

TISCO Bank Public Company Limited  
Report and financial statements  
31 December 2020

## **Independent Auditor's Report**

To the Shareholders of TISCO Bank Public Company Limited

### **Opinion**

I have audited the accompanying financial statements of TISCO Bank Public Company Limited (the Bank), which comprise the statement of financial position as at 31 December 2020, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2020, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards and the Bank of Thailand's regulations.

### **Basis for Opinion**

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

## **Emphasis of Matters**

I draw attention to the following matters:

- a) As described in Note 2 to the financial statements, the Bank has adopted the set of Thai Financial Reporting Standards related to financial instruments in the preparation of current year's financial statements and recognised the cumulative effect in accordance with these financial reporting standards and the Bank of Thailand's guideline.
- b) As described in Notes 1.2 and 1.3 to the financial statements regarding the COVID-19 pandemic which is impacting various businesses and industries. This situation could create uncertainties and may be impacting the operating results and cash flows in the future; and due to the impact of that situation, the Bank has elected to adopt the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy as issued by the Federation of Accounting Professions in preparing the financial statements.

My opinion is not modified in respect of this matter.

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



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

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

A handwritten signature in black ink, which appears to read 'Somjai Khunapasut'. The signature is written in a cursive style.

Somjai Khunapasut  
Certified Public Accountant (Thailand) No. 4499

EY Office Limited  
Bangkok: 11 February 2021

**TISCO Bank Public Company Limited**

**Statement of financial position**

**As at 31 December 2020**

(Unit: Thousand Baht)

	Note	2020	2019
<b>Assets</b>			
Cash		1,215,903	1,099,247
Interbank and money market items - net	4.2, 4.8	36,960,771	44,049,590
Financial assets measured at fair value through profit or loss	4.3	758,539	-
Derivatives assets	4.4	62,095	21,907
Investments - net	4.5, 4.8	9,432,775	7,671,893
Loans to customers and accrued interest receivables	4.6, 4.8		
Loans to customers		240,771,111	257,250,213
Accrued interest receivables and undue interest income		1,669,202	1,106,977
Total loans to customers and accrued interest receivables		242,440,313	258,357,190
Less: Deferred revenue		(17,700,160)	(19,084,739)
Less: Allowance for expected credit loss	4.7	(10,938,183)	-
Less: Allowance for doubtful accounts	4.7	-	(10,074,115)
Less: Allowance for loss on debt restructuring	4.7	-	(7,343)
Loans to customers and accrued interest receivables - net		213,801,970	229,190,993
Properties foreclosed - net	4.9	28,667	13,703
Investment properties	4.10	28,152	28,152
Premises and equipment - net	4.11	758,055	792,039
Right-of-use assets - net	4.12	466,673	-
Intangible assets - net	4.13	90,770	181,929
Deferred tax assets	4.32	260,769	882,142
Other assets	4.14	1,055,894	1,333,868
<b>Total assets</b>		<b>264,921,033</b>	<b>285,265,463</b>

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

**TISCO Bank Public Company Limited****Statement of financial position (continued)****As at 31 December 2020**

(Unit: Thousand Baht)

	Note	2020	2019
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Deposits	4.15	204,859,398	218,433,146
Interbank and money market items	4.16	5,517,289	3,831,925
Liabilities payable on demand		1,284,765	306,867
Debts issued and borrowings	4.17	11,196,919	18,716,919
Lease liabilities	4.18	447,970	-
Provisions	4.19	833,152	709,830
Accrued interest payable		734,307	988,036
Income tax payable		278,006	653,167
Dividend payable	5	1,889,214	4,100,976
Other liabilities	4.20	5,224,507	6,221,590
<b>Total liabilities</b>		<b>232,265,527</b>	<b>253,962,456</b>

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

TISCO Bank Public Company Limited  
Statement of financial position (continued)  
As at 31 December 2020

(Unit: Thousand Baht)

	Note	2020	2019
<b>Equity</b>			
Share capital			
Registered			
104 preference shares of Baht 10 each	4.21	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	4.21	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	4.23	309,469	304,899
Retained earnings			
Appropriated - statutory reserve		984,000	984,000
Unappropriated		19,603,336	18,255,407
		<u>19,603,336</u>	<u>18,255,407</u>
<b>Total equity</b>		<u>32,655,506</u>	<u>31,303,007</u>
<b>Total liabilities and equity</b>		<u>264,921,033</u>	<u>285,265,463</u>

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



Mr. Suthas Ruangmanamongkol  
(Chairperson of the Executive Board)




Mr. Sakchai Peechapat  
(President)



**TISCO Bank Public Company Limited**  
**Statement of comprehensive income**  
**For the year ended 31 December 2020**

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

	Note	2020	2019
<b>Profit or loss:</b>			
Interest income	4.24	15,446,027	16,724,877
Interest expenses	4.25	(3,567,218)	(4,963,709)
<b>Net interest income</b>		<b>11,878,809</b>	<b>11,761,168</b>
Fee and service income		1,862,107	2,821,676
Fee and service expenses		(68,418)	(80,556)
<b>Net fee and service income</b>	4.26	<b>1,793,689</b>	<b>2,741,120</b>
Net gain on financial instruments measured at fair value through profit or loss	4.27	6,048	-
Net gain on trading and foreign exchange transactions	4.28	-	35,511
Net gain on investments	4.29	10,533	6,968
Penalty fee income from loans		191,642	264,361
Other operating income		146,222	137,253
<b>Total operating income</b>		<b>14,026,943</b>	<b>14,946,381</b>
<b>Operating expenses</b>			
Employee expenses		2,194,254	3,282,062
Premises and equipment expenses		1,184,012	1,213,072
Taxes and duties		267,936	291,804
Intercompany supporting fee expenses	4.34	2,331,676	2,100,820
Other operating expenses		875,896	921,302
<b>Total operating expenses</b>		<b>6,853,774</b>	<b>7,809,060</b>
Bad debts, doubtful accounts and impairment loss	4.30	-	636,332
Expected credit loss	4.31	2,437,190	-
<b>Profit from operations before income tax expenses</b>		<b>4,735,979</b>	<b>6,500,989</b>
Income tax expenses	4.32	949,668	1,297,213
<b>Profit for the year</b>		<b>3,786,311</b>	<b>5,203,776</b>

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

**TISCO Bank Public Company Limited**  
**Statement of comprehensive income (continued)**  
**For the year ended 31 December 2020**

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

	Note	2020	2019
<b>Other comprehensive income:</b>			
<b><i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i></b>			
Gain on valuation of investments in debt instruments measured at fair value through other comprehensive income		1,720	-
Gain on valuation of available-for-sale investments		-	5,125
Income tax effects	4.32	(344)	(1,025)
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		1,376	4,100
<b><i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i></b>			
Actuarial loss		(11,539)	(158,974)
Income tax effects	4.32	2,308	31,795
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax (loss)		(9,231)	(127,179)
<b>Other comprehensive income for the year (loss)</b>		(7,855)	(123,079)
<b>Total comprehensive income for the year</b>		3,778,456	5,080,697
<b>Earnings per share</b>			
Basic earnings per share (Baht per share)	4.33	4.11	5.65

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

**TISCO Bank Public Company Limited****Cash flow statement****For the year ended 31 December 2020**

	(Unit: Thousand Baht)	
	2020	2019
<b>Cash flows from operating activities</b>		
Profit from operations before income tax	4,735,979	6,500,989
Adjustments to reconcile profit from operations before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	345,157	161,712
Expected credit loss	4,167,811	-
Bad debts and doubtful accounts	-	2,437,290
Allowance for impairment of investments	-	4,700
Allowance for impairment of properties foreclosed (reversal)	564	(11,111)
Gain on disposal of investments in securities	(3,082)	(12,583)
Unrealised gain on foreign exchange transactions and trading derivatives	(23,482)	(18,495)
Loss on financial instruments measured at fair value through profit or loss	380	-
Gain on disposal of equipment and intangible assets	(3,774)	(1,391)
Loss on written-off of equipment and intangible assets	992	295
Gain on disposal of properties foreclosed	(27,153)	(38,000)
Employee benefit expenses	115,702	187,533
Decrease (increase) in accrued income	70,897	(88,125)
Increase (decrease) in accrued expenses	(942,199)	285,958
Net interest income	(11,878,809)	(11,761,168)
Dividend income	(46,211)	(49,110)
Cash received on interest income	14,777,048	16,312,338
Cash paid on interest expenses	(3,284,313)	(3,784,928)
Cash received on dividend income	46,211	49,110
Cash paid on income tax	(810,941)	(1,444,867)
Profit from operating activities before changes in operating assets and liabilities	7,240,777	8,730,147

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

**TISCO Bank Public Company Limited**

**Cash flow statement (continued)**

**For the year ended 31 December 2020**

(Unit: Thousand Baht)

	2020	2019
Operating assets (increase) decrease		
Interbank and money market items	7,079,715	9,030,669
Loans to customers	10,011,184	(6,843,484)
Properties foreclosed	1,551,048	1,478,351
Other assets	202,858	251,732
Operating liabilities increase (decrease)		
Deposits	(13,573,748)	23,217,414
Interbank and money market items	1,685,364	(40,784)
Liabilities payable on demand	977,898	68,648
Short-term debts issued and borrowings	2,320,000	-
Provision for long-term employee benefits	(18,636)	(19,733)
Other liabilities	(211,134)	(634,232)
<b>Net cash flows from operating activities</b>	<b>17,265,326</b>	<b>35,238,728</b>
<b>Cash flows from investing activities</b>		
Cash paid for purchase of investments in securities	(27,621,162)	(24,382,035)
Cash received from disposal of investments in securities	25,605,465	23,717,595
Cash paid for purchase of equipment and vehicle	(33,476)	(61,377)
Cash paid for purchase of intangible assets	(3,517)	(9,872)
Cash received from disposal of equipment	3,919	1,391
<b>Net cash flows used in investing activities</b>	<b>(2,048,771)</b>	<b>(734,298)</b>
<b>Cash flows from financing activities</b>		
Cash received from issuance of long-term debentures	4,160,000	2,400,000
Cash paid for redemption of long-term debentures	(14,000,000)	(33,400,000)
Cash paid on lease liabilities	(182,061)	-
Dividend paid	(5,077,838)	(3,594,114)
<b>Net cash flows used in financing activities</b>	<b>(15,099,899)</b>	<b>(34,594,114)</b>
<b>Net increase (decrease) in cash</b>	<b>116,656</b>	<b>(89,684)</b>
Cash at beginning of the year	1,099,247	1,188,931
<b>Cash at end of the year</b>	<b>1,215,903</b>	<b>1,099,247</b>
	-	-
<b>Supplemental cash flows information</b>		
Non-cash transactions		
Right-of-use assets	67,898	-
Transfer-in of properties foreclosed in settlement of loans to customers	14,964	9,487
Transfer of investment properties to premises and equipment	-	10,679

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

TISCO Bank Public Company Limited

Statement of changes in equity

For the year ended 31 December 2020

(Unit: Thousand Baht)

	Other components of equity									
	Issued and fully paid-up		Share premium on ordinary shares	Deficit on changes in value of available-for-sale investments	Surplus on changes in value of investments measured at fair value through other comprehensive income	Surplus on revaluation of assets	Total	Retained earnings		Total
	Preference shares	Ordinary shares						Appropriated	Unappropriated	
	1									
<b>Balance as at 1 January 2019</b>	1	9,215,676	2,543,024	(5,462)	-	308,123	302,661	984,000	17,277,459	30,322,821
Dividend paid (Note 5)	-	-	-	-	-	-	-	-	(4,100,976)	(4,100,976)
Profit for the year	-	-	-	-	-	-	-	-	5,203,776	5,203,776
Other comprehensive income for the year (loss)	-	-	-	4,100	-	-	4,100	-	(127,179)	(123,079)
Total comprehensive income for the year	-	-	-	4,100	-	-	4,100	-	5,076,597	5,080,697
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(1,862)	(1,862)	-	2,327	465
<b>Balance as at 31 December 2019</b>	<b>1</b>	<b>9,215,676</b>	<b>2,543,024</b>	<b>(1,362)</b>	<b>-</b>	<b>306,261</b>	<b>304,899</b>	<b>984,000</b>	<b>18,255,407</b>	<b>31,303,007</b>
<b>Balance as at 1 January 2020</b>	<b>1</b>	<b>9,215,676</b>	<b>2,543,024</b>	<b>(1,362)</b>	<b>-</b>	<b>306,261</b>	<b>304,899</b>	<b>984,000</b>	<b>18,255,407</b>	<b>31,303,007</b>
Cumulative effects due to the adoption of new financial reporting standards (Note 2)	-	-	-	5,056	-	-	5,056	-	434,597	439,653
Reclassification	-	-	-	(3,694)	3,694	-	-	-	-	-
<b>Balance as at 1 January 2020 - after adjustments</b>	<b>1</b>	<b>9,215,676</b>	<b>2,543,024</b>	<b>-</b>	<b>3,694</b>	<b>306,261</b>	<b>309,955</b>	<b>984,000</b>	<b>18,690,004</b>	<b>31,742,660</b>
Dividend paid (Note 5)	-	-	-	-	-	-	-	-	(2,866,076)	(2,866,076)
Profit for the year	-	-	-	-	-	-	-	-	3,786,311	3,786,311
Other comprehensive income for the year (loss)	-	-	-	-	1,376	-	1,376	-	(9,231)	(7,855)
Total comprehensive income for the year	-	-	-	-	1,376	-	1,376	-	3,777,080	3,778,456
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(1,862)	(1,862)	-	2,328	466
<b>Balance as at 31 December 2020</b>	<b>1</b>	<b>9,215,676</b>	<b>2,543,024</b>	<b>-</b>	<b>5,070</b>	<b>304,399</b>	<b>309,469</b>	<b>984,000</b>	<b>19,603,336</b>	<b>32,655,506</b>

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

## **TISCO Bank Public Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2020**

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

##### **1.1 Basis for preparation and presentation of financial statements**

The financial statements for the year ended 31 December 2020 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547, and with reference to the regulations stipulated by the Bank of Thailand (“BOT”). The presentation of the financial statements has been made in compliance with the BOT’s Notification No. Sor Nor Sor. 21/2561, dated 31 October 2018, regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, which has become effective for the financial statements for the year 2020.

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

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

##### **1.2 Coronavirus disease 2019 pandemic**

The Coronavirus disease 2019 pandemic is impacting various businesses and industries both directly and indirectly. This situation could create uncertainties and may be impacting the operating results and cash flows in the future. However, the Bank’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in various matters in order to continuously assess the impact as the situation evolves.

### 1.3 New financial reporting standards

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

During the year, the Bank has adopted the revised (revised 2019) and new 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 new standards involving 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
--------	-------------------------------------

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.

The impact of the adoption of these standards on the Bank's financial statements is as follows:

#### Classification and measurement of financial assets

##### Financial assets - Debt instruments

The Bank classifies its financial assets - debt instruments as financial assets that are subsequently to be measured at either amortised cost or fair value in accordance with the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, based on the facts and circumstances as of the date these financial reporting standards were initially adopted. Classifications are as follows:

- Financial assets measured at amortised cost, when both of the following conditions are met: the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets measured at fair value through other comprehensive income, when both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets measured at fair value through profit or loss, when the financial asset is held within a business model whose objective is not to hold assets in order to collect contractual cash flows, or the contractual terms of the financial assets represent contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.

Despite the foregoing, this financial asset - debt instruments may be designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch, with such designation being irrevocable.



### Financial assets - Equity instruments

All investments in equity are measured at fair value in the statement of financial position.

The Bank's management reviewed and assessed existing financial assets as at 1 January 2020, based on the facts and circumstances that existed at that date, and concluded that the following significant changes were required to classification and measurement of the Bank's financial assets.

- Termination of the former classification of investments in debt securities as held-to-maturity and available-for-sale, and investments in equity securities as trading, available-for-sale and general investments.
- Classification of the former investments in held-to-maturity debt securities as financial assets measured at amortised cost.
- Classification of the former investments in available-for-sale debt securities as financial assets measured at fair value through other comprehensive income.
- Classification of all investments in equity securities as financial assets measured at fair value through profit or loss, in accordance with the Bank's investment policy. As a result of the reclassification, the surplus (deficit) on changes in value of available-for-sale investments previously presented as part of other comprehensive income is to be reclassified and presented in retained earnings. Gain on fair value measurement of investments in equity instrument of non-listed companies is recognised in the retained earnings.
- Classification of loan receivables as financial assets measured at amortised cost.
- Classification of derivatives assets as financial assets measured at fair value through profit or loss.

### Classification and measurement of financial liabilities

The adoption of these standards does not have an impact on the classification of financial liabilities. The Bank continues to classify and measure its financial liabilities at amortised cost, except for derivatives liabilities which are measured at fair value through profit or loss.

### Impairment of financial assets

This TFRS requires entities to estimate allowance for expected credit loss in place of the incurred loss recognised under the previous accounting policy. It requires that impairment loss be recognised using the Expected Credit Loss Model, with a management overlay, for all financial assets that are debt instruments and not measured at fair value through profit or loss, including for undrawn commitments and financial guarantees, and it is not necessary for a credit-impaired event to have occurred prior to the recognition. The Bank adopts the General Approach to determine expected credit loss of financial assets e.g. loans to customers, loans to financial institutions and investments in debt instruments.

Moreover, the Bank considers using the Simplified Approach to determine allowance for expected credit loss over a lifetime for accrued fee and service income.

### Practice during transitional period

The Bank has adopted these financial reporting standards whereby the cumulative effect is recognised as an adjustment to the retained earnings or other components of equity as at 1 January 2020, and the comparative information was not restated. Therefore, the presentation of the 2019 figures cannot be compared with the financial statements for the year 2020.

The cumulative effect of the changes is described in Note 2 to the financial statements.

### **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 in 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, adopting the same principles as those of TAS 17.

The Bank has adopted financial reporting standards whereby the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020 (if any), and at the initial adoption the comparative information was not restated.

The cumulative effect of the changes is described in Note 2 to the financial statements.

## **Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy. Its objectives are to provide temporary relief measures solely for entities providing assistance to debtors impacted by the situations that affect the Thai economy, such as COVID-19, economic conditions, trade wars and drought, and to provide an alternative for all entities providing assistance to debtors in accordance with measures to assist debtors specified in the circular of the BOT No. BOT.RPD.(23)C. 276/2563 “Guidelines on providing assistance to debtors impacted by situations that affect the Thai economy” and the circular of the BOT No. BOT.RPD.(01)C. 380/2563 “Measures to provide additional assistance to debtors during the COVID-19 situation” or any other measures announced by the BOT. Such entities include credit card business, business providing loans secured against vehicle registrations without collateral, personal loan business under the supervision of the BOT and certain entities not under the supervision of the BOT, such as leasing, hire-purchase, motorcycle hire-purchase and factoring businesses. Entities providing assistance to debtors in accordance with the BOT’s measures and electing to apply this Accounting Guidance have to apply all temporary relief measures in this guidance.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by the aforementioned situations during the period from 1 January 2020 to 31 December 2021 or until the BOT makes changes, with which the entities are to comply. The guidance applies to large-sized debtors, small and medium-sized debtors, and retail debtors who have the ability to run a business or to pay debts in the future and have been impacted directly or indirectly by such situations, considering the following guidelines.

- Debtors who were not yet non-performing (Stage 1 or Stage 2) on or after 1 January 2020
- Debtors who became non-performing (Stage 3) on or after 1 January 2019, unless the entity is able to prove that the debtors becoming non-performing before 1 January 2019 are non-performing loans affected by the economic conditions

The Bank has entered into the scheme to provide assistance to affected debtors in accordance with the BOT's guideline. For the debtors who meet the conditions under the temporary relief measures, the Accounting Guidance can be applied as follows:

- (1) For the provision of assistance to loans that are not yet non-performing (Non-NPL), the Bank classifies them as loans with no significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring and the debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring. If it is a provision of assistance to debtors in accordance with the circular of the BOT No. BOT.RPD.(01)C. 380/2563, classification of the debtor remains at the same stage as before.
- (2) For the provision of assistance to non-performing loans (NPL), the Bank classifies them as performing loans if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- (3) Additional working capital loans provided to a debtor in order to increase liquidity and enable the debtor to continue its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support repayment or if, considering other factors, the debtor has the ability to pay the debt.
- (4) The guidelines of the BOT relating to assessment of whether there has been a significant increase in credit risk are applied to assess whether a debtor is moving to Stage 2.
- (5) Expected credit loss is determined based on the outstanding balance of the drawn down portion only.
- (6) If the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan, the Bank applies a newly calculated effective interest rate to determine the present value of loans that have been restructured and recognises interest income on the basis of this new effective interest rate during the grace period, or in accordance with the BOT's new guidelines if there are changes.
- (7) In cases where a general approach is used in determining expected credit loss, consideration is given to placing less weight on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience.

In addition, on 19 June 2020 the BOT issued the circular of the BOT No. BOT.RPD.(01)C. 648/2563 “Measures to provide additional assistance to small-sized debtors during the COVID-19 situation - Phase 2”.

During the year 2020, the Bank has entered into the scheme to provide assistance to affected debtors and elected to apply the Accounting Guidance above.

### **Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic**

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

As of 31 December 2020, the Bank has elected to apply the following temporary relief measures on accounting alternatives:

- To measure the fair value as at 31 December 2020 of investments in unquoted equity instruments using the fair value as at 1 January 2020.
- Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.

The Bank has evaluated that there will be no significant impact on the Bank’s financial statements after the relief measures expire.

#### **b) Financial reporting standards that will become effective for fiscal year beginning on or after 1 January 2021**

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal year beginning on or after 1 January 2021. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Bank has evaluated that these standards do not have any significant impact on the Bank's financial statements in the year when they are adopted.

## **1.4 Significant accounting policies**

### **1.4.1 Revenue recognition**

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

Since 1 January 2020, the Bank recognises interest on loans on an accrual basis, using the effective interest rate method, applied to the outstanding principal amount. The effective interest rate is the discount rate that estimates future cash flows over the expected life of the financial instrument to the net carrying amount of the financial asset. The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the effective interest rate. If loans to customers are later credit-impaired, the Bank recognises interest income using the effective interest rate method applied to the net carrying value of the loan (the loan amount net of allowance for expected credit loss). Subsequently, if the financial asset is no longer credit-impaired, the Bank reverts to calculating interest income on a gross carrying amount.

Prior to 1 January 2020, interest on loans was recognised as income on an accrual basis and was based on principal outstanding. Interest on hire purchase receivables and loan against auto license receivables was recognised as income over installment period using effective interest rate method. The Bank had policies to cease accruing income for corporate loans on which interest payments had been defaulted for more than one month and to cease accruing income for other loan accounts on which interest payments had been overdue for more than three months. The Bank would reverse the already recorded accrued interest from accounts and after that interest would be recognised as income on a cash basis. The accounts would be reinstated to an accrual basis when the overdue amounts were received.

#### **b) Gain (loss) on financial instruments measured at fair value through profit or loss**

Gain (loss) on financial instruments measured at fair value through profit or loss consists of gain (loss) on trading and foreign exchange transactions, gain (loss) on changes in fair value of derivatives and financial assets measured at fair value through profit or loss, and gain (loss) on sales of financial assets measured at fair value through profit or loss and derivatives, which the Bank recognises as income or expenses on the transaction date.

c) Interest and dividend on investments in securities

Interest on investments is recognised as income on an accrual basis. Dividend on investments is recognised as income when the right to receive the dividend is established.

d) Gain (loss) on trading in securities and derivatives

Gain (loss) on trading in securities and derivatives is recognised as income or expenses on the transaction date.

e) Fee and service income

Fee and service income is recognised as income on an accrual basis except fee income that is an integral part of the effective interest rate.

#### **1.4.2 Expenses recognition**

a) Interest expenses, fee and service expenses and other operating expenses

Interest expenses, fee and service expenses and other operating expenses are recognised on an accrual basis.

b) Commissions and direct expenses of hire purchase/loan receivables

The Bank records the initial commissions and direct expenses arising in respect of hire purchase and loan receivables contracts using the effective interest rate method, and deducts them from interest income over the agreement term.

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

#### **1.4.3 Securities purchased under resale agreements according to private repurchase transactions**

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

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

#### 1.4.4 Financial assets - Investments

Since 1 January 2020, the Bank has classified investments in securities as financial assets - debt instruments and equity instruments as follows:

##### Financial assets - Debt instruments

The Bank classifies its financial assets - debt instruments as subsequently measured at amortised cost or fair value in accordance with the Bank's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets, based on the facts and circumstances as of the date these financial reporting standards were initially adopted. Classifications are as follows:

a) Financial assets measured at fair value through profit or loss

Investments in debt instruments held within a business model whose objective is not to hold financial assets in order to collect contractual cash flows, or the contractual terms of the financial assets represent contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding. The Bank recognises these as financial assets measured at fair value through profit or loss. These financial assets are initially recognised at fair value.

After initial recognition, unrealised gain or loss on changes in fair value is recognised in profit or loss.

At the end of reporting period, investments in debt instruments measured at fair value through profit or loss are presented in the statement of financial position at fair value.

b) Financial assets measured at fair value through other comprehensive income

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank recognises these as financial assets measured at fair value through other comprehensive income. These financial assets are initially recognised at fair value.

After initial recognition, gain or loss on changes in fair value is presented as a separate item in other comprehensive income.

At the end of reporting period, investments in debt instruments measured at fair value through other comprehensive income are presented in the statement of financial position net of allowance for expected credit loss (if any).



c) Financial assets measured at amortised cost

Investments in debt instruments whose both of the following conditions are met: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial assets represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank recognises these as financial assets measured at amortised cost. These financial assets are initially recognised at fair value as at transaction date.

At the end of reporting period, investments in debt instruments measured at amortised cost are presented in the statement of financial position net of allowance for expected credit loss (if any).

Financial assets - Equity instruments

All investments in equity instruments are measured at fair value in the statement of financial position. The Bank classifies investments in equity instruments as financial assets measured at fair value through profit or loss.

After initial recognition, gain or loss on subsequent changes in fair value of investments in equity instruments is recognised in profit or loss. Dividends on these investments are recognised in profit or loss.

At the end of reporting period, investments in equity instruments measured at fair value through profit or loss are presented in the statement of financial position at fair value.

Fair value

The fair value of marketable securities is calculated based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of non-marketable securities is calculated using discounted future cash flows techniques and/or determined by using a book value of the investees. The fair value of government bonds, state enterprise securities and private debt securities is calculated using the formula determined by the BOT, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions, as the case may be. The fair value of unit trusts is determined based on their net asset value.

Income from investments and disposals of investments

Interest and dividend income on investments is recognised in profit or loss.

Gain (loss) on disposals of investments is recognised in profit or loss on the settlement date. The weighted average method is used for computation of the cost of investments.

## Recognition

Purchases and sales of investments are recognised on the settlement date.

## Changes in classification of investments in debt instruments

When there are changes in the Bank's business model for management of financial assets, the Bank has to reclassify investments in debt instruments and adjust the value of these investments to their fair value on the reclassification date. Differences between the book value and fair value of investments in debt instruments on the reclassification date are recorded in profit or loss or other comprehensive income, depending on the classification of the investments.

## Accounting policies adopted before 1 January 2020

Prior to 1 January 2020, the Bank classified its investments as follows:

- a) Investments in trading securities are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recognised as part of profit or loss when the securities are sold.
- c) Investments in held-to-maturity debt securities are recorded at amortised cost less allowance for impairment loss (if any). The premium/discount on debt securities is amortised/accreted by the effective interest rate with the amortised/accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities, which are classified as general investments, are stated at cost net of allowance for impairment loss (if any).
- e) The fair value of marketable securities is calculated based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of government and state enterprise securities and private sector debt securities is calculated using the formula determined by the BOT, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions, as the case may be. The fair value of unit trusts is determined based on their net asset value.
- f) Loss on impairment (if any) of investments in available-for-sale securities, held-to-maturity debt securities and general investments is recognised in profit or loss.
- g) The weighted average method is used for computation of the cost of investments.

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

#### **1.4.5 Investments in receivables purchased or transferred in**

Since 1 January 2020, the Bank has reclassified investments in receivables purchased or transferred in as financial assets measured at amortised cost which are initially recognised at acquisition cost. At the end of reporting period, these investments are presented in the statement of financial position at amortised cost net of allowance for expected credit loss (if any).

##### Accounting policies adopted before 1 January 2020

Prior to 1 January 2020, investments in receivables purchased or transferred in are classified as held-to-maturity securities, and are valued at acquisition cost net of allowance for impairment (if any).

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

#### **1.4.6 Loans to customers**

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

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

#### **1.4.7 Allowance for expected credit loss/Allowance for doubtful accounts**

##### Accounting policies adopted since 1 January 2020 - Allowance for expected credit loss

The Bank applies the General Approach to calculate expected credit loss on its financial assets, such as deposits at financial institutions, investments in debt instruments measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, loans to customers and accrued interest receivables, and committed credit lines.

The Bank classifies financial assets into three groups (Three-stage approach) in order to measure the expected credit loss, with the classification of the financial assets determined on the basis of the change in credit quality since the initial transaction date, as follows:

Group 1: Financial assets with no significant increase in credit risk (Performing)

For financial assets with no significant increase in credit risk since the initial recognition date, the Bank recognises allowance for expected credit loss at an amount equal to 12-month expected credit loss. For financial assets with maturity of less than 12 months, the Bank uses a probability of default that corresponds to remaining terms of the contract.

Group 2: Financial assets with significant increase in credit risk (Under-performing)

For financial assets with significant increase in credit risk since the initial recognition date but that are not credit-impaired, the Bank recognises the expected credit loss at an amount equal to expected credit loss over the expected lifetime of the financial assets.

Group 3: Financial assets that are credit-impaired (Non-performing)

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset occur. The Bank recognises the expected credit loss at an amount equal to expected credit loss over the expected lifetime of the financial assets.

At the end of each reporting period, the Bank assesses whether the credit risk of financial assets has increased significantly since the initial recognition date, by comparing the risk of expected default on the financial assets as at reporting date with the risk of default as at the initial recognition date. The Bank may use internal quantitative or qualitative bases and forward-looking information as a basis for assessing a decrease in credit quality, such as debtors overdue for more than 30 days or credit rating. Evaluations of whether credit risk has increased significantly since the initial recognition date may be conducted individually or collectively for groups of financial assets.

Loans to customers are considered to be credit-impaired when one or more events occurs affecting the estimated future contractual cash flows of the counterparties. Evidence that financial assets are credit-impaired includes being overdue for more than 90 days or indications that debtors are facing significant financial difficulties, breaches of contract, the legal status, renegotiation of terms of repayment or debt restructuring.

In subsequent periods, if the credit quality of financial assets improves and it is assessed that there is no longer significant increase in credit risk from the initial recognition date that was assessed in the previous period, the Bank will change from recognising expected credit loss over the expected lifetime to recognising the 12-month expected credit loss.

When the terms of repayment of a loan to customer are renegotiated or the terms of the contractual cash flow are modified because the debtors are in financial difficulty, the loan is considered to be a financial asset with a significant increase in credit risk or credit-impaired, unless there is evidence that the risk of that contractual cash flows will not be recoverable has decreased significantly and there are no other indicators of impairment.

Expected credit loss is the probability-weighted estimate of expected credit loss over the lifetime of a financial instrument, taking into account the present value of all cash flows that are expected not to be recoverable. This is determined with reference to historical loss experience data grouped by asset on the basis of shared credit risk characteristics, taking into account type of loan, type of collateral, months on books, and other relevant factors, adjusted for current observable data, as well as forward-looking information that is supportable and reasonable, provided it can be shown to be statistically related. It also involves the appropriate exercise of judgement to estimate the amount of expected credit loss, using current macroeconomic data and macroeconomic forecasts. The Bank determines both current and future economic scenarios, and probability-weights each scenario (base scenario, upturn scenario, downturn scenario and stress scenario) for the purpose of calculating expected credit loss. Use of forward-looking data increases the degree of judgement required in evaluating how relevant macroeconomic changes affect expected credit loss. However, the Bank has established a process to review and monitor the methodologies, assumptions and forward-looking macroeconomics scenarios on a regular basis. In addition, expected credit loss also includes a management overlay.

For financial assets that are credit-impaired upon initial acquisition (investments in receivables purchased or transferred in), the Bank measures allowance for expected credit loss at an amount equal to the outstanding receivable balance because it does not expect to receive cash flows from these receivables.

The measurement of expected credit loss for loan commitments is the present value difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive. The measurement of expected credit loss for financial guarantees is based on the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

The increase (decrease) in an allowance for expected credit loss is recognised as an expense in profit or loss in the statement of comprehensive income. The Bank has a policy to write off receivables when they are identified as bad debts.

In addition, the Bank has adopted the accounting guidance in determining the staging of loans to customers for debtors meeting the criteria for relief measures in accordance with the BOT's circulars.

#### Accounting policies adopted before 1 January 2020 - Allowance for doubtful accounts

The Bank provided allowance for doubtful accounts of loans to customers in accordance with the Notifications of the BOT and adjusted these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

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

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

Allowance for doubtful accounts for other receivables is provided for the estimated loss that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.

#### **1.4.8 Financial assets with modifications of terms/Debt restructuring**

Since 1 January 2020, when a financial asset's terms of repayment are renegotiated or modified, or debt is restructured, or an existing financial asset is replaced with a new financial asset because the debtor is having financial difficulties, the Bank assesses whether to derecognise the financial asset and measures the expected credit loss, as follows:

- If the modification of terms does not result in derecognition of the financial asset, the Bank calculates the gross book value of the new financial asset based on the present value of the new or modified cash flows, discounted using the original effective interest rate of the financial asset, and recognises a gain or loss on modification of terms in profit or loss.
- If the modification of terms results in derecognition of the financial asset, the fair value of the new financial asset is the latest cash flows of the original financial asset as at the date of derecognition. The difference between the book value and the fair value of the financial asset is recognised in profit or loss.

If the debt restructuring does not meet the criteria for derecognition as of the restructuring date, the debtor continues to be classified as financial asset with a significant increase in credit risk (Stage 2) or as a financial asset that is credit-impaired (Stage 3) unless the debtor has been able to make payment in accordance with the debt restructuring agreement for not less than 12 months counting from the restructuring date. At that point, it can be reclassified as a financial asset with no significant increase in credit risk (Stage 1). If the debt restructuring results in a derecognition, the new financial asset is considered a financial asset with no significant increase in credit risk (Performing or Stage 1).

Prior to 1 January 2020, the Bank recorded troubled debt restructuring transactions in accordance with the BOT's regulations and Thai Accounting Standard regarding "Accounting for Troubled Debts Restructuring". In case where the debt restructuring involves modifications of terms of receivables, the fair value of receivables after restructuring represents the net present value of the expected future cash inflows, discounted using the cost of fund rates prevailing at the restructuring date. In case where the cost of fund rates are lower than the interest rates specified in the term of modifications, the Bank will use the interest rates specified in the term of modifications as the discount rates. The Bank records differences between the fair value of receivables and the balance of net book value of receivables as of restructuring date as expenses in profit or loss.

#### **1.4.9 Properties foreclosed**

Properties foreclosed represents assets transferred in respect of receivables on which the debtors have defaulted or restructured receivables. The values of the repossessed assets are stated at the lower of cost (fair value of assets at the transfer date, not exceeding the legally claimable amount of outstanding debt) or net realisable value. Net realisable value is determined at the market value or the appraisal value of repossessed assets less estimated selling expenses. The Bank is required to record the additional general reserve in accordance with the Notifications of the BOT.

The Bank recognises loss on impairment in profit or loss. Gain or loss from disposal of properties foreclosed is recognised upon disposal.

#### **1.4.10 Investment properties**

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

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

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

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

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

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

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



- When an asset's carrying amount is decreased as a result of the revaluation of the Bank's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to other comprehensive income to the extent that it does not exceed the amount already held in "Surplus on revaluation of assets" in respect of the same asset.

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

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

Buildings	-	20 years
Office condominiums	-	43 - 50 years
Office improvements	-	5, 20 years
Furniture, fixtures and equipment	-	5 years
Motor vehicles	-	6 years

Depreciation attributed to the original cost portion and the revaluation portion is included in determining income.

No depreciation is provided on land and assets under installation.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised. Remaining surplus on revaluation of assets as at the date of derecognition is directly transferred to retained earnings.

#### **1.4.12 Leases**

At inception of contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Accounting policies adopted since 1 January 2020

The Bank applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. At the commencement date of the lease, the Bank recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

#### ***Right-of-use assets***

Right-of-use assets are measured at cost, less accumulated depreciation, any impairment loss, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at the commencement date of the lease less any lease incentives received.

Depreciation of right-of-use assets are calculated by reference to their costs, on the straight-line basis over the shorter of the estimated useful lives and the lease term.

Buildings	-	1 - 15 years
-----------	---	--------------

#### ***Lease liabilities***

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and payments of penalties for terminating the lease if the lease term reflects the Bank exercising an option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Bank discounts the present value of the lease payments by the Bank's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

#### ***Short-term leases and leases of low-value assets***

A lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

### Accounting policies adopted before 1 January 2020

Leases of building or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### **1.4.13 Intangible assets**

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

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

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

The license agreements with specified number of years of usage	- according to the period of license agreement by the straight-line basis
The license agreements with no specified number of years of usage	- 5 years by the straight-line basis
No license agreements	- 5 years by the straight-line basis

#### **1.4.14 Income tax**

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

##### **Current tax**

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

##### **Deferred tax**

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

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

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

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

#### **1.4.15 Impairment of assets non-financial assets**

At the end of each reporting period, the Bank assesses whether there is an indication that an asset may be impaired. If any indication exists, an impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. Fair value less costs to sell reflects the amount that the Bank could obtain from the disposal of the asset on the statement of financial position in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

In the assessment of asset impairment, if there is any indication that previously recognised impairment loss may no longer exist or may have decreased, the Bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss in the statement of comprehensive income.

#### **1.4.16 Derecognition of financial assets and financial liabilities**

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

#### **1.4.17 Foreign currencies**

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

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

Gain and loss on exchange is included in determining income.

#### **1.4.18 Employee benefits**

##### **a) Short-term employee benefits**

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

Part of bonus expenses of the Bank is annual bonus which is remuneration for employees' annual performance that is paid in cash, a part of which is paid with reference to the parent company's share price. The Bank records these expenses and accrued bonus over the service period of those employees, counting from the grant date. It is recorded based on the average daily share price from the grant date to the end of reporting period, and any increase or decrease in the expenses according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

##### **b) Post-employment benefits and other long-term employee benefits**

###### **Defined contribution plans**

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

#### Defined benefit plans and other long-term employee benefits

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

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

Actuarial gain or loss arising from post-employment benefits is recognised immediately in other comprehensive income.

Actuarial gain or loss arising from other long-term benefits is recognised immediately in profit or loss.

#### **1.4.19 Provisions**

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

#### **1.4.20 Derivatives**

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

Derivatives are initially recognised at fair value on the trade date and classified as trading. Derivatives are subsequently remeasured at fair value. The subsequent changes are recognised as net profit (loss) from financial instruments measured at fair value through profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### **1.4.21 Fair value measurement**

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

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

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

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

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

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

#### **1.4.22 Financial instruments**

##### a) Financial risk management

The Bank's financial instruments principally comprise cash, interbank and money market items (assets), financial assets measured at fair value through profit or loss, derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), liabilities payable on demand, derivatives liabilities, debts issued and borrowings, lease liabilities and accrued interest payable. The financial risks associated with these financial instruments and how they are managed is described in Note 4.38 to the financial statements.

##### b) Fair value of financial instruments

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

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities) and liabilities payable on demand, the carrying amounts in the statement of financial position approximate their fair value.
- For investments in debt securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For investments in marketable equity securities, their fair value is generally derived from quoted market prices, or based on discounted future cash flows and/or book value of the investees for investments in non-marketable equity securities.
- Loans to customers and accrued interest receivables, except for hire purchase receivables and other retail loans, are presented at fair value which is estimated from balance of loans to customers and accrued interest receivables as stated in the financial statements less allowance for expected credit loss, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash outflows by the current market interest rates of the borrowings with similar terms and conditions.
- For derivatives, their fair value is determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Bank has considered the counterparty's credit risk when determining the fair value of derivatives.

#### **1.4.23 Significant accounting judgements and estimates**

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



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

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

### ***Allowance for expected credit loss on financial assets***

The management is required to use judgement in estimating the allowance for expected credit loss on financial assets. The estimation relies on a complex model, a dataset of assumptions, model development and assessments related to the increase in credit risk, as well as the selection of forward-looking information, which involves a large number of variables. Therefore, actual results could differ from these estimates.

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

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

### ***Investment properties***

The Bank presents investment properties at the fair value estimated by an internal appraiser of the Bank, and recognises changes in the fair value in profit or loss. The appraiser valued the investment properties using the market approach. The key assumptions used in estimating the fair value are described in Note 4.10 to the financial statements.

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

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

The Bank measures office condominiums at revalued amounts. Such amounts are determined by the independent appraiser using the market approach. The valuation involves certain assumptions and estimates as described in Note 4.11 to the financial statements.

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

### ***Leases***

In determining the lease terms, the management needs to use judgement to assess whether the Bank is reasonably certain to exercise options to extend the terms of leases or to cancel the leases, taking into account all relevant facts and circumstances that create economic incentives for the Bank to exercise or not to exercise such options.

The Bank cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

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

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

### ***Litigation***

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

## 2. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 1.3 to the financial statements, during the current year, the Bank has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings and other components of equity as at 1 January 2020. Therefore, the comparative information was not restated.

The amounts of adjustments affecting the statement of financial position as at 1 January 2020 from changes in accounting policies due to the adoption of these standards are presented as follows:

(Unit: Million Baht)

	31 December 2019	The impacts of		1 January 2020
		Financial reporting standards related to financial instruments	TFRS 16	
<b>Statement of financial position</b>				
<b>Assets</b>				
Financial instruments measured at				
fair value through profit or loss	-	759	-	759
Investments - net	7,672	(209)	-	7,463
Right-of-use assets	-	-	616	616
Deferred tax assets	882	(110)	-	772
Other assets	1,334	-	(36)	1,298
<b>Liabilities</b>				
Lease liabilities	-	-	580	580
<b>Equity</b>				
Other components of equity	305	5	-	310
Retained earnings - unappropriated	18,255	435	-	18,690

## 2.1 Financial instruments

Details of the impact on equity as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

	(Unit: Million Baht)
	<u>The impact</u>
<b>Other components of equity</b>	
Classification of investments in available-for-sale equity securities as financial assets measured at fair value through profit or loss	6
Less: Income tax effects	<u>(1)</u>
Impacts on other components of equity due to the adoption of financial reporting standards related to financial instruments	<u>5</u>
	(Unit: Million Baht)
	<u>The impact</u>
<b>Retained earnings - unappropriated</b>	
Classification of investments in available-for-sale equity securities as financial assets measured at fair value through profit or loss	(6)
Fair value measurement of investments in equity instruments of non-listed companies	550
Less: Income tax effects	<u>(109)</u>
Impacts on retained earnings due to the adoption of financial reporting standards related to financial instruments	<u>435</u>

The classifications and measurements of financial assets and financial liabilities in accordance with TFRS 9, compared with the classifications and measurements of the carrying amounts under the former basis, are as follows:

(Unit: Million Baht)

Classification and measurement under the former basis as at 31 December 2019	Classification and measurement in accordance with TFRS 9 as at 1 January 2020			
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through comprehensive income	Financial instruments measured at amortised cost	Total
<b>Financial assets</b>				
Cash	1,099	-	-	1,099
Interbank and money market items - net	44,050	-	-	44,050
Derivatives assets	22	22	-	22
Investments - net	7,672	759	7,463	8,222
Loans to customers and accrued interest receivables - net	229,191	-	-	229,191
<b>Financial liabilities</b>				
Deposits	218,433	-	-	218,433
Interbank and money market items	3,832	-	-	3,832
Liabilities payable on demand	307	-	-	307
Debts issued and borrowings	18,717	-	-	18,717
Accrued interest payable	988	-	-	988

The table below presents a reconciliation of allowance for impairment as at 31 December 2019 which was recognised in accordance with the BOT and Thai Accounting Standard No. 105 Accounting for Investments in Debt and Equity Securities, and provision for contingent obligation which was recognised in accordance with Thai Accounting Standard No. 37 Provisions, Contingent Liabilities and Contingent Assets, and allowance for impairment as at 1 January 2020 which was recognised in accordance with TFRS 9. All the changes are the result of the remeasurement of allowance for expected credit loss in accordance with TFRS 9.

	(Unit: Million Baht)		
	As at		As at
	31 December 2019	Remeasurement	1 January 2020
Allowance for expected credit loss			
Investments in available-for-sale debt securities reclassified as investments in debt instruments measured at fair value through other comprehensive income	1	-	1
Loans to customers and accrued interest receivables	10,081	-	10,081
<b>Total</b>	<b>10,082</b>	<b>-</b>	<b>10,082</b>

However, the adoption of these financial reporting standards requires the Bank to recognise an allowance for expected credit loss on loan to customers, in place of allowance for doubtful accounts recognised under the previous accounting method, in accordance with the model for each group of assets. Based on the impact calculation, the Bank has a remaining excess loan loss reserve of Baht 2,113 million, which will be released in quarterly amounts over 2 years under the straight-line method, in line with the BOT's guideline.

## 2.2 Leases

Upon initial application of TFRS 16, the Bank recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at 1 January 2020.

	(Unit: Million Baht)
	Financial statements
Operating lease commitments as at 31 December 2019	282
Add: Option to extend lease term	345
Less: Deferred interest expenses	(47)
Lease liabilities as at 1 January 2020	580
Weighted average incremental borrowing rate (percent per annum)	2.45

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

	(Unit: Million Baht)
	Financial statements
Buildings	616
Total right-of-use assets	616

### **3. General information**

#### **3.1 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 December 2020, the Bank has 58 branches in Thailand (As at 31 December 2019: 61 branches).

#### **3.2 Statutory reserve**

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

#### **3.3 Directors' remuneration**

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

#### **3.4 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 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.

#### 4. Supplemental information

##### 4.1 Classification of financial assets and financial liabilities

(Unit: Thousand Baht)

	As at 31 December 2020			Total
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	
<b><u>Financial assets</u></b>				
Cash	-	-	1,215,903	1,215,903
Interbank and money market items - net	-	-	36,960,771	36,960,771
Financial assets measured at fair value through profit or loss	758,539	-	-	758,539
Derivatives assets	62,095	-	-	62,095
Investments - net	-	9,432,775	-	9,432,775
Loans to customers and accrued interest receivables - net	-	-	213,801,970	213,801,970
<b><u>Financial liabilities</u></b>				
Deposits	-	-	204,859,398	204,859,398
Interbank and money market items	-	-	5,517,289	5,517,289
Liabilities payable on demand	-	-	1,284,765	1,284,765
Debts issued and borrowings	-	-	11,196,919	11,196,919
Lease liabilities	-	-	447,970	447,970
Accrued interest payable	-	-	734,307	734,307



## 4.2 Interbank and money market items (assets)

(Unit: Thousand Baht)

	As at 31 December					
	2020			2019		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	2,813,922	-	2,813,922	1,702,187	290,000	1,992,187
Commercial banks	645,556	18,800,000	19,445,556	246,403	26,800,000	27,046,403
Specialised Financial Institutions	365	14,700,000	14,700,365	968	15,000,000	15,000,968
Total	3,459,843	33,500,000	36,959,843	1,949,558	42,090,000	44,039,558
Add: Accrued interest	5	1,808	1,813	32	10,000	10,032
Less: Allowance for expected credit loss	(885)	-	(885)	-	-	-
Total domestic	3,458,963	33,501,808	36,960,771	1,949,590	42,100,000	44,049,590

As at 31 December 2020 and 2019, all outstanding interbank and money market items are in Baht.

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

(Unit: Thousand Baht)

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

	2020	2019
Commercial banks	18,800,000	26,800,000
Specialised Financial Institutions	14,700,000	15,000,000

Fair value of securities received as collateral is as follows:

(Unit: Thousand Baht)

Fair value of securities received as collateral  
as at 31 December

	2020	2019
Commercial banks	18,471,500	26,456,400
Specialised Financial Institutions	14,747,200	15,057,800

### 4.3 Financial assets measured at fair value through profit or loss

(Unit: Thousand Baht)

Investments	As at 31 December 2020	
	Cost	Fair value
<b>Others</b>		
Domestic marketable equity instruments	9,320	2,620
Domestic non-marketable equity instruments	246,596	755,919
	255,916	758,539
Add: Allowance for changes in value	502,623	
Total	758,539	

Investments in non-marketable equity instruments include investments in which the Bank holds not less than 10 percent of the equity of the investees, as follows:

(Unit: Thousand Baht)

Securities' name	As at 31 December 2020		
	Fair value of investments	Unpaid amount	Percentage of holding (%)
<b>Services:</b>			
Jiji Press (Thailand) Co., Ltd.	1,825	300	10
<b>Trading import and export:</b>			
Juki (Thailand) Co., Ltd.	6,025	-	10
PDTL Trading Co., Ltd.	3,637	-	10
Wattana Inter-Trade Co., Ltd.	19,158	-	10
<b>Real estate:</b>			
UMI Property Co., Ltd.	4,031	-	10
<b>Industrial:</b>			
Siam Art Ceramic Co., Ltd.	11,268	-	10

#### 4.4 Derivatives assets/derivatives liabilities

The Bank entered into foreign exchange contracts to manage the risk associated with financial assets, as follows:

(Unit: Thousand Baht)

Type of risks	As at 31 December					
	2020			2019		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange rate	62,095	-	1,189,528	21,907	-	917,044
Total	62,095	-	1,189,528	21,907	-	917,044

All counterparties of these derivatives transactions are financial institutions.

#### 4.5 Investments

##### 4.5.1 Investments classified by type of investments

As at 31 December 2020, investments classified by type of investments are as follows:

(Unit: Thousand Baht)

	As at 31 December 2020	
	Amortised cost	Fair value
<b>Investments in debt instruments measured at fair value through other comprehensive income</b>		
Government and state enterprise securities	9,401,437	9,407,960
Private sector debt securities	51,460	24,815
	9,452,897	9,432,775
Add: Surplus on changes in fair value	6,338	
Less: Allowance for expected credit loss	(26,460)	
Total	9,432,775	
<b>Investments in debt instruments measured at amortised cost</b>		
Investment in receivables	12,047	
Less: Allowance for expected credit loss	(12,047)	
Total	-	
Total investments	9,432,775	

As at 31 December 2019, investments classified by type of investments are as follows:

(Unit: Thousand Baht)

	As at 31 December 2019	
	Cost	Fair value
<b>Available-for-sale investments - fair value</b>		
Government and state enterprise securities	7,277,922	7,280,613
Private sector debt securities	181,460	181,927
Domestic marketable equity securities	9,320	3,000
	<u>7,468,702</u>	<u>7,465,540</u>
Less: Deficit on changes in fair value	(1,702)	
Less: Allowance for impairment	(1,460)	
Total available-for-sale investments	<u>7,465,540</u>	
<b>Held-to-maturity debt securities - cost/amortised cost</b>		
Investment in receivables	12,437	
Less: Allowance for impairment	(12,437)	
Total held-to-maturity debt securities	<u>-</u>	
<b>General investments - cost</b>		
Domestic non-marketable equity securities	246,596	
Less: Allowance for impairment	(40,243)	
Total general investments	<u>206,353</u>	
Investments - net	<u>7,671,893</u>	

#### 4.5.2 Investments subject to restrictions

(Unit: Million Baht)

Type of investments	As at 31 December		Type of restrictions
	2020	2019	
Government debt securities	2	2	Pledged for electricity usage
Government debt securities	-	2,912	Pledged for the use of credit balance on clearing position

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

As at 31 December 2020 and 2019, investments in securities of the Bank include investments in securities issued by companies with weak financial positions and poor operating results as follows:

(Unit: Thousand Baht)

	As at 31 December 2020		
	Cost	Fair value	Allowance for expected credit loss
Companies having problems with debt repayment or in default	51,460	24,815	26,460

(Unit: Thousand Baht)

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

#### 4.5.4 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 December 2019		
	Cost	Unpaid amounts	Percentage of holding (%)
<b>Services:</b>			
Jiji Press (Thailand) Co., Ltd.	814	300	10
<b>Trading import and export:</b>			
Juki (Thailand) Co., Ltd.	5,707	-	10
PDTL Trading Co., Ltd.	3,637	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10
<b>Real estate:</b>			
UMI Property Co., Ltd.	4,097	-	10
<b>Industrial:</b>			
Siam Art Ceramic Co., Ltd.	11,299	-	10

## 4.6 Loans to customers and accrued interest receivables

### 4.6.1 Classified by type of loans to customers

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
<b>Loans to customers</b>		
Overdrafts	31,721	107,811
Loans	99,456,783	103,383,449
Hire purchase receivables	141,282,607	153,758,207
Finance lease receivables	-	9,359
Less: Deferred revenue	(17,700,160)	(19,084,739)
Advances received from finance lease receivables	-	(8,613)
Total loans to customers	223,070,951	238,165,474
Add: Accrued interest receivables and undue interest receivables	1,669,202	1,106,977
Total loans to customers and accrued interest receivables	224,740,153	239,272,451
Less: Allowance for expected credit loss	(10,938,183)	-
Allowance for doubtful accounts	-	(10,074,115)
Allowance for loss on debt restructuring	-	(7,343)
Loans to customers and accrued interest receivables - net	213,801,970	229,190,993

### 4.6.2 Classified by residency of debtors

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
<b>Loans to customers net of deferred revenue</b>		
- Domestic	214,315,863	230,030,212
- Foreign	8,755,088	8,135,262
Total	223,070,951	238,165,474

### 4.6.3 Classified by loan classification

(Unit: Thousand Baht)

	As at 31 December 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit loss
Financial assets with no significant increase		
in credit risk (Performing)	190,435,185	5,172,224
Financial assets with significant increases		
in credit risk (Under-performing)	29,139,124	3,422,247
Financial assets that are credit-impaired (Non-performing)	5,165,844	1,287,313
Allowance established in excess	-	1,056,399
<b>Total</b>	<b>224,740,153</b>	<b>10,938,183</b>

(Unit: Thousand Baht)

	As at 31 December 2019		
	Loans to customers and accrued interest receivables	Net amount used for setting up allowance for doubtful accounts	Allowance for doubtful accounts <sup>(1) (2)</sup>
Provision under BOT's guidelines			
- Pass	217,488,690	175,206,431	2,438,575
- Special mention	16,491,289	15,191,241	2,352,268
- Sub-standard	2,927,707	2,389,220	1,037,284
- Doubtful	1,409,323	1,178,170	480,613
- Doubtful of loss	955,442	320,408	202,811
Allowance established in excess	-	-	3,562,564
<b>Total</b>	<b>239,272,451</b>	<b>194,285,470</b>	<b>10,074,115</b>

(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 December 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 5,714 million. The Bank allocated Baht 2,151 million of the excess provision to specific provision for individual debtors and so combined with the minimum provision requirement of Baht 4,360 million, the total provision set aside in accordance with the BOT's requirement is Baht 6,511 million.

As at 31 December 2019

	Percentage of allowance for doubtful accounts set up (%)		
	Hire purchase receivables <sup>(3)</sup>	Loan against auto license receivables <sup>(3)</sup>	Other loans <sup>(4)</sup>
Pass	0.72	1.87	1
Special mention	7.64	17.25	2
Sub-standard	26.35	39.13	100
Doubtful	31.89	39.13	100
Doubtful of loss	26.21	39.13	100

(3) *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 the BOT's minimum requirement to specific provision for individual debtors.*

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

In addition, during the year 2020, the Bank has entered into the scheme to provide assistance to affected debtors and has elected to apply Accounting Guidance by the Federation of Accounting Professions on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy.

As at 31 December 2020, the Bank's outstanding loan balances under the relief measures totalled Baht 8,778 million, decreased when compared with the initial implementation of debt relief measures as at 30 June 2020 which totalled Baht 54,832 million, because the assistance period as agreed with certain debtors has expired for debtors under principal holiday scheme and debtors under debt moratorium scheme. The balance as at 31 December 2020 consists of the debtors under principal holiday scheme of Baht 4,262 million, the debtors under debt moratorium scheme of Baht 112 million and the debtors receiving other forms of debt relief, e.g. installment reduction, interest rate reduction, of Baht 4,404 million.



#### 4.6.4 Classified by loan classification and type of debtors

As at 31 December 2020, loans to customers classified by loan classification and type of debtors are as follows:

(Unit: Million Baht)

	As at 31 December 2020							
	Hire purchase receivables		Loan against auto license receivables		Other loans		Total	
	Loans to customers and accrued interest receivables	Allowance for expected credit loss	Loans to customers and accrued interest receivables	Allowance for expected credit loss	Loans to customers and accrued interest receivables	Allowance for expected credit loss	Loans to customers and accrued interest receivables	Allowance for expected credit loss
Financial assets with no significant increase in credit risk (Performing)	102,361	2,325	22,199	827	65,875	2,020	190,435	5,172
Financial assets with significant increases in credit risk (Under-performing)	19,418	1,543	5,804	796	3,917	1,083	29,139	3,422
Financial assets that are credit-impaired (Non-performing)	2,741	602	1,053	371	1,372	315	5,166	1,288
<b>Total</b>	<b>124,520</b>	<b>4,470</b>	<b>29,056</b>	<b>1,994</b>	<b>71,164</b>	<b>3,418</b>	<b>224,740</b>	<b>9,882</b>
Allowance established in excess								1,056
<b>Total</b>								<b>10,938</b>

As at 31 December 2019, loans to customers classified by loan classification in accordance with the BOT's guidelines are as follows:

(Unit: Million Baht)

	As at 31 December 2019							
	Hire purchase receivables		Loan against auto license receivables		Other loans		Total	
	Debt balance	Allowance for doubtful accounts <sup>(5)</sup>	Debt balance	Allowance for doubtful accounts <sup>(5)</sup>	Debt balance	Allowance for doubtful accounts <sup>(5)</sup>	Debt balance	Allowance for doubtful accounts <sup>(5)</sup>
Pass	120,479	867	26,640	497	69,533	1,074	216,652	2,438
Special mention	11,569	883	2,965	511	1,688	958	16,222	2,352
Sub-standard	1,817	479	391	153	719	405	2,927	1,037
Doubtful	860	274	200	78	349	129	1,409	481
Doubtful of loss	121	32	79	31	755	140	955	203
<b>Total</b>	<b>134,846</b>	<b>2,535</b>	<b>30,275</b>	<b>1,270</b>	<b>73,044</b>	<b>2,706</b>	<b>238,165</b>	<b>6,511</b>
Accrued interest receivables							1,107	-
Allowance established in excess							-	3,563
<b>Total</b>							<b>239,272</b>	<b>10,074</b>

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

#### 4.6.5 Hire purchase and finance lease receivables

As at 31 December 2020, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 124,520 million (31 December 2019: Baht 135,472 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 8 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 December 2020				
	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	Financial assets that are credit-impaired (Non- performing)	Total
Gross investment in the agreements	41,536	85,772	7,394	6,580	141,282
Less: Deferred revenue <sup>(6)</sup>	(5,279)	(7,990)	(326)	(3,932)	(17,527)
Present value of minimum lease payment from agreements	36,257	77,782	7,068	2,648	123,755
Accrued interest receivables	672	-	-	93	765
Total	36,929	77,782	7,068	2,741	124,520
Allowance for expected credit loss					(4,470)
Net hire purchase and finance lease receivables					120,050

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

(Unit: Million Baht)

	As at 31 December 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	45,748	93,957	7,412	6,651	153,768
Less: Deferred revenue <sup>(6)</sup>	(5,868)	(8,866)	(325)	(3,853)	(18,912)
Advances received from finance lease receivables	(9)	-	-	-	(9)
Present value of minimum lease payment from agreements	39,871	85,091	7,087	2,798	134,847
Accrued interest receivables	624	-	-	1	625
Total	40,495	85,091	7,087	2,799	135,472
Allowance for doubtful accounts <sup>(5)</sup>					(2,535)
Net hire purchase and finance lease receivables					132,937

(5) 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.

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

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

As at 31 December 2019, the Bank has loans to customers for which the recognition of interest income has been ceased according to the BOT's guidelines and internal criteria as follows:

		(Unit: Million Baht)	
		As at 31 December 2019	
		Amounts calculated under BOT's guidelines <sup>(8)</sup>	Amounts calculated under the Bank's policy
Loans to customers for which the recognition of interest			
income has been ceased <sup>(7)</sup>		6,816	7,588

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

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

However, in order to align with the financial reporting standards which became effective on 1 January 2020, the Bank revised its accounting policy by cancelling the policy to cease the recognition of interest income. Therefore, as at 31 December 2020 the Bank does not have loans to customers for which the recognition of interest income has been ceased.

#### 4.6.7 Troubled debt restructuring

As at 31 December 2020 and 2019, the Bank has outstanding balances with troubled debt restructuring debtors as follows:

		As at 31 December			
		2020		2019	
		Number of debtors	Outstanding balances	Number of debtors	Outstanding balances
		(Million Baht)		(Million Baht)	
Balances of restructured debts		8,856	2,762	10,615	2,109

#### 4.7 Allowance for expected credit loss/allowance for doubtful accounts/allowance for loss on debt restructuring

##### 4.7.1 Allowance for expected credit loss

As at 31 December 2020, the Bank has allowance for expected credit loss which is classified by type of financial assets as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2020					Total
	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increases in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts/ allowance for impairment	Allowance established in excess	
<b>Interbank and money market items (assets)</b>						
Balance - beginning of year	-	-	-	-	-	-
Changes from revaluation of allowance for credit loss	885	-	-	-	-	885
Balance - end of year	885	-	-	-	-	885
<b>Investments in debt instruments measured at fair value through other comprehensive income</b>						
Balance - beginning of year	-	-	-	1,460	-	1,460
Changes due to the adoption of new financial reporting standards	-	-	1,460	(1,460)	-	-
	-	-	1,460	-	-	1,460
Changes from revaluation of allowance for credit loss	-	-	25,000	-	-	25,000
Balance - end of year	-	-	26,460	-	-	26,460

(Unit: Thousand Baht)

For the year ended 31 December 2020

	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increases in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts/ allowance for impairment	Allowance established in excess	Total
<b>Investments in debt instruments</b>						
<b>measured at amortised cost</b>						
Balance - beginning of year	-	-	-	12,437	-	12,437
Changes due to the adoption of new financial reporting standards	-	-	12,437	(12,437)	-	-
	-	-	12,437	-	-	12,437
Changes from revaluation of allowance for credit loss	-	-	(390)	-	-	(390)
Balance - end of year	-	-	12,047	-	-	12,047
<b>Loans to customers and accrued</b>						
<b>interest receivables</b>						
Balance - beginning of year	-	-	-	6,511,551	3,562,564	10,074,115
Changes due to the adoption of new financial reporting standards						
- Allocation of allowance for doubtful accounts	3,693,151	2,882,492	1,385,674	(6,511,551)	(1,449,766)	-
- Transfer allowance for loss on debt restructuring to allowance for expected credit loss	-	7,343	-	-	-	7,343
	3,693,151	2,889,835	1,385,674	-	2,112,798	10,081,458
Changes from transfers among stages	(16,068)	(38,715)	54,783	-	-	-
Changes from revaluation of allowance for credit loss	617,531	292,241	3,002,633	-	(1,056,399)	2,856,006
New financial assets	1,350,836	642,122	170,313	-	-	2,163,271
Derecognition	(473,226)	(363,236)	(109,265)	-	-	(945,727)
Write-off	-	-	(3,216,825)	-	-	(3,216,825)
Balance - end of year	5,172,224	3,422,247	1,287,313	-	1,056,399	10,938,183
<b>Other assets - accrued interest</b>						
<b>receivable on investments</b>						
Balance - beginning of year	-	-	-	-	-	-
Changes from revaluation of allowance for credit loss	-	-	525	-	-	525
Balance-end of year	-	-	525	-	-	525

The amount of allowance for expected credit loss (ECL) as at 1 January 2020 as determined in accordance with TFRS 9: Financial Instruments was lower than the amount of allowance for doubtful accounts as at 31 December 2019 as determined in accordance with the former accounting policy by Baht 2,113 million. Such amount will be released in quarterly amounts over 2 years under the straight-line method, in line with the BOT's guideline. As a result, as at 31 December 2020 the balance of allowance established in excess remained at Baht 1,056 million.

#### 4.7.2 Allowance for doubtful accounts

As at 31 December 2019, the Bank has allowance for doubtful accounts on loans to customers and accrued interest receivables classified by loan classification as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2019						Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	
Balance - beginning of year	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 year	(73,475)	(841,946)	(204,699)	1,419,687	1,531,388	611,136	2,442,091
Bad debts written-off	-	-	(26,731)	(1,525,301)	(1,859,598)	-	(3,411,630)
Balance - end of year	<u>2,438,575</u>	<u>2,352,268</u>	<u>1,037,284</u>	<u>480,613</u>	<u>202,811</u>	<u>3,562,564</u>	<u>10,074,115</u>

#### 4.7.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Balance - beginning of year	7,343	8,146
Changes due to the adoption of new financial reporting standards	(7,343)	-
Amortisation during the year	-	(803)
Balance - end of year	<u>-</u>	<u>7,343</u>

## 4.8 Classification of assets

### 4.8.1 Classification of assets under the BOT's guidelines

As at 31 December 2020, classification of financial assets is as follows:

(Unit: Million Baht)

	As at 31 December 2020				
	Financial assets				
	Debt instruments measured at fair value through other comprehensive income		Debt instruments measured at amortised cost	Loans to customers and accrued interest receivables	Total
	Interbank and money market items				
Financial assets with no significant increase in credit risk (Performing)	36,962	9,408	-	190,435	236,805
Financial assets with significant increases in credit risk (Under-performing)	-	-	-	29,139	29,139
Financial assets that are credit-impaired (Non-performing)	-	25	12	5,166	5,203
<b>Total</b>	<b>36,962</b>	<b>9,433</b>	<b>12</b>	<b>224,740</b>	<b>271,147</b>

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

(Unit: Million Baht)

	As at 31 December 2019			
	Loan to customers <sup>(1)</sup>	General investments	Investments in receivables	Total
Pass	258,452	-	-	258,452
Special mention	16,222	-	-	16,222
Sub-standard	2,927	-	-	2,927
Doubtful	1,409	-	-	1,409
Doubtful of loss	955	42	12	1,009
<b>Total</b>	<b>279,965</b>	<b>42</b>	<b>12</b>	<b>280,019</b>

(1) Loans to customers include loans to financial institutions (which are presented as part of interbank and money market items - net (assets) in the statement of financial position).

#### 4.8.2 Loans to customers with weak financial position and poor operating results

	Number of debtors as at 31 December		Loans to customers and accrued interest receivables as at 31 December		Collateral value as at 31 December		Allowance for expected credit loss/allowance for doubtful accounts provided in the accounts <sup>(2)</sup> as at 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
			(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Listed companies vulnerable to delisting from the SET and under rehabilitation	-	1	-	513	-	467	-	513 <sup>(3)</sup>
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET and under rehabilitation	1	-	500	-	315	-	500	-
3. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	8	8	890	864	430	236	108	10
<b>Total</b>	<b>9</b>	<b>9</b>	<b>1,390</b>	<b>1,377</b>	<b>745</b>	<b>703</b>	<b>608</b>	<b>523</b>

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

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

#### 4.9 Properties foreclosed

	(Unit: Thousand Baht)	
	For the year ended 31 December	
	2020	2019
<b>Acquisition of assets from debt repayment</b>		
<b>Immovable assets</b>		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of year	-	11,713
Disposals	-	(11,713)
Balance - end of year	-	-
<b>Movable assets</b>		
Balance - beginning of year	13,980	4,375
Additions	2,771,599	2,469,656
Disposals	(2,756,071)	(2,460,051)
Balance - end of year	29,508	13,980
Total properties foreclosed	29,508	13,980
Less: Allowance for impairment		
Balance - beginning of year	277	11,871
Increase	1,223	553
Decrease	(659)	(12,147)
Balance - end of year	841	277
Total properties foreclosed - net	28,667	13,703



#### 4.10 Investment properties

The book value of investment properties as at 31 December 2020 and 2019 is as follows:

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
Book value - beginning of year	28,152	38,831
Transfer type of assets	-	(10,679)
Book value - end of year	<u>28,152</u>	<u>28,152</u>

The investment property of the Bank is an office condominium for rent and is stated at its fair value. The fair value of investment properties is calculated using the asset appraisal method based on the market approach, with reference to market data of the similar and comparable assets. These valuations were made by in-house appraisers of the Bank who have professional experiences and are capable of the asset appraisal, and were based on the asset valuation standards and code of professional ethics in Thailand.

As of appraisal date key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at 31 December 2020	Result to fair value where as an increase in assumption
Estimated office condominium price rate (Baht/Sq.m.)	93,330 - 139,951	Increase in fair value

The Bank has rented part of its office condominium under operating leases with a lease term of 3 years, and has future minimum rental fee as at 31 December 2020 as follows:

(Unit: Thousand Baht)

Not over 1 year	1,721
Over 1 year but not over 3 years	2,730
Total	<u>4,451</u>

During the year ended 31 December 2020, the Bank has rental income of Baht 4 million (31 December 2019: Baht 5 million).

## 4.11 Premises and equipment

(Unit: Thousand Baht)

	Revaluation	Cost basis				Total
	basis					
	Office condominium and building improvements	Land	Buildings and building improvements	Furniture, fixtures, computers and equipment	Motor vehicles	
<b>Cost:</b>						
As at 1 January 2019	623,569	17,509	440,614	529,960	51,650	1,663,302
Additions/transfers-in	10,679	-	21,942	32,505	7,595	72,721
Disposals/write-offs/transfers-out	-	-	(12,432)	(27,582)	(4,452)	(44,466)
As at 31 December 2019	634,248	17,509	450,124	534,883	54,793	1,691,557
Additions/transfers-in	-	-	20,943	8,090	4,443	33,476
Disposals/write-offs/transfers-out	(16)	-	(57,319)	(82,195)	(9,149)	(148,679)
As at 31 December 2020	634,232	17,509	413,748	460,778	50,087	1,576,354
<b>Accumulated depreciation:</b>						
As at 1 January 2019	-	-	386,754	457,242	32,240	876,236
Depreciation for the year	10,265	-	22,844	26,627	7,019	66,755
Depreciation on disposals/ write-offs/transfers-out	-	-	(11,440)	(27,581)	(4,452)	(43,473)
As at 31 December 2019	10,265	-	398,158	456,288	34,807	899,518
Depreciation for the year	10,264	-	20,066	26,914	6,890	64,134
Depreciation on disposals/ write-offs/transfers-out	(5)	-	(56,534)	(79,765)	(9,049)	(145,353)
As at 31 December 2020	20,524	-	361,690	403,437	32,648	818,299
<b>Net book value:</b>						
As at 31 December 2019	623,983	17,509	51,966	78,595	19,986	792,039
As at 31 December 2020	613,708	17,509	52,058	57,341	17,439	758,055
<b>Depreciation for the years ended 31 December:</b>						
2019						66,755
2020						64,134

As at 31 December 2020 and 2019, the Bank has equipment which has been fully depreciated but is still in use with the gross carrying amount, before deducting accumulated depreciation and allowance for loss on impairment, of approximately Baht 663 million and Baht 755 million, respectively.

The Bank arranged for an independent professional appraiser to appraise the value of the office condominium in 2018, using the market approach.

Had the office condominiums been carried in the financial statements based on cost model, their net book value as at 31 December 2020 and 2019 would have been as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2020	2019
Office condominiums - net of accumulated depreciation	222,531	230,478

As of the appraisal date, key assumptions that are unobservable inputs used in the valuation are summarised below.

	As at appraisal date	Result to fair value where as an increase in assumption
Estimated office condominium price rate (Baht/Sq.m.)	82,960 - 181,475	Increase in fair value

#### 4.12 Right-of-use assets

Movement of right-of-use assets for the year ended 31 December 2020 is as follows:

	(Unit: Thousand Baht)
<b>Cost:</b>	
Beginning balance as at 1 January 2020	-
Changes due to the adoption of new financial reporting standards	616,201
Beginning balance as at 1 January 2020 - after adjustment	616,201
Additions	67,898
Contract amendment	(817)
Contract termination	(54,948)
31 December 2020	628,334
<b>Accumulated depreciation:</b>	
1 January 2020	-
Depreciation for the year	186,519
Accumulated depreciation on terminated contracts	(24,858)
31 December 2020	161,661
<b>Net book value:</b>	
31 December 2020	466,673

#### 4.13 Intangible assets

The book value of intangible assets - computer software as at 31 December 2020 and 2019 is presented as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2020	2019
Cost	863,361	860,032
Less: Accumulated amortisation	(772,591)	(678,103)
Net book value	<u>90,770</u>	<u>181,929</u>

A reconciliation of the net book value of intangible assets for the years ended 31 December 2020 and 2019 is presented as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Net book value at beginning of year	181,929	267,014
Acquisitions of computer software	3,517	9,872
Write-offs of computer software	(172)	-
Amortisation	(94,504)	(94,957)
Net book value at end of year	<u>90,770</u>	<u>181,929</u>

As at 31 December 2020 and 2019, the Bank has computer software which has been fully amortised but is still in use with the gross carrying amount, before deducting accumulated amortisation, of approximately Baht 382 million and Baht 381 million, respectively.

#### 4.14 Other assets

(Unit: Thousand Baht)

As at 31 December

	2020	2019
Value added tax - net	359,789	386,145
Accrued interest receivables	17,764	11,334
Fee and service receivables	116,434	187,331
Deposits	60,503	62,476
Other receivables	309,957	492,668
Other assets	191,447	193,914
Total other assets	<u>1,055,894</u>	<u>1,333,868</u>

#### 4.15 Deposits

##### 4.15.1 Classified by type of deposits

(Unit: Thousand Baht)

As at 31 December

	2020	2019
Deposits		
Current accounts	3,766,484	3,013,919
Saving accounts	50,319,591	37,801,616
Fixed accounts		
- not over 6 months	12,761,123	19,248,789
- over 6 months but not over 1 year	27,901,720	33,399,669
- over 1 year	3,219,474	3,912,418
Certificates of deposit/negotiable certificates of deposit	<u>106,891,006</u>	<u>121,056,735</u>
Total	<u>204,859,398</u>	<u>218,433,146</u>

4.15.2 As at 31 December 2020 and 2019, all outstanding deposits are deposits from domestic depositors and are in Baht.

#### 4.16 Interbank and money market items (liabilities)

(Unit: Thousand Baht)

	As at 31 December					
	2020			2019		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand	-	1,164,700	1,164,700	-	-	-
Commercial banks	114,507	-	114,507	35,634	-	35,634
Specialised Financial Institutions	-	2,353,466	2,353,466	-	2,535,990	2,535,990
Other financial institutions	1,001,776	882,840	1,884,616	326,833	933,468	1,260,301
<b>Total</b>	<b>1,116,283</b>	<b>4,401,006</b>	<b>5,517,289</b>	<b>362,467</b>	<b>3,469,458</b>	<b>3,831,925</b>

#### 4.17 Debts issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
	<u>Domestic borrowings</u>	
Subordinated unsecured debentures	6,620,000	6,680,000
Unsubordinated unsecured debentures	4,540,000	12,000,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
<b>Total</b>	<b>11,196,919</b>	<b>18,716,919</b>

##### 4.17.1 Subordinated unsecured debentures

As at 31 December 2020 and 2019, the Bank has long-term subordinated unsecured debentures with an early redemption right in accordance with the BOT's regulations as follows:

Issued year	Units as at 31 December		Face value (Baht) per unit	Balance as at 31 December		Maturity in the year	Interest rate
	2020	2019		2020	2019		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2015	-	1.00	1,000	-	1,000	2025	4.50 percent per annum
2015	-	1.00	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	1.20	1,000	1,200	1,200	2029	4.00 percent per annum
2019	1.20	1.20	1,000	1,200	1,200	2029	4.00 percent per annum
2020	1.25	-	1,000	1,250	-	2030	3.50 percent per annum
2020	0.69	-	1,000	690	-	2030	3.15 percent per annum
<b>Total</b>				<b>6,620</b>	<b>6,680</b>		

#### 4.17.2 Unsubordinated unsecured debentures

As at 31 December 2020 and 31 December 2019, the Bank has short-term and long-term unsubordinated unsecured debentures as follows:

Issued year	Type of debentures	Units		Face value (Baht) per unit	Balance		Maturity in the year	Interest rate
		as at 31 December			as at 31 December			
		2020 (Million units)	2019 (Million units)		2020 (Million Baht)	2019 (Million Baht)		
2018	Long-term debenture	-	12.00	1,000	-	12,000	2020	1.65 - 2.05 percent per annum
2020	Short-term debenture	2.32	-	1,000	2,320	-	2021	1.30 percent per annum
2020	Long-term debenture	2.22	-	1,000	2,220	-	2022	1.40 percent per annum
Total					4,540	12,000		

#### 4.17.3 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.

#### 4.18 Lease liabilities

	(Unit: Thousand Baht)	
	As at 31 December	
	2020	2019
Beginning balance as at 1 January 2020 from the adoption of new financial reporting standards	627,281	-
Increase during the year	69,772	-
Contract amendment	(885)	-
Paid during the year	(182,061)	-
Terminated during the year	(31,167)	-
Balance as at 31 December 2020	482,940	-
Less: Deferred interest expenses	(34,970)	-
Lease liabilities - net	447,970	-

The maturity analysis of lease liabilities of the Bank is presented below.

(Unit: Thousand Baht)

	As at 31 December 2020			
	Amount due for payment under the contract			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Undiscounted lease payments	134,324	276,874	71,742	482,940
Deferred interest expenses	(9,854)	(16,053)	(9,063)	(34,970)
Lease liabilities	<u>124,470</u>	<u>260,821</u>	<u>62,679</u>	<u>447,970</u>

The Bank had total cash outflows on leases during the year ended 31 December 2020 of Baht 184 million.

Expenses relating to leases that are recognised in profit or loss for the year ended 31 December 2020 are summarised below:

(Unit: Million Baht)

Depreciation expense of right-of-use assets	186
Interest expense on lease liabilities	13
Expense relating to variable lease payments	10
Total	<u>209</u>

#### 4.19 Provisions

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
Allowance for expected credit loss on loan commitments	14,716	-
Provision for long-term employee benefits	818,436	709,830
Total provisions	<u>833,152</u>	<u>709,830</u>



#### 4.19.1 Allowance for expected credit loss on loan commitments

As at 31 December 2020, allowance for expected credit loss on loan commitments by classification is as follows:

(Unit: Thousand Baht)

	As at 31 December 2020	
	Loan commitments	Allowance for expected credit loss
Financial assets with no significant increase in credit risk (Performing)	1,568,700	14,716
Financial assets with significant increases in credit risk (Under-performing)	-	-
Financial assets that are credit-impaired (Non-performing)	-	-
<b>Total</b>	<b>1,568,700</b>	<b>14,716</b>

Changes in allowance for expected credit loss on loan commitments are as follows:

(Unit: Thousand Baht)

	As at 31 December 2020			Total
	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL-credit impaired)	
Balance - beginning of year	-	-	-	-
Changes from revaluation of allowance for credit loss	14,716	-	-	14,716
<b>Balance - end of year</b>	<b>14,716</b>	<b>-</b>	<b>-</b>	<b>14,716</b>

#### 4.19.2 Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and other long-term benefits, as at 31 December 2020 and 2019 is as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2020	2019
Defined post-employment benefit obligation		
at beginning of year	572,208	286,371
Current service cost	48,419	35,981
Interest cost	9,755	11,627
Past service cost	-	92,745
Benefits paid during the year	(8,685)	(13,490)
Included in other comprehensive income:		
Actuarial (gain) loss arising from		
Demographic assumptions changes	12,433	82,613
Financial assumptions changes	6,517	89,748
Other assumptions changes	(7,411)	(13,387)
Defined post-employment benefit obligation		
at end of year	633,236	572,208
Other long-term benefits	185,200	137,622
Total provision for long-term employee benefits		
at end of year	818,436	709,830

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Current service cost	66,699	48,442
Interest cost	11,670	13,894
Past service cost	-	92,745
Actuarial loss	37,333	32,452
Total employee benefit expenses	115,702	187,533

As at 31 December 2020, the Bank expects to pay Baht 33 million in contributions to its provision for long-term employee benefits during the next year (2019: Baht 34 million).

As at 31 December 2020 and 2019, the weighted average duration of the liabilities for long-term employee benefits is 17 years and 17 years, respectively.

Significant actuarial assumptions as at the assessment date are summarised below.

(Unit: Percent per annum)

	As at 31 December	
	2020	2019
Discount rate	0.46 - 2.61	1.25 - 2.25
Average salary increase rate	5.00	5.00

The results of sensitivity analysis for significant assumptions that affect the increase (decrease) in the present value of the employee benefit obligation as at 31 December 2020 and 2019 are summarised below.

(Unit: Thousand Baht)

	As at 31 December			
	2020		2019	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Discount rate	(20,384)	21,324	(18,680)	19,556
Average salary increase rate	20,601	(19,813)	18,919	(18,181)

#### 4.20 Other liabilities

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
Withholding income tax and other tax payables	376,845	317,795
Accrued insurance premium	219,512	207,760
Deferred income	1,458,697	1,614,941
Accrued expenses	1,737,123	2,679,322
Suspense creditors	1,075,205	1,014,778
Other liabilities	357,125	386,994
<b>Total other liabilities</b>	<b>5,224,507</b>	<b>6,221,590</b>

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 continuously 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 December 2020, the Bank has accrued bonus under this scheme amounting to Baht 157 million.

As at 31 December 2020, the above other liabilities include advances received from Electronic Funds Transfer transactions amounting to Baht 3 million, and the Bank maintained an asset amounting to Baht 13 million to reserve for advances received through such transactions, presented under interbank and money market items (assets) in the statement of financial position.

#### **4.21 Preference shares converted to ordinary shares**

Up to 31 December 2020 and 2019, preference shares have been converted into ordinary shares totaling 627,952,146 shares.

As at 31 December 2020 and 2019, there are preference shares which are convertible to ordinary shares totaling 104 shares.

#### **4.22 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 BOT.

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 31 December 2020 and 2019, 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 the BOT's regulation.

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

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
<b><u>Common Equity Tier I capital</u></b>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	17,713,142	17,277,459
Other components of equity	309,469	304,899
Less: Deductions from Common Equity Tier I items	(366,769)	(1,080,464)
<b>Total Common Equity Tier I capital</b>	<b>30,398,542</b>	<b>29,244,594</b>
<b><u>Financial Instrument Tier I capital</u></b>		
Issued and fully paid-up share capital - non cumulative preferred shares	1	1
<b>Total Tier I capital</b>	<b>30,398,543</b>	<b>29,244,595</b>
<b><u>Tier II capital</u></b>		
Long-term subordinated debentures	6,620,000	6,680,000
Surplus of provision	741,712	749,945
Reserve for loans classified as normal	557,567	542,598
<b>Total Tier II capital</b>	<b>7,919,279</b>	<b>7,972,543</b>
<b>Total capital funds</b>	<b>38,317,822</b>	<b>37,217,138</b>

(Unit: Percent)

Capital fund ratios	As at 31 December			
	2020		2019	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	18.07	7.00	17.37	7.00
Tier I capital to risk assets	18.07	8.50	17.37	8.50
Total capital to risk assets	22.78	11.00	22.10	11.00

To comply with the Notification of the BOT No. Sor Nor Sor. 14/2562 regarding “Public Disclosure of Capital Maintenance for Commercial Banks (No. 2)”, the Bank will disclose capital maintenance information as at 31 December 2020 on its website ([www.tisco.co.th](http://www.tisco.co.th)) within April 2021.

## 4.23 Other components of equity

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

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
Balance - beginning of year	(1,703)	(6,828)
Changes due to the adoption of new financial reporting standards	1,703	-
Balance - beginning of year after adjustment	-	(6,828)
Increase from changes in value of investments during the year	-	5,125
	-	(1,703)
Add: Effect of deferred tax assets	-	341
Balance - end of year	-	(1,362)

### 4.23.2 Surplus on valuation of investments measured at fair value through other comprehensive income

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
Balance - beginning of year	-	-
Changes due to the adoption of new financial reporting standards	4,618	-
Balance - beginning of year after adjustment	4,618	-
Increase from changes in value of investments during the year	1,720	-
	6,338	-
Add: Effect of deferred tax liabilities	(1,268)	-
Balance - end of year	5,070	-

#### 4.23.3 Surplus on revaluation of assets

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

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
Balance - beginning of year	382,827	385,154
Transfer to retained earnings	(2,328)	(2,327)
	380,499	382,827
Less: Effect of deferred tax liabilities	(76,100)	(76,566)
Balance - end of year	<u>304,399</u>	<u>306,261</u>

#### 4.24 Interest income

Interest income in the statements of comprehensive income for the years ended 31 December 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Interbank and money market items	244,513	571,923
Investments in debt securities	101,131	160,400
Loans to customers and overdrafts	7,907,614	8,047,313
Hire purchase and finance lease	7,192,769	7,945,241
Total interest income	<u>15,446,027</u>	<u>16,724,877</u>

Interest income for year ended 31 December 2020 consisted of interest income on credit-impaired financial assets amounting to Baht 379 million. The Bank fully recognised expected credit loss on such interest income.

#### 4.25 Interest expenses

Interest expenses in the statements of comprehensive income for the years ended 31 December 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Deposits	2,621,128	3,219,535
Interbank and money market items	12,671	12,039
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	523,948	1,062,716
Issued debt securities		
- Subordinated debentures	265,996	275,075
- Unsubordinated debentures	129,875	393,433
Borrowings	913	911
Others	12,687	-
Total interest expenses	<u>3,567,218</u>	<u>4,963,709</u>

#### 4.26 Net fee and service income

Net fee and service income in the statements of comprehensive income for the years ended 31 December 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Fee and service income		
- Acceptance, aval and guarantees	6,670	5,271
- Insurance service	1,073,950	1,934,670
- Others	781,487	881,735
Total fee and service income	<u>1,862,107</u>	<u>2,821,676</u>
Fee and service expenses	<u>(68,418)</u>	<u>(80,556)</u>
Net fee and service income	<u>1,793,689</u>	<u>2,741,120</u>



#### 4.27 Net gain on financial instruments measured at fair value through profit or loss

Net gain on financial instruments measured at fair value through profit or loss in the statements of comprehensive income for the years ended 31 December 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(13,604)	-
- Debt securities	20,032	-
- Equity securities	(380)	-
Net gain on financial instruments measured at fair value through profit or loss	<u>6,048</u>	<u>-</u>

#### 4.28 Net gain on trading and foreign exchange transactions

Net gain on trading and foreign exchange transactions in the statements of comprehensive income for the years ended 31 December 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Gain (loss) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	-	1,219
- Derivatives on interest rates	-	(2)
- Debt securities	-	34,294
Net gain on trading and foreign exchange transactions	<u>-</u>	<u>35,511</u>

#### 4.29 Net gain on investments

Net gain on investments in the statements of comprehensive income for years ended 31 December 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)	
	For the year ended 31 December	
	2020	2019
Gain on disposal		
- Debt instruments measured at fair value through other comprehensive income	3,082	-
- Debt instruments measured at amortised cost	7,451	-
- Available-for-sale investments	-	787
- Held-to-maturity debt securities	-	9,878
- General investments	-	1,918
Total	10,533	12,583
Loss on impairment		
- General investments	-	(5,615)
Total	-	(5,615)
Net gain on investments	10,533	6,968

#### 4.30 Bad debts, doubtful accounts and impairment loss

Bad debts, doubtful accounts and impairment loss in the statements of comprehensive income for the years ended 31 December 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Interbank and money market items (reversal)	-	(4,000)
Held-to-maturity debt securities (reversal)	-	(915)
Loans to customers	-	641,247
Total	-	636,332

#### 4.31 Expected credit loss

Expected credit loss and gain or loss from the modification of terms of financial assets in the statements of comprehensive income for the years ended 31 December 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Expected credit loss		
- Interbank and money market items	885	-
- Investments in debt instruments measured at amortised cost (reversal)	(390)	-
- Investments in debt instruments measured at fair value through other comprehensive income and accrued interest receivables	25,525	-
- Loans to customers	2,342,929	-
Loss from the modification of terms		
- Loans to customers	53,525	-
Loan commitments	14,716	-
Total	<u>2,437,190</u>	<u>-</u>

#### 4.32 Income tax expenses

Income tax expenses of the Bank for the years ended 31 December 2020 and 2019 are as follows:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2020	2019
Current income tax:		
Income tax expenses for the year	435,780	1,496,769
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	513,888	(199,556)
Income tax expenses reported in the statements of comprehensive income	<u>949,668</u>	<u>1,297,213</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Gain on valuation of investments in debt instruments measured at fair value through other comprehensive income	(344)	-
Gain on valuation of available-for-sale investments	-	(1,025)
Actuarial loss	2,308	31,795
Income tax expenses recorded directly to other comprehensive income	1,964	30,770

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2020 and 2019 is as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2020	2019
Accounting profit before tax	4,735,979	6,500,989
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by applicable tax rate	947,196	1,300,198
Tax effect of net tax-exempt income and net disallowed expenses	2,472	(2,985)
Income tax expenses reported in the statements of comprehensive income	949,668	1,297,213
Weighted average tax rate	20.05%	19.95%

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	As at 31 December		Changes in deferred tax assets/liabilities reported in profit or loss for the years ended 31 December	
	2020	2019	2020	2019
Allowance for doubtful accounts	211,280	712,513	(501,233)	122,227
Allowance for expected credit loss	8,225	-	8,225	-
Allowance for impairment of investments	13,047	13,125	(78)	(8,868)
Allowance for impairment of properties foreclosed	168	55	113	(2,319)
Non-accrual of interest income	7,878	33,209	(25,331)	(573)
Depreciation of assets	(28,002)	(41,143)	13,141	(5,580)
Finance leases	-	(12)	12	150
Gain on changes in fair value of investment properties	-	-	-	2,983
Surplus on revaluation of assets	(76,100)	(76,566)	-	-
Deficit (surplus) on changes in value of investments	(1,268)	341	-	-
Unrealised gain on derivatives	-	(214)	214	(2,131)
Gain on changes in value of investments in securities	(108,573)	-	77	-
Deferred commission and direct expenses incurred at the initiation of hire purchase	(337,546)	(583,651)	246,105	(21,422)
Unearned interest income on hire purchase	101,877	197,238	(95,361)	18,017
Accrued expenses	212,995	346,225	(133,230)	47,687
Employee benefit expenses	163,687	141,966	19,413	33,560
Others	93,101	139,056	(45,955)	15,825
<b>Deferred tax assets</b>	<b>260,769</b>	<b>882,142</b>	<b>(513,888)</b>	<b>199,556</b>

#### 4.33 Earnings per share

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

	For the years ended 31 December	
	2020	2019
Profit attributable to equity holders of the Bank (Thousand Baht)	3,786,311	5,203,776
Weighted average number of shares (Thousand shares)	921,568	921,568
Basic earnings per share (Baht/share)	4.11	5.65

#### 4.34 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
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
TISCO Investment Advisory Securities Co., Ltd. <sup>(1)</sup>	Related company

(1) The Company registered the completeness of liquidation with the Ministry of Commerce on 28 October 2020.

As at 31 December 2020 and 2019, the balances of accounts between the Bank and its related companies are as follows:

	(Unit: Thousand Baht)	
	As at 31 December	
	2020	2019
<b><u>Outstanding balances</u></b>		
<b>Parent company</b>		
TISCO Financial Group Plc.		
Loans to customers	3,780,000	-
Deposits	17,391	1,098,238
Lease liabilities	29,107	-
Accrued interest payable	1	210
Dividend payable	1,888,978	4,100,464
Other liabilities	126,221	120,398
<b>Related companies</b>		
<b>Other assets</b>		
TISCO Securities Co., Ltd.	242	199
TISCO Asset Management Co., Ltd.	4,325	3,009
Hi-Way Co., Ltd.	900	2,280
TISCO Insurance Solution Co., Ltd.	15,361	15,417
All-Ways Co., Ltd.	37	-
<b>Deposits</b>		
Hi-Ways Co., Ltd.	129,887	113,782
TISCO Insurance Solution Co., Ltd.	505,711	553,781
TISCO Information Technology Co., Ltd.	424,226	295,531
TISCO Learning Center Co., Ltd.	62,008	42,813
All-Ways Co., Ltd.	214,454	211,551
Primus Leasing Co., Ltd.	32,897	32,898
TISCO Tokyo Leasing Co., Ltd.	1,099	4,186

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
<b>Related companies (continued)</b>		
Interbank and money market items (liabilities)		
TISCO Securities Co., Ltd.	504,244	98,020
TISCO Asset Management Co., Ltd.	139,724	64,335
TISCO Investment Advisory Securities Co., Ltd.	-	23,888
Lease liabilities		
TISCO Securities Co., Ltd.	1,060	-
Hi-Way Co., Ltd.	2,677	-
Accrued interest payable		
TISCO Securities Co., Ltd.	16	3
TISCO Asset Management Co., Ltd.	7	80
TISCO Investment Advisory Securities Co., Ltd.	-	1
Hi-Way Co., Ltd.	2	7
TISCO Insurance Solution Co., Ltd.	37	223
TISCO Information Technology Co., Ltd.	48	69
TISCO Learning Center Co., Ltd.	4	128
All-Ways Co., Ltd.	96	236
TISCO Tokyo Leasing Co., Ltd.	-	1
Other liabilities		
Hi-Way Co., Ltd.	212,600	175,092
TISCO Insurance Solution Co., Ltd.	13,088	38,623
TISCO Learning Center Co., Ltd.	1,498	1,723
<b>Directors and management - departmental manager upward</b>		
Loans <sup>(2)</sup>	8,326	1,846
Deposits	198,431	126,207
<b>Companies which directors or their related persons have significant influence over</b>		
Deposits	147,902	510,516
<b>Related persons of directors and key management</b>		
Deposits	35,880	35,571
<b>Commitments - Guarantees</b>		
<b>Parent company</b>		
TISCO Financial Group Plc.	1,040	1,040
<b>Related companies</b>		
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	1,014
<b>Commitments - Undrawn overdraft facilities</b>		
<b>Related companies</b>		
TISCO Securities Co., Ltd.	30,000	30,000
TISCO Asset Management Co., Ltd.	200,000	-

(2) Including employee welfare loans and normal loans.

### Loans to related companies

As at 31 December 2020 and 2019, the balances of loans between the Bank and its related companies and their movements are as follows:

	(Unit: Thousand Baht)			
	As at		As at	
	<u>31 December 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>31 December 2020</u>
<b>Parent company</b>				
Loans				
TISCO Financial Group Plc.	-	3,788,000	(8,000)	3,780,000

During the years, 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 years ended		
	31 December		
	<u>2020</u>	<u>2019</u>	<u>Terms and pricing policies</u>
<b><u>Transactions occurred during the years</u></b>			
<b>Parent company</b>			
Interest income	19,589	127	With reference to the terms and prices as offered to other customers
Other income	500	708	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	1,514,000	1,500,584	Determined on market prices and/or actual costs in compliance with the criteria specified by the BOT
Interest expenses	2,653	6,798	With reference to the terms and prices as offered to other customers
Other expenses	10,034	10,034	With reference to the terms and prices as offered to other customers



(Unit: Thousand Baht)

	For the years ended		Terms and pricing policies
	31 December		
	2020	2019	
<b><u>Transactions occurred during the years</u></b>			
<b>Related companies</b>			
Interest income	16	8,768	With reference to the terms and prices as offered to other customers
Income involving loans	3,600	-	With reference to the terms and prices as offered to other customers
Insurance service income	61,261	63,597	With reference to the terms and prices as offered to other customers
Other income	66,238	45,109	With reference to the terms and prices as offered to other customers
Expenses involving loans	796,800	577,890	Determined on actual costs
Computer system advisory service expenses	630,000	628,000	Determined on actual costs in compliance with the criteria specified by the BOT
Training expenses	41,150	44,366	With reference to the prices as offered from other service providers
Interest expenses	6,234	12,964	With reference to the terms and prices as offered to other customers
Other expenses	4,248	5,431	With reference to the terms and prices as offered to other customers

**Directors' and key management's benefits**

During the years ended 31 December 2020 and 2019, the Bank had short-term benefit expenses and other employee benefit expenses to its directors and key management as follows:

(Unit: Million Baht)

	For the years ended 31 December	
	2020	2019
Short-term benefits	178	173
Post-employment benefits	15	15
Other long-term benefits	25	25
Total	218	213

#### 4.35 Segment information

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

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

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

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

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

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

The 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 years ended 31 December 2020 and 2019, the Bank did not have income from any customer amounting to or over 10 percent of its income.

The following tables present revenue and profit information regarding the Bank's operating segments for the years ended 31 December 2020 and 2019, respectively.

(Unit: Million Baht)

For the year ended 31 December 2020						
	Retail banking	Corporate banking	Treasury investment and others	Total segments	Eliminations	Financial statements
<b>Revenue</b>						
External customers	12,592	1,252	183	14,027	-	14,027
Inter-segment	-	-	1,954	1,954	(1,954)	-
<b>Total revenue</b>	<u>12,592</u>	<u>1,252</u>	<u>2,137</u>	<u>15,981</u>	<u>(1,954)</u>	<u>14,027</u>
<b>Operating results</b>						
Net interest income	10,614	1,149	116	11,879	-	11,879
Net fee and service income	1,687	116	(9)	1,794	-	1,794
Other operating income	291	(13)	2,030	2,308	(1,954)	354
<b>Total operating income</b>	<u>12,592</u>	<u>1,252</u>	<u>2,137</u>	<u>15,981</u>	<u>(1,954)</u>	<u>14,027</u>
Premises and equipment expenses and amortisation	(305)	(25)	(948)	(1,278)	-	(1,278)
Other operating expenses	(6,012)	(482)	(1,036)	(7,530)	1,954	(5,576)
Expected credit loss	(3,151)	(7)	721	(2,437)	-	(2,437)
<b>Total operating expenses</b>	<u>(9,468)</u>	<u>(514)</u>	<u>(1,263)</u>	<u>(11,245)</u>	<u>1,954</u>	<u>(9,291)</u>
<b>Segment profit before income tax expenses</b>	<u>3,124</u>	<u>738</u>	<u>874</u>	<u>4,736</u>	<u>-</u>	<u>4,736</u>
Income tax expenses						(950)
<b>Profit for the year</b>						<u>3,786</u>

(Unit: Million Baht)

For the year ended 31 December 2019

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Eliminations	Financial statements
<b>Revenue</b>						
External customers	13,090	1,296	560	14,946	-	14,946
Inter-segment	-	-	2,992	2,992	(2,992)	-
<b>Total revenue</b>	<u>13,090</u>	<u>1,296</u>	<u>3,552</u>	<u>17,938</u>	<u>(2,992)</u>	<u>14,946</u>
<b>Operating results</b>						
Net interest income	10,108	1,173	480	11,761	-	11,761
Net fee and service income	2,642	106	(7)	2,741	-	2,741
Other operating income	340	17	3,079	3,436	(2,992)	444
<b>Total operating income</b>	<u>13,090</u>	<u>1,296</u>	<u>3,552</u>	<u>17,938</u>	<u>(2,992)</u>	<u>14,946</u>
Premises and equipment expenses and amortisation	(308)	(23)	(977)	(1,308)	-	(1,308)
Other operating expenses	(6,877)	(570)	(2,046)	(9,493)	2,992	(6,501)
Bad debts, doubtful accounts and impairment loss	(1,494)	77	781	(636)	-	(636)
<b>Total operating expenses</b>	<u>(8,679)</u>	<u>(516)</u>	<u>(2,242)</u>	<u>(11,437)</u>	<u>2,992</u>	<u>(8,445)</u>
<b>Segment profit before income tax expenses</b>	<u>4,411</u>	<u>780</u>	<u>1,310</u>	<u>6,501</u>	<u>-</u>	<u>6,501</u>
Income tax expenses						(1,297)
<b>Profit for the year</b>						<u>5,204</u>

The following tables present total assets information regarding the Bank's operating segments as at 31 December 2020 and 2019.

(Unit: Million Baht)

	As at 31 December 2020			
	Retail	Corporate	Treasury	Total segments
	banking	banking	investment	
			and others	
<b>Segment total assets</b>	186,195	36,908	41,818	264,921
Premises and equipment - net	30	2	726	758

(Unit: Million Baht)

	As at 31 December 2019			
	Retail	Corporate	Treasury	Total segments
	banking	banking	investment	
			and others	
<b>Segment total assets</b>	204,831	33,495	46,962	285,288
Premises and equipment - net	38	6	748	792

#### 4.36 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and the employees contribute to the fund monthly at the rates of 5 to 15 percent of the employees' salaries, in accordance with the rules prescribed in the fund's articles. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. During the years ended 31 December 2020 and 2019, the Bank recognised contributions as expenses totaling Baht 159 million and Baht 150 million, respectively.

## 4.37 Commitments and contingent liabilities

### 4.37.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at 31 December	
	2020	2019
Other guarantees	497,316	482,094
Undrawn client overdraft facilities	250,000	76,439
Foreign exchange contracts (Note 4.38.5)	1,189,528	917,044
Others	1,338,700	548,509
Total	<u>3,275,544</u>	<u>2,024,086</u>

### 4.37.2 Litigation

As at 31 December 2020 and 2019, the Bank has been sued for compensation totaling approximately Baht 388 million and Baht 313 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.

### 4.37.3 Other commitments

- a) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has provided warranties in accordance with the terms of an agreement, related to the sale of a personal loan portfolio. The warranties cover a year of 3 years after the transfer date, to be expired in June 2021.

## 4.38 Risk management

### 4.38.1 Credit risk

Credit Risk is defined as the possibility that the obligor or borrower will be unable to comply with the terms and conditions of agreements, causing them to be unable to settle liabilities to the Bank when due or to deliberately breach the terms of payment to the Bank. If this occurs without collateral coverage, the Bank will need to increase its bad debt provisions, adversely impacting the net income and capital of the Bank.

## **Credit Risk Management Framework**

The Risk Management Committee has been appointed to oversee credit risk management of the corporate portfolio. The committee is responsible for formulating credit risk strategies and establishing guidelines and limits, as well as advising other credit risk authorities on related issues. It also monitors and reviews credit risks at the portfolio level and reports essential credit risk information to the Board. In addition, the Risk Oversight Committee is to advise the Board of Directors on the risk governance framework to ensure that top management and heads of risk management functions comply with the approved risk management policy, strategies, and risk appetites, while reviewing the sufficiency and effectiveness of the overall risk management policy and strategies. The Risk Oversight Committee is also to report to the Board of Directors on risk exposures and to participate in evaluation of the performance of the heads of the risk management functions.

Specific-area credit risk at in-depth transaction level is under the supervision of the Credit Committee and the Problem Loan Committee. The Credit Committee is responsible for reviewing and granting credit approvals, and may delegate its authority to oversee credit risk to designated persons for lower-risk transactions. In addition, the Problem Loan Committee was set up to closely monitor and follow up on overdue payments of problem loan accounts and properties foreclosed.

The credit risk assessment processes are key practices of the Bank and include credit rating, credit analysis, delinquency analysis, concentration analysis and risk capital analysis. The Bank is aware of the importance of the credit risk assessment process and so all credit activities must operate under a sound credit approval process in which an effective credit rating system is employed. In the retail lending area, quantitative-oriented approaches to credit grading are implemented, considering homogenous high-volume characteristics at the portfolio level. In the corporate lending area, qualitative-oriented credit grading approaches are employed, taking into account the widely varying risk profiles.

Concentration risk is another key factor in credit portfolio risk management. Appropriate guidelines are set to control credit concentration, taking into account appropriateness to and alignment with business practices and the Bank's capital. In addition, the Bank uses credit risk management guidelines and limits that are comprehensively and strictly applied to all credit-related functions both at the portfolio and transactional levels, as well as monitoring and managing problem loan and properties foreclosed.

## The maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for recognised and unrecognised financial instruments. The maximum exposure is shown at gross before both the effect of mitigation through use of master netting and collateral arrangements.

For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their gross carrying amount before deductions of allowance for expected credit loss.

For loan commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

As at 31 December 2020 and 2019, the maximum exposure to credit risk are as follows:

(Unit: Million Baht)

	As at 31 December	
	2020	2019
Interbank and money market items (Assets)	36,962	44,050
Investments in debt instruments measured at fair value through other comprehensive income	9,433	-
Investments in debt instruments measured at amortised cost	12	12
Available-for-sale debt investments	-	7,463
Loans to customers and accrued interest receivables	224,740	239,272
Total financial assets	271,147	290,797
Loan commitments	1,569	625
Total credit risk exposure	272,716	291,422

## Collateral and any operations to increase creditability

The Bank has held collateral and any operations to increase creditability of exposure to risk. The details of the exposure to risk with collateral held by the Bank for each type of financial assets are as follows:

(Unit: Million Baht)

	Exposure to risk with collateral	
	as at 31 December 2020	Type of collateral
Interbank and money market items	33,502	Bonds
Loans to customers and accrued interest receivables	219,226	Motor vehicles, lands and buildings, deposits, securities



## Credit quality analysis

Credit risk refers to the risk that a customer or a counterparty will default on its contractual obligations resulting in a financial loss to the Bank. The Bank has adopted the policy to prevent this risk by performing credit analysis from customers' information and follow-up on customer status consistently.

The table below shows the credit quality of financial assets exposed to credit risk, the amounts presented for financial assets are gross carrying amount (before allowance for expected credit loss). For loan commitments, the amounts in the table represent the amounts committed.

(Unit: Million Baht)

	As at 31 December 2020			
	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
<b>Interbank and money market items (Assets)</b>				
Investment grade	36,962	-	-	36,962
Non-investment grade	-	-	-	-
<b>Total</b>	<b>36,962</b>	<b>-</b>	<b>-</b>	<b>36,962</b>
Allowance for expected credit loss	1	-	-	1
<b>Investments in debt securities measured at fair value through other comprehensive income</b>				
Investment grade	9,408	-	-	9,408
Non-investment grade	-	-	25	25
<b>Total</b>	<b>9,408</b>	<b>-</b>	<b>25</b>	<b>9,433</b>
Allowance for expected credit loss	-	-	26	26
<b>Investments in debt securities measured at amortised cost</b>				
Investment grade	-	-	-	-
Non-investment grade	-	-	12	12
<b>Total</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>12</b>
Allowance for expected credit loss	-	-	12	12

(Unit: Million Baht)

	As at 31 December 2020			
	Financial assets with significant			
	Financial assets with no significant increase in credit risk (12-mth ECL)	increase in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Total
<b>Loans to customers and accrued interest receivables</b>				
0 day overdue	179,481	8,202	363	188,046
1 - 30 days overdue	10,954	8,600	365	19,919
31 - 60 days overdue	-	9,327	274	9,601
61 - 90 days overdue	-	3,010	176	3,186
Over 90 days overdue	-	-	3,988	3,988
<b>Total</b>	<b>190,435</b>	<b>29,139</b>	<b>5,166</b>	<b>224,740</b>
Allowance for expected credit loss	5,173	3,422	1,287	9,882
Allowance established in excess				1,056
Total allowance for expected credit loss				10,938
<b>Loan commitments</b>				
0 day overdue	1,569	-	-	1,569
1 - 30 days overdue	-	-	-	-
31 - 60 days overdue	-	-	-	-
61 - 90 days overdue	-	-	-	-
Over 90 days overdue	-	-	-	-
<b>Total</b>	<b>1,569</b>	<b>-</b>	<b>-</b>	<b>1,569</b>
Allowance for expected credit loss	15	-	-	15

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

Quality of risk from credit granted by the Bank is mainly from the provision of hire purchase receivables. The Bank considers risk of hire purchase receivables as follows.

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

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

	(Unit: Million Baht)	
	As at 31 December	
	2020	2019
Not yet past due		
Very high grade	53,570	56,241
High grade	45,175	52,635
Medium grade	3,616	11,603
Subtotal	102,361	120,479
Hire purchase receivables - overdue for 31 to 90 days	19,418	11,569
Hire purchase receivables - overdue for more than 90 days	2,741	2,798
Total	124,520	134,846

#### 4.38.2 Market risk

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

#### 4.38.2.1 Market risk - Marketable portfolio

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

(Unit: Million Baht)

	Market risk as at 31 December	
	2020	2019
Marketable financial assets		
Equity securities	1	-
Debt securities	4	4

#### 4.38.2.2 Market risk sensitivity - Interest bearing assets and liabilities

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

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2020	2019
Change in interest rate		
Increase by 1 percent	93.24	1.87
Decrease by 1 percent	(93.24)	(1.87)

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

#### 4.38.2.3 Interest rate risk

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

(Unit: Million Baht)

As at 31 December 2020

Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<b>Financial assets</b>				
Cash	-	-	1,216	1,216
Interbank and money market items - net	-	33,503	3,459	36,962
Financial assets measured at fair value				
through profit or loss	-	-	758	758
Derivatives assets	-	-	62	62
Investments - net	-	4,485	4,948	9,433
Loans to customers	36,335	177,196	11,209	224,740
	<u>36,335</u>	<u>215,184</u>	<u>21,652</u>	<u>273,171</u>
<b>Financial liabilities</b>				
Deposits	53,371	150,773	715	204,859
Interbank and money market items	973	4,406	138	5,517
Liabilities payable on demand	-	-	1,285	1,285
Debts issued and borrowings	-	11,197	-	11,197
Lease liabilities	-	448	-	448
Accrued interest payable	-	-	734	734
	<u>54,344</u>	<u>166,824</u>	<u>2,872</u>	<u>224,040</u>

(Unit: Million Baht)

As at 31 December 2019

Transactions	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<b>Financial assets</b>				
Cash	-	-	1,099	1,099
Interbank and money market items - net	-	42,101	1,949	44,050
Derivatives assets	-	-	22	22
Investments - net	-	2,745	4,927	7,672
Loans to customers	25,960	203,199	10,113	239,272
	<u>25,960</u>	<u>248,045</u>	<u>18,110</u>	<u>292,115</u>
<b>Financial liabilities</b>				
Deposits	40,148	177,617	668	218,433
Interbank and money market items	227	3,500	105	3,832
Liabilities payable on demand	-	-	307	307
Debts issued and borrowings	-	18,717	-	18,717
Accrued interest payable	-	-	988	988
	<u>40,375</u>	<u>199,834</u>	<u>2,068</u>	<u>242,277</u>

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

(Unit: Million Baht)

As at 31 December 2020							
Transactions	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items - net	1	33,502	-	-	-	33,503	0.4983
Investments - net	25	2,209	2,248	3	-	4,485	1.7556
Loans to customers	7,839	13,305	36,116	101,271	18,665	177,196	7.2264
	<u>7,865</u>	<u>49,016</u>	<u>38,364</u>	<u>101,274</u>	<u>18,665</u>	<u>215,184</u>	
<b>Financial liabilities</b>							
Deposits	576	85,141	64,812	244	-	150,773	1.1177
Interbank and money market items	-	701	392	3,313	-	4,406	0.2223
Debts issued and borrowings	37	2,320	-	2,220	6,620	11,197	2.7882
Lease liabilities	-	-	124	261	63	448	2.5127
	<u>613</u>	<u>88,162</u>	<u>65,328</u>	<u>6,038</u>	<u>6,683</u>	<u>166,824</u>	

(Unit: Million Baht)

As at 31 December 2019							
Transactions	At call	Repricing or maturity date				Total	Interest rates (%)
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items - net	1	42,100	-	-	-	42,101	1.2468
Investments - net	-	2,131	611	3	-	2,745	1.6729
Loans to customers	4,077	15,443	40,963	116,730	25,986	203,199	7.3397
	<u>4,078</u>	<u>59,674</u>	<u>41,574</u>	<u>116,733</u>	<u>25,986</u>	<u>248,045</u>	
<b>Financial liabilities</b>							
Deposits	4,716	89,955	82,251	695	-	177,617	1.7799
Interbank and money market items	63	736	368	2,333	-	3,500	0.4409
Debts issued and borrowings	37	-	12,000	-	6,680	18,717	2.5911
	<u>4,816</u>	<u>90,691</u>	<u>94,619</u>	<u>3,028</u>	<u>6,680</u>	<u>199,834</u>	

### 4.38.3 Liquidity risk

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

#### Liquidity risk management framework

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

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

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

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

The matured liabilities are generally rolled-over with 90 percent average rollover rate. By taking into account high rollover rate, the cash outflow at maturity will be lower than those presented by contractual maturity. On the other hand, the liabilities with remaining maturity of less than three months comprise current deposit and saving deposits. Both current deposits and saving deposits are considered to be more stable than term deposits in terms of cash outflow.

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

(Unit: Million Baht)

	As at 31 December	
	2020	2019
Composition of highly liquid assets		
Cash	1,216	1,099
Interbank and money market items - net	36,961	44,050
Current investments - net	9,410	7,466
Total highly liquid assets <sup>(1)</sup>	<u>47,587</u>	<u>52,615</u>
Liquid asset requirement <sup>(1)</sup>	34,142	38,862

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

The Bank has an internal policy to maintain the highly liquid assets in which the highly liquid assets must be higher than the liquid asset requirement. As at 31 December 2020 and 2019, the Bank has highly liquid assets higher than the internal liquid asset requirement. In addition, the Bank has operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.



4.38.3.2 Counting from the financial statements date, as at 31 December 2020 and 2019, the years to the maturity dates of financial instruments are as follows:

(Unit: Million Baht)

As at 31 December 2020								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Financial assets that are credit-impaired (Non-performing)	Total
<b>Financial assets</b>								
Cash	1,216	-	-	-	-	-	-	1,216
Interbank and money market items - net	3,459	33,503	-	-	-	-	-	36,962
Financial assets measured at fair value through profit or loss	-	-	-	-	-	758	-	758
Derivatives assets	-	62	-	-	-	-	-	62
Investments - net	-	4,547	4,858	3	-	-	25	9,433
Loans to customers	7,710	14,820	40,732	122,139	34,173	-	5,166	224,740
	<u>12,385</u>	<u>52,932</u>	<u>45,590</u>	<u>122,142</u>	<u>34,173</u>	<u>758</u>	<u>5,191</u>	<u>273,171</u>
<b>Financial liabilities</b>								
Deposits	54,662	85,141	64,812	244	-	-	-	204,859
Interbank and money market items	1,111	701	392	3,313	-	-	-	5,517
Liabilities payable on demand	1,285	-	-	-	-	-	-	1,285
Debts issued and borrowings	37	2,320	-	2,220	6,620	-	-	11,197
Lease liabilities	-	-	124	261	63	-	-	448
Accrued interest payable	18	457	257	2	-	-	-	734
	<u>57,113</u>	<u>88,619</u>	<u>65,585</u>	<u>6,040</u>	<u>6,683</u>	<u>-</u>	<u>-</u>	<u>224,040</u>
<b>Commitments and contingent liabilities</b>								
Avals to bills and guarantees of loans	2	-	32	24	-	439	-	497
Other commitments	-	1,190	179	1,159	-	250	-	2,778

(Unit: Million Baht)

As at 31 December 2019								
Transactions	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing loans	Total
<b>Financial assets</b>								
Cash	1,099	-	-	-	-	-	-	1,099
Interbank and money market items - net	1,950	42,100	-	-	-	-	-	44,050
Derivatives assets	-	22	-	-	-	-	-	22
Investments - net	-	5,798	1,662	3	-	209	-	7,672
Loans to customers	3,769	16,418	43,825	134,281	35,687	-	5,292	239,272
	<u>6,818</u>	<u>64,338</u>	<u>45,487</u>	<u>134,284</u>	<u>35,687</u>	<u>209</u>	<u>5,292</u>	<u>292,115</u>
<b>Financial liabilities</b>								
Deposits	45,532	89,955	82,251	695	-	-	-	218,433
Interbank and money market items	395	736	368	2,333	-	-	-	3,832
Liabilities payable on demand	307	-	-	-	-	-	-	307
Debts issued and borrowings	37	-	12,000	-	6,680	-	-	18,717
Accrued interest payable	25	538	418	7	-	-	-	988
	<u>46,296</u>	<u>91,229</u>	<u>95,037</u>	<u>3,035</u>	<u>6,680</u>	<u>-</u>	<u>-</u>	<u>242,277</u>
<b>Commitments and contingent liabilities</b>								
Avals to bills and guarantees of loans	2	1	32	21	-	426	-	482
Other commitments	-	917	60	489	-	76	-	1,542

The Bank will disclose the Bank's Liquidity Coverage Ratio as at 31 December 2020 via the Bank's website within April 2021.

#### 4.38.4 Commodity Price Risk

This is the risk that income or capital is adversely affected by changes in commodity price. The Bank has no policy to hold such position.

#### 4.38.5 Derivatives

As at 31 December 2020 and 2019, the Bank has a policy to enter into foreign exchange contracts to manage the risk associated with its financial assets, and classifies them as trading derivatives, and measured at fair value through profit or loss, as follows:

(Unit: Million Baht)

As at 31 December 2020		
Maturity	Notional amount	Gain on measurement of fair value
2021	1,190	62

(Unit: Million Baht)

As at 31 December 2019		
Maturity	Notional amount	Gain on measurement of fair value
2020	917	22

#### 4.39 Fair value of financial instruments - Fair value hierarchy

As at 31 December 2020 and 2019, the Bank has assets and liabilities that are measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2020				Total
	Book value	Fair value			
		Level 1	Level 2	Level 3	
<b><u>Financial assets measured at fair value</u></b>					
Financial assets measured at fair value through profit or loss					
Equity securities	759	3	-	756	759
Derivatives					
Foreign exchange contract	62	-	62	-	62
Investments - debt securities	9,433	-	9,433	-	9,433
<b><u>Assets measured at fair value</u></b>					
Investment properties	28	-	-	28	28
Office condominiums	614	-	-	614	614
<b><u>Financial assets for which fair value is disclosed</u></b>					
Cash	1,216	1,216	-	-	1,216
Interbank and money market items - net	36,961	3,459	33,502	-	36,961
Loans to customers and accrued interest receivables	214,858 <sup>(1)</sup>	-	52,859	167,784	220,643
<b><u>Financial liabilities for which fair value is disclosed</u></b>					
Deposits	204,859	54,086	150,773	-	204,859
Interbank and money market items	5,517	1,111	4,406	-	5,517
Liabilities payable on demand	1,285	1,285	-	-	1,285
Debts issued and borrowings	11,197	-	10,599	-	10,599
Lease liabilities	448	-	448	-	448
Accrued interest payable	734	7	727	-	734

(1) Book value of loans to customers and accrued interest receivables presented before deduction of excess provision amounting to Baht 1,056 million.

(Unit: Million Baht)

	As at 31 December 2019				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b><u>Financial assets measured at fair value</u></b>					
Derivatives					
Foreign exchange contract	22	-	22	-	22
Available-for-sale investments					
Equity securities	3	3	-	-	3
Debt securities	7,463	-	7,463	-	7,463
<b><u>Assets measured at fair value</u></b>					
Investment properties	28	-	-	28	28
Office condominiums	624	-	-	624	624
<b><u>Financial assets for which fair value is disclosed</u></b>					
Cash	1,099	1,099	-	-	1,099
Interbank and money market items - net	44,050	2,240	41,810	-	44,050
General investments	206	-	-	756	756
Loans to customers and accrued interest receivables	232,754 <sup>(2)</sup>	-	53,810	183,822	237,632
<b><u>Financial liabilities for which fair value is disclosed</u></b>					
Deposits	218,433	40,816	177,617	-	218,433
Interbank and money market items	3,832	332	3,500	-	3,832
Liabilities payable on demand	307	307	-	-	307
Debts issued and borrowings	18,717	-	18,801	-	18,801
Accrued interest payable	988	8	980	-	988

(2) Book value of loans to customers and accrued interest receivables presented before deduction of excess provision amounting to Baht 3,563 million.

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

## 5. Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend
		Preference	Ordinary	dividend paid	payment
		share	share	(Million Baht)	period
		(Baht per share)	(Baht per share)		
Interim dividends for 2019	The 6/2019 Meeting of the Board of Directors on 16 December 2019	4.45	4.45	4,101	January 2020
Total dividend payment in year 2019				<u>4,101</u>	
Interim dividends for 2019	The 2/2020 Meeting of the Board of Directors on 10 April 2020	1.06	1.06	977	May 2020
Interim dividends for 2020	The 7/2020 Meeting of the Board of Directors on 17 December 2020	2.05	2.05	1,889	January 2021
Total dividend payment in year 2020				<u>2,866</u>	

## 6. Reclassification

The Bank has reclassified some items in the statement of financial position as at 31 December 2019 in order to correspond to the classification in the current year.

(Unit: Thousand Baht)

	As at 31 December 2019	
	As reclassified	As previously reported
<b>Statement of financial position</b>		
<b>Assets</b>		
Other assets	1,333,868	1,356,706
<b>Liabilities</b>		
Other liabilities	6,221,590	6,244,428

The Bank does not present figures as at 1 January 2019 as comparative information because the reclassification does not significantly impact the statement of financial position.

## 7. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 11 February 2021.