

TISCO Bank Public Company Limited
Report and interim financial statements
30 September 2019

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of TISCO Bank Public Company Limited

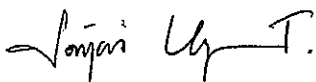
I have reviewed the accompanying statement of financial position of TISCO Bank Public Company Limited as at 30 September 2019, the related statements of comprehensive income for the three-month and nine-month periods then ended, the related statements of changes in equity and cash flows for the nine-month 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: 8 November 2019

TISCO Bank Public Company Limited

Statement of financial position

As at 30 September 2019

(Unit: Thousand Baht)

	Note	30 September 2019	31 December 2018
		(Unaudited but reviewed)	(Audited)
Assets			
Cash		1,093,078	1,188,931
Interbank and money market items - net		35,549,142	53,089,353
Derivatives assets	3.1	-	5,685
Investments - net	3.2, 3.5	6,324,381	6,994,445
Loans to customers and accrued interest receivables	3.3, 3.5		
Loans to customers		255,185,289	255,580,193
Accrued interest receivables		680,799	598,263
Total loans to customers and accrued interest receivables		255,866,088	256,178,456
Less: Deferred revenue		(19,071,923)	(18,969,250)
Less: Allowance for doubtful accounts	3.4	(10,571,482)	(11,043,654)
Less: Allowance for loss on debt restructuring	3.4	(7,544)	(8,146)
Loans to customers and accrued interest receivables - net		226,215,139	226,157,406
Properties foreclosed - net		49,129	4,217
Investment properties		28,152	38,831
Premises and equipment - net		785,645	787,066
Intangible assets - net		202,294	267,014
Deferred tax assets		840,202	651,350
Other assets	3.6	1,241,227	1,513,941
Total assets		272,328,389	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 30 September 2019

(Unit: Thousand Baht)

	Note	30 September 2019 (Unaudited but reviewed)	31 December 2018 (Audited)
Liabilities and equity			
Liabilities			
Deposits	3.7	204,384,512	195,215,732
Interbank and money market items		6,163,211	3,872,709
Liabilities payable on demand		451,245	238,219
Derivatives liabilities	3.1	4,518	10,653
Debts issued and borrowings	3.8	18,716,919	49,716,919
Provision for long-term employee benefits	3.9	623,170	383,056
Accrued interest payable		1,038,796	871,971
Income tax payable		384,731	601,265
Dividend payable		-	3,594,114
Other liabilities	3.10	6,201,884	5,870,780
Total liabilities		237,968,986	260,375,418

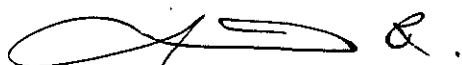
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TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 30 September 2019

(Unit: Thousand Baht)

Note	30 September 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	305,861	302,661
Retained earnings		
Appropriated-statutory reserve	984,000	984,000
Unappropriated	21,310,841	17,277,459
Total equity	<u>34,359,403</u>	<u>30,322,821</u>
Total liabilities and equity	<u>272,328,389</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)



TISCO
 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 period ended 30 September 2019

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

	Note	2019	2018
Profit or loss:			
Interest income	3.12	4,096,338	4,166,230
Interest expenses	3.13	(1,227,912)	(1,260,097)
Net interest income		2,868,426	2,906,133
Fee and service income		684,489	711,490
Fee and service expenses		(18,645)	(23,389)
Net fee and service income	3.14	665,844	688,101
Net gains on trading and foreign exchange transactions	3.15	9,131	2,528
Net gains on investments	3.16	3,785	228,693
Penalty fee income from loans		64,132	77,397
Other operating income	3.18	39,627	60,100
Total operating income		3,650,945	3,962,952
Operating expenses			
Employee expenses		792,843	814,766
Premises and equipment expenses		306,909	254,463
Taxes and duties		73,516	73,835
Intercompany supporting fee expenses	3.24	539,275	471,403
Other operating expenses	3.19	240,724	228,359
Total operating expenses		1,953,267	1,842,826
Bad debts, doubtful accounts and impairment losses	3.17	6,337	700,071
Profit from operations before income tax expenses		1,691,341	1,420,055
Income tax expenses	3.20	337,662	281,471
Profit for the period		1,353,679	1,138,584

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 September 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		860	(11,038)
Income tax effects	3.22	(172)	2,207
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		688	(8,831)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gains		-	3,857
Income tax effects	3.22	-	(771)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		-	3,086
Other comprehensive income for the period		688	(5,745)
Total comprehensive income for the period		1,354,367	1,132,839
Earnings per share			
Basic earnings per share (Baht per share)	3.23	1.47	1.24

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of comprehensive income

For the nine-month period ended 30 September 2019

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

	Note	2019	2018
Profit or loss:			
Interest income	3.12	12,339,042	12,606,107
Interest expenses	3.13	(3,736,162)	(3,675,474)
Net interest income		8,602,880	8,930,633
Fee and service income		2,074,058	2,431,780
Fee and service expenses		(58,376)	(72,169)
Net fee and service income	3.14	2,015,682	2,359,611
Net gains on trading and foreign exchange transactions	3.15	16,978	8,897
Net gains on investments	3.16	5,086	437,873
Penalty fee income from loans		201,513	233,319
Other operating income	3.18	121,954	193,014
Total operating income		10,964,093	12,163,347
Operating expenses			
Employee expenses		2,376,835	2,375,766
Premises and equipment expenses		910,217	764,139
Taxes and duties		216,592	224,973
Intercompany supporting fee expenses	3.24	1,563,986	1,402,412
Other operating expenses	3.19	667,577	858,594
Total operating expenses		5,735,207	5,625,884
Bad debts, doubtful accounts and impairment losses	3.17	100,335	2,017,866
Profit from operations before income tax expenses		5,128,551	4,519,597
Income tax expenses	3.20	1,020,460	899,540
Profit for the period		4,108,091	3,620,057

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 nine-month period ended 30 September 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		5,741	(25,517)
Income tax effects	3.22	(1,148)	5,104
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		4,593	(20,413)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial losses		(95,562)	(4,580)
Income tax effects	3.22	19,112	916
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(76,450)	(3,664)
Other comprehensive income for the period		(71,857)	(24,077)
Total comprehensive income for the period		4,036,234	3,595,980
Earnings per share			
Basic earnings per share (Baht per share)	3.23	4.46	3.93

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Cash flow statement

For the nine-month period ended 30 September 2019

(Unit: Thousand Baht)

	2019	2018
Cash flows from operating activities		
Profit from operations before income tax	5,128,551	4,519,597
Adjustments to reconcile profit from operations before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	121,609	123,431
Bad debts and doubtful accounts	1,449,530	3,544,351
Allowance for impairment of investments (reversal)	4,705	(1,134)
Allowance for impairment of properties foreclosed (reversal)	(10,887)	652
Gains on disposal of investments in securities	(10,701)	(436,849)
Unrealised gains on foreign exchange transactions and trading derivatives	(5,386)	(17,751)
Gains on disposal of equipment and intangible assets	(1,379)	(4,189)
Losses on written-off of equipment	159	61
Gains on disposal of properties foreclosed	(32,918)	(56,180)
Employee benefit expenses	150,795	45,633
(Increase) decrease in accrued income	(47,806)	29,433
Increase in accrued expenses	479,500	754,240
Net interest income	(8,602,880)	(8,930,633)
Dividend income	(49,110)	(49,521)
Cash received on interest income	12,328,123	12,794,140
Cash paid on interest expenses	(2,764,502)	(2,571,972)
Cash received on dividend income	49,110	49,521
Cash paid on income tax	(1,407,534)	(1,432,109)
Profit from operating activities before changes in operating assets and liabilities	6,778,979	8,360,721
Operating assets (increase) decrease		
Interbank and money market items - net	17,541,121	(12,119,217)
Loans to customers	(2,875,606)	5,070,578
Properties foreclosed	1,074,670	1,102,200
Other assets	367,930	170,728

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 nine-month period ended 30 September 2019

	(Unit: Thousand Baht)	
	2019	2018
Operating liabilities increase (decrease)		
Deposits	9,168,780	13,176,428
Interbank and money market items	2,290,502	(336,369)
Liabilities payable on demand	213,026	(107,872)
Short-term debts issued and borrowings	-	(22,840,700)
Provision for long-term employee benefits	(6,243)	(5,245)
Other liabilities	(693,096)	(952,597)
Net cash flows from (used in) operating activities	33,860,063	(8,481,345)
Cash flows from investing activities		
Cash paid for purchase of investments in securities held for investment	(15,996,806)	(26,426,416)
Cash received from disposal of investments in securities held for investment	16,678,606	23,069,477
Cash paid for purchase of equipment	(38,645)	(28,908)
Cash paid for purchase of intangible assets	(6,336)	(16,233)
Cash received from disposal of equipment	1,379	10,733
Cash received from disposal of intangible assets	-	1,637
Net cash flows from (used in) investing activities	638,198	(3,389,710)
Cash flows from financing activities		
Cash received from issuance of long-term debentures	2,400,000	20,000,000
Cash paid for redemption of long-term debentures	(33,400,000)	(5,500,000)
Dividend paid	(3,594,114)	(2,764,703)
Net cash flows from (used in) financing activities	(34,594,114)	11,735,297
Net decrease in cash	(95,853)	(135,758)
Cash at beginning of the period	1,188,931	1,323,405
Cash at end of the period	1,093,078	1,187,647

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 nine-month period ended 30 September 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		Total other components of equity	Appropriated	Unappropriated	
				changes in value of available-for-sale investments	Surplus on revaluation of assets				
Balance as at 1 January 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	-	-	-	-	-	-	-	3,620,057	3,620,057
Other comprehensive income for the period	-	-	-	(20,413)	-	(20,413)	-	(3,664)	(24,077)
Total comprehensive income for the period	-	-	-	(20,413)	-	(20,413)	-	3,616,393	3,595,980
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(2,040)	(2,040)	-	2,040	-
Balance as at 30 September 2018	1	9,215,676	2,543,024	(4,397)	204,148	199,751	984,000	19,578,400	32,520,852
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	-	-	-	-	-	-	-	4,108,091	4,108,091
Other comprehensive income for the period	-	-	-	4,593	-	4,593	-	(76,450)	(71,857)
Total comprehensive income for the period	-	-	-	4,593	-	4,593	-	4,031,641	4,036,234
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(1,393)	(1,393)	-	1,741	348
Balance as at 30 September 2019	1	9,215,676	2,543,024	(869)	306,730	305,861	984,000	21,310,841	34,359,403

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 nine-month periods ended 30 September 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 became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. 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 except the following new standards which 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 change is expected to increase profit after tax and increase basic earnings per share of the current period as follows:

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

	For the three-month period ended 30 September 2019	For the nine-month period ended 30 September 2019
Increase in profit after tax	862	2,586
Increase in basic earnings per share	0.001	0.003

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

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

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 30 September 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 in 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					
	30 September 2019			31 December 2018		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	-	4,518	930,361	5,685	-	717,751
Interest rate	-	-	-	-	10,653	1,200,000
Total	-	4,518	930,361	5,685	10,653	1,917,751

All counterparties of these derivatives transactions are financial institutions.

(Unaudited but reviewed)

3.2 Investments

3.2.1 Classified by type of investments

(Unit: Thousand Baht)

	As at	
	30 September 2019	31 December 2018
Available-for-sale investments - fair value		
Government and state enterprise securities	5,931,811	6,595,043
Private sector debt securities	184,317	186,078
Domestic marketable equity securities	3,360	4,319
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	6,118,028	6,783,980
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	12,442	13,352
Less: Allowance for impairment	(12,442)	(13,352)
Total held-to-maturity debt securities	-	-
General investments - cost		
Domestic non-marketable equity securities	246,596	245,093
Less: Allowance for impairment	(40,243)	(34,628)
Total general investments	206,353	210,465
Investments - net	6,324,381	6,994,445

3.2.2 Classified by remaining years to maturity of the debt securities

(Unit: Million Baht)

	As at							
	30 September 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	5,929	3	-	5,932	6,592	3	-	6,595
Private sector debt securities	184	-	-	184	1	185	-	186
Total	6,113	3	-	6,116	6,593	188	-	6,781
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	6,112	3	-	6,115	6,592	188	-	6,780
Held-to-maturity debt securities								
Investment in receivables	12	-	-	12	13	-	-	13
Less: Allowance for impairment	(12)	-	-	(12)	(13)	-	-	(13)
Total	-	-	-	-	-	-	-	-
Total debt securities	6,112	3	-	6,115	6,592	188	-	6,780

(Unaudited but reviewed)

3.2.3 Investments subject to restrictions

(Unit: Million Baht)

Type of investments	As at		Type of restrictions
	30 September 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 30 September 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

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					
	30 September 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.	3,637	-	10	4,320	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	4,097	-	10	3,932	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	11,299	-	10	18,315	-	10

(Unaudited but reviewed)

3.3 Loans to customers and accrued interest receivables

3.3.1 Classified by type of loans to customers

(Unit: Thousand Baht)

As at

	30 September 2019	31 December 2018
Loans to customers		
Overdrafts	157,018	369,084
Loans	99,790,729	98,921,935
Hire purchase receivables	155,234,930	156,276,659
Finance lease receivables	17,160	45,426
Less: Deferred revenue	(19,071,923)	(18,969,250)
Advances received from finance lease receivables	(14,548)	(32,911)
Total loans to customers	236,113,366	236,610,943
Add: Accrued interest receivables	680,799	598,263
Less: Allowance for doubtful accounts	(10,571,482)	(11,043,654)
Allowance for loss on debt restructuring	(7,544)	(8,146)
Loans to customers and accrued interest receivables - net	<u>226,215,139</u>	<u>226,157,406</u>

3.3.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

As at

	30 September 2019			31 December 2018		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	227,955,143	7,227,862	235,183,005	229,051,452	6,841,740	235,893,192
US Dollars	-	930,361	930,361	-	717,751	717,751
Total loans to customers						
net of deferred revenue	<u>227,955,143</u>	<u>8,158,223</u>	<u>236,113,366</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					
	30 September 2019			31 December 2018		
	Net amount			Net amount		
Loans to customers and accrued interest receivables	used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	used for setting up allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	
Provision under BOT's guidelines						
- Pass	215,139	174,888	2,490	214,194	178,483	2,512
- Special mention	15,645	14,382	2,235	16,706	15,096	3,194
- Sub-standard	2,851	2,333	1,169	3,356	3,073	1,269
- Doubtful	1,691	1,358	540	1,536	1,315	586
- Doubtful of loss	1,468	850	444	1,417	817	531
Allowance established in excess	-	-	3,693	-	-	2,951
Total	236,794	193,811	10,571	237,209	198,784	11,043

⁽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 30 September 2019, the provisions set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor. 5/2559 minimum requirement by a total of Baht 6,061 million (As at 31 December 2018: total of Baht 6,428 million). The Bank allocated Baht 2,368 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 4,510 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 6,878 million (As at 31 December 2018: total of Baht 8,092 million).

Percentage of allowance for doubtful accounts set up (%)

	Loan against auto					
	Hire purchase receivables ⁽¹⁾		license receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at		As at		As at	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Pass	0.79	0.83	1.99	1.43	1	1
Special mention	7.60	11.56	17.52	16.80	2	2
Sub-standard	29.45	26.59	38.54	37.75	100	100
Doubtful	27.16	26.60	38.54	37.75	100	100
Doubtful of loss	28.28	27.67	38.54	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 30 September 2019, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 136,338 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 30 September 2019					
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	46,282	94,450	7,193	7,327	155,252
Less: Deferred revenue ⁽¹⁾	(5,919)	(8,698)	(306)	(3,976)	(18,899)
Advances received from finance lease receivables	(15)	-	-	-	(15)
Present value of minimum lease pay from agreements	40,348	85,752	6,887	3,351	136,338
Allowance for doubtful accounts ⁽²⁾					(2,771)
Net hire purchase and finance lease receivables					133,567

⁽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	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	7,645	8,040	8,435	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	
	30 September 2019	31 December 2018
Deferred revenue ⁽¹⁾	19,072	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		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Debtors restructured during the period				
Number of debtors restructured by modification of terms (number)	231	289	837	921
Loan balances before restructuring (Million Baht)	71	673	274	858
Loan balances after restructuring (Million Baht)	71	670	276	855
Loss on troubled debt restructuring (Million Baht)	-	-	-	-
Average contract period of debt restructuring (years)				
Hire purchase receivables	4	4	4	4
Mortgage loan receivables	-	4	5	4
Loan against auto license receivables	4	5	4	5

Supplemental information for the three-month and nine-month periods ended 30 September 2019 and 2018 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Interest income on restructured receivables	37	64	139	215
Receipt of principal and interest	284	390	894	1,183

As at 30 September 2019 and 31 December 2018, the Bank has the outstanding balances with troubled debt restructuring debtors as follows:

(Unit: Million Baht)

	As at			
	30 September 2019		31 December 2018	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	11,753	2,348	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 30 September 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	(22,301)	(958,745)	(78,324)	950,278	818,225	741,910	1,451,043
Bad debts written-off	-	-	(21,724)	(995,934)	(905,557)	-	(1,923,215)
Balance - end of period	<u>2,489,749</u>	<u>2,235,469</u>	<u>1,168,666</u>	<u>540,571</u>	<u>443,689</u>	<u>3,693,338</u>	<u>10,571,482</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 30 September 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	(422,587)	1,131,720	741,910	1,451,043
Bad debts written-off	(349,484)	(1,573,731)	-	(1,923,215)
Balance - end of period	<u>2,848,927</u>	<u>4,029,217</u>	<u>3,693,338</u>	<u>10,571,482</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	
	30 September 2019	31 December 2018
Balance - beginning of period/year	8,146	8,948
Increase during the period/year	-	-
Amortisation during the period/year	(602)	(802)
Balance - end of period/year	<u>7,544</u>	<u>8,146</u>

3.4.4 Non-performing loans to customers

(Unit: Million Baht)

	As at	
	30 September 2019	31 December 2018
Non-performing loans to customers	6,010	6,309
Allowance for doubtful accounts ⁽¹⁾	2,153	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	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 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 30 September 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	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Pass	247,975	264,469	-	-	-	-	-	-	247,975	264,469
Special mention	15,437	16,533	-	-	-	-	-	-	15,437	16,533
Sub-standard	2,851	3,356	-	-	-	-	-	-	2,851	3,356
Doubtful	1,691	1,536	-	-	-	-	-	-	1,691	1,536
Doubtful of loss	1,468	1,417	42	36	12	13	1	12	1,523	1,478
Total	269,422	287,311	42	36	12	13	1	12	269,477	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	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Pass	121,809	122,837	121,809	122,837	0.79	0.83	965	1,018
Special mention	11,176	11,319	11,176	11,319	7.60	11.56	849	1,309
Sub-standard	1,723	1,811	1,723	1,811	29.45	26.59	507	481
Doubtful	971	900	971	900	27.16	26.60	264	239
Doubtful of loss	657	614	657	614	28.28	27.67	186	170
Total	136,336	137,481	136,336	137,481			2,771	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	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
					(%)	(%)		
Pass	25,917	22,835	25,917	22,835	1.99	1.43	516	327
Special mention	2,599	2,816	2,599	2,816	17.52	16.80	455	473
Sub-standard	415	923	415	923	38.54	37.75	160	348
Doubtful	255	236	255	236	38.54	37.75	98	89
Doubtful of loss	76	45	76	45	38.54	37.75	29	17
Total	29,262	26,855	29,262	26,855			1,258	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	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 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	529	578	483	531	529 ⁽³⁾	578 ⁽³⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	8	11	730	1,315	246	293	9	50
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	9	12	1,259	1,893	729	824	538	628

⁽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	
	30 September 2019	31 December 2018
Value added tax - net	324,747	555,809
Accrued interest receivables	2,552	20,365
Fee and service receivables	147,012	99,206
Deposits	62,232	60,542
Other receivables	505,024	563,210
Other assets	199,660	214,809
Total other assets	<u>1,241,227</u>	<u>1,513,941</u>

3.7 Deposits

3.7.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at	
	30 September 2019	31 December 2018
Deposits		
Current accounts	3,123,742	2,701,977
Saving accounts	37,662,446	54,683,842
Fixed accounts		
- not over 6 months	17,221,760	16,081,571
- over 6 months but not over 1 year	33,097,770	20,441,879
- over 1 year	4,036,024	3,551,294
Certificates of deposit/negotiable certificates of deposit	109,242,770	97,755,169
Total	<u>204,384,512</u>	<u>195,215,732</u>

3.7.2 Classified by the remaining years of contract

(Unit: Thousand Baht)

	As at	
	30 September 2019	31 December 2018
Not over 1 year ⁽¹⁾	203,797,811	191,278,046
Over 1 year	586,701	3,937,686
Total deposits	<u>204,384,512</u>	<u>195,215,732</u>

⁽¹⁾ Including fully-mature deposit contracts

3.7.3 As at 30 September 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	
	30 September 2019	31 December 2018
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,680,000	6,680,000
Unsubordinated unsecured debentures	12,000,000	43,000,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	<u>18,716,919</u>	<u>49,716,919</u>

3.8.1 Subordinated unsecured debentures

As at 30 September 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
	30 September 2019	31 December 2018		30 September 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				<u>6,680</u>	<u>6,680</u>		

3.8.2 Unsubordinated unsecured debentures

As at 30 September 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
		30 September 2019	31 December 2018		30 September 2019	31 December 2018		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2016	Long-term debenture	-	10.00	1,000	-	10,000	2019	1.85 - 1.95 percent per annum
2017	Long-term debenture	-	13.00	1,000	-	13,000	2019	1.75 - 1.85 percent per annum
2018	Long-term debenture	-	8.00	1,000	-	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					12,000	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	
	30 September 2019	31 December 2018
Withholding income tax and other tax payables	111,018	240,570
Accrued insurance premium	232,125	390,106
Deferred income	1,649,053	1,442,405
Accrued expenses	2,872,864	2,393,364
Suspense creditors	1,018,127	1,082,473
Other liabilities	318,697	321,862
Total other liabilities	<u>6,201,884</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 include costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the parent company's shares over the period of five years from grant date to settlement date. As of 30 September 2019 and 31 December 2018, the Bank has issued bonus under this scheme amounting to Baht 376 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, car inventory financing loans, equity exposure and other assets.

Regarding Capital funds as at 30 September 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	
	30 September 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	17,277,459	15,959,967
Other components of equity	305,861	197,999
Less: Deductions from Common Equity Tier I items	(1,071,814)	(972,378)
Total Common Equity Tier I capital	29,254,206	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	29,254,207	27,928,289
<u>Tier II capital</u>		
Long-term subordinated debentures	6,680,000	6,680,000
Surplus of provision	697,428	664,553
Reserve for loans classified as pass	548,191	571,301
Total Tier II capital	7,925,619	7,915,854
Total capital funds	37,179,826	35,844,143

(Unit: Percent)

Capital fund ratios	As at			
	30 September 2019		31 December 2018	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	18.27	7.00	17.85	6.375
Tier I capital to risk assets	18.27	8.50	17.85	7.875
Total capital to risk assets	23.22	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 30 June 2019 on its website (www.tisco.co.th) in October 2019.

3.12 Interest income

Interest income in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Interbank and money market items	105,917	191,001	470,533	506,682
Investments in debt securities	47,317	42,151	124,212	104,137
Loans to customers	2,022,912	1,991,058	5,977,519	6,089,285
Hire purchase and finance lease	1,920,192	1,942,020	5,766,778	5,906,003
Total interest income	4,096,338	4,166,230	12,339,042	12,606,107

3.13 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Deposits	839,121	670,953	2,376,884	1,882,304
Interbank and money market items	3,125	2,476	7,260	8,396
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	256,710	281,053	804,836	834,539
Issued debt instruments				
- Subordinated debentures	68,571	80,670	206,503	239,380
- Unsubordinated debentures	60,155	224,680	339,998	710,138
Borrowings	230	265	681	717
Total interest expenses	1,227,912	1,260,097	3,736,162	3,675,474

3.14 Net fee and service income

Net fee and service income in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2019 and 2018 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Fee and service income				
- Acceptance, aval and guarantees	512	567	3,799	4,784
- Insurance service	484,935	466,184	1,396,239	1,684,787
- Others	199,042	244,739	674,020	742,209
Total fee and service income	684,489	711,490	2,074,058	2,431,780
Fee and service expenses	(18,645)	(23,389)	(58,376)	(72,169)
Net fee and service income	665,844	688,101	2,015,682	2,359,611

3.15 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 nine-month periods ended 30 September 2019 and 2018 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	(6,191)	(533)	(11,889)	(454)
- Derivatives on interest rates	(6)	265	(2)	(1,866)
- Debt securities	15,328	2,796	28,869	11,217
Net gains on trading and foreign exchange transactions	9,131	2,528	16,978	8,897

(Unaudited but reviewed)

3.16 Net gains on investments

Net gains on investments in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2019 and 2018 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Gains on disposal				
- Available-for-sale investments	50	597	67	724
- Held-to-maturity debt securities	1,643	2,663	8,716	6,600
- General investments	1,918	225,160	1,918	429,525
Total	3,611	228,420	10,701	436,849
Reversal of allowance for losses (losses) on impairment				
- General investments	174	273	(5,615)	1,024
Total	174	273	(5,615)	1,024
Net gains on investments	3,785	228,693	5,086	437,873

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 and nine-month periods ended 30 September 2019 and 2018 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Interbank and money market items	90	(73)	(910)	-
Held-to-maturity debt securities (reversal)	(74)	(1)	(910)	(110)
Loans to customers	6,321	700,145	102,155	2,017,976
Total	6,337	700,071	100,335	2,017,866

3.18 Other operating income

Other operating income in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2019	2018	2019	2018
Gains on disposal of properties				
foreclosed	7,370	17,681	32,918	56,180
Dividend income	19,421	19,421	49,110	49,521
Gains on sales of receivables	-	11,266	-	52,588
Others	12,836	11,732	39,926	34,725
Total	39,627	60,100	121,954	193,014

3.19 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2019 and 2018 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2019	2018	2019	2018
Mailing expenses	12,858	13,542	38,532	46,022
Software amortisation expenses	24,018	23,429	71,056	68,723
Legal expenses relating to the business	76,039	82,890	222,907	434,953
Transportation expenses	18,515	20,384	55,409	59,419
Expenses related to the repossession and the disposal of repossessed assets	17,921	16,760	50,866	47,353
Advertising and business promotion expenses	51,662	28,989	99,882	84,381
Others	39,711	42,365	128,925	117,743
Total	240,724	228,359	667,577	858,594

3.20 Income tax expenses

Income tax expenses of the Bank for the three-month and nine-month periods ended 30 September 2019 and 2018 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Current income tax:				
Income tax expenses for the period	421,375	388,231	1,191,000	1,177,566
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	(83,713)	(106,760)	(170,540)	(278,026)
Income tax expenses reported in the statement of comprehensive income	337,662	281,471	1,020,460	899,540

3.21 Components of other comprehensive income

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Other comprehensive income				
Available-for-sale investments:				
Gains (losses) during the period	910	(10,441)	5,808	(24,793)
Less: Reclassification adjustments for gains included in profit or loss	(50)	(597)	(67)	(724)
	860	(11,038)	5,741	(25,517)
Actuarial gains (losses)	-	3,857	(95,562)	(4,580)
Other comprehensive income	860	(7,181)	(89,821)	(30,097)
Income tax effects relating to components of other comprehensive income	(172)	1,436	17,964	6,020
Net other comprehensive income for the period	688	(5,745)	(71,857)	(24,077)

3.22 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 30 September					
	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	860	(172)	688	(11,038)	2,207	(8,831)
Actuarial gains	-	-	-	3,857	(771)	3,086
	<u>860</u>	<u>(172)</u>	<u>688</u>	<u>(7,181)</u>	<u>1,436</u>	<u>(5,745)</u>

(Unit: Thousand Baht)

	For the nine-month periods ended 30 September					
	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	5,741	(1,148)	4,593	(25,517)	5,104	(20,413)
Actuarial losses	(95,562)	19,112	(76,450)	(4,580)	916	(3,664)
	<u>(89,821)</u>	<u>17,964</u>	<u>(71,857)</u>	<u>(30,097)</u>	<u>6,020</u>	<u>(24,077)</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 30 September		For the nine-month periods ended 30 September	
	2019	2018	2019	2018
	Profit attributable to equity holders of the Bank (Thousand Baht)	1,353,679	1,138,584	4,108,091
Weighted average number of shares (Thousand shares)	921,568	921,568	921,568	921,568
Basic earnings per share (Baht/share)	1.47	1.24	4.46	3.93

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
TISCO Investment Advisory Securities Co., Ltd. (Previously known as “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 30 September 2019 and 31 December 2018, the balances of accounts between the Bank and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at	
	30 September 2019	31 December 2018
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	355,892	641,306
Accrued interest payable	95	89
Dividend payable	-	3,593,665
Other liabilities	125,384	123,647
Related companies		
Other Assets:		
TISCO Insurance Solution Co., Ltd.	15,397	31,216
TISCO Securities Co., Ltd.	175	322
TISCO Asset Management Co., Ltd.	3,813	9
Deposits:		
Hi-Way Co., Ltd.	154,559	69,583
TISCO Insurance Solution Co., Ltd.	431,800	438,790
TISCO Information Technology Co., Ltd.	375,988	170,036
TISCO Learning Center Co., Ltd.	36,115	40,748

(Unaudited but reviewed)

(Unit: Thousand Baht)

	As at	
	30 September 2019	31 December 2018
Related companies (continued)		
Deposits (continued):		
All-Ways Co., Ltd.	214,045	714,061
Primus Leasing Co., Ltd.	32,898	32,898
(In the process of liquidation)		
TISCO Tokyo Leasing Co., Ltd.	3,119	1,561
Interbank and money market items (Liabilities):		
TISCO Securities Co., Ltd.	360,053	78,391
TISCO Asset Management Co., Ltd.	35,969	209,213
TISCO Investment Advisory Securities Co., Ltd.	186,984	269,931
(Previously known as "Deutsche TISCO Investment Advisory Co., Ltd.")		
Accrued interest payable:		
TISCO Securities Co., Ltd.	13	6
TISCO Asset Management Co., Ltd.	46	105
TISCO Investment Advisory Securities Co., Ltd.	123	13
(Previously known as "Deutsche TISCO Investment Advisory Co., Ltd.")		
Hi-Way Co., Ltd.	115	6
TISCO Insurance Solution Co., Ltd.	509	474
TISCO Information Technology Co., Ltd.	825	161
TISCO Learning Center Co., Ltd.	80	90
All-Ways Co., Ltd.	245	188
Other liabilities:		
Hi-Way Co., Ltd.	168,243	108,910
TISCO Insurance Solution Co., Ltd.	28,456	16,928
TISCO Learning Center Co., Ltd.	2,831	4,274
Commitments - Guarantees:		
Parent company		
TISCO Financial Group Plc.	1,040	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

(Unaudited but reviewed)

Loans to related companies

As at 30 September 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 30 September 2019
Related companies				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	300,000	9,000	-	309,000
TISCO Asset Management Co., Ltd.	100,000	-	(100,000)	-

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.

	(Unit: Thousand Baht)				
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		
	2019	2018	2019	2018	Terms and pricing policy
<u>Transactions occurred during the periods</u>					
Parent company					
Other income	190	-	648	1,000	With reference to the terms and prices as offered to other customers
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	366,642	372,104	1,143,653	1,123,712	Determined on market prices and/or actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	1,115	1,425	5,801	4,679	With reference to the terms and prices as offered to other customers
Other expenses	2,509	2,509	7,526	9,784	With reference to the terms and prices as offered to other customers
Related companies					
Interest income	2,269	2,268	7,239	6,733	With reference to the terms and prices as offered to other customers
Other income	22,247	2,096	78,417	7,279	With reference to the terms and prices as offered to other customers

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		Terms and pricing policy
	2019	2018	2019	2018	
	Transactions occurred during the periods (continued)				
Related companies (continued)					
Expenses involving loans	167,700	99,300	402,900	278,700	Determined on actual cost
Computer system advisory service expenses	157,000	106,500	471,000	319,500	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	11,541	15,952	31,599	40,341	With reference to the prices as offered from other service providers
Interest expenses	3,472	1,683	9,580	3,799	With reference to the terms and prices as offered to other customers
Other expenses	1,048	754	4,442	1,765	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 September 2019	31 December 2018
Loans ⁽¹⁾	1,909	2,140

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at	
	30 September 2019	31 December 2018
Deposits	47,892	97,403

Directors and management's benefits

During the three-month and nine-month periods ended 30 September 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		For the nine-month periods	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
Short-term benefits	39	34	80	73
Post-employment benefits	4	4	11	11
Total	43	38	91	84

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 and nine-month periods ended 30 September 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 30 September 2019						
Revenue						
External customers	3,202	320	129	3,651	-	3,651
Inter-segment	-	-	847	847	(847)	-
Total revenue	3,202	320	976	4,498	(847)	3,651
Operating results:						
Net interest income	2,471	305	92	2,868	-	2,868
Net fee and service income	647	21	(2)	666	-	666
Other operating income	84	(6)	886	964	(847)	117
Total operating income	3,202	320	976	4,498	(847)	3,651
Premises and equipment expenses and amortisation	(76)	(6)	(249)	(331)	-	(331)
Other operating expenses	(1,726)	(140)	(604)	(2,470)	847	(1,623)
Bad debts, doubtful accounts and impairment losses	242	62	(310)	(6)	-	(6)
Total operating expenses	(1,560)	(84)	(1,163)	(2,807)	847	(1,960)
Segment profit before income tax expenses	1,642	236	(187)	1,691	-	1,691
Income tax expenses						(337)
Profit for the period						1,354

(Unaudited but reviewed)

(Unit: Million Baht)

	Retail Banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the nine-month period ended 30 September 2019						
Revenue						
External customers	9,550	942	472	10,964	-	10,964
Inter-segment	-	-	2,719	2,719	(2,719)	-
Total revenue	9,550	942	3,191	13,683	(2,719)	10,964
Operating results:						
Net interest income	7,337	869	397	8,603	-	8,603
Net fee and service income	1,951	70	(5)	2,016	-	2,016
Other operating income	262	3	2,799	3,064	(2,719)	345
Total operating income	9,550	942	3,191	13,683	(2,719)	10,964
Premises and equipment expenses and amortisation	(228)	(17)	(736)	(981)	-	(981)
Other operating expenses	(5,064)	(412)	(1,998)	(7,474)	2,719	(4,755)
Bad debts, doubtful accounts and impairment losses	(564)	93	371	(100)	-	(100)
Total operating expenses	(5,856)	(336)	(2,363)	(8,555)	2,719	(5,836)
Segment profit before income tax expenses	3,694	606	828	5,128	-	5,128
Income tax expenses						(1,020)
Profit for the period						4,108

(Unaudited but reviewed)

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the three-month period ended 30 September 2018						
Revenue						
External customers	3,243	301	419	3,963	-	3,963
Inter-segment	-	-	875	875	(875)	-
Total revenue	3,243	301	1,294	4,838	(875)	3,963
Operating results:						
Net interest income	2,473	277	156	2,906	-	2,906
Net fee and service income	654	35	(1)	688	-	688
Other operating income	116	(11)	1,139	1,244	(875)	369
Total operating income	3,243	301	1,294	4,838	(875)	3,963
Premises and equipment expenses and amortisation	(73)	(5)	(200)	(278)	-	(278)
Other operating expenses	(1,627)	(134)	(679)	(2,440)	875	(1,565)
Bad debts, doubtful accounts and impairment losses	(358)	42	(384)	(700)	-	(700)
Total operating expenses	(2,058)	(97)	(1,263)	(3,418)	875	(2,543)
Segment profit before income tax expenses	1,185	204	31	1,420	-	1,420
Income tax expenses						(281)
Profit for the period						1,139

(Unaudited but reviewed)

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
For the nine-month period ended 30 September 2018						
Revenue						
External customers	10,313	985	865	12,163	-	12,163
Inter-segment	-	-	2,633	2,633	(2,633)	-
Total revenue	10,313	985	3,498	14,796	(2,633)	12,163
Operating results:						
Net interest income	7,669	891	371	8,931	-	8,931
Net fee and service income	2,271	97	(8)	2,360	-	2,360
Other operating income	373	(3)	3,135	3,505	(2,633)	872
Total operating income	10,313	985	3,498	14,796	(2,633)	12,163
Premises and equipment expenses and amortisation	(221)	(15)	(596)	(832)	-	(832)
Other operating expenses	(4,984)	(394)	(2,048)	(7,426)	2,633	(4,793)
Bad debts, doubtful accounts and impairment losses	(1,506)	(1)	(511)	(2,018)	-	(2,018)
Total operating expenses	(6,711)	(410)	(3,155)	(10,276)	2,633	(7,643)
Segment profit before income tax expenses	3,602	575	343	4,520	-	4,520
Income tax expenses						(900)
Profit for the period						3,620

(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 and nine-month periods ended 30 September 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	
	30 September 2019	31 December 2018
Other guarantees	486,181	753,963
Undrawn client overdraft facilities	113,072	351,660
Interest rate swap agreements	-	1,200,000
Foreign exchange contracts	930,361	717,751
Others	230,027	517,961
Total	<u>1,759,641</u>	<u>3,541,335</u>

3.26.2 Litigation

As at 30 September 2019 and 31 December 2018, the Bank has been sued for compensation totaling approximately Baht 323 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 30 September 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	
	30 September 2019	31 December 2018
Payable within:		
Not over 1 year	173	159
Over 1 to 5 years	126	203
Over 5 years	30	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 30 September 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 30 September 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Available-for-sale investments					
Equity securities	3	3	-	-	3
Debt securities	6,115	-	6,115	-	6,115
Financial liabilities measured at fair value					
Derivatives					
Foreign exchange contracts	5	-	5	-	5

(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 8 November 2019.