

TISCO Bank Public Company Limited
Report and interim financial statements
31 March 2019



Building a better
working world

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Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of TISCO Bank Public Company Limited

I have reviewed the accompanying statement of financial position of TISCO Bank Public Company Limited as at 31 March 2019, the related statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

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

Conclusion

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

Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 10 May 2019

TISCO Bank Public Company Limited

Statement of financial position

As at 31 March 2019

(Unit: Thousand Baht)

	Note	31 March 2019	31 December 2018
		(Unaudited but reviewed)	(Audited)
Assets			
Cash		1,356,758	1,188,931
Interbank and money market items - net		48,353,354	53,089,353
Derivatives assets	3.1	-	5,685
Investments - net	3.2, 3.5	5,528,937	6,994,445
Loans to customers and accrued interest receivables	3.3, 3.5		
Loans to customers		256,570,210	255,580,193
Accrued interest receivables		596,312	598,263
Total loans to customers and accrued interest receivables		257,166,522	256,178,456
Less: Deferred revenue		(19,099,745)	(18,969,250)
Less: Allowance for doubtful accounts	3.4	(10,952,389)	(11,043,654)
Less: Allowance for loss on debt restructuring	3.4	(7,945)	(8,146)
Loans to customers and accrued interest receivables - net		227,106,443	226,157,406
Properties foreclosed - net		10,247	4,217
Investment properties		28,152	38,831
Premises and equipment - net		794,603	787,066
Intangible assets - net		247,710	267,014
Deferred tax assets		758,348	651,350
Other assets	3.6	1,445,646	1,513,941
Total assets		285,630,198	290,698,239

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 March 2019

(Unit: Thousand Baht)

	Note	31 March 2019	31 December 2018
		(Unaudited but reviewed)	(Audited)
Liabilities and equity			
Liabilities			
Deposits	3.7	201,954,370	195,215,732
Interbank and money market items		3,700,966	3,872,709
Liabilities payable on demand		310,566	238,219
Derivatives liabilities	3.1	19,758	10,653
Debts issued and borrowings	3.8	39,716,919	49,716,919
Provision for long-term employee benefits	3.9	487,237	383,056
Accrued interest payable		1,158,592	871,971
Income tax payable		990,613	601,265
Dividend payable		-	3,594,114
Other liabilities	3.10	5,645,960	5,870,780
Total liabilities		253,984,981	260,375,418

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 31 March 2019

(Unit: Thousand Baht)

Note	31 March 2019 (Unaudited but reviewed)	31 December 2018 (Audited)
Equity		
Share capital		
Registered		
104 preference shares of Baht 10 each	1	1
921,567,588 ordinary shares of Baht 10 each	9,215,676	9,215,676
	<u>9,215,677</u>	<u>9,215,677</u>
Issued and fully paid-up		
104 preference shares of Baht 10 each	1	1
921,567,588 ordinary shares of Baht 10 each	9,215,676	9,215,676
	<u>9,215,677</u>	<u>9,215,677</u>
Share premium on ordinary shares	2,543,024	2,543,024
Other components of equity	304,064	302,661
Retained earnings		
Appropriated-statutory reserve	984,000	984,000
Unappropriated	18,598,452	17,277,459
Total equity	<u>31,645,217</u>	<u>30,322,821</u>
Total liabilities and equity	<u>285,630,198</u>	<u>290,698,239</u>

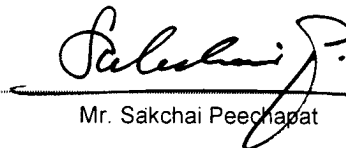
The accompanying notes are an integral part of the financial statements.



Mr. Suthas Ruangmanamongkol
(Chairperson of the Executive Board)



ธนาคารทีเอสซี จำกัด (มหาชน)
TISCO Bank Public Company Limited



Mr. Sakchai Peechapat
(President)

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of comprehensive income

For the three-month periods ended 31 March 2019

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

	Note	2019	2018
Profit or loss:			
Interest income	3.12	4,128,923	4,262,066
Interest expenses	3.13	(1,264,102)	(1,212,872)
Net interest income		2,864,821	3,049,194
Fee and service income		686,571	898,603
Fee and service expenses		(19,548)	(23,834)
Net fee and service income	3.14	667,023	874,769
Net gains (losses) on trading and foreign exchange transactions	3.15	(10,721)	2,529
Net gains on investments	3.16	4,957	198,142
Penalty fee income from loans		72,003	80,124
Other operating income	3.18	62,355	67,335
Total operating income		3,660,438	4,272,093
Operating expenses			
Employee's expenses		832,560	781,259
Premises and equipment expenses		295,716	254,098
Taxes and duties		70,627	76,645
Intercompany supporting fee expenses	3.24	520,616	444,499
Other operating expenses	3.19	190,810	404,523
Total operating expenses		1,910,329	1,961,024
Bad debts, doubtful accounts and impairment losses	3.17	104,083	850,874
Profit from operations before income tax expenses		1,646,026	1,460,195
Income tax expenses	3.20	325,602	290,427
Profit for the period		1,320,424	1,169,768

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 periods ended 31 March 2019

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

	Note	2019	2018
Other comprehensive income:	3.21		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gains (losses) on valuation in available-for-sale investments		2,325	(3,522)
Income tax effects	3.22	(465)	704
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		1,860	(2,818)
Other comprehensive income for the period		1,860	(2,818)
Total comprehensive income for the period		1,322,284	1,166,950
Earnings per share			
Basic earnings per share (Baht per share)	3.23	1.43	1.27

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Cash flow statement

For the three-month periods ended 31 March 2019

	(Unit: Thousand Baht)	
	2019	2018
Cash flows from operating activities		
Profit from operations before income tax	1,646,026	1,460,195
Adjustments to reconcile profit from operations before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	39,813	41,130
Bad debts and doubtful accounts	526,072	1,346,755
Reversal of allowance for impairment of investments	(2,151)	(129)
Allowance for impairment of properties foreclosed (reversal)	(10,970)	326
Gains on disposal of investments in securities	(2,879)	(198,118)
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	7,689	(5,900)
Gains on disposal of equipment	(612)	(1,018)
Losses on written-off of equipment	159	61
Gains on disposal of properties foreclosed	(17,414)	(23,100)
Employee benefit expenses	106,771	10,933
(Increase) decrease in accrued income	13,277	(698)
Increase (decrease) in accrued expenses	(27,099)	102,020
Net interest income	(2,864,821)	(3,049,194)
Dividend income	(28,595)	(28,520)
Cash received on interest income	4,170,128	4,336,376
Cash paid on interest expenses	(698,541)	(772,216)
Cash received on dividend income	28,595	28,520
Cash paid on income tax	(43,603)	(44,932)
Profit from operating activities before changes in operating assets and liabilities	2,841,845	3,202,491
Operating assets (increase) decrease		
Interbank and money market items	4,736,499	942,375
Loans to customers	(1,946,339)	2,090,358
Properties foreclosed	394,676	418,178
Assets classified as held for sale	-	767,227
Other assets	61,249	(83,744)

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Cash flow statement (continued)

For the three-month periods ended 31 March 2019

	(Unit: Thousand Baht)	
	2019	2018
Operating liabilities increase (decrease)		
Deposits	6,738,638	(4,580,232)
Interbank and money market items	(171,743)	(219,765)
Liabilities payable on demand	72,347	271,623
Short-term debts issued and borrowings	-	(1,552,700)
Provision for long-term employee benefits	(2,590)	(2,461)
Other liabilities	(395,859)	(462,736)
Net cash flows from operating activities	12,328,723	790,614
Cash flows from investing activities		
Cash paid for purchase of investments in securities held for investment	(3,329,710)	(3,865,710)
Cash received from disposal of investments in securities held for investment	4,802,573	3,387,607
Cash paid for purchase of equipment	(36,155)	(3,247)
Cash paid for purchase of intangible assets	(4,102)	(476)
Cash received from disposal of equipment	612	1,240
Net cash flows from (used in) investing activities	1,433,218	(480,586)
Cash flows from financing activities		
Cash received from issuance of long-term debentures	2,400,000	8,000,000
Cash paid for redemption of long-term debentures	(12,400,000)	(5,500,000)
Dividend paid	(3,594,114)	(2,764,703)
Net cash flows used in financing activities	(13,594,114)	(264,703)
Net increase in cash	167,827	45,325
Cash at beginning of the period	1,188,931	1,323,405
Cash at end of the period	1,356,758	1,368,730

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of changes in equity

For the three-month periods ended 31 March 2019

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity			Retained earnings		Total	
	Preference shares	Ordinary shares		Surplus (deficit) on changes in value of		Total other components of equity	Appropriated	Unappropriated		
				available-for-sale investments	Surplus on revaluation of assets					Total
Balance as at 1 January 2018	1	9,215,676	2,543,024	16,016	206,188	222,204	984,000	15,959,967	28,924,872	
Profit for the period	-	-	-	-	-	-	-	1,169,768	1,169,768	
Other comprehensive income for the period	-	-	-	(2,818)	-	(2,818)	-	-	(2,818)	
Total comprehensive income for the period	-	-	-	(2,818)	-	(2,818)	-	1,169,768	1,166,950	
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(672)	(672)	-	672	-	
Balance as at 31 March 2018	1	9,215,676	2,543,024	13,198	205,516	218,714	984,000	17,130,407	30,091,822	
Balance as at 1 January 2019	1	9,215,676	2,543,024	(5,462)	308,123	302,661	984,000	17,277,459	30,322,821	
Profit for the period	-	-	-	-	-	-	-	1,320,424	1,320,424	
Other comprehensive income for the period	-	-	-	1,860	-	1,860	-	-	1,860	
Total comprehensive income for the period	-	-	-	1,860	-	1,860	-	1,320,424	1,322,284	
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(457)	(457)	-	569	112	
Balance as at 31 March 2019	1	9,215,676	2,543,024	(3,602)	307,666	304,064	984,000	18,598,452	31,645,217	

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 periods ended 31 March 2019

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 are prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, with the Bank choosing to present condensed interim financial statements. However, the Bank has presented the statements of financial position, comprehensive income, changes in equity and cash flows in the same format as that used for the annual financial statements, and in accordance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.2 New financial reporting standards

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

During the period, the Bank has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements. However, the new standard involves changes to key principles, which are summarised below:

TFRS 15 Revenue from Contracts with Customers

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

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

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

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

b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Bank is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

1.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2018.

1.4 Change in accounting estimation

Change in accounting estimation and recording of depreciation of revalued assets

At the end of 2018, the Bank reappraised office condominiums and at the same time had the useful lives of the office condominiums estimated by an independent professional appraiser. As a result, effective from 1 January 2019, the Bank has changed the remaining useful lives of office condominiums from 15 years to 30 years in order to align them with the estimated useful lives of the assets determined using a prospective method. The expected effects of the change in the estimated useful lives to the 2019 financial statements is to increase profit after tax by approximately Baht 3 million and increase basic earnings per share by Baht 0.004 per share. In addition, the change is expected to increase profit after tax and increase basic earnings per share of the current period, as follows:

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

	For the three-month period ended 31 March 2019
Increase in profit after tax	1
Increase in basic earnings per share	0.001

2. General information

2.1 The Bank's information

TISCO Bank Public Company Limited ("the Bank") is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate a commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 March 2019 and 31 December 2018, the Bank has 61 branches in Thailand.

2.2 Related party transactions

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

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

3. Supplemental information

3.1 Derivatives

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

(Unit: Thousand Baht)

Type of risk	As at					
	31 March 2019			31 December 2018		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	-	16,116	703,637	5,685	-	717,751
Interest rate	-	3,642	600,000	-	10,653	1,200,000
Total	-	19,758	1,303,637	5,685	10,653	1,917,751

All counterparties of these derivatives transactions are financial institutions.

3.2 Investments

3.2.1 Classified by type of investments

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Available-for-sale investments - fair value		
Government and state enterprise securities	5,128,663	6,595,043
Private sector debt securities	185,271	186,078
Domestic marketable equity securities	3,920	4,319
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	5,316,394	6,783,980
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	13,279	13,352
Less: Allowance for impairment	(13,279)	(13,352)
Total held-to-maturity debt securities	-	-
General investments - cost		
Domestic non-marketable equity securities	245,093	245,093
Less: Allowance for impairment	(32,550)	(34,628)
Total general investments	212,543	210,465
Investments - net	5,528,937	6,994,445

(Unaudited but reviewed)

3.2.2 Classified by remaining years to maturity of the debt securities

(Unit: Million Baht)

	As at							
	31 March 2019				31 December 2018			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	5,126	3	-	5,129	6,592	3	-	6,595
Private sector debt securities	1	184	-	185	1	185	-	186
Total	5,127	187	-	5,314	6,593	188	-	6,781
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	5,126	187	-	5,313	6,592	188	-	6,780
Held-to-maturity debt securities								
Investment in receivables	13	-	-	13	13	-	-	13
Less: Allowance for impairment	(13)	-	-	(13)	(13)	-	-	(13)
Total	-	-	-	-	-	-	-	-
Total debt securities	5,126	187	-	5,313	6,592	188	-	6,780

3.2.3 Investments subject to restrictions

(Unit: Million Baht)

Type of investments	As at		Type of restrictions
	31 March 2019	31 December 2018	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	-	648	Pledge for the use of credit balance on clearing position

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

(Unit: Thousand Baht)

	As at 31 March 2019		
	Cost	Fair value	Allowance for impairment
Companies having problems with debt repayment or in default	1,460	-	1,460

(Unit: Thousand Baht)

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

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

Securities' name	As at					
	31 March 2019			31 December 2018		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
Trading import and export:						
Juki (Thailand) Co., Ltd.	5,707	-	10	3,659	-	10
PDTL Trading Co., Ltd.	4,320	-	10	4,320	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,932	-	10	3,932	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	18,315	-	10	18,315	-	10

3.3 Loans to customers and accrued interest receivables

3.3.1 Classified by type of loans to customers

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Loans to customers		
Overdrafts	279,263	369,084
Loans	99,803,305	98,921,935
Hire purchase receivables	156,479,983	156,276,659
Finance lease receivables	34,047	45,426
Less: Deferred revenue	(19,099,745)	(18,969,250)
Advances received from finance lease receivables	(26,388)	(32,911)
Total loans to customers	237,470,465	236,610,943
Add: Accrued interest receivables	596,312	598,263
Less: Allowance for doubtful accounts	(10,952,389)	(11,043,654)
Allowance for loss on debt restructuring	(7,945)	(8,146)
Loans to customers and accrued interest receivables - net	227,106,443	226,157,406

3.3.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at					
	31 March 2019			31 December 2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	229,807,121	6,959,707	236,766,828	229,051,452	6,841,740	235,893,192
US Dollars	-	703,637	703,637	-	717,751	717,751
Total loans to customers						
net of deferred revenue	<u>229,807,121</u>	<u>7,663,344</u>	<u>237,470,465</u>	<u>229,051,452</u>	<u>7,559,491</u>	<u>236,610,943</u>

3.3.3 Classified by loan classification

(Unit: Million Baht)

	As at					
	31 March 2019			31 December 2018		
	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ⁽¹⁾⁽²⁾	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ⁽¹⁾⁽²⁾
Provision under BOT's guidelines						
- Pass	214,415	178,133	2,320	214,194	178,483	2,512
- Special mention	16,947	15,599	2,579	16,706	15,096	3,194
- Sub-standard	3,758	3,180	1,623	3,356	3,073	1,269
- Doubtful	1,566	1,302	537	1,536	1,315	586
- Doubtful of loss	1,381	767	475	1,417	817	531
Allowance established in excess	-	-	3,418	-	-	2,951
Total	<u>238,067</u>	<u>198,981</u>	<u>10,952</u>	<u>237,209</u>	<u>198,784</u>	<u>11,043</u>

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

⁽²⁾ As at 31 March 2019, the provision set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor. 5/2559 minimum requirement by a total of Baht 6,169 million (As at 31 December 2018: total of Baht 6,428 million). The Bank allocated Baht 2,751 million of the excess provision to specific provision for individual debtors (As at 31 December 2018: total of Baht 3,477 million) and so combined with the minimum provision requirement of Baht 4,783 million (As at 31 December 2018: total of Baht 4,615 million), the total provision set aside in accordance with BOT's requirement is Baht 7,534 million (As at 31 December 2018: total of Baht 8,092 million).

Percentage of allowance for doubtful accounts set up (%)

	Loan against auto license					
	Hire purchase receivables ⁽¹⁾		receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at		As at		As at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Pass	0.82	0.83	1.38	1.43	1	1
Special mention	7.54	11.56	17.08	16.80	2	2
Sub-standard	26.42	26.59	37.94	37.75	100	100
Doubtful	26.75	26.60	37.94	37.75	100	100
Doubtful of loss	27.91	27.67	37.94	37.75	100	100

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

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

3.3.4 Hire purchase and finance lease receivables

As at 31 March 2019, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 137,561 million (31 December 2018: Baht 137,493 million) and mostly comprise hire purchase agreements for cars and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 March 2019				
	Amounts of installments due under the long-term lease agreements				
	Not over	Over 1 year	Over	Non-	Total
	1 year	but not over 5 years	5 years	performing loans	
Gross investment in the agreements	47,222	95,361	6,909	7,022	156,514
Less: Deferred revenue ⁽¹⁾	(6,058)	(8,734)	(297)	(3,838)	(18,927)
Advances received from finance lease receivables	(22)	(4)	-	-	(26)
Present value of minimum lease pay from agreements	41,142	86,623	6,612	3,184	137,561
Allowance for doubtful accounts ⁽²⁾					(2,695)
Net hire purchase and finance lease receivables					134,866

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

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

(Unaudited but reviewed)

(Unit: Million Baht)

As at 31 December 2018					
Amounts of installments due under the long-term lease agreements					
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	47,723	94,964	6,502	7,133	156,322
Less: Deferred revenue ⁽¹⁾	(6,089)	(8,621)	(277)	(3,809)	(18,796)
Advances received from finance lease receivables	(24)	(9)	-	-	(33)
Present value of minimum lease pay from agreements	41,610	86,334	6,225	3,324	137,493
Allowance for doubtful accounts ⁽²⁾					(3,218)
Net hire purchase and finance lease receivables					134,275

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

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

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

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines ⁽²⁾		Amounts calculated under the Bank's policy	
	as at		as at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	8,007	8,040	8,846	8,618

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

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

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

(Unit: Million Baht)

	As at	
	31 March 2019	31 December 2018
Deferred revenue ⁽¹⁾	19,100	18,969

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

(Unaudited but reviewed)

3.3.7 Troubled debt restructuring

	For the three-month periods ended 31 March	
	2019	2018
Debtors restructured during the periods		
Number of debtors restructured by modification of terms (number)	277	349
Loan balances before restructuring (Million Baht)	83	102
Loan balances after restructuring (Million Baht)	84	102
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	4	4
Mortgage loan receivables	4	4
Loan against auto license receivables	5	5

Supplemental information for the three-month periods ended 31 March 2019 and 2018 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the three-month periods ended 31 March	
	2019	2018
Interest income on restructured receivables	55	80
Receipt of principal and interest	316	409

As at 31 March 2019 and 31 December 2018, the Bank has the outstanding balances with troubled debt restructuring debtors as follows:

(Unit: Million Baht)

	As at			
	31 March 2019		31 December 2018	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	13,492	2,876	14,261	3,176

(Unaudited but reviewed)

3.4 Allowance for doubtful accounts/allowance for loss on debt restructuring**3.4.1 Allowance for doubtful accounts - classified by receivables classification**

(Unit: Thousand Baht)

As at 31 March 2019							
	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of period	2,512,050	3,194,214	1,268,714	586,227	531,021	2,951,428	11,043,654
Increase (decrease) in allowance for doubtful accounts during the period	(191,560)	(615,052)	358,670	302,290	205,732	466,693	526,773
Bad debts written-off	-	-	(4,695)	(351,894)	(261,449)	-	(618,038)
Balance - end of period	<u>2,320,490</u>	<u>2,579,162</u>	<u>1,622,689</u>	<u>536,623</u>	<u>475,304</u>	<u>3,418,121</u>	<u>10,952,389</u>

(Unit: Thousand Baht)

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

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

(Unit: Thousand Baht)

As at 31 March 2019				
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of period	3,620,998	4,471,228	2,951,428	11,043,654
Increase (decrease) in allowance for doubtful accounts during the period	(133,490)	193,570	466,693	526,773
Bad debts written-off	(81,904)	(536,134)	-	(618,038)
Balance - end of period	<u>3,405,604</u>	<u>4,128,664</u>	<u>3,418,121</u>	<u>10,952,389</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

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

3.4.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Balance - beginning of period/year	8,146	8,948
Increase during the period/year	-	-
Amortisation during the period/year	(201)	(802)
Balance - end of period/year	<u>7,945</u>	<u>8,146</u>

3.4.4 Non-performing loans to customers

(Unit: Million Baht)

	As at	
	31 March 2019	31 December 2018
Non-performing loans to customers	6,705	6,309
Allowance for doubtful accounts ⁽¹⁾	2,635	2,386

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

3.5 Classification of assets

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

(Unit: Million Baht)

	Cost as at		Fair value as at		Allowance for possible loss provided in the accounts as at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	Debt instruments - debentures ⁽¹⁾	1	1	-	-	1

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

(Unaudited but reviewed)

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

As at 31 March 2019 and 31 December 2018, the quality of the Bank's assets classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customers ⁽¹⁾		Investments in securities		Investments in receivables		Properties foreclosed		Total	
	as at		as at		as at		as at		as at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Pass	260,439	264,469	-	-	-	-	-	-	260,439	264,469
Special mention	16,776	16,533	-	-	-	-	-	-	16,776	16,533
Sub-standard	3,758	3,356	-	-	-	-	-	-	3,758	3,356
Doubtful	1,566	1,536	-	-	-	-	-	-	1,566	1,536
Doubtful of loss	1,381	1,417	34	36	13	13	1	12	1,429	1,478
Total	283,920	287,311	34	36	13	13	1	12	283,968	287,372

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

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

3.5.3.1 Hire purchase receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting up allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful accounts setup ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at		as at		as at		as at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Pass	123,301	122,837	123,301	122,837	0.82	0.83	1,006	1,018
Special mention	11,068	11,319	11,068	11,319	7.54	11.56	835	1,309
Sub-standard	1,695	1,811	1,695	1,811	26.42	26.59	448	481
Doubtful	892	900	892	900	26.75	26.60	239	239
Doubtful of loss	597	614	597	614	27.91	27.67	167	170
Total	137,553	137,481	137,553	137,481			2,695	3,217

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

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

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

3.5.3.2 Loan against auto license receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting up allowance for doubtful accounts		Percentage of allowance for doubtful accounts setup ⁽¹⁾		Allowance for doubtful accounts ⁽²⁾	
	as at		as at		as at		as at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
					(%)	(%)		
Pass	22,514	22,835	22,514	22,835	1.38	1.43	310	327
Special mention	3,547	2,816	3,547	2,816	17.08	16.80	606	473
Sub-standard	1,057	923	1,057	923	37.94	37.75	401	348
Doubtful	267	236	267	236	37.94	37.75	101	89
Doubtful of loss	42	45	42	45	37.94	37.75	16	17
Total	27,427	26,855	27,427	26,855			1,434	1,254

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

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

3.5.4 Loans to customers with weak financial position and operating results

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts ⁽²⁾	
	as at		as at		as at		as at	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
			(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Listed companies vulnerable to delisting from the SET ⁽¹⁾	1	1	561	578	515	531	561 ⁽³⁾	578 ⁽³⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	9	10	1,078	1,285	232	263	12	49
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	10	11	1,639	1,863	747	794	573	627

⁽¹⁾ The company is currently under rehabilitation.

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

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

(Unaudited but reviewed)

3.6 Other assets

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Value added tax - net	530,292	555,809
Accrued interest receivables	7,512	20,365
Fee and service receivables	64,412	77,689
Deposits	61,502	60,542
Other receivables	508,764	584,727
Other assets	273,164	214,809
Total other assets	<u>1,445,646</u>	<u>1,513,941</u>

3.7 Deposits

3.7.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Deposits		
Current accounts	2,627,773	2,701,977
Saving accounts	47,371,147	54,683,842
Fixed accounts		
- not over 6 months	12,618,217	10,155,146
- over 6 months but not over 1 year	32,658,601	26,368,304
- over 1 year	4,252,879	3,551,294
Certificates of deposit/negotiable certificates of deposit	102,425,753	97,755,169
Total	<u>201,954,370</u>	<u>195,215,732</u>

3.7.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Not over 1 year ⁽¹⁾	200,581,716	191,278,046
Over 1 year	1,372,654	3,937,686
Total deposits	<u>201,954,370</u>	<u>195,215,732</u>

⁽¹⁾ Including fully-mature deposit contracts

3.7.3 As at 31 March 2019 and 31 December 2018, all outstanding deposits are deposits from domestic depositors and are in Baht.

3.8 Debts issued and borrowings

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,680,000	6,680,000
Unsubordinated unsecured debentures	33,000,000	43,000,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	39,716,919	49,716,919

3.8.1 Subordinated unsecured debentures

As at 31 March 2019 and 31 December 2018, the Bank has long-term subordinated unsecured debentures as follows:

Issued year	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
	31 March 2019	31 December 2018		31 March 2019	31 December 2018		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2014	-	1.60	1,000	-	1,600	2024	6.00 percent per annum
2014	-	0.80	1,000	-	800	2024	6.00 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.50 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.25 percent per annum
2016	0.68	0.68	1,000	680	680	2026	3.875 percent per annum
2017	1.00	1.00	1,000	1,000	1,000	2027	4.00 percent per annum
2017	0.60	0.60	1,000	600	600	2027	3.70 percent per annum
2019	1.20	-	1,000	1,200	-	2029	4.00 percent per annum
2019	1.20	-	1,000	1,200	-	2029	4.00 percent per annum
Total				6,680	6,680		

3.8.2 Unsubordinated unsecured debentures

As at 31 March 2019 and 31 December 2018, the Bank has long-term unsubordinated unsecured debentures as follows:

Issued year	Type of debentures	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
		31 March 2019	31 December 2018		31 March 2019	31 December 2018		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2016	Long-term debenture	5.00	10.00	1,000	5,000	10,000	2019	1.85 - 1.95 percent per annum
2017	Long-term debenture	8.00	13.00	1,000	8,000	13,000	2019	1.75 - 1.85 percent per annum
2018	Long-term debenture	8.00	8.00	1,000	8,000	8,000	2019	1.68 - 1.75 percent per annum
2018	Long-term debenture	12.00	12.00	1,000	12,000	12,000	2020	1.65 - 2.05 percent per annum
Total					33,000	43,000		

3.8.3 Bills of exchange

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

3.9 Provision for long-term employee benefits

During the period, the Bank recognised additional long-term employee benefit liabilities of Baht 92 million as a result of the amendment to legal severance pay rates under the Labor Protection Act (No. 7) B.E. 2562, which was announced in the Royal Gazette on 5 April 2019. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The Bank has amended its rules and regulations to comply with the law, effective in the current period. This change is considered a post-employment benefits plan amendment and the Bank has reflected the effect of the change by recognising past service costs as expenses in the income statement of the current period.

3.10 Other liabilities

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Withholding income tax and other tax payables	108,654	240,570
Accrued insurance premium	261,838	390,106
Deferred income	1,515,381	1,442,405
Accrued expenses	2,366,265	2,393,364
Suspense creditors	1,083,275	1,082,473
Other liabilities	310,547	321,862
Total other liabilities	<u>5,645,960</u>	<u>5,870,780</u>

The above accrued expenses include accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses 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 31 March 2019 and 31 December 2018, the Bank has issued bonus under this scheme amounting to Baht 328 million and Baht 311 million, respectively.

3.11 Capital funds

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

The Bank maintains capital adequacy ratio in compliance with Basel III principles by implementing capital to risk assets requirement based on Internal Ratings - Based Approach (IRB) for hire purchase receivables, loan against auto license receivables, corporate lending, floor-plan loans, equity exposure and other assets.

Regarding Capital funds as at 31 March 2019 and 31 December 2018, the Bank has allocated the additional reserve from classification as part of regulatory capital funds. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	15,959,967	15,959,967
Other components of equity	199,179	197,999
Less: Deductions from Common Equity Tier I items	(1,060,565)	(972,378)
Total Common Equity Tier I capital	27,841,281	27,928,288
<u>Financial Instrument Tier I capital</u>		
Issued and fully paid-up share capital - non cumulative preference shares	1	1
Total Tier I capital	27,841,282	27,928,289
<u>Tier II capital</u>		
Long-term subordinated debentures	6,680,000	6,680,000
Surplus of provision	684,110	664,553
Reserve for loans classified as pass	561,074	571,301
Total Tier II capital	7,925,184	7,915,854
Total capital funds	35,766,466	35,844,143

(Unit: Percent)

Capital fund ratios	As at			
	31 March 2019		31 December 2018	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	17.52	7.00	17.85	6.375
Tier I capital to risk assets	17.52	8.50	17.85	7.875
Total capital to risk assets	22.51	11.00	22.91	10.375

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 2018 on its website on 30 April 2019.

3.12 Interest income

Interest income in the statements of comprehensive income for the three-month periods ended 31 March 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Interbank and money market items	210,001	155,685
Investments in debt securities	33,749	29,558
Loans to customers	1,955,295	2,087,957
Hire purchase and finance lease	1,929,878	1,988,866
Total interest income	<u>4,128,923</u>	<u>4,262,066</u>

3.13 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month periods ended 31 March 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Deposits	741,768	608,276
Interbank and money market items	2,218	3,214
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	278,941	277,717
Issued debt instruments		
- Subordinated debentures	70,105	78,916
- Unsubordinated debentures	170,845	244,524
Borrowings	225	225
Total interest expenses	<u>1,264,102</u>	<u>1,212,872</u>

3.14 Net fee and service income

Net fee and service income in the statements of comprehensive income for the three-month periods ended 31 March 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Fee and service income		
- Acceptance, aval and guarantees	1,397	1,759
- Insurance service	443,624	646,205
- Financial advisory	-	7,670
- Others	241,550	242,969
Total fee and service income	686,571	898,603
Fee and service expenses	(19,548)	(23,834)
Net fee and service income	667,023	874,769

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

Net gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the three-month periods ended 31 March 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(16,891)	69
- Derivatives on interest rates	16	(2,024)
- Debt securities	6,154	4,484
Net gains (losses) on trading and foreign exchange transactions	(10,721)	2,529

3.16 Net gains on investments

Net gains on investments in the statements of comprehensive income for the three-month periods ended 31 March 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Gains on disposal		
- Held-to-maturity debt securities	2,879	2,552
- General investments	-	195,566
Total	2,879	198,118
Reversal of losses on impairment		
- General investments	2,078	24
Total	2,078	24
Net gains on investments	4,957	198,142

3.17 Bad debts, doubtful accounts and impairment losses

Bad debts, doubtful accounts and impairment losses in the statements of comprehensive income for the three-month periods ended 31 March 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Held-to-maturity debt securities (reversal)	(73)	(105)
Loans to customers	104,156	850,979
Total	104,083	850,874

3.18 Other operating income

Other operating income in the statements of comprehensive income for the three-month periods ended 31 March 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Gains on disposal of properties foreclosed	17,414	23,100
Dividend income	28,595	28,520
Others	16,346	15,715
Total	62,355	67,335

3.19 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month periods ended 31 March 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Mailing expenses	14,238	17,221
Software amortisation expenses	23,405	22,327
Legal expenses relating to the business	69,551	272,682
Transportation expenses	18,695	19,475
Expenses related to the repossession and the disposal of repossessed assets	17,394	17,043
Advertising and business promotion expenses	14,198	16,912
Others	33,329	38,863
Total	190,810	404,523

3.20 Income tax expenses

Income tax expenses of the Bank for the three-month periods ended 31 March 2019 and 2018 are as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Current income tax:		
Income tax expenses for the period	441,783	400,628
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	(116,181)	(110,201)
Income tax expenses reported in the statement of comprehensive income	<u>325,602</u>	<u>290,427</u>

3.21 Components of other comprehensive income

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Other comprehensive income		
Available-for-sale investments:		
Gains (losses) during the period	2,325	(3,522)
Less: Reclassification adjustments for gains included in profit or loss	-	-
Other comprehensive income	2,325	(3,522)
Income tax effects relating to components of other comprehensive income	(465)	704
Net other comprehensive income for the period	<u>1,860</u>	<u>(2,818)</u>

3.22 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 31 March					
	2019			2018		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains (losses) on valuation in available- for-sale investments	2,325	(465)	1,860	(3,522)	704	(2,818)
	<u>2,325</u>	<u>(465)</u>	<u>1,860</u>	<u>(3,522)</u>	<u>704</u>	<u>(2,818)</u>

3.23 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 ended 31 March	
	2019	2018
Profit attributable to equity holders of the Bank (Thousand Baht)	1,320,424	1,169,768
Weighted average number of shares (Thousand shares)	921,568	921,568
Basic earnings per share (Baht/share)	1.43	1.27

3.24 Related party transactions

The relationships between the Bank and its related parties

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

As at 31 March 2019 and 31 December 2018, the balances of the accounts between the Bank and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at	
	31 March 2019	31 December 2018
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	612,836	641,306
Accrued interest payable	329	89
Dividend payable	-	3,593,665
Other liabilities	122,674	123,647
Related companies		
Other Assets:		
TISCO Insurance Solution Co., Ltd.	15,347	31,216
TISCO Securities Co., Ltd.	126	322
TISCO Asset Management Co., Ltd.	10,988	9
All-Ways Co., Ltd.	107	-
Deposits:		
Hi-Way Co., Ltd.	72,493	69,583
TISCO Insurance Solution Co., Ltd.	289,972	438,790
TISCO Information Technology Co., Ltd.	233,703	170,036
TISCO Learning Center Co., Ltd.	16,357	40,748

(Unaudited but reviewed)

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Related companies (continued)		
Deposits (continued):		
All-Ways Co., Ltd.	712,318	714,061
Primus Leasing Co., Ltd.	32,898	32,898
(In the process of liquidation)		
TISCO Tokyo Leasing Co., Ltd.	2,206	1,561
Interbank and money market items (Liabilities):		
TISCO Securities Co., Ltd.	147,126	78,391
TISCO Asset Management Co., Ltd.	37,669	209,213
Deutsche TISCO Investment Advisory Co., Ltd.	249,381	269,931
Accrued interest payable:		
TISCO Securities Co., Ltd.	17	6
TISCO Asset Management Co., Ltd.	52	105
Deutsche TISCO Investment Advisory Co., Ltd.	168	13
Hi-Way Co., Ltd.	103	6
TISCO Insurance Solution Co., Ltd.	239	474
TISCO Information Technology Co., Ltd.	155	161
TISCO Learning Center Co., Ltd.	27	90
All-Ways Co., Ltd.	1,509	188
Other liabilities:		
Hi-Way Co., Ltd.	114,150	108,910
TISCO Insurance Solution Co., Ltd.	18,929	16,928
TISCO Learning Center Co., Ltd.	2,283	4,274
Commitments - Guarantees:		
Parent company		
TISCO Financial Group Plc.	1,136	1,136
Related companies		
TISCO Securities Co., Ltd.	540	540
TISCO Asset Management Co., Ltd.	440	440
TISCO Insurance Solution Co., Ltd.	200	200
TISCO Information Technology Co., Ltd.	1,014	918
All-Ways Co., Ltd.	100	100

Loans to related companies

As at 31 March 2019 and 1 January 2019, the balances of loans between the Bank and its related companies and their movements are as follows:

	(Unit: Thousand Baht)			
	As at 1 January 2019	Increase	Decrease	As at 31 March 2019
Related companies				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	300,000	-	-	300,000
TISCO Asset Management Co., Ltd.	100,000	-	(50,000)	50,000

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

	For the three-month periods ended		Terms and pricing policy
	31 March		
	2019	2018	
<u>Transactions occurred during the periods</u>			
Parent company			
Other income	333	250	With reference to the terms and prices as offered to other customers
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	398,616	356,899	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	2,850	1,949	With reference to the terms and prices as offered to other customers
Other expenses	2,509	3,637	With reference to the terms and prices as offered to other customers
Related companies			
Interest income	2,622	2,221	With reference to the terms and prices as offered to other customers
Income involving loans	47	207	With reference to the terms and prices as offered to other customers
Other income	27,782	2,549	With reference to the terms and prices as offered to other customers

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended		Terms and pricing policy
	31 March		
	2019	2018	
Related companies (continued)			
Expenses involving loans	114,150	87,600	Determined on actual cost
Computer system advisory service expenses	157,000	106,500	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	7,390	10,738	With reference to the prices as offered from other service providers
Interest expenses	2,425	872	With reference to the terms and prices as offered to other customers
Other expenses	2,349	537	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
	Loans ⁽¹⁾	2,073

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
	Deposits	51,344

Directors and management's benefits

During the three-month periods ended 31 March 2019 and 2018, the Bank had short-term benefit expenses paid to its directors and key management during the periods and other employee benefit expenses payable to its directors and management as follows:

	(Unit: Million Baht)	
	For the three-month periods ended 31 March	
	2019	2018
Short-term benefits	20	19
Post-employment benefits	17	3
Total	<u>37</u>	<u>22</u>

3.25 Segment information

The Bank is organised into business units based on its products and services. During the current period, the Bank has not changed the organisation of its reportable segments.

(Unaudited but reviewed)

The following tables present revenue and profit information regarding the Bank's operating segments for the three-month periods ended 31 March 2019 and 2018, respectively.

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the three-month period ended 31 March 2019						
Revenue						
External customers	3,168	271	210	3,649	-	3,649
Inter-segment	-	-	968	968	(968)	-
Total revenue	3,168	271	1,178	4,617	(968)	3,649
Operating results:						
Net interest income	2,426	266	173	2,865	-	2,865
Net fee and service income	650	19	(2)	667	-	667
Other operating income	92	(14)	1,007	1,085	(968)	117
Total operating income	3,168	271	1,178	4,617	(968)	3,649
Premises and equipment expenses and amortisation	(75)	(6)	(239)	(320)	-	(320)
Other operating expenses	(1,696)	(118)	(733)	(2,547)	968	(1,579)
Bad debts, doubtful accounts and impairment losses	(398)	32	262	(104)	-	(104)
Total operating expenses	(2,169)	(92)	(710)	(2,971)	968	(2,003)
Segment profit before income tax expenses	999	179	468	1,646	-	1,646
Income tax expenses						(326)
Profit for the period						1,320

(Unaudited but reviewed)

(Unit: Million Baht)

	Retail Banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the three-month period ended 31 March 2018						
Revenue						
External customers	3,595	348	329	4,272	-	4,272
Inter-segment	-	-	871	871	(871)	-
Total revenue	3,595	348	1,200	5,143	(871)	4,272
Operating results:						
Net interest income	2,626	320	103	3,049	-	3,049
Net fee and service income	850	28	(3)	875	-	875
Other operating income	119	-	1,100	1,219	(871)	348
Total operating income	3,595	348	1,200	5,143	(871)	4,272
Premises and equipment expenses and amortisation	(72)	(5)	(199)	(276)	-	(276)
Other operating expenses	(1,751)	(130)	(675)	(2,556)	871	(1,685)
Bad debts, doubtful accounts and impairment losses	(934)	(59)	142	(851)	-	(851)
Total operating expenses	(2,757)	(194)	(732)	(3,683)	871	(2,812)
Segment profit before income tax expenses	838	154	468	1,460	-	1,460
Income tax expenses						(290)
Profit for the period						1,170

(Unaudited but reviewed)

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

During the three-month periods ended 31 March 2019 and 2018, the Bank does not have income from any clients amounting to or over 10 percent of its income.

3.26 Commitments and contingent liabilities

3.26.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	31 March 2019	31 December 2018
Other guarantees	477,094	753,963
Undrawn client overdraft facilities	149,597	351,660
Interest rate swap agreements	600,000	1,200,000
Foreign exchange contracts	703,637	717,751
Others	820,587	517,961
Total	<u>2,750,915</u>	<u>3,541,335</u>

3.26.2 Litigation

As at 31 March 2019 and 31 December 2018, the Bank has been sued for compensation totaling approximately Baht 332 million and Baht 333 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.

3.26.3 Other commitments

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

(Unaudited but reviewed)

As at 31 March 2019 and 31 December 2018, the Bank has future minimum lease payments required under the non-cancellable operating lease contracts as follows:

(Unit: Million Baht)

	As at	
	31 March 2019	31 December 2018
Payable within:		
Not over 1 year	172	159
Over 1 to 5 years	186	203
Over 5 years	29	32

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

3.27 Fair value of financial instruments

The Bank uses the market approach to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Bank endeavors to maximise the use of observable inputs that are relevant to the assets or liabilities to be measured at fair value. TFRS 13 *Fair Value Measurement* establishes a fair value hierarchy categorising the inputs used in the valuation techniques into three levels to determine their fair value, 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

(Unaudited but reviewed)

As of 31 March 2019 and 31 December 2018, the Bank has the financial assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 March 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Available-for-sale investments					
Equity securities	4	4	-	-	4
Debt securities	5,313	-	5,313	-	5,313
Financial liabilities measured at fair value					
Derivatives					
Foreign exchange contracts	16	-	16	-	16
Interest rate swap agreements	4	-	4	-	4

(Unit: Million Baht)

	As at 31 December 2018				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivatives					
Foreign exchange contracts	6	-	6	-	6
Available-for-sale investments					
Equity securities	4	4	-	-	4
Debt securities	6,780	-	6,780	-	6,780
Financial liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	11	-	11	-	11

Valuation techniques and inputs to Level 2 and Level 3 valuations

- The fair value of investments in debt instruments has been determined by using the yield curve as announced by the Thai Bond Market Association.
- The fair value of derivatives has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves.

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

4. Approval of interim financial statements

These interim financial statements were approved by the Bank's Audit Committee on 10 May 2019.