

TISCO Bank Public Company Limited
Report and interim financial statements
30 September 2017



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Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of TISCO Bank Public Company Limited

I have reviewed the accompanying statement of financial position of TISCO Bank Public Company Limited as at 30 September 2017, the related statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017, the related statements of changes in equity, and cash flows for the nine-month period then ended as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

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

Conclusion

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

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 9 November 2017

TISCO Bank Public Company Limited

Statement of financial position

As at 30 September 2017

(Unit: Thousand Baht)

	Note	30 September 2017	31 December 2016
		(Unaudited but reviewed)	(Audited)
Assets			
Cash		1,268,863	1,147,866
Interbank and money market items - net		45,696,143	37,061,867
Investments - net	3.2, 3.5	6,113,740	5,552,994
Loans to customers and accrued interest receivables	3.3, 3.5		
Loans to customers		230,089,547	240,579,109
Accrued interest receivables		504,328	484,024
Total loans to customers and accrued interest receivables		230,593,875	241,063,133
Less: Deferred revenue		(18,433,973)	(19,084,912)
Less: Allowance for doubtful accounts	3.4	(8,808,980)	(7,490,786)
Less: Allowance for loss on debt restructuring	3.4	(9,148)	(9,748)
Loans to customers and accrued interest receivables - net		203,341,774	214,477,687
Property foreclosed - net		16,729	6,739
Investment properties		31,363	31,363
Premises and equipment - net		647,578	668,641
Intangible assets - net		327,092	359,083
Deferred tax assets		303,531	218,806
Other assets	3.6	1,215,949	1,216,780
Total assets		258,962,762	260,741,826

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

TISCO Bank Public Company Limited
Statement of financial position (continued)
As at 30 September 2017

(Unit: Thousand Baht)

	Note	30 September 2017 (Unaudited but reviewed)	31 December 2016 (Audited)
Liabilities and equity			
Liabilities			
Deposits	3.7	156,287,798	155,950,816
Interbank and money market items - net		3,821,787	4,970,868
Liabilities payable on demand		295,002	180,242
Derivatives liabilities	3.1	31,169	34,118
Debts issued and borrowings	3.8	59,281,119	64,398,919
Provision for long-term employee benefits		334,502	272,390
Accrued interest payable		836,262	734,762
Income tax payable		294,004	446,942
Dividend payable		-	2,027,449
Other liabilities	3.9	7,021,508	4,281,352
Total liabilities		228,203,151	233,297,858
Equity			
Share capital			
Registered			
104 preference shares of Baht 10 each		1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Issued and fully paid-up			
104 preference shares of Baht 10 each		1	1
921,567,588 ordinary shares of Baht 10 each		9,215,676	9,215,676
		<u>9,215,677</u>	<u>9,215,677</u>
Share premium on ordinary shares		2,543,024	2,543,024
Other components of equity		223,643	226,295
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		17,793,267	14,474,972
Total equity		30,759,611	27,443,968
Total liabilities and equity		258,962,762	260,741,826

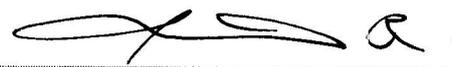
The accompanying notes are an integral part of the financial statements.



Mrs. Oranuch Apisaksirikul
 (Chairperson of the Executive Board)



ธนาคารทีเอสซี จำกัด (มหาชน)
 TISCO Bank Public Company Limited



Mr. Suthas Ruangmanamongkol
 (Executive Director)

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of comprehensive income

For the three-month period ended 30 September 2017

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

	Note	2017	2016
Interest income	3.11	3,768,542	3,770,633
Interest expenses	3.12	(1,173,337)	(1,183,189)
Net interest income		2,595,205	2,587,444
Fee and service income		811,517	776,130
Fee and service expenses		(26,244)	(18,008)
Net fee and service income	3.13	785,273	758,122
Net gains (losses) on trading and foreign exchange transactions	3.14	(1,540)	3,320
Net gains on investments	3.15	5,574	2,838
Penalty fee income from loans		82,210	85,225
Income from business promotion relating to the business		235,793	60,386
Other operating income	3.17	120,123	44,664
Total operating income		3,822,638	3,541,999
Expenses from business promotion relating to the business		248,661	65,361
Total net operating income		3,573,977	3,476,638
Operating expenses			
Employee's expenses		694,243	586,833
Premises and equipment expenses		240,873	185,859
Taxes and duties		55,705	49,890
Intercompany supporting fee expenses	3.23	446,733	302,864
Other operating expenses	3.18	208,179	238,700
Total operating expenses		1,645,733	1,364,146
Bad debt, doubtful accounts and impairment losses	3.16	554,144	1,040,536
Profit from operating before income tax expenses		1,374,100	1,071,956
Income tax expenses	3.19	266,746	219,770
Profit for the period		1,107,354	852,186

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of comprehensive income (continued)

For the three-month period ended 30 September 2017

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

	Note	2017	2016
Other comprehensive income	3.20		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Losses on valuation in available-for-sale investments		(2,145)	(10,748)
Income tax effects	3.21	429	2,150
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		(1,716)	(8,598)
Other comprehensive income for the period		(1,716)	(8,598)
Total comprehensive income for the period		<u>1,105,638</u>	<u>843,588</u>
Earnings per share			
Basic earnings per share	3.22	<u>1.20</u>	<u>0.92</u>

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of comprehensive income

For the nine-month period ended 30 September 2017

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

	Note	2017	2016
Interest income	3.11	11,203,962	11,426,043
Interest expenses	3.12	(3,446,739)	(3,794,701)
Net interest income		7,757,223	7,631,342
Fee and service income		2,358,700	2,352,327
Fee and service expenses		(79,881)	(64,441)
Net fee and service income	3.13	2,278,819	2,287,886
Net losses on trading and foreign exchange transactions	3.14	(3,300)	(8,449)
Net gains on investments	3.15	13,348	8,800
Penalty fee income from loans		269,823	257,338
Income from business promotion relating to the business		455,046	210,263
Other operating income	3.17	212,691	145,919
Total operating income		10,983,650	10,533,099
Expenses from business promotion relating to the business		464,758	228,476
Total net operating income		10,518,892	10,304,623
Operating expenses			
Employee's expenses		2,036,375	1,692,121
Premises and equipment expenses		641,630	556,419
Taxes and duties		161,069	147,299
Intercompany supporting fee expenses	3.23	1,247,613	996,683
Other operating expenses	3.18	576,946	617,536
Total operating expenses		4,663,633	4,010,058
Bad debt, doubtful accounts and impairment losses	3.16	1,674,327	2,830,387
Profit from operating before income tax expenses		4,180,932	3,464,178
Income tax expenses	3.19	826,815	691,067
Profit for the period		3,354,117	2,773,111

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the nine-month period ended 30 September 2017

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

	Note	2017	2016
Other comprehensive income	3.20		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Losses on valuation in available-for-sale investments		(765)	(11,379)
Income tax effects	3.21	153	2,276
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		(612)	(9,103)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial loss		(47,327)	(49,842)
Income tax effects	3.21	9,465	9,968
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(37,862)	(39,874)
Other comprehensive income for the period		(38,474)	(48,977)
Total comprehensive income for the period		3,315,643	2,724,134
Earnings per share			
Basic earnings per share	3.22	3.64	3.01

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Cash flow statement

For the nine-month period ended 30 September 2017

	(Unit: Thousand Baht)	
	2017	2016
Cash flows from operating activities		
Profit before income tax expenses	4,180,932	3,464,178
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities		
Depreciation and amortisation	111,843	70,239
Bad debt and doubtful accounts	3,126,948	4,356,668
Allowance for impairment of investments (reversal)	(3,582)	4,467
Allowance for impairment of properties foreclosed	373	11,233
Gain on disposal of investments in securities	(9,537)	(13,888)
Gain on disposal of equipment	(4,870)	(4,463)
Loss on written-off of equipment	17	-
Unrealised gain on foreign exchange transactions and trading derivatives	(2,949)	(593)
Gain on disposal of properties foreclosed	(60,793)	(54,034)
Employee benefit expenses	20,549	36,844
Decrease in accrued income	22,622	15,547
Increase in accrued expenses	577,756	120,362
Net interest income	(7,757,223)	(7,631,342)
Dividend income	(125,796)	(65,825)
Cash received on interest income	11,320,337	11,562,420
Cash paid on interest expenses	(2,602,379)	(3,183,482)
Cash received on dividend income	50,796	63,339
Cash paid on income tax expenses	(1,054,932)	(889,364)
Profit from operating activities before changes in operating assets and liabilities	7,790,112	7,862,306
Operating assets (increase) decrease		
Interbank and money market items	(8,634,276)	275,107
Loans to customers	6,323,057	6,479,971
Properties foreclosed	1,384,286	1,594,469
Other assets	87,646	518,700

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Cash flow statement (continued)

For the nine-month period ended 30 September 2017

	(Unit: Thousand Baht)	
	2017	2016
Operating liabilities increase (decrease)		
Deposits	336,982	(4,737,198)
Interbank and money market items	(1,149,081)	(2,040,903)
Liabilities payable on demand	114,760	(3,436)
Short-term debts issued and borrowings	562,200	(25,507,000)
Provision for long-term employee benefits	(5,764)	(4,847)
Other liabilities	1,620,853	(1,385,858)
Net cash flows from (used in) operating activities	8,430,775	(16,948,689)
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(6,269,313)	(3,991,418)
Cash received from disposal of investment in securities held for investment	5,720,920	5,847,093
Cash paid for purchase of equipment	(32,480)	(32,715)
Cash paid for purchase of intangible assets	(26,326)	(39,123)
Cash received from disposal of equipment	4,870	4,819
Net cash flows from (used in) investing activities	(602,329)	1,788,656
Cash flows from financing activities		
Cash received from issuance of long-term debentures	11,000,000	16,180,000
Cash paid for redemption of long-term debentures	(16,680,000)	-
Dividend paid	(2,027,449)	(1,105,881)
Net cash flows from (used in) financing activities	(7,707,449)	15,074,119
Net increase (decrease) in cash	120,997	(85,914)
Cash at beginning of the period	1,147,866	1,100,349
Cash at end of the period	1,268,863	1,014,435

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of changes in equity

For the nine-month period ended 30 September 2017

(Unit: Thousand Baht)

	Issued and fully paid-up		Share premium on ordinary shares	Other components of equity			Retained earnings		Total
	Preference shares	Ordinary shares		Surplus on change in value of available-for-sale investments	Surplus on revaluation of assets	Total other components of equity	Appropriated	Unappropriated	
Balance as at 1 January 2016	1	9,215,676	2,543,024	30,757	211,641	242,398	984,000	12,829,650	25,814,749
Profit for the period	-	-	-	-	-	-	-	2,773,111	2,773,111
Other comprehensive income for the period	-	-	-	(9,103)	-	(9,103)	-	(39,874)	(48,977)
Total comprehensive income for the period	-	-	-	(9,103)	-	(9,103)	-	2,733,237	2,724,134
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(2,041)	(2,041)	-	2,041	-
Balance as at 30 September 2016	1	9,215,676	2,543,024	21,654	209,600	231,254	984,000	15,564,928	28,538,883
Balance as at 1 January 2017	1	9,215,676	2,543,024	17,380	208,915	226,295	984,000	14,474,972	27,443,968
Profit for the period	-	-	-	-	-	-	-	3,354,117	3,354,117
Other comprehensive income for the period	-	-	-	(612)	-	(612)	-	(37,862)	(38,474)
Total comprehensive income for the period	-	-	-	(612)	-	(612)	-	3,316,255	3,315,643
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	(2,040)	(2,040)	-	2,040	-
Balance as at 30 September 2017	1	9,215,676	2,543,024	16,768	206,875	223,643	984,000	17,793,267	30,759,611

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

TISCO Bank Public Company Limited

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 2017

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

1.1 Basis of preparation of interim financial statements

These interim financial statements have been prepared in accordance with Thai Accounting Standard No. 34 (revised 2016) “Interim Financial Reporting”, with the Bank choosing to present condensed interim financial statements. However, the Bank has presented the statements of financial position, comprehensive income, changes in equity and cash flows in the same format as that used for the annual financial statements, which are in accordance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

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

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

1.2 New financial reporting standards

During the period, the Bank has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements.

1.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as those were used for the financial statements for the year ended 31 December 2016.

2. General information

2.1 The Bank's information

TISCO Bank Public Company Limited ("the Bank") is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 30 September 2017, the Bank has 59 branches in Thailand (31 December 2016: 57 branches in Thailand).

2.2 Related party transactions

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

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

3. Supplemental information

3.1 Derivatives

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

(Unit: Thousand Baht)

Type of risk	As at					
	30 September 2017			31 December 2016		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	-	-	52,813	-	-	-
Interest rate	-	31,169	1,200,000	-	34,118	1,200,000
Total	-	31,169	1,252,813	-	34,118	1,200,000

All counterparties of these derivative transactions are financial institutions.

(Unaudited but reviewed)

3.2 Investments

3.2.1 Classified by type of investment

(Unit: Thousand Baht)

	As at	
	30 September 2017	31 December 2016
Available-for-sale investments - fair value		
Government and state enterprise securities	4,572,400	3,835,912
Private sector debt securities	691,991	870,470
Foreign sector debt securities	411,154	414,163
Domestic marketable equity securities	7,760	8,000
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	5,681,845	5,127,085
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	13,788	13,559
Less: Allowance for impairment	(13,772)	(13,543)
Total held-to-maturity debt securities	16	16
General investments - cost		
Domestic non-marketable equity securities	467,531	478,303
Less: Allowance for impairment	(35,652)	(52,410)
Total general investments	431,879	425,893
Investments - net	6,113,740	5,552,994

3.2.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

	As at							
	30 September 2017				31 December 2016			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	4,570	-	2	4,572	3,834	-	2	3,836
Private sector debt securities	404	699	-	1,103	182	1,102	-	1,284
Total	4,974	699	2	5,675	4,016	1,102	2	5,120
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	4,973	699	2	5,674	4,015	1,102	2	5,119
Held-to-maturity debt securities								
Investment in receivables	14	-	-	14	14	-	-	14
Less: Allowance for impairment	(14)	-	-	(14)	(14)	-	-	(14)
Total	-	-	-	-	-	-	-	-
Total debt securities	4,973	699	2	5,674	4,015	1,102	2	5,119

(Unaudited but reviewed)

3.2.3 Investments subject to restriction

(Unit: Million Baht)

Type of investment	As at		Type of restriction
	30 September 2017	31 December 2016	
Government debt securities	2	2	Pledged for electricity usage

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

(Unit: Thousand Baht)

	As at 30 September 2017		
	Cost	Fair value	Allowance for changes in value
Companies having problems with debt repayment or in default	1,460	-	1,460

(Unit: Thousand Baht)

	As at 31 December 2016		
	Cost	Fair value	Allowance for changes in value
Companies having problems with debt repayment or in default	7,060	-	7,060

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

(Unit: Thousand Baht)

Securities' name	As at					
	30 September 2017			31 December 2016		
	Book value	Unpaid amounts	Percentage of holding (%)	Book value	Unpaid amounts	Percentage of holding (%)
Services:						
Jiji Press (Thailand) Co., Ltd.	814	300	10	814	300	10
K Line (Thailand) Co., Ltd.	37,335	-	10	37,335	-	10
Trading import and export:						
Juki (Thailand) Co., Ltd.	3,240	-	10	331	-	10
PDTL Trading Co., Ltd.	4,275	-	10	4,265	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,658	-	10	3,233	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	18,062	-	10	17,622	-	10

(Unaudited but reviewed)

3.3 Loans to customers and accrued interest receivables

3.3.1 Classified by loans to customers type

(Unit: Thousand Baht)

As at

	30 September 2017	31 December 2016
Loans to customers		
Loans	73,349,093	71,883,119
Hire purchase receivables	156,635,467	168,448,360
Finance lease receivables	244,786	460,708
Less: Deferred revenue	(18,433,973)	(19,084,912)
Advances received from finance lease receivables	(139,799)	(213,078)
Total loans to customers	211,655,574	221,494,197
Add: Accrued interest receivables	504,328	484,024
Less: Allowance for doubtful accounts	(8,808,980)	(7,490,786)
Less: Allowance for loss on debt restructuring	(9,148)	(9,748)
Loans to customers and accrued interest receivables - net	<u>203,341,774</u>	<u>214,477,687</u>

3.3.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

As at

	30 September 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	<u>205,347,270</u>	<u>6,308,304</u>	<u>211,655,574</u>	<u>215,304,305</u>	<u>6,189,892</u>	<u>221,494,197</u>
Total loans to customers						
net of deferred revenue	<u>205,347,270</u>	<u>6,308,304</u>	<u>211,655,574</u>	<u>215,304,305</u>	<u>6,189,892</u>	<u>221,494,197</u>

3.3.3 Classified by loan classification

(Unit: Million Baht)

	As at					
	30 September 2017			31 December 2016		
	Net amount		Allowance for doubtful accounts ^{(1) (2)}	Net amount		Allowance for doubtful accounts ^{(1) (2)}
Loans to customers and accrued interest receivables	used for setting up allowance for doubtful accounts	Loans to customers and accrued interest receivables		used for setting up allowance for doubtful accounts		
Provision under BOT's guidelines						
- Pass	191,865	169,598	2,316	200,399	177,089	2,658
- Special mention	15,778	14,311	2,933	16,458	15,567	2,041
- Sub-standard	2,153	2,137	730	2,569	2,534	827
- Doubtful	1,367	1,351	588	1,397	1,384	416
- Doubtful of loss	997	893	367	1,155	1,062	273
Allowance established in excess	-	-	1,875	-	-	1,276
Total	212,160	188,290	8,809	221,978	197,636	7,491

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

⁽²⁾ As at 30 September 2017, the provision set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor 5/2559 minimum requirement by a total of Baht 4,573 million (As at 31 December 2016: total of Baht 3,158 million). The Bank allocated Baht 2,698 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2016: total of Baht 1,882 million) and so combined with the minimum provision requirement of Baht 4,236 million (As at 31 December 2016: total of Baht 4,333 million), the total provision set aside in accordance with BOT's requirement is Baht 6,934 million (As at 31 December 2016: total of Baht 6,215 million).

Percentage of allowance for doubtful accounts set up (%)

	Loan against auto					
	Hire purchase receivables ⁽¹⁾		license receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at		As at		As at	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Pass	1.02	0.80	1.60	1.57	1	1
Special mention	9.32	5.92	16.80	16.80	2	2
Sub-standard	29.52	28.21	35.43	34.57	100	100
Doubtful	40.20	24.19	35.43	34.57	100	100
Doubtful of loss	30.74	22.75	35.43	34.57	100	100

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

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

3.3.4 Hire purchase and finance lease receivables

As at 30 September 2017, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 138,479 million (31 December 2016: Baht 149,784 million) and mostly comprise hire purchase agreements for cars, and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

As at 30 September 2017					
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	51,591	93,221	5,146	6,922	156,880
Less: Deferred revenue ⁽¹⁾	(6,479)	(8,351)	(192)	(3,239)	(18,261)
Advances received from finance lease receivables	(81)	(56)	-	(3)	(140)
Present value of minimum lease pay from agreements	45,031	84,814	4,954	3,680	138,479
Allowance for doubtful accounts ⁽²⁾					(3,600)
Net hire purchase and finance lease receivables					134,879

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

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

(Unit: Million Baht)

As at 31 December 2016					
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	56,142	100,696	4,783	7,288	168,909
Less: Deferred revenue ⁽¹⁾	(7,001)	(8,789)	(163)	(2,959)	(18,912)
Advances received from finance lease receivables	(89)	(121)	-	(3)	(213)
Present value of minimum lease pay from agreements	49,052	91,786	4,620	4,326	149,784
Allowance for doubtful accounts ⁽²⁾					(2,973)
Net hire purchase and finance lease receivables					146,811

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

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

(Unaudited but reviewed)

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

(Unit: Million Baht)

	Amounts calculated		Amounts calculated	
	under BOT's guidelines ⁽²⁾ as at		under the Bank's policy as at	
	30 September	31 December	30 September	31 December
	2017	2016	2017	2016
Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	5,820	6,573	6,574	7,395

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

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

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

(Unit: Million Baht)

	As at	
	30 September 2017	31 December 2016
Deferred revenue ⁽¹⁾	18,434	19,085

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

3.3.7 Troubled debt restructuring

	For the three-month periods		For the nine-month periods	
	ended 30 September	ended 30 September	ended 30 September	ended 30 September
	2017	2016	2017	2016
Debtors restructured during the periods				
Number of debtors restructured by modification of terms (number)	860	1,578	3,029	5,027
Loan balances before restructuring (Million Baht)	242	462	933	1,416
Loan balances after restructuring (Million Baht)	244	465	939	1,428
Loss on troubled debt restructuring (Million Baht)	-	-	-	-
Average contract period of debt restructuring (years)				
Hire purchase receivables	4	5	4	5
Mortgage loan receivables	4	2	4	2
Loan against auto license receivables	4	4	4	4

(Unaudited but reviewed)

Supplemental information for the three-month and nine-month periods ended 30 September 2017 and 2016 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Interest income on restructured receivables	93	90	280	258
Receipt of principal and interest	407	285	1,115	756

As at 30 September 2017 and 31 December 2016, the Bank has the outstanding balances with troubled debt restructuring debtors as follows:

(Unit: Million Baht)

	As at			
	30 September 2017		31 December 2016	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	17,769	4,942	16,638	5,286

3.4 Allowance for doubtful accounts/allowance for loss on debt restructuring

3.4.1 Allowance for doubtful accounts - classified by receivables classification

(Unit: Thousand Baht)

	As at 30 September 2017						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of period	2,658,668	2,041,303	826,501	416,111	272,677	1,275,526	7,490,786
Increase (decrease) in allowance for doubtful accounts during the period	(342,634)	891,252	(40,613)	959,944	1,059,716	599,883	3,127,548
Bad debt written-off	-	-	(56,258)	(788,242)	(964,854)	-	(1,809,354)
Balance - end of period	2,316,034	2,932,555	729,630	587,813	367,539	1,875,409	8,808,980

(Unit: Thousand Baht)

	As at 31 December 2016						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	1,871,788	1,163,592	930,747	598,793	693,635	311,935	5,570,490
Increase in allowance for doubtful accounts during the year	786,880	877,711	1,967	1,752,943	1,398,274	963,591	5,781,366
Bad debt written-off	-	-	(106,213)	(1,935,625)	(1,819,232)	-	(3,861,070)
Balance - end of year	2,658,668	2,041,303	826,501	416,111	272,677	1,275,526	7,490,786

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	As at 30 September 2017			
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of period	2,595,364	3,619,896	1,275,526	7,490,786
Increase in allowance for doubtful accounts during the period	145,106	2,382,559	599,883	3,127,548
Bad debt written-off	(131,132)	(1,678,222)	-	(1,809,354)
Balance - end of period	2,609,338	4,324,233	1,875,409	8,808,980

(Unit: Thousand Baht)

	As at 31 December 2016			
	Individual impairment	Collective impairment	Allowance established in excess	Total
Balance - beginning of year	2,259,045	2,999,510	311,935	5,570,490
Increase in allowance for doubtful accounts during the year	582,619	4,235,156	963,591	5,781,366
Bad debt written-off	(246,300)	(3,614,770)	-	(3,861,070)
Balance - end of year	2,595,364	3,619,896	1,275,526	7,490,786

3.4.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

	As at	
	30 September 2017	31 December 2016
Balance - beginning of period/year	9,748	-
Increase during the period/year	-	9,748
Amortisation during the period/year	(600)	-
Balance - end of period/year	9,148	9,748

3.4.4 Non-performing loans to customers

(Unit: Million Baht)

	As at	
	30 September 2017	31 December 2016
Non-performing loans to customers	4,516	5,121
Allowance for doubtful accounts ⁽¹⁾	1,685	1,516

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

3.5 Classification of assets

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

(Unit: Million Baht)

Allowance for possible loss
provided in the accounts

	Cost as at		Fair value as at		as at	
	30 September	31 December	30 September	31 December	30 September	31 December
	2017	2016	2017	2016	2017	2016
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽²⁾	-	6	-	-	-	6

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

⁽²⁾ Investments in securities of companies which are vulnerable to delisting, of companies whose auditors have expressed opinions citing the going concern issue, or of companies which have defaulted on interest payment.

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

As at 30 September 2017 and 31 December 2016, the quality of the Bank's assets classified in accordance with the Bank of Thailand's guidelines is as follows:

(Unit: Million Baht)

	Loans to customers ⁽¹⁾		Investments in securities		Investments in receivables		Properties foreclosed		Total	
	as at		as at		as at		as at		as at	
	30 September	31 December	30 September	31 December	30 September	31 December	30 September	31 December	30 September	31 December
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Pass	221,731	235,147	-	-	-	-	-	-	221,731	235,147
Special mention	15,608	16,277	-	-	-	-	-	-	15,608	16,277
Sub-standard	2,153	2,569	-	-	-	-	-	-	2,153	2,569
Doubtful	1,367	1,397	-	-	-	-	-	-	1,367	1,397
Doubtful of loss	997	1,155	37	54	14	14	12	12	1,060	1,235
Total	241,856	256,545	37	54	14	14	12	12	241,919	256,625

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

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

3.5.3.1 Hire purchase receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting up allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful accounts setup ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at		as at		as at		as at	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
					(%)	(%)		
Pass	122,554	131,798	122,554	131,798	1.02	0.80	1,244	1,052
Special mention	12,152	13,434	12,152	13,434	9.32	5.92	1,133	795
Sub-standard	1,732	2,134	1,732	2,134	29.52	28.21	511	602
Doubtful	1,141	1,168	1,141	1,168	40.20	24.19	459	283
Doubtful of loss	801	1,017	801	1,017	30.74	22.75	246	231
Total	138,380	149,551	138,380	149,551			3,593	2,963

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

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

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

3.5.3.2 Loan against auto license receivables

(Unit: Million Baht)

	Debt balance		Net amount used for setting up allowance for doubtful accounts		Percentage of allowance for doubtful accounts setup ⁽¹⁾		Allowance for doubtful accounts ⁽²⁾	
	as at		as at		as at		as at	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
					(%)	(%)		
Pass	19,089	16,665	19,089	16,665	1.60	1.57	306	261
Special mention	1,588	1,527	1,588	1,527	16.80	16.80	267	257
Sub-standard	289	269	289	269	35.43	34.57	103	93
Doubtful	125	125	125	125	35.43	34.57	44	43
Doubtful of loss	32	9	32	9	35.43	34.57	11	3
Total	21,123	18,595	21,123	18,595			731	657

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

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

(Unaudited but reviewed)

3.5.4 Loans to customers includes debts due from companies with weak financial position and operating results.

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts ⁽²⁾	
	as at		as at		as at		as at	
	30 September	31 December	30 September	31 December	30 September	31 December	30 September	31 December
	2017	2016	2017	2016	2017	2016	2017	2016
		(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Listed companies vulnerable to delisting from the SET ⁽¹⁾	1	1	754	821	656	656	754 ⁽³⁾	821 ⁽³⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	4	4	561	577	98	249	7	7
3. Listed companies under rehabilitation	-	-	-	-	-	-	-	-
4. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	5	5	1,315	1,398	754	905	761	828

⁽¹⁾ The company is currently under rehabilitation.

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

⁽³⁾ The amount already includes the allowance for loss on debt restructuring.

3.6 Other assets

	(Unit: Thousand Baht)	
	As at	
	30 September 2017	31 December 2016
Value added tax - net	319,965	370,275
Accrued interest receivables	28,609	14,475
Fee and service receivables	39,149	61,771
Deposits	52,005	46,291
Other receivables	469,739	525,588
Dividend receivable	75,000	-
Other assets	231,482	198,380
Total other assets	1,215,949	1,216,780

(Unaudited but reviewed)

3.7 Deposits

3.7.1 Classified by type of deposits

(Unit: Thousand Baht)

As at

	30 September 2017	31 December 2016
Deposits		
Current accounts	3,611,061	3,800,991
Saving accounts	53,017,860	51,928,032
Fixed accounts		
- not over 6 months	8,574,912	7,606,080
- over 6 months but not over 1 year	11,788,733	6,994,920
- over 1 year	291,092	238,889
Certificates of deposit/negotiable certificates of deposit	79,004,140	85,381,904
Total	<u>156,287,798</u>	<u>155,950,816</u>

3.7.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

As at

	30 September 2017	31 December 2016
Not over 1 year ⁽¹⁾	156,040,565	155,630,660
Over 1 year	247,233	320,156
Total deposits	<u>156,287,798</u>	<u>155,950,816</u>

⁽¹⁾ Including fully-mature deposit contracts

3.7.3 As at 30 September 2017 and 31 December 2016, all outstanding deposits are deposits from domestic depositors and in Baht.

3.8 Debt issued and borrowings

(Unit: Thousand Baht)

As at

	30 September 2017	31 December 2016
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	7,323,000	7,323,000
Unsubordinated unsecured debentures	51,921,200	57,039,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	<u>59,281,119</u>	<u>64,398,919</u>

3.8.1 Subordinated unsecured debentures

As at 30 September 2017 and 31 December 2016, the Bank has long-term subordinated unsecured debentures as follows:

Issued year	Units as at		Face value	Balance as at		Maturity in the year	Interest rate
	30 September	31 December	per unit	30 September	31 December		
	2017	2016	(Baht)	2017	2016		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2012	-	1.00	1,000	-	1,000	2022	4.85 percent per annum ⁽¹⁾
2012	1.24	1.24	1,000	1,243	1,243	2022	4.60 percent per annum
2014	1.60	1.60	1,000	1,600	1,600	2024	6.00 percent per annum
2014	0.80	0.80	1,000	800	800	2024	6.00 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.50 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.25 percent per annum
2016	0.68	0.68	1,000	680	680	2026	3.875 percent per annum
2017	1.00	-	1,000	1,000	-	2027	4.00 percent per annum
Total				7,323	7,323		

⁽¹⁾ Subordinated unsecured debentures were early redeemed on 9 March 2017.

3.8.2 Unsubordinated unsecured debentures

As at 30 September 2017 and 31 December 2016, the Bank has short-term and long-term unsubordinated unsecured debentures as follows:

Issue year	Type of debentures	Units as at		Face value	Balance as at		Maturity in the year	Interest rate
		30 September	31 December	per unit	30 September	31 December		
		2017	2016	(Baht)	2017	2016		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2015	Long-term debenture	-	15.68	1,000	-	15,680	2017	1.875 - 2.00 percent per annum
2016	Short-term debenture	-	16.859	1,000	-	16,859	2017	1.50 - 1.71 percent per annum
2016	Long-term debenture	5.50	5.50	1,000	5,500	5,500	2018	1.95 - 2.00 percent per annum
2016	Long-term debenture	10.00	10.00	1,000	10,000	10,000	2019	1.85 - 1.95 percent per annum
2016	Short-term debenture	9.00	9.00	1,000	9,000	9,000	2017	1.75 - 1.80 percent per annum
2017	Short-term debenture	7.64	-	1,000	7,639	-	2017	1.45 - 1.67 percent per annum
2017	Short-term debenture	7.50	-	1,000	7,500	-	2018	1.75 - 1.80 percent per annum
2017	Short-term debenture	2.28	-	1,000	2,282	-	2018	1.47 - 1.55 percent per annum
2017	Long-term debenture	5.00	-	1,000	5,000	-	2018	1.85 percent per annum
2017	Long-term debenture	5.00	-	1,000	5,000	-	2019	1.85 percent per annum
Total					51,921	57,039		

3.8.3 Bills of exchange

Bills of exchange comprise bills of exchange that mature at call and bear interest at a fixed rate of 2.5 percent per annum.

3.9 Other liabilities

(Unit: Thousand Baht)

	As at	
	30 September 2017	31 December 2016
Withholding tax and other tax payables	168,757	350,693
Accrued insurance premium	590,362	695,535
Deferred income	984,484	1,045,309
Accrued expenses	2,070,050	1,492,294
Suspense creditors	2,918,428	390,458
Other liabilities	289,427	307,063
Total other liabilities	7,021,508	4,281,352

The above accrued expenses included accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses included costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the parent company's shares over the period of five years from grant date to settlement date. As of 30 September 2017 and 31 December 2016, the Bank has issued bonus under this scheme amounting to Baht 285 million and Baht 263 million, respectively.

3.10 Capital funds

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

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

Regarding to Capital fund as at 30 September 2017 and 31 December 2016, the Bank has allocated the additional reserve from classification as a part of regulatory capital fund. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under the BOT's regulation.

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	As at	
	30 September 2017	31 December 2016
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	15,036,972	13,501,650
Other components of equity	220,040	218,920
Less: Deductions from Common Equity Tier I items	(602,762)	(481,432)
Total Common Equity Tier I capital	27,396,950	25,981,838
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	27,396,951	25,981,839
<u>Tier II capital</u>		
Long-term subordinated debentures	7,323,000	7,323,000
Surplus of provision	830,130	789,422
Reserve for loans classified as pass	444,313	447,354
Total Tier II capital	8,597,443	8,559,776
Total capital funds	35,994,394	34,541,615

(Unit: Percent)

Capital fund ratios	As at			
	30 September 2017		31 December 2016	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	15.55	5.75	14.73	5.125
Tier I capital to risk assets	15.55	7.25	14.73	6.625
Total capital to risk assets	20.44	9.75	19.59	9.125

To comply with the Notification of the Bank of Thailand No. Sor Nor Sor 4/2556 regarding “Public Disclosure of Capital Maintenance for Commercial Banks”, the Bank has disclosed capital maintenance information as at 30 June 2017 on its website on 31 October 2017.

3.11 Interest income

Interest income in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Interbank and money market items	178,507	107,389	433,591	373,055
Investments in debt securities	34,378	36,776	109,925	109,806
Loans to customers	1,510,950	1,378,474	4,373,185	4,029,007
Hire purchase and finance lease	2,044,707	2,247,994	6,287,261	6,914,175
Total interest income	<u>3,768,542</u>	<u>3,770,633</u>	<u>11,203,962</u>	<u>11,426,043</u>

3.12 Interest expenses

Interest expenses in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Deposits	575,357	579,638	1,681,557	1,865,293
Interbank and money market items	3,026	29,218	15,732	113,991
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	252,746	243,229	742,859	763,251
Issued debt instruments				
- Subordinated debentures	89,487	88,741	268,636	256,868
- Unsubordinated debentures	252,491	242,134	728,635	794,614
Borrowings	230	229	9,320	684
Total interest expenses	<u>1,173,337</u>	<u>1,183,189</u>	<u>3,446,739</u>	<u>3,794,701</u>

3.13 Net fee and service income

Net fee and service income in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Fee and service income				
- Acceptance, aval and guarantees	1,764	1,442	6,416	6,628
- Insurance service	587,666	562,332	1,687,090	1,724,651
- Management	2,698	3,498	2,791	13,247
- Financial advisory	8,391	2,100	8,391	3,700
- Others	210,998	206,758	654,012	604,101
Total fee and service income	811,517	776,130	2,358,700	2,352,327
Fee and service expenses	(26,244)	(18,008)	(79,881)	(64,441)
Net fee and service income	785,273	758,122	2,278,819	2,287,886

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

Net gains (losses) on trading and foreign exchange transactions in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Gains (losses) on trading and foreign exchange transactions				
- Foreign currencies and derivatives on foreign exchange	531	-	-	-
- Derivatives on interest rates	(6,742)	2,193	(12,925)	(12,882)
- Debt securities	4,671	1,127	9,625	4,433
Net gains (losses) on trading and foreign exchange transactions	(1,540)	3,320	(3,300)	(8,449)

3.15 Net gains on investments

Net gains on investments in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Gains on disposal				
- Available-for-sale investments	56	196	186	5,989
- General investments	2,183	2,518	9,351	7,899
Total	2,239	2,714	9,537	13,888
Reversal allowance (losses) on impairment				
- General investments	3,335	124	3,811	(5,088)
Total	3,335	124	3,811	(5,088)
Net gains on investments	5,574	2,838	13,348	8,800

3.16 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Interbank and money market items	(3,000)	-	-	-
Held-to-maturity debt securities	(2)	(43)	229	(621)
Loans to customers	557,146	1,040,579	1,674,098	2,831,008
Total	554,144	1,040,536	1,674,327	2,830,387

3.17 Other operating income

Other operating income in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Gains on disposal of properties foreclosed	19,278	18,164	60,793	54,034
Dividend income	95,021	19,087	125,796	65,825
Others	5,824	7,413	26,102	26,060
Total	120,123	44,664	212,691	145,919

3.18 Other operating expenses

Other operating expenses in the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017 and 2016 consisted of the following:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Mailing expenses	12,771	12,835	39,296	39,192
Software amortisation expenses	19,940	10,987	59,112	17,360
Legal expenses	75,627	94,544	217,492	264,410
Transportation expenses	19,464	18,085	54,611	53,933
Repossession and selling expenses of repossessed assets	20,132	22,173	57,958	61,471
Advertising and business promotion expenses	26,558	19,460	64,984	57,992
Others	33,687	60,616	83,493	123,178
Total	208,179	238,700	576,946	617,536

3.19 Income tax expenses

Income tax expenses of the Bank for the three-month and nine-month periods ended 30 September 2017 and 2016 are as follows:

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Current income tax:				
Income tax expenses for the periods	326,620	286,267	901,921	920,723
Deferred tax:				
Deferred tax on temporary differences and reversion of temporary differences	(59,874)	(66,497)	(75,106)	(229,656)
Income tax expenses reported in the statements of comprehensive income	<u>266,746</u>	<u>219,770</u>	<u>826,815</u>	<u>691,067</u>

3.20 Components of other comprehensive income

	(Unit: Thousand Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Other comprehensive income				
Available-for-sale investments:				
Losses during the periods	(2,089)	(10,552)	(579)	(5,390)
Less: Reclassification adjustments for gains included in profit or loss	(56)	(196)	(186)	(5,989)
	(2,145)	(10,748)	(765)	(11,379)
Actuarial losses	-	-	(47,327)	(49,842)
Other comprehensive income	(2,145)	(10,748)	(48,092)	(61,221)
Income tax effects relating to components of other comprehensive income	429	2,150	9,618	12,244
Net other comprehensive income for the periods	<u>(1,716)</u>	<u>(8,598)</u>	<u>(38,474)</u>	<u>(48,977)</u>

3.21 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the three-month periods ended 30 September					
	2017			2016		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Losses on valuation in available-for-sale investments	(2,145)	429	(1,716)	(10,748)	2,150	(8,598)
	<u>(2,145)</u>	<u>429</u>	<u>(1,716)</u>	<u>(10,748)</u>	<u>2,150</u>	<u>(8,598)</u>

(Unit: Thousand Baht)

	For the nine-month periods ended 30 September					
	2017			2016		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Losses on valuation in available-for-sale investments	(765)	153	(612)	(11,379)	2,276	(9,103)
Actuarial losses	(47,327)	9,465	(37,862)	(49,842)	9,968	(39,874)
	<u>(48,092)</u>	<u>9,618</u>	<u>(38,474)</u>	<u>(61,221)</u>	<u>12,244</u>	<u>(48,977)</u>

3.22 Earnings per share

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

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2017	2016	2017	2016
	Profit attributable to equity holders of the Bank (Thousand Baht)	1,107,354	852,186	3,354,117
Weighted average number of shares (Thousand shares)	921,568	921,568	921,568	921,568
Basic earnings per share (Baht/share)	1.20	0.92	3.64	3.01

3.23 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.	
(Previously known as "TISCO Leasing 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
Deutsche TISCO Investment Advisory Co., Ltd.	Related Company

As at 30 September 2017 and 31 December 2016, the balance of the accounts between the Bank and related companies are as follows:

	(Unit: Thousand Baht)	
	As at	
	30 September 2017	31 December 2016
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	800,914	533,487
Accrued interest payable	176	75
Dividend payable	-	2,027,194
Other liabilities	145,778	106,460
Related companies (related by common shareholder)		
Other assets:		
TISCO Insurance Solution Co., Ltd.		
(Previously known as "TISCO Leasing Co., Ltd.")	1,625	3,230
TISCO Securities Co., Ltd.	325	800
TISCO Asset Management Co., Ltd.	9	14

(Unaudited but reviewed)

(Unit: Thousand Baht)

As at

	30 September 2017	31 December 2016
Deposits:		
All-Ways Co., Ltd.	205,961	99,628
TISCO Information Technology Co., Ltd.	194,255	130,736
Hi-Way Co., Ltd.	42,994	30,847
Primus Leasing Co., Ltd.	32,899	32,899
TISCO Learning Center Co., Ltd.	28,692	33,757
TISCO Insurance Solution Co., Ltd.		
(Previously known as "TISCO Leasing Co., Ltd.")	16,799	21,939
TISCO Tokyo Leasing Co., Ltd.	3,159	278
Interbank and money market items (Liabilities):		
TISCO Asset Management Co., Ltd.	252,162	248,437
Deutsche TISCO Investment Advisory Co., Ltd.	240,107	205,710
TISCO Securities Co., Ltd.	223,130	27,503
Accrued interest payable:		
TISCO Asset Management Co., Ltd.	384	445
TISCO Information Technology Co., Ltd.	381	184
All-Ways Co., Ltd.	373	254
Deutsche TISCO Investment Advisory Co., Ltd.	155	10
Hi-Way Co., Ltd.	58	4
TISCO Learning Center Co., Ltd.	46	84
TISCO Securities Co., Ltd.	15	1
TISCO Insurance Solution Co., Ltd.		
(Previously known as "TISCO Leasing Co., Ltd.")	5	-
Other liabilities:		
All-Ways Co., Ltd.	2,651,712	484
Hi-Way Co., Ltd.	60,480	46,920
TISCO Learning Center Co., Ltd.	6,383	1,242
TISCO Insurance Solution Co., Ltd.		
(Previously known as "TISCO Leasing Co., Ltd.")	127	481
TISCO Securities Co., Ltd.	-	145
Commitments - Guarantees:		
Parent company		
TISCO Financial Group Plc.	1,184	1,184
Related companies (related by common shareholder)		
TISCO Information Technology Co., Ltd.	1,118	1,070
TISCO Securities Co., Ltd.	540	540
TISCO Asset Management Co., Ltd.	440	440

Loans to related companies

As at 30 September 2017 and 1 January 2017, the balances of loans between the Bank and its related companies and their movement are as follows:

	(Unit: thousand Baht)			
	As at			As at
	1 January 2017	Increase	Decrease	30 September 2017
Related companies (related by common shareholder)				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	297,000	-	-	297,000

	(Unit: Thousand Baht)				Terms and pricing policy
	For the three-month periods ended		For the nine-month periods ended		
	30 September		30 September		
	2017	2016	2017	2016	

Transactions occurred during the periods**Parent company**

Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	386,253	260,504	1,084,653	881,483	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	3,373	913	6,733	4,399	With reference to the terms and prices as offered to other customers
Other income	500	500	1,000	1,000	With reference to the terms and prices as offered to other customers
Other expenses	2,663	2,316	7,294	6,947	With reference to the terms and prices as offered to other customers

Related companies

Interest income	2,277	2,496	7,190	7,432	With reference to the terms and prices as offered to other customers
Service income involving to loans	330	599	1,138	2,059	With reference to the terms and prices as offered to other customers
Other income	1,084	1,017	2,361	3,011	With reference to the terms and prices as offered to other customers

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		Terms and pricing policy
	2017	2016	2017	2016	
	Expenses involving to loans	60,480	42,360	162,960	
Computer system advisory service expenses	100,535	61,750	244,464	185,250	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	22,857	9,087	38,934	30,817	With reference to the prices as offered from other service providers
Interest expenses	1,870	1,017	4,568	3,000	With reference to the terms and prices as offered to other customers
Other expenses	728	1,576	4,291	4,992	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	30 September 2017	31 December 2016
	Loans ⁽¹⁾	2,735

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at	
	30 September 2017	31 December 2016
	Deposits	55,321

Directors and management's benefits

During the three-month and nine-month periods ended 30 September 2017 and 2016, the Bank had short-term benefit expenses paid to their directors and key management during the periods and other employee benefit expenses payable to their directors and management as follows:

	(Unit: Million Baht)			
	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
Short-term benefits	34	41	68	85
Post-employment benefits	3	4	10	12
Total	<u>37</u>	<u>45</u>	<u>78</u>	<u>97</u>

3.24 Segment information

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

(Unaudited but reviewed)

The following tables present revenue and profit information regarding the Bank's operating segments for the three-month and nine-month periods ended 30 September 2017 and 2016, respectively.

(Unit: Million Baht)

	Retail Banking	Corporate Banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the three-month period ended 30 September 2017						
Revenue						
External customers	3,371	228	224	3,823	-	3,823
Inter-segment	-	-	801	801	(801)	-
Total revenue	3,371	228	1,025	4,624	(801)	3,823
Operating results:						
Net interest income	2,262	208	125	2,595	-	2,595
Net fee and service income	764	20	1	785	-	785
Other operating income	345	-	899	1,244	(801)	443
Total operating income	3,371	228	1,025	4,624	(801)	3,823
Premises and equipment expenses and amortisation	(62)	(8)	(190)	(260)	-	(260)
Other operating expenses	(1,702)	(117)	(617)	(2,436)	801	(1,635)
Bad debt, doubtful accounts and impairment losses	(253)	9	(310)	(554)	-	(554)
Total operating expenses	(2,017)	(116)	(1,117)	(3,250)	801	(2,449)
Segment profit	1,354	112	(92)	1,374	-	1,374
Income tax expenses						(267)
Profit for the period						1,107

(Unaudited but reviewed)

(Unit: Million Baht)

	Retail Banking	Corporate Banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the nine-month period ended 30 September 2017						
Revenue						
External customers	9,855	724	405	10,984	-	10,984
Inter-segment	-	-	2,314	2,314	(2,314)	-
Total revenue	9,855	724	2,719	13,298	(2,314)	10,984
Operating results:						
Net interest income	6,836	648	273	7,757	-	7,757
Net fee and service income	2,223	59	(3)	2,279	-	2,279
Other operating income	796	17	2,449	3,262	(2,314)	948
Total operating income	9,855	724	2,719	13,298	(2,314)	10,984
Premises and equipment expenses and amortisation	(186)	(24)	(491)	(701)	-	(701)
Other operating expenses	(4,566)	(336)	(1,840)	(6,742)	2,314	(4,428)
Bad debt, doubtful accounts and impairment losses	(581)	41	(1,134)	(1,674)	-	(1,674)
Total operating expenses	(5,333)	(319)	(3,465)	(9,117)	2,314	(6,803)
Segment profit	4,522	405	(746)	4,181	-	4,181
Income tax expenses						(827)
Profit for the period						3,354

(Unaudited but reviewed)

(Unit: Million Baht)

	Retail Banking	Corporate Banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the three-month period ended 30 September 2016						
Revenue						
External customers	2,996	460	86	3,542	-	3,542
Inter-segment	-	-	522	522	(522)	-
Total revenue	2,996	460	608	4,064	(522)	3,542
Operating results:						
Net interest income	2,091	434	62	2,587	-	2,587
Net fee and service income	736	22	-	758	-	758
Other operating income	169	4	546	719	(522)	197
Total operating income	2,996	460	608	4,064	(522)	3,542
Premises and equipment expenses and amortisation	(58)	(8)	(131)	(197)	-	(197)
Other operating expenses	(1,193)	(162)	(400)	(1,755)	522	(1,233)
Bad debt, doubtful accounts and impairment losses	(312)	(400)	(328)	(1,040)	-	(1,040)
Total operating expenses	(1,563)	(570)	(859)	(2,992)	522	(2,470)
Segment profit	1,433	(110)	(251)	1,072	-	1,072
Income tax expenses						(220)
Profit for the period						852

(Unaudited but reviewed)

(Unit: Million Baht)

	Retail Banking	Corporate Banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the nine-month period ended 30 September 2016						
Revenue						
External customers	8,875	1,362	296	10,533	-	10,533
Inter-segment	-	-	1,667	1,667	(1,667)	-
Total revenue	8,875	1,362	1,963	12,200	(1,667)	10,533
Operating results:						
Net interest income	6,117	1,275	239	7,631	-	7,631
Net fee and service income	2,223	74	(9)	2,288	-	2,288
Other operating income	535	13	1,733	2,281	(1,667)	614
Total operating income	8,875	1,362	1,963	12,200	(1,667)	10,533
Premises and equipment expenses and amortisation	(182)	(24)	(368)	(574)	-	(574)
Other operating expenses	(3,529)	(483)	(1,320)	(5,332)	1,667	(3,665)
Bad debt, doubtful accounts and impairment losses	(1,275)	(456)	(1,099)	(2,830)	-	(2,830)
Total operating expenses	(4,986)	(963)	(2,787)	(8,736)	1,667	(7,069)
Segment profit	3,889	399	(824)	3,464	-	3,464
Income tax expenses						(691)
Profit for the period						2,773

The Bank operates in Thailand only. As a result, all the revenues and assets as reflected in these financial statement pertain exclusively to this geographical reportable segment. During the three-month and nine-month periods end 30 September 2017 and 2016, the Bank does not have income from any clients amounting to or over 10 percent of its income.

3.25 Commitments and contingent liabilities**3.25.1 Avals, guarantees and commitments**

(Unit: Thousand Baht)

	As at	
	30 September 2017	31 December 2016
Avals	-	268,042
Other guarantees	723,197	728,146
Undrawn client overdraft facilities	30,000	30,000
Interest rate swap agreements	1,200,000	1,200,000
Foreign exchange contracts	52,813	-
Others	7,165,435	6,559,395
Total	9,171,445	8,785,583

3.25.2 Litigation

As at 30 September 2017 and 31 December 2016, the Bank has been sued for compensation totaling approximately Baht 334 million and Baht 311 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

3.25.3 Other commitments

- a) The Bank has commitments in relation to computer service agreements, whereby it is to pay both fixed fees and service fees which vary according to the quantity and type of services, as stipulated in the agreements.
- b) The Bank has entered into several lease agreements in respect of the lease of office buildings and branch offices. The terms of the agreements are generally 3 - 10 years.

As at 30 September 2017 and 31 December 2016, the Bank has future minimum lease payments required under these non-cancellable operating leases contracts as follows:

(Unit: Million Baht)

	As at	
	30 September 2017	31 December 2016
Payable within		
Not over 1 year	89	51
Over 1 to 5 years	80	82
Over 5 years	3	42

3.26 Fair value of financial instruments

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

Fair value hierarchy

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

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

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

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

As of 30 September 2017 and 31 December 2016, the Bank has the following financial assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	As at 30 September 2017				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Available-for-sale investments					
Equity instruments	8	8	-	-	8
Debt instruments	5,674	-	5,674	-	5,674
Financial liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	31	-	31	-	31

(Unaudited but reviewed)

(Unit: Million Baht)

	As at 31 December 2016				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Available-for-sale investments					
Equity instruments	8	8	-	-	8
Debt instruments	5,119	-	5,119	-	5,119
Financial liabilities measured at fair value					
Derivatives					
Interest rate swap agreements	34	-	34	-	34

Valuation techniques and inputs to Level 2 and Level 3 valuations

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

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

4. Event after the reporting period

On 1 October 2017 the Bank and All-Ways Company Limited (a subsidiary company in TISCO Group) completed the transfer of the retail banking business of Standard Chartered Bank (Thai) Public Company Limited. From 1 October 2017 the Bank and All-Ways Company Limited have been provided a services to the transferred customers, including mortgage loan, personal loan, small business loan, wealth management, bancassurance and deposit services.

5. Approval of interim financial statements

These interim financial statements were approved by the Bank's Audit Committee on 9 November 2017.