	Interest rate
	30 June	31 December	per unit	30 June	31 December		
	2015	2014	(Baht)	2015	2014		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2010	-	1.00	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	1.60	1,000	1,600	1,600	2024	6.00 percent per annum.
2014	0.80	0.80	1,000	800	800	2024	6.00 percent per annum.
2015	1.00	-	1,000	1,000	-	2025	4.50 percent per annum.
Total				6,643	6,643		

### 3.14.2 Unsubordinated unsecured debentures

As at 30 June 2015 and 31 December 2014, the Bank had short-term unsubordinated unsecured debenture as follows:

Year	Units as at		Face value per	Balance		Maturity in the year	Interest rate
	30 June	31 December	unit	30 June	31 December		
	2015	2014	(Baht)	2015	2014		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2014	0.75	51.057	1,000	750	51,057	2015	2.55 - 2.87 percent per annum
2015	47.945	-	1,000	47,945	-	2016	1.63 - 2.42 percent per annum
Total				48,695	51,057		

### 3.14.3 Bills of exchange

Bills of exchange comprise the fixed interest rate bearing at 2.50 percent per annum, which will gradually mature in 2015.

### 3.15 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 30 June 2015 and 31 December 2014 were as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
Defined post-employment benefit obligation at beginning of period/year	130,741	100,885
Current service cost	5,535	11,368
Interest cost	2,150	4,955
Benefits paid during the period/year	-	(2,139)
Included in other comprehensive income:		
Actuarial (gain) loss arising from		
Demographic assumptions changes	(4,689)	2,862
Financial assumptions changes	15,043	1,279
Other assumptions changes	(3,696)	11,531
Defined post-employment benefit obligation at end of period/year	145,084	130,741
Other long-term benefits	57,129	46,045
Total provision for long-term employee benefits at end of period/year	<u>202,213</u>	<u>176,786</u>

Long-term employee benefits expenses included in the profit or loss for the three-month and six-month periods ended 30 June 2015 and 2014 were as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 30 June	
	2015	2014
Current service cost	4,857	5,436
Interest cost	1,295	1,800
Actuarial (gains) losses	10,915	(1,281)
Total employee benefits expenses	<u>17,067</u>	<u>5,955</u>

(Unit: Thousand Baht)

For the six-month periods  
ended 30 June

	2015	2014
Current service cost	9,827	9,463
Interest cost	2,882	3,157
Actuarial (gains) losses	10,915	(1,281)
Total employee benefits expenses	<u>23,624</u>	<u>11,339</u>

The cumulative amount of actuarial (gains) losses recognised in other comprehensive income and taken as part of retained earnings of the Bank as at 30 June 2015 and 31 December 2014 amounted to Baht 38 million and Baht 33 million, respectively.

The Bank expect to pay Baht 2 million in contributions to its provision for long-term employee benefits during the next year (31 December 2014: Baht 0.19 million).

As at 30 June 2015, the weighted average of the long-term employee benefit obligation is 24 years (31 December 2014: 24 years).

Significant actuarial assumptions are summarised below.

(Unit: Percent per annum)

	30 June 2015	31 December 2014
Discount rate	2.04 - 3.98	2.13 - 4.27
Average salary increase rate	3.82	4.21
Average inflation rate	1.82	2.21

Sensitivity analysis for significant assumptions that affect to the long-term employee benefits obligation as at 30 June 2015 are summarised below.

(Unit: Million Baht)

30 June 2015

	Increase 0.25%	Decrease 0.25%
Discount rate	(7)	7
Average salary increase rate	6	(5)

### 3.16 Other liabilities

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
Withholding income tax and other tax payables	241,270	346,168
Accrued insurance premium	498,761	664,267
Deferred income	1,199,971	1,153,412
Accrued expenses	1,604,874	1,465,741
Suspense creditors	320,148	345,707
Other liabilities	256,941	192,803
Total other liabilities	4,121,965	4,168,098

The above accrued expenses included accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses included costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the parent company's shares over the period of five years from grant date to settlement date. As of 30 June 2015 and 31 December 2014, the Bank has issued bonus under this scheme amounting to Baht 183 million and Baht 176 million, respectively.

### 3.17 Preference shares converted to ordinary shares

Up to 30 June 2015 and 31 December 2014, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 30 June 2015 and 31 December 2014, there are preference shares which are convertible to ordinary shares totaling 104 shares. However, since 30 June 2009, the rights and benefits of the preference shareholders have been equal to those of the ordinary shareholders.

### 3.18 Capital funds

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

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

Regarding to Capital fund as at 30 June 2015 and 31 December 2014, the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

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

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
<b><u>Common Equity Tier I capital</u></b>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	11,014,069	9,764,407
Other components of shareholders' equity	227,568	220,913
Less : Deductions from Common Equity Tier I items	(221,521)	(125,120)
<b>Total Common Equity Tier I capital</b>	<b>23,762,816</b>	<b>22,602,900</b>
<b><u>Financial Instrument Tier I capital</u></b>		
Issued and paid-up share capital - non cumulative preferred shares	1	1
<b>Total Tier I capital</b>	<b>23,762,817</b>	<b>22,602,901</b>
<b><u>Tier II Capital</u></b>		
Long-term subordinated debentures	6,643,000	6,643,000
Surplus of provision	753,086	340,412
Reserve for loans classified as pass	587,828	653,521
<b>Total Tier II capital</b>	<b>7,983,914</b>	<b>7,636,933</b>
<b>Total capital funds</b>	<b>31,746,731</b>	<b>30,239,834</b>

(Unit: Percent)

	As at			
	30 June 2015		31 December 2014	
Capital fund ratios	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	13.13	4.50	12.55	4.50
Tier I capital to risk assets	13.13	6.00	12.55	6.00
Total capital to risk assets	17.54	8.50	16.80	8.50

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor. 4/2556 regarding “Public Disclosure of Capital Maintenance for Commercial Banks”, the Bank has disclosed capital maintenance information as at 31 December 2014 on its website on 30 April 2015.

### 3.19 Surplus on change in value of investments

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
Balance - beginning of period/year	40,751	7,166
Increase from changes in value of investments during the period/year	4,712	33,585
	45,463	40,751
Less: The effect of deferred tax assets/liabilities	(9,092)	(8,150)
Balance - end of period/year	36,371	32,601

### 3.20 Surplus on revaluation of assets

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

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
Balance - beginning of period/year	268,686	298,463
Adjustments	-	(27,000)
Transfer to retained earnings	(1,374)	(2,777)
	267,312	268,686
Less: The effect of deferred tax assets/liabilities	(54,293)	(54,293)
Balance - end of period/year	213,019	214,393

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



### 3.21 Interest income

Interest income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Interbank and money market items	123,900	140,722	239,181	355,928
Investments in debt securities	76,949	114,553	154,839	220,476
Loans to customers	1,392,906	1,521,244	2,824,112	3,015,027
Hire purchase and finance lease	2,444,948	2,761,291	4,963,980	5,618,280
Total interest income	<u>4,038,703</u>	<u>4,537,810</u>	<u>8,182,112</u>	<u>9,209,711</u>

### 3.22 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Deposits	1,092,410	1,601,113	2,305,423	3,403,078
Interbank and money market items	62,121	65,875	123,592	142,027
Contribution fee to the Deposit Protection				
Agency and Bank of Thailand	297,102	328,183	588,700	670,236
Issued debt instruments				
- Subordinated debentures	83,860	119,038	169,588	247,670
- Unsubordinated debentures	228,610	211,776	490,554	457,085
Borrowings	222	1,188	251	2,501
Total interest expenses	<u>1,764,325</u>	<u>2,327,173</u>	<u>3,678,108</u>	<u>4,922,597</u>

### 3.23 Net fee and service income

Net fee and service income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Fee and service income				
- Acceptance, aval and guarantees	2,520	949	4,651	5,671
- Insurance service	546,244	631,360	1,058,816	1,302,730
- Financial advisory	-	-	-	2,250
- Others	209,034	181,277	412,577	363,546
Total fee and service income	757,798	813,586	1,476,044	1,674,197
Fee and service expenses	(12,568)	(14,384)	(34,351)	(31,132)
Net fee and service income	745,230	799,202	1,441,693	1,643,065

### 3.24 Net gains on trading and foreign exchange transactions

Net gains on trading and foreign exchange transactions in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	8,930	14,370	24,700	26,203
- Derivatives on interest rates	(6,885)	(6,070)	(15,859)	(2,480)
- Debt securities	1,344	3,843	2,238	5,742
Net gains on trading and foreign exchange transactions	3,389	12,143	11,079	29,465

### 3.25 Net gains on investments

Net gains on investments in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2015	2014	2015	2014
Gains on disposal				
- Available-for-sale investments	8,746	12,497	8,746	12,457
- Held-to-maturity debt securities	-	2	42	17
- General investments	4,281	3,590	6,633	9,514
Total	13,027	16,089	15,421	21,988
Losses on impairment				
- General investments	(210)	(561)	(1,719)	(359)
Total	(210)	(561)	(1,719)	(359)
Net gains on investments	12,817	15,528	13,702	21,629

### 3.26 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2015	2014	2015	2014
Interbank and money market items	4,500	(10,000)	4,500	(5,000)
Held-to-maturity debt securities	(88)	(22)	(3,133)	-
Loans to customers	1,102,688	1,111,589	1,961,414	2,191,968
Total	1,107,100	1,101,567	1,962,781	2,186,968

### 3.27 Other operating income

Other operating income in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Gains on disposal of properties foreclosed	7,894	4,024	16,461	10,208
Dividend income	5,755	36,858	63,976	61,657
Others	8,099	4,638	15,374	7,748
Total	<u>21,748</u>	<u>45,520</u>	<u>95,811</u>	<u>79,613</u>

### 3.28 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Mailing expenses	11,556	10,967	26,746	24,751
Software amortisation expenses	3,104	5,218	6,450	10,824
Legal expenses	75,090	60,820	156,547	119,883
Transportation expenses	18,019	20,558	35,681	41,382
Others	83,777	61,370	139,723	112,614
Total	<u>191,546</u>	<u>158,933</u>	<u>365,147</u>	<u>309,454</u>

### 3.29 Income tax expenses

Income tax expenses of the Bank for the three-month and six-month periods ended 30 June 2015 and 2014 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
<b>Current income tax:</b>				
Income tax expenses for the period	177,313	202,778	421,220	445,170
<b>Deferred tax:</b>				
Deferred tax on temporary differences and reversion of temporary differences	(10,215)	(16,046)	(53,469)	(85,683)
<b>Income tax expenses reported in the statement of comprehensive income</b>	<b>167,098</b>	<b>186,732</b>	<b>367,751</b>	<b>359,487</b>

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2015 and 2014 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
(Gains) losses on valuation in available-for-sale investments	1,397	828	(942)	(3,243)
Actuarial losses	1,332	2,829	1,332	2,829
Income tax expenses recorded directly to other comprehensive income	2,729	3,657	390	(414)

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the three-month and six-month periods ended 30 June 2015 and 2014 is as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Accounting profit before tax	838,534	947,326	1,861,774	1,825,161
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	167,707	189,465	372,355	365,032
Tax effect of net tax-exempt income and net disallowed expenses	(609)	(2,733)	(4,604)	(5,545)
Income tax expenses reported in the statement of comprehensive income	167,098	186,732	367,751	359,487

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	As at		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the six-month periods ended	
	30 June	31 December	30 June	30 June
	2015	2014	2015	2014
Allowance for doubtful accounts	58,409	38,150	20,259	8,880
Allowance for impairment of investments	21,996	26,688	(4,692)	71
Allowance for impairment of properties foreclosed	3,631	3,621	10	14
Non-accrual of interest income	42,524	41,348	1,176	13,513
Depreciation of assets	1,424	3,151	(1,727)	(1,653)
Finance leases	12,366	12,631	(265)	(10,693)
Gain on changes in value of investment properties	(1,489)	(1,489)	-	-
Surplus on revaluation of assets	(54,293)	(54,293)	-	-
Gains on valuation in available-for-sale investments	(9,092)	(8,150)	-	-
Unrealised loss on derivatives	8,859	6,888	1,971	7,197
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(436,061)	(451,161)	15,100	42,758
Unearned interest income on hire purchase	155,141	146,753	8,388	17,006
Accrued expenses	131,610	131,610	-	-
Employee benefit expenses	40,442	35,357	3,754	1,233
Others	104,533	95,038	9,495	7,357
<b>Deferred tax assets</b>	<b>80,000</b>	<b>26,142</b>	<b>53,469</b>	<b>85,683</b>

### 3.30 Components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
<b>Other comprehensive income</b>				
Available-for-sale investments:				
Gains during the period	1,763	8,357	13,458	28,674
Less: Reclassification adjustments for gains included in profit or loss	(8,746)	(12,497)	(8,746)	(12,457)
	(6,983)	(4,140)	4,712	16,217
Actuarial losses	(6,659)	(14,143)	(6,659)	(14,143)
Other comprehensive income	(13,642)	(18,283)	(1,947)	2,074
Income tax effects relating to components of other comprehensive income	2,729	3,657	390	(414)
Net other comprehensive income for the periods	(10,913)	(14,626)	(1,557)	1,660

### 3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 30 June					
	2015			2014		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Losses on valuation in available-for-sale investments	(6,983)	1,397	(5,586)	(4,140)	828	(3,312)
Actuarial losses	(6,659)	1,332	(5,327)	(14,143)	2,829	(11,314)
	(13,642)	2,729	(10,913)	(18,283)	3,657	(14,626)

	For the six-month periods ended 30 June					
	2015			2014		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains on valuation in available-for-sale investments	4,712	(942)	3,770	16,217	(3,243)	12,974
Actuarial losses	(6,659)	1,332	(5,327)	(14,143)	2,829	(11,314)
	(1,947)	390	(1,557)	2,074	(414)	1,660

### 3.32 Earnings per share

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

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2015	2014	2015	2014
Profit attributable to equity holders				
of the Bank (Thousand Baht)	671,436	760,594	1,494,023	1,465,674
Weighted average number of shares				
(Thousand shares)	921,568	848,427	921,568	833,880
Basic earnings per share (Baht/share)	0.73	0.90	1.62	1.76

### 3.33 Related party transactions

As at 30 June 2015 and 31 December 2014, the balance of the accounts between the Bank and related companies are as follows:

	(Unit: Thousand Baht)	
	As at	
	30 June 2015	31 December 2014
<b><u>Outstanding balance</u></b>		
<b>Parent company</b>		
TISCO Financial Group Plc.		
Deposits	489,507	529,065
Accrued interest payable	27	116
Dividend payable	-	1,105,742
Other liabilities	70,232	89,958
<b>Related companies (related by common shareholder)</b>		
Other Assets:		
TISCO Securities Co., Ltd.	844	2,044
TISCO Leasing Co., Ltd.	2,191	6,551
Deposits:		
Hi-Way Co., Ltd.	29,088	29,300
TISCO Information Technology Co., Ltd.	153,767	122,699
Primus Leasing Co., Ltd.	32,899	32,841
TISCO Learning Center Co., Ltd.	26,551	44,102
Deutsche TISCO Investment Advisory Co., Ltd.	217,021	205,058
TISCO Leasing Co., Ltd.	5,674	2,170
All-Ways Co., Ltd.	764	599
TISCO Tokyo Leasing Co., Ltd.	468	494



(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
<b>Related companies (related by common shareholder) (continued)</b>		
Interbank and money market items (Liabilities):		
TISCO Securities Co., Ltd.	5,289	149,313
TISCO Asset Management Co., Ltd.	157,187	116,659
Accrued interest payable:		
TISCO Securities Co., Ltd.	-	11
TISCO Asset Management Co., Ltd.	102	662
TISCO Information Technology Co., Ltd.	419	99
TISCO Learning Center Co., Ltd.	104	53
Other liabilities:		
Hi-Way Co., Ltd.	33,560	32,040
TISCO Learning Center Co., Ltd.	3,607	2,763
All-Ways Co., Ltd.	366	650
<b>Commitments</b>		
<b>Parent company</b>		
TISCO Financial Group Plc.	1,184	1,040
<b>Related companies (related by common shareholder)</b>		
TISCO Securities Co., Ltd.	540	540
TISCO Asset Management Co., Ltd.	440	440
TISCO Information Technology Co., Ltd.	1,070	1,070

Loans to related companies

As at 30 June 2015 and 1 January 2015, the balance of loans between the bank and its related companies and their movement are as follows:

	(Unit: thousand Baht)			
	As at 1 January 2015	Increase	Decrease	As at 30 June 2015
<b>Related companies (related by common shareholder)</b>				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	297,000	-	-	297,000

(Unit Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June		Terms and pricing policy
	2015	2014	2015	2014	
<b><u>Transactions occurred during the period</u></b>					
<b>Parent company</b>					
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	243,625	234,738	588,168	471,065	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	1,939	11,256	5,424	15,912	With reference to the terms and prices as offered to other customers
Other expenses	2,315	2,315	4,631	4,631	With reference to the terms and prices as offered to other customers
Other income	833	750	1,000	750	With reference to the terms and prices as offered to other customers
<b>Related companies</b>					
Interest income	2,678	-	5,489	2,967	With reference to the terms and prices as offered to other customers
Income involving to loan	1,015	1,338	2,104	2,756	With reference to the terms and prices as offered to other customers
Other income	961	2,812	2,356	5,196	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	63,000	65,000	126,000	130,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	7,355	13,387	15,687	21,546	With reference to the prices as offered from other service providers
Expenses involving to loan	33,560	35,440	66,560	60,240	Determined on the basis on actual cost
Interest expenses	1,738	2,490	3,946	7,430	With reference to the terms and prices as offered to other customers
Other expenses	1,548	1,836	3,350	3,972	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
Loans <sup>(1)</sup>	5,442	6,306

<sup>(1)</sup> Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
Deposits	83,503	90,118

Directors and management's benefits

During the three-month and six-month periods ended 30 June 2015 and 2014, the Bank had short-term benefit expenses paid to their directors and key management during the periods and other employee benefit expenses payable to their directors and management as follow:

(Unit: Million Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2015	2014	2015	2014
	Short-term benefits	22	21	43
Post-employment benefits	3	3	7	5
Total	25	24	50	47

### 3.34 Segment information

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

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

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

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

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

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

The following tables present revenue, profit and total assets information regarding the Bank's operating segments for the three-month and six-month periods ended 30 June 2015 and 2014, respectively.

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
<b>For the three-month period ended 30 June 2015</b>						
<b>Revenue</b>						
External customers	2,645	485	123	3,253	-	3,253
Inter-segment	-	-	433	433	(433)	-
<b>Total revenue</b>	<b>2,645</b>	<b>485</b>	<b>556</b>	<b>3,686</b>	<b>(433)</b>	<b>3,253</b>
<b>Operating results:</b>						
Net interest income	1,706	454	114	2,274	-	2,274
Net fee and service income	726	20	(1)	745	-	745
Other operating income	213	11	443	667	(433)	234
<b>Total operating income</b>	<b>2,645</b>	<b>485</b>	<b>556</b>	<b>3,686</b>	<b>(433)</b>	<b>3,253</b>
Depreciation and amortisation	(67)	(9)	(123)	(199)	-	(199)
Other operating expenses	(1,070)	(156)	(316)	(1,542)	433	(1,109)
Bad debt, doubtful accounts and impairment losses	(607)	(115)	(385)	(1,107)	-	(1,107)
<b>Total operating expenses</b>	<b>(1,744)</b>	<b>(280)</b>	<b>(824)</b>	<b>(2,848)</b>	<b>433</b>	<b>(2,415)</b>
<b>Segment profit</b>	<b>901</b>	<b>205</b>	<b>(268)</b>	<b>838</b>	<b>-</b>	<b>838</b>
Income tax expenses						(167)
<b>Profit for the period</b>						<b>671</b>

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
<b>For the six-month period ended 30 June 2015</b>						
<b>Revenue</b>						
External customers	5,111	1,038	277	6,426	-	6,426
Inter-segment	-	-	978	978	(978)	-
<b>Total revenue</b>	<b>5,111</b>	<b>1,038</b>	<b>1,255</b>	<b>7,404</b>	<b>(978)</b>	<b>6,426</b>
<b>Operating results:</b>						
Net interest income	3,348	941	216	4,505	-	4,505
Net fee and service income	1,405	37	(2)	1,440	-	1,440
Other operating income	358	60	1,041	1,459	(978)	481
<b>Total operating income</b>	<b>5,111</b>	<b>1,038</b>	<b>1,255</b>	<b>7,404</b>	<b>(978)</b>	<b>6,426</b>
Depreciation and amortisation	(128)	(18)	(244)	(390)	-	(390)
Other operating expenses	(2,102)	(342)	(745)	(3,189)	978	(2,211)
Bad debt, doubtful accounts and impairment losses	(1,243)	(137)	(583)	(1,963)	-	(1,963)
<b>Total operating expenses</b>	<b>(3,473)</b>	<b>(497)</b>	<b>(1,572)</b>	<b>(5,542)</b>	<b>978</b>	<b>(4,564)</b>
<b>Segment profit</b>	<b>1,638</b>	<b>541</b>	<b>(317)</b>	<b>1,862</b>	<b>-</b>	<b>1,862</b>
Income tax expenses						(368)
<b>Profit for the period</b>						<b>1,494</b>

(Unit: Million Baht)

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

(Unit: Million Baht)

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



### 3.35 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the six-month periods ended 30 June 2015 and 2014, the Bank paid provident fund contributions totaling Baht 46 million and Baht 34 million, respectively.

### 3.36 Commitments and contingent liabilities

#### 3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	30 June 2015	31 December 2014
Avals	13,459	7,151
Other guarantees	704,072	628,138
Undrawn client overdraft facilities	30,619	34,070
Interest rate swap agreements (Note 3.37.5)	1,200,000	1,200,000
Cross currency swap agreements (Note 3.37.5)	3,377,680	3,296,300
Total	<u>5,325,830</u>	<u>5,165,659</u>

#### 3.36.2 Litigation

As at 30 June 2015 and 31 December 2014, the Bank has been sued for compensation totaling approximately Baht 360 million and Baht 359 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

#### 3.36.3 Other commitments

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

As at 30 June 2015 and 31 December 2014, the Bank has future minimum lease payments required under these non-cancellable operating leases contracts as follows:

(Unit: Million Baht)

	As at	
	30 June 2015	31 December 2014
Payable within		
Not over 1 year	112	112
Over 1 to 5 years	106	136
Over 5 years	2	3

### 3.37 Financial instruments

#### 3.37.1 Credit risk

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

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

The Bank has centralised its risk management function under the regulatory guidelines for consolidated supervision issued by the Bank of Thailand. The Bank manages credit risk by adopting appropriate credit control policies and procedures in the credit approval process, and by analysis of risk factors and the ability of customers to service debt. For hire purchase receivables, the Bank has implemented a credit scoring system, in order to enhance efficiency in the credit approval process and better reflect the credit risk. The Bank also adopted a credit review process that examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future. The Bank therefore does not expect to incur material financial losses from loans and guarantees of loans. In addition, the Bank is not exposed to concentrations of credit risk because it has a varied customer base and a large number of customers. The maximum exposure to credit risk is limited to the carrying amount of loans 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% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

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

(Unit: Million Baht)

	As at	
	30 June 2015	31 December 2014
Neither past due nor impaired		
Very high grade	108,380	112,689
High grade	37,208	41,865
Medium grade	4,368	5,204
Subtotal	149,956	159,758
Hire purchase receivables - overdue for 31 to 90 days	15,018	16,071
Hire purchase receivables - overdue for more than 90 days	5,534	5,124
<b>Total</b>	<b>170,508</b>	<b>180,953</b>

### 3.37.2 Market risk

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

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

### 3.37.2.1 Market risk – Marketable portfolio

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

(Unit: Million Baht)

	Market risk as at	
	30 June 2015	31 December 2014
Marketable financial assets		
Debt securities	16	15
Derivatives	22	22

### 3.37.2.2 Market risk sensitivity – Interest bearing assets and liabilities

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

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at	
	30 June 2015	31 December 2014
Change in interest rate		
Increase by 1 percent	(204.14)	(426.59)
Decrease by 1 percent	204.14	426.59

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

### 3.37.2.3 Interest rate risk

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

(Unit: Million Baht)

As at 30 June 2015				
<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<b><u>Financial assets</u></b>				
Cash	-	-	1,021	1,021
Interbank and money market items	50	33,051	2,465	35,566
Investments – net	-	4,051	3,568	7,619
Loans to customers <sup>(1)</sup>	30,303	209,930	5,122	245,355
	<u>30,353</u>	<u>247,032</u>	<u>12,176</u>	<u>289,561</u>
<b><u>Financial liabilities</u></b>				
Deposits	56,363	128,701	245	185,309
Interbank and money market items	637	11,842	94	12,573
Liabilities payable on demand	-	-	480	480
Derivatives liabilities	-	-	46	46
Debts issued and borrowings	-	55,375	-	55,375
	<u>57,000</u>	<u>195,918</u>	<u>865</u>	<u>253,783</u>

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

(Unit: Million Baht)

As at 31 December 2014				
<u>Transactions</u>	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<b><u>Financial assets</u></b>				
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 <sup>(1)</sup>	12,446	241,185	4,938	258,569
	<u>12,496</u>	<u>283,790</u>	<u>13,625</u>	<u>309,911</u>
<b><u>Financial liabilities</u></b>				
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>

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

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

(Unit: Million Baht)

As at 30 June 2015							
<u>Transactions</u>	Repricing or maturity date					Total	Interest rates (%)
	At call	0 – 3 months	3 – 12 months	1 – 5 years	Over 5 years		
<b><u>Financial assets</u></b>							
Interbank and money market items	-	32,753	-	298	-	33,051	1.5164
Investments – net	-	1,638	372	2,041	-	4,051	3.7368
Loans to customers	2,062	17,492	47,529	123,649	19,198	209,930	6.8934
	<u>2,062</u>	<u>51,883</u>	<u>47,901</u>	<u>125,988</u>	<u>19,198</u>	<u>247,032</u>	
<b><u>Financial liabilities</u></b>							
Deposits	3,769	82,737	41,718	477	-	128,701	2.1287
Interbank and money market items	932	4,273	6,115	522	-	11,842	1.9886
Debts issued and borrowings	37	26,748	21,947	-	6,643	55,375	2.2159
	<u>4,738</u>	<u>113,758</u>	<u>69,780</u>	<u>999</u>	<u>6,643</u>	<u>195,918</u>	

(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		
<b><u>Financial assets</u></b>							
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>	
<b><u>Financial liabilities</u></b>							
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>	

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

### 3.37.3 Liquidity risk

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

#### Liquidity risk management framework

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

The key liquidity risk management policies involve the management of cash flow maturity profiles, deposit concentrations, liquidity reserve assets and emergency contingency plan. Liquidity risk strategies will take into account market liquidity and how unexpected changes would affect the Bank's risks. A manageable level of maturity 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 and unsubordinated debentures as another source of fund. On the use of fund, the majority of fund is used in lending business while a proportion of fund is maintained as liquidity reserve assets to cushion against liquidity risk. Moreover, the Bank provides credit line to other companies under TISCO Group to support liquidity position if required.

### 3.37.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

As at 30 June 2015				
Remaining contractual maturity				
	Less than	3 - 12 months	More than	Total
	3 months		1 year	
Liabilities	181,855	69,780	7,687	259,322

(Unit: Million Baht)

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

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.

### 3.37.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at	
	30 June 2015	31 December 2014
Composition of highly liquid assets		
Cash	1,021	1,180
Interbank and money market - net	35,566	36,853
Current investments - net	7,182	12,870
Total liquid assets <sup>(1)</sup>	43,769	50,903
Liquid asset requirement <sup>(1)</sup>	11,856	12,900

<sup>(1)</sup> Highly liquid assets and liquid asset requirement are based on internal measurement.



The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As at 30 June 2015 and 31 December 2014, the Bank has highly liquid assets, which are daily calculated, at Baht 43,769 million and Baht 50,903 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 11,856 million and Baht 12,900 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.

3.37.3.3 Counting from the financial statement date, as at 30 June 2015 and 31 December 2014, the periods to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

Transactions	As at 30 June 2015							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans*	
<b>Financial assets</b>								
Cash	1,021	-	-	-	-	-	-	1,021
Interbank and money market items	2,515	32,753	-	298	-	-	-	35,566
Investments – net	-	4,570	571	2,041	-	437	-	7,619
Loans to customers	1,304	16,313	48,909	140,813	30,261	-	7,755	245,355
	<u>4,840</u>	<u>53,636</u>	<u>49,480</u>	<u>143,152</u>	<u>30,261</u>	<u>437</u>	<u>7,755</u>	<u>289,561</u>
<b>Financial liabilities</b>								
Deposits	60,377	82,737	41,718	477	-	-	-	185,309
Interbank and money market items	1,663	4,273	6,115	522	-	-	-	12,573
Liabilities payable on demand	480	-	-	-	-	-	-	480
Derivatives liabilities	-	1	-	45	-	-	-	46
Debts issued and borrowings	37	26,748	21,947	-	6,643	-	-	55,375
	<u>62,557</u>	<u>113,759</u>	<u>69,780</u>	<u>1,044</u>	<u>6,643</u>	<u>-</u>	<u>-</u>	<u>253,783</u>
<b>Commitment and contingent liabilities</b>								
Avals and guarantees of loans	6	-	-	8	-	-	-	14
Other commitments	-	3,396	12	1,221	-	683	-	5,312

\* Non performing loans according to the BOT's guidelines

(Unit: Million Baht)

As at 31 December 2014

Transactions	As at 31 December 2014						Non-	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing Loans*	
<b>Financial assets</b>								
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>
<b>Financial liabilities</b>								
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>
<b>Commitment and contingent liabilities</b>								
Avals 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

### 3.37.4 Foreign exchange risk

The status of the Bank's foreign currency balances as at 30 June 2015 and 31 December 2014 is as follows:

Loans in foreign currency amounting to USD 100 million (31 December 2014: USD 100 million) (equivalent to Baht 3,378 million and Baht 3,296 million as at 30 June 2015 and 31 December 2014, respectively), of which the Bank entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.37.5 to the financial statements.

### 3.37.5 Derivatives

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

As at 30 June 2015 and 31 December 2014, the Bank has the following trading financial derivatives instruments.

a) Interest rate swap agreement

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

(Unit: Million Baht)

As at 30 June 2015		
Maturity	Notional amount	Fair value gain (loss)
2019	1,200	(45)

(Unit: Million Baht)

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

b) Cross currency swap agreement/Foreign exchange contract

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

(Unit: Million Baht)

As at 30 June 2015		
Maturity	Notional amount	Fair value gain (loss)
2015	3,378	(1)

(Unit: Million Baht)

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

### 3.37.6 Fair value of financial instruments

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

(Unit: Million Baht)

<u>Transactions</u>	As at 30 June 2015	
	<u>Book value</u>	<u>Fair value</u>
<b><u>Financial assets</u></b>		
Cash	1,021	1,021
Interbank and money market items - net	35,566	35,566
Investments - net	7,619	8,761
Loans to customers and accrued interest receivables - net	238,623*	239,317
<b><u>Financial liabilities</u></b>		
Deposits	185,309	185,309
Interbank and money market items - net	12,573	12,573
Liabilities payable on demand	480	480
Derivatives liabilities	46	46
Debt issued and borrowings	55,375	55,650

\* Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 292 million.

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2014	
	<u>Book value</u>	<u>Fair value</u>
<b><u>Financial assets</u></b>		
Cash	1,180	1,180
Interbank and money market items - net	36,853	36,853
Investments - net	13,309	13,309
Loans to customers and accrued interest receivables - net	252,189	256,772
<b><u>Financial liabilities</u></b>		
Deposits	206,391	206,391
Interbank and money market items - net	10,352	10,352
Liabilities payable on demand	400	400
Derivatives liabilities	41	41
Debt issued and borrowings	57,737	58,264

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.

### 3.38 Fair value hierarchy

As of 30 June 2015, the Bank had the following assets and liabilities that were measured at fair value or disclosed using different levels of inputs as follows:

(Unit: Million Baht)

	As at 30 June 2015			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Available-for-sale investments				
Debt instruments	-	7,182	-	7,182
Investment properties	-	-	16	16
Office condominiums	-	-	516	516
<b>Financial liabilities measured at fair value</b>				
Derivatives				
Interest rate swaps	-	45	-	45
Cross currency swap	-	1	-	1
<b>Assets for which fair value is disclosed</b>				
Cash	1,021	-	-	1,021
Interbank and money market items - net	2,516	32,753	297	35,566
Investments	-	-	1,579	1,579
Loans to customers and accrued interest receivables	-	46,971	192,346	239,317
<b>Liabilities for which fair value is disclosed</b>				
Deposit	56,608	128,701	-	185,309
Interbank and money market items - net	731	11,842	-	12,573
Liabilities payable on demand	480	-	-	480
Debts issued and borrowings	-	55,650	-	55,650

#### Sensitivity to changes in unobservable inputs for nonfinancial assets

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

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

### 4. Approval of financial statements

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