

TISCO Bank Public Company Limited
Report and financial statements
31 December 2015



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Independent Auditor's Report

To the Shareholders of TISCO Bank Public Company Limited

I have audited the accompanying financial statements of TISCO Bank Public Company Limited, which comprise the statement of financial position as at 31 December 2015, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Bank Public Company Limited as at 31 December 2015, its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

A handwritten signature in black ink, appearing to be 'R. Jala', written in a cursive style.

Ratana Jala
Certified Public Accountant (Thailand) No. 3734

EY Office Limited
Bangkok: 9 February 2016

TISCO Bank Public Company Limited**Statement of financial position****As at 31 December 2015**

(Unit: Thousand Baht)

	Note	2015	2014
Assets			
Cash		1,100,349	1,179,613
Interbank and money market items - net	3.1	29,662,703	36,852,663
Investments - net	3.3, 3.6	7,185,422	13,308,949
Loans to customers and accrued interest receivables	3.4, 3.6		
Loans to customers		254,617,453	279,989,638
Accrued interest receivables		502,279	527,506
Total loans to customers and accrued interest receivables		255,119,732	280,517,144
Less: Deferred revenue		(20,351,171)	(21,947,954)
Less: Allowance for doubtful accounts	3.5	(5,570,490)	(6,380,337)
Loans to customers and accrued interest receivables - net		229,198,071	252,188,853
Property foreclosed - net	3.7, 3.8	44,346	117,967
Investment properties	3.8	31,363	16,067
Premises and equipment - net	3.9	713,642	751,427
Intangible assets - net	3.10	279,091	223,601
Deferred tax assets	3.29	11,474	26,142
Other assets	3.11	1,573,698	1,220,460
Total assets		269,800,159	305,885,742

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 2015

(Unit: Thousand Baht)

	Note	2015	2014
Liabilities and shareholders' equity			
Liabilities			
Deposits	3.12	159,046,427	206,391,307
Interbank and money market items - net	3.13	9,963,505	10,352,384
Liabilities payable on demand		356,335	399,916
Derivatives liabilities	3.2	41,898	40,729
Debts issued and borrowings	3.14	67,618,919	57,736,819
Provision for long-term employee benefits	3.15	205,542	176,786
Accrued interest payable		867,126	1,088,888
Income tax payable		228,591	421,170
Dividend payable		1,105,881	1,105,881
Other liabilities	3.16	4,551,186	4,168,098
Total liabilities		243,985,410	281,881,978

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 2015

(Unit: Thousand Baht)

	Note	2015	2014
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		242,398	246,994
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		12,829,650	11,014,069
Total equity		<u>25,814,749</u>	<u>24,003,764</u>
Total liabilities and equity		<u>269,800,159</u>	<u>305,885,742</u>

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



Mrs. Oranuch Apisaksirikul

(Chairperson of the Executive Board)



TISCO Bank Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2015

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

	Note	2015	2014
Interest income	3.21	16,004,303	17,943,555
Interest expenses	3.22	(6,564,753)	(9,083,757)
Net interest income		9,439,550	8,859,798
Fee and service income		3,133,395	3,067,805
Fee and service expenses		(65,389)	(64,447)
Net fee and service income	3.23	3,068,006	3,003,358
Net gains on trading and foreign exchange transactions	3.24	14,366	23,590
Net gains on investments	3.25	24,075	141,505
Penalty fee income from loans		432,059	320,622
Income from business promotion relating to the hire purchase business		348,001	268,333
Other operating income	3.27	156,740	120,205
Total operating income		13,482,797	12,737,411
Expense from business promotion relating to the hire purchase business		396,303	274,765
Total net operating income		13,086,494	12,462,646
Operating expenses			
Employee's expenses		1,764,702	1,870,596
Premises and equipment expenses		760,766	786,721
Taxes and duties		204,007	214,748
Intercompany supporting fee expenses	3.33	1,083,752	1,098,314
Other operating expenses	3.28	772,936	647,767
Total operating expenses		4,586,163	4,618,146
Bad debt, doubtful accounts and impairment losses	3.26	4,869,674	3,978,149
Profit from operating before income tax expenses		3,630,657	3,866,351
Income tax expenses	3.29	716,351	768,046
Profit for the year		2,914,306	3,098,305

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 2015

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

	Note	2015	2014
Other comprehensive income	3.30		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gains (losses) on valuation in available-for-sale investments	3.19	(2,305)	33,585
Income tax effects	3.29, 3.31	461	(6,717)
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		(1,844)	26,868
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gains (losses)		5,504	(15,672)
Losses on revaluation of assets	3.20	-	(27,000)
Income tax effects	3.29, 3.31	(1,100)	8,534
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		4,404	(34,138)
Other comprehensive income for the year		2,560	(7,270)
Total comprehensive income for the year		2,916,866	3,091,035
Earnings per share			
Basic earnings per share	3.32	3.16	3.53

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 2015**

(Unit: Thousand Baht)

	2015	2014
Cash flows from operating activities		
Profit before income tax expenses	3,630,657	3,866,351
Adjustments to reconcile profit before income tax expenses to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	85,354	101,409
Bad debt and doubtful accounts	6,596,263	5,144,630
Reversal of allowance for impairment of investments	(822)	(1,197)
Allowance for impairment of property foreclosed (reversal)	1	(67)
Gain on disposal of investments in securities	(26,437)	(140,637)
Unrealised loss on foreign exchange transactions and trading derivatives	6,387	21,501
Gain on disposal of equipment	(1,251)	(2,235)
Loss on written-off of equipment	2,476	1,310
Loss on written-off of intangible assets	-	5,283
Gain on disposal of property foreclosed	(48,107)	(21,774)
Employee benefit expenses	47,928	28,690
Increase in accrued income	(2,000)	(2,290)
Increase (decrease) in accrued expenses	(183,619)	59,430
Net interest income	(9,439,550)	(8,859,798)
Dividend income	(78,529)	(75,295)
Cash received on interest income	16,201,645	18,031,873
Cash paid on interest expenses	(5,647,716)	(8,338,425)
Cash received on dividend income	78,529	75,295
Cash paid on income tax expenses	(894,901)	(793,202)
Profit from operating activities before changes in operating assets and liabilities	10,326,308	9,100,852
Operating assets (increase) decrease		
Interbank and money market items	7,189,960	15,920,288
Loans to customers	13,678,578	14,873,919
Property foreclosed	2,473,522	2,763,801
Other assets	(423,262)	418,789

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 2015

	(Unit: Thousand Baht)	
	2015	2014
Operating liabilities increase (decrease)		
Deposits	(47,344,880)	(59,156,187)
Interbank and money market items	(388,879)	(1,931,010)
Liabilities payable on demand	(43,582)	55,052
Short-term debts issued and borrowings	(5,797,900)	22,381,200
Provision for long-term employee benefits	(13,668)	(12,130)
Other liabilities	(338,416)	(1,126,210)
Net cash flows from (used in) operating activities	(20,682,219)	3,288,364
Cash flows from investing activities		
Cash paid for purchase of investment in securities held for investment	(17,201,604)	(29,143,252)
Cash received from disposal of investment in securities held for investment	23,350,020	26,039,056
Cash paid for purchase of equipment	(53,355)	(119,719)
Cash paid for purchase of intangible assets	(67,476)	(208,119)
Cash received from disposal of equipment	1,251	2,235
Net cash flows from (used in) investing activities	6,028,836	(3,429,799)
Cash flows from financing activities		
Cash received from issuance of long-term debentures	17,680,000	2,400,000
Cash paid for redemption of long-term debentures	(2,000,000)	(4,000,000)
Dividend paid	(1,105,881)	(655,337)
Cash received from increase in share capital	-	2,446,250
Net cash flows from financing activities	14,574,119	190,913
Net increase (decrease) in cash	(79,264)	49,478
Cash at beginning of the year	1,179,613	1,130,135
Cash at end of the year	1,100,349	1,179,613
	-	-

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 2015

(Unit: Thousand Baht)

	Note	Other components of equity								
		Issued and fully paid-up		Share premium on ordinary shares	Surplus on changes in the value of available-for-sale investments	Surplus on revaluation of assets	Total other components of equity	Retained earnings		Total
		Preference shares	Ordinary shares					Appropriated	Unappropriated	
Balance as at 1 January 2014		1	8,191,712	1,120,738	5,733	238,770	244,503	984,000	9,031,406	19,572,360
Dividend paid	4	-	-	-	-	-	-	-	(1,105,881)	(1,105,881)
Increase ordinary share capital		-	1,023,964	1,422,286	-	-	-	-	-	2,446,250
Profit for the year		-	-	-	-	-	-	-	3,098,305	3,098,305
Other comprehensive income for the year		-	-	-	26,868	(21,600)	5,268	-	(12,538)	(7,270)
Total comprehensive income for the year		-	-	-	26,868	(21,600)	5,268	-	3,085,767	3,091,035
Transfer surplus on revaluation of assets		-	-	-	-	(2,777)	(2,777)	-	2,777	-
Balance as at 31 December 2014		1	9,215,676	2,543,024	32,601	214,393	246,994	984,000	11,014,069	24,003,764
Balance as at 1 January 2015		1	9,215,676	2,543,024	32,601	214,393	246,994	984,000	11,014,069	24,003,764
Dividend paid	4	-	-	-	-	-	-	-	(1,105,881)	(1,105,881)
Profit for the year		-	-	-	-	-	-	-	2,914,306	2,914,306
Other comprehensive income for the year		-	-	-	(1,844)	-	(1,844)	-	4,404	2,560
Total comprehensive income for the year		-	-	-	(1,844)	-	(1,844)	-	2,918,710	2,916,866
Transfer surplus on revaluation of assets to retained earnings		-	-	-	-	(2,752)	(2,752)	-	2,752	-
Balance as at 31 December 2015		1	9,215,676	2,543,024	30,757	211,641	242,398	984,000	12,829,650	25,814,749

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 2015

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

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the Bank of Thailand (“BOT”)’s Notification No. Sor Nor Sor. 21/2558 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 4 December 2015.

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 New financial reporting standards

Below is a summarised of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

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

The Bank has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Bank’s financial statements. However, some of these standards involve changes to key principles, which are summarised below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Bank already recognise actuarial gains and losses immediately in other comprehensive income.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

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

b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Bank's management believes that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

1.3 Significant accounting policies

1.3.1 Income recognition

a) Interest and discounts on loans

Interest on loans is recognised as income on an accrual basis and is based on principal outstanding. Hire purchase, finance lease and auto cash income are recognised over the installment period, using the effective interest rate.

The Bank has policies for corporate loans on which interest payments have been defaulted for more than one month, it is the policy of the Bank to cease accruing income. For other loan accounts which are overdue for more than three months, the recognition of interest income is ceased, already recorded accrued interest is reversed from accounts and after that interest will be recognised as income on a cash basis.

The accounts will be reinstated to an accrual basis when the overdue amounts are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred income and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment in securities is recognised as income on an accrual basis. Dividends on investment in securities are recognised as income when the right to receive the dividends is established.

c) Gains (losses) on trading in securities and derivatives

Gains (losses) on trading in securities and derivatives are recognised as income/ expenses on the transaction dates.

d) Fee and service income

Fee and service income are recognised as income on an accrual basis.

1.3.2 Expenses recognition

a) Interest expenses

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

b) Commissions and direct expenses of the hire purchase business

The Bank records the initial commissions and direct expenses arising in respect of hire purchase contracts originated from 1 January 2007 by the effective interest rate method, and deducts them from deferred revenue over the installment period to reflect the effective rate of return of hire purchase agreements, and records them as expenses when occurred for hire purchase contract originated before 1 January 2007.

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

1.3.3 Securities purchased under resale agreements according to private repurchase transactions

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

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

Differences between the acquisition price and the selling price are recognised on an accrual basis over the term of the transaction by the effective interest rate method, and are presented as interest income.

1.3.4 Investments

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

- d) Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for impairment loss (if any).
- e) The Bank does not record investments which the Bank holds not less than 20% of the equity in associated companies under the equity method in the financial statements, if the investment was transferred as a result of debt restructuring. The Bank is obliged to dispose of these investments within the period stipulated in the Bank of Thailand's regulations.
- f) The fair value of marketable securities is 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 bonds, state enterprise securities and private debt securities is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rates quoted by the Thai Bond Market Association or other financial institutions. The fair value of unit trusts is determined based on their net asset value.
- g) Losses on impairment (if any) of the investments in available-for-sale securities, held-to-maturity debt securities and other investments are recognised in profit or loss.
- h) The weighted average method is used for computation of the cost of investments.
- i) 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.
- j) Purchases and sales of investments are recorded on settlement date.

1.3.5 Investments in receivable purchased or transferred in

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

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

1.3.6 Loans to customers

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

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

1.3.7 Allowance for doubtful accounts and losses from troubled debt restructuring

- a) The Bank provides allowance for doubtful accounts and losses arising from troubled debt restructuring in accordance with the Notifications of the Bank of Thailand ("BOT") and adjusts these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

For all loans to customers classified as pass and special mention, except for hire purchase receivables that are classified as pass and special mention, the Bank records provision at a rate of not less than 1% and not less than 2% of the debt balance net of collateral value excluding accrued interest receivables, respectively.

For non-performing loans to customers which are classified as sub-standard, doubtful and doubtful of loss, except for non-performing hire purchase receivables, the Bank records allowance for doubtful accounts at 100% of the debt balance remaining after deducting the present value of expected future cash inflows from debt collection or from collateral disposal, with the discount interest rate and the year of collateral disposal being set with reference to BOT's Notifications.

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

The Bank has already set provision for all loans to customers in accordance with the BOT's Notifications issued on 3 August 2008.

- b) Allowance for doubtful accounts for other receivables is provided for the estimated losses that may be incurred in the collection of receivables and based on the review of current status of receivables outstanding at the end of reporting period.
- c) Increase (decrease) in allowance for doubtful accounts is recorded as expense during the year. Amounts written off as bad debts are deducted from the allowance for doubtful accounts. Bad debt recovery amounts are credited to the allowance for doubtful accounts in the period of recovery.

1.3.8 Troubled debt restructuring

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

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

1.3.9 Property foreclosed

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

The Bank will recognise loss on impairment in profit or loss. Gains or losses from disposal of property foreclosed are recognised upon disposal.

1.3.10 Investment properties

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

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

1.3.11 Premises and equipment/Depreciation

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

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

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

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

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

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

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

Buildings and office condominiums	-	20 years
Office improvements	-	5, 20 years
Furniture, fixtures and equipment	-	3, 5 years
Motor vehicles	-	5, 6 years

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

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

No depreciation is provided on land and assets under installation.

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

1.3.12 Intangible assets

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

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

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

The license agreements with specified number of years of usage	- according to the year of license agreement by the straight-line basis
The license agreements with no specified number of years of usage	- 5 years by the straight-line basis
No license agreements	- 3 years by the sum-of-the-year-digits method

1.3.13 Income tax

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

Current tax

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

Deferred tax

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

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

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.

1.3.14 Impairment of assets

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

An impairment loss is recognised in profit or loss. However in cases where assets was 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.

1.3.15 Derecognition of financial assets and financial liabilities

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

1.3.16 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

1.3.17 Employee benefits

Short-term employee benefits

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

Part of bonus expense of the Bank is annual bonus, which is remuneration for employees' annual performance that is paid in cash, and determined with reference to the parent company's share price. The Bank records this expense and accrued bonus when employees receive the right as service is deemed to have already been rendered by the employees. It is recorded based on the average daily share price from the grant date to the end of each reporting period and any increase or decrease in the expense according to changes in the share price is recognised in order to reflect the fair value of accrued bonus liability at the end of each reporting period, until the bonuses are settled.

Post-employment benefits and other long-term employee benefits

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

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

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

Actuarial gains or losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains or losses arising from other long-term benefits are recognised immediately in profit or loss.

1.3.18 Provisions

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

1.3.19 Derivatives and hedge accounting

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

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

The Bank records derivatives for cash flow hedged by using hedge accounting as follows:

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are recycled to profit or loss in the years in which the hedged item affects profit or loss.

When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in profit or loss.

1.3.20 Fair value measurement

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

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

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

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

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

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

1.3.21 Financial instruments

a) Financial risk management

The Bank's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash, interbank and money market items (assets), derivatives assets, investments, loans to customers and accrued interest receivables, deposits, interbank and money market items (liabilities), liability payable on demand, derivatives liabilities and debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed is described in Note 3.37 to the financial statements.

b) Fair value of financial instruments

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

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

- For financial assets and liabilities which have short-term maturities or carry interest at rates approximating the market rate, including cash, interbank and money market items (assets), deposits, interbank and money market items (liabilities), and liabilities payable on demand, the carrying amounts in the statement of financial position approximate their fair value.
- For debts securities, their fair value is generally derived from quoted market prices or determined by using the yield curve as announced by the Thai Bond Market Association.
- For equity securities, their fair value is generally derived from quoted market prices, or based on discounted future cash flows and/or comparing with similar companies when no market price is available.
- Loans to customers and accrued interest receivables, except for hire purchase receivables and other retail loans, are presented at fair value which is the book value less allowance for doubtful accounts, since most loans to customers carry interest at floating rates. Hire purchase receivables and other retail loans are presented at fair value, which is the present value of future cash inflows, discounted by the current interest rate for new loans.
- The fair value of debts issued and borrowings is estimated by discounting expected future cash flow by the current market interest rates of the borrowings with similar terms and conditions.
- For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Bank had considered to counterparty credit risk when determining the fair value of derivatives.

1.3.22 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.3.23 Significant accounting judgements and estimates

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

Recognition and derecognition of assets and liabilities

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

Allowance for doubtful accounts for loans to customers

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

Fair value of financial instruments

In determining the fair 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 (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosers of fair value hierarchy.

Impairment of investments

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

Investment properties

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

Premises and equipment/Depreciation

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

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

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

Deferred tax assets

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

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

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

Leases

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

Litigation

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

2. General information

2.1 The Bank's information

The Bank is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 December 2015, the Bank has 60 branches in Thailand.

2.2 Share capital

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

2.3 Statutory reserve

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

2.4 Directors' remuneration

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

2.5 Related party transactions

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

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

3. Supplemental information

3.1 Interbank and money market items - net (assets)

(Unit: Thousand Baht)

	As at 31 December					
	2015			2014		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	1,588,310	-	1,588,310	1,788,263	-	1,788,263
Commercial banks	267,731	17,501,000	17,768,731	350,986	30,701,000	31,051,986
Specialised financial institutions	112	10,000,000	10,000,112	92	3,700,000	3,700,092
Other financial institutions	-	300,000	300,000	-	300,000	300,000
Total	1,856,153	27,801,000	29,657,153	2,139,341	34,701,000	36,840,341
Add: Accrued interest	43	8,507	8,550	-	13,832	13,832
Less: Allowance for doubtful accounts	-	(3,000)	(3,000)	-	(3,000)	(3,000)
Total domestic	1,856,196	27,806,507	29,662,703	2,139,341	34,711,832	36,851,173
<u>Foreign</u>						
US Dollar	-	-	-	1,490	-	1,490
Total foreign	-	-	-	1,490	-	1,490
Total domestic and foreign	1,856,196	27,806,507	29,662,703	2,140,831	34,711,832	36,852,663

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

(Unit: Million Baht)

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

	2015	2014
Commercial banks	27,500	34,400

Fair value of securities received as collateral is as follows:

(Unit: Million Baht)

Fair value of securities received as collateral
as at 31 December

	2015	2014
Commercial banks	27,789	34,218

3.2 Derivatives

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

(Unit: Thousand Baht)

As at 31 December

Type of risk	2015		Notional amount	2014		Notional amount
	Fair value			Fair value		
	Assets	Liabilities	Assets	Liabilities		
Exchange rate	-	-	-	-	5,219	3,296,300
Interest rate	-	41,898	1,200,000	-	35,510	1,200,000
Total	-	41,898	1,200,000	-	40,729	4,496,300

All counterparties of these derivative transactions are financial institutions.

3.3 Investments

3.3.1 Classified by type of investment

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Available-for-sale investments - fair value		
Government and state enterprise securities	5,352,523	12,060,173
Private sector debt securities	1,398,187	811,472
Less: Allowance for impairment	(1,460)	(1,460)
Total available-for-sale investments	6,749,250	12,870,185
Held-to-maturity debt securities - cost/amortised cost		
Investment in receivables	14,402	17,816
Less: Allowance for impairment	(14,211)	(17,394)
Total held-to-maturity debt securities	191	422
General investments - cost		
Domestic non-marketable equity securities	483,303	483,303
Less: Allowance for impairment	(47,322)	(44,961)
Total general investments	435,981	438,342
Investments - net	7,185,422	13,308,949

In August 2014, the Bank reclassified part of its investment portfolio, transferring certain long-term held-to-maturity debt securities to short-term available-for-sale securities at the fair value at the transfer date, to bring them in line with the Bank's liquidity management strategy. The amortised cost of the transferred debt securities at the transfer date was approximately Baht 3,001 million. The Bank recorded the difference between this amortised cost and the fair value, amounting to Baht 73 million, as unrealised gain on transfer of investment portfolio and presented it under equity in the statement of financial position. The Bank disposed of Baht 2,960 million of these investments, with a realised gain for the year 2015 and 2014 by Baht 1 million and Baht 72 million, respectively.

3.3.2 Classified by remaining year to maturity of the debt securities

(Unit: Million Baht)

	As at 31 December							
	2015				2014			
	Due within				Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total	Less than 1 year	1 - 5 years	Over 5 years	Total
Available-for-sale investments								
Government and state enterprise securities	4,605	747	-	5,352	11,087	973	-	12,060
Private sector debt securities	107	1,291	-	1,398	1	810	-	811
Total	4,712	2,038	-	6,750	11,088	1,783	-	12,871
Less: Allowance for impairment	(1)	-	-	(1)	(1)	-	-	(1)
Total	4,711	2,038	-	6,749	11,087	1,783	-	12,870
Held-to-maturity debt securities								
Investment in receivables	14	-	-	14	13	5	-	18
Less: Allowance for impairment	(14)	-	-	(14)	(12)	(5)	-	(17)
Total	-	-	-	-	1	-	-	1
Total debt securities	4,711	2,038	-	6,749	11,088	1,783	-	12,871

3.3.3 Investments subject to restriction

(Unit: Million Baht)

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

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

(Unit: Thousand Baht)

	As at 31 December 2015		
	Cost	Fair value	Allowance for changes in value
	Companies having problems with debt repayment or in default	7,060	-

(Unit: Thousand Baht)

	As at 31 December 2014		
	Cost	Fair value	Allowance for changes in value
	Companies having problems with debt repayment or in default	7,060	-

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

(Unit: Thousand Baht)

Securities' name	As at 31 December					
	2015			2014		
	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:						
Shin Thai Enterprises Co., Ltd.	5,707	-	10	5,707	-	10
PDTL Trading Co., Ltd.	4,372	-	10	5,894	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10	5,382	-	10
Real estate:						
UMI Property Co., Ltd.	3,468	-	10	4,110	-	10
Industrial:						
Siam Art Ceramic Co., Ltd.	17,127	-	10	17,358	-	10

3.4 Loans to customers and accrued interest receivables

3.4.1 Classified by loans to customers type

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Loans to customers		
Loans	67,269,299	76,542,379
Hire purchase receivables	186,823,686	202,646,374
Finance lease receivables	783,003	1,066,507
Less: Deferred revenue	(20,351,171)	(21,947,954)
Advances received from finance lease receivables	(258,535)	(265,622)
Total loans to customers	234,266,282	258,041,684
Add: Accrued interest receivables	502,279	527,506
Less: Allowance for doubtful accounts	(5,570,490)	(6,380,337)
Loans to customers and accrued interest receivables - net	<u>229,198,071</u>	<u>252,188,853</u>

3.4.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at 31 December					
	2015			2014		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	234,266,282	-	234,266,282	254,745,384	-	254,745,384
US Dollars	-	-	-	-	3,296,300	3,296,300
Total loans to customers						
net of deferred revenue	<u>234,266,282</u>	<u>-</u>	<u>234,266,282</u>	<u>254,745,384</u>	<u>3,296,300</u>	<u>258,041,684</u>

3.4.3 Classified by type of business and loan classification

(Unit: Thousand Baht)

	As at 31 December 2015					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	544,563	10,828	6,785	609	913	563,698
Manufacturing and commerce	21,029,756	303,367	136,641	66,178	898,003	22,433,945
Real estate and construction	13,399,556	104,495	32,558	28,912	41,779	13,607,300
Public utilities and services	25,477,605	323,628	190,640	85,785	80,828	26,158,486
Personal consumption						
Hire purchase	131,084,288	13,795,644	1,967,760	1,575,046	1,122,520	149,545,258
Auto cash loan	14,045,726	1,269,289	278,552	111,200	18,746	15,723,513
Housing loan	1,088,462	54,465	17,015	8,227	56,379	1,224,548
Others	4,435,633	393,145	83,375	62,019	35,362	5,009,534
Total loans to customers	211,105,589	16,254,861	2,713,326	1,937,976	2,254,530	234,266,282
Add: Accrued interest receivables	308,968	193,311	-	-	-	502,279
Total loans to customers and accrued interest receivable	<u>211,414,557</u>	<u>16,448,172</u>	<u>2,713,326</u>	<u>1,937,976</u>	<u>2,254,530</u>	<u>234,768,561</u>

(Unit: Thousand Baht)

	As at 31 December 2014					
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total
Agricultural and mining	678,918	4,782	1,925	-	-	685,625
Manufacturing and commerce	26,649,756	4,418,127	82,187	68,003	22,557	31,240,630
Real estate and construction	12,581,620	121,227	33,574	21,681	14,989	12,773,091
Public utilities and services	30,290,942	542,126	147,555	40,706	51,002	31,072,331
Personal consumption						
Hire purchase	141,491,289	15,130,448	2,595,705	1,737,303	388,553	161,343,298
Auto cash loan	13,237,195	1,121,072	253,833	84,965	12,087	14,709,152
Housing loan	1,163,235	51,545	22,652	22,019	51,366	1,310,817
Others	4,146,317	511,022	129,270	82,407	37,724	4,906,740
Total loans to customers	230,239,272	21,900,349	3,266,701	2,057,084	578,278	258,041,684
Add: Accrued interest receivables	315,385	212,121	-	-	-	527,506
Total loans to customers and accrued interest receivable	<u>230,554,657</u>	<u>22,112,470</u>	<u>3,266,701</u>	<u>2,057,084</u>	<u>578,278</u>	<u>258,569,190</u>

3.4.4 Classified by loan classification

(Unit: Million Baht)

	As at 31 December					
	2015			2014		
	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}	Loans to customers and accrued interest receivables	Net amount used for setting the allowance for doubtful accounts	Allowance for doubtful accounts ^{(1) (2)}
Provision under BOT's guideline						
- Pass	211,415	189,112	1,871	230,555	207,633	1,822
- Special mention	16,448	16,195	1,163	22,112	17,843	2,494
- Sub-standard	2,713	2,690	931	3,267	3,242	1,073
- Doubtful	1,938	1,931	599	2,057	2,033	623
- Doubtful of loss	2,255	1,695	694	578	524	177
Allowance established in excess	-	-	312	-	-	191
Total	234,769	211,623	5,570	258,569	231,275	6,380

⁽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 2015, the provisions set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor 31/2551 minimum requirement by a total of Baht 1,131 million (As at 31 December 2014: total of Baht 2,826 million). The Bank allocated Baht 819 million of the excess provision to a specific provision for an individual debtors (As at 31 December 2014: total of Baht 2,635 million) and so combined with the minimum provision requirement of Baht 4,439 million (As at 31 December 2014: total of Baht 3,554 million), the total provision set aside in accordance with BOT requirements is Baht 5,258 million (As at 31 December 2014: total of Baht 6,189 million).

	Percentage of allowance for doubtful accounts set up			
	Hire purchase receivables ⁽¹⁾		Other loans ⁽²⁾	
	As at 31 December		As at 31 December	
	2015	2014	2015	2014
Pass	0.68	0.58	1	1
Special mention	5.34	3.84	2	2
Sub-standard	23.38	23.24	100	100
Doubtful	22.91	23.39	100	100
Doubtful of loss	22.57	23.33	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 an individual debtor.

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

3.4.5 Hire purchase and finance lease receivables

As at 31 December 2015, net receivables of the Bank under hire purchase and finance lease agreements amount to Baht 167,170 million (31 December 2014: Baht 181,673 million) and mostly comprise hire purchase agreements for cars, and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 7 years and under most agreements interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 December 2015				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	60,971	113,753	5,267	7,616	187,607
Less: Deferred revenue ⁽¹⁾	(7,815)	(9,916)	(163)	(2,284)	(20,178)
Advances received from finance lease receivables	(37)	(222)	-	-	(259)
Present value of minimum lease pay from agreements	53,119	103,615	5,104	5,332	167,170
Allowance for doubtful accounts ⁽²⁾					(3,008)
Net hire purchase and finance lease receivables					<u>164,162</u>

⁽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 an individual debtor.

(Unit: Million Baht)

	As at 31 December 2014				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	64,545	127,403	4,745	7,020	203,713
Less: Deferred revenue ⁽¹⁾	(8,637)	(11,206)	(38)	(1,893)	(21,774)
Advances received from finance lease receivables	(119)	(146)	-	(1)	(266)
Present value of minimum lease pay from agreements	55,789	116,051	4,707	5,126	181,673
Allowance for doubtful accounts ⁽²⁾					(2,755)
Net hire purchase and finance lease receivables					<u>178,918</u>

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

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

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

(Unit: Million Baht)

	Amounts calculated under BOT's guidelines ⁽²⁾ as at 31 December		Amounts calculated under the Bank's policy as at 31 December	
	2015	2014	2015	2014
	Loans to customers for which the recognition of interest income has been ceased ⁽¹⁾	7,315	7,308	8,184

⁽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.

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

(Unit: Million Baht)

	As at 31 December	
	2015	2014
Deferred revenue ⁽¹⁾	20,351	21,948

⁽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.

3.4.8 Troubled debt restructuring

	For the years ended 31 December	
	2015	2014
Debtors restructured during the year		
Number of debtors restructured by modification of terms (number)	9,589	2,657
Loan balances before restructuring (Million Baht)	3,252	966
Loan balances after restructuring (Million Baht)	3,273	973
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	5	5
Mortgage loan receivables	3	3
Auto cash loan receivables	4	4
Commercial lending receivables	2	-

Supplemental information for the year ended 31 December 2015 and 2014 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the years ended 31 December	
	2015	2014
Interest income on restructured receivables	185	60
Receipt of principal and interest	463	308

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

(Unit: Million Baht)

	As at 31 December			
	2015		2014	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	11,757	3,754	2,767	1,152

3.5 Allowance for doubtful accounts

3.5.1 Allowance for doubtful accounts - classified by the receivables classification

(Unit: Thousand Baht)

	As at 31 December 2015						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	1,821,820	2,494,274	1,072,978	623,641	176,873	190,751	6,380,337
Increase in allowance for doubtful accounts during the year	50,533	2,306,736	457,368	2,614,728	1,063,200	121,184	6,613,749
Bad debt written-off	(565)	(3,637,418)	(599,599)	(2,639,576)	(546,438)	-	(7,423,596)
Balance - end of year	<u>1,871,788</u>	<u>1,163,592</u>	<u>930,747</u>	<u>598,793</u>	<u>693,635</u>	<u>311,935</u>	<u>5,570,490</u>

(Unit: Thousand Baht)

	As at 31 December 2014						
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	Total
Balance - beginning of year	3,259,533	1,121,141	943,918	278,617	62,632	108,951	5,774,792
Increase (decrease) in allowance for doubtful accounts during the year	(1,436,389)	1,373,888	1,223,802	3,674,965	231,564	81,800	5,149,630
Bad debt written-off	(1,324)	(755)	(1,094,742)	(3,329,941)	(117,323)	-	(4,544,085)
Balance - end of year	<u>1,821,820</u>	<u>2,494,274</u>	<u>1,072,978</u>	<u>623,641</u>	<u>176,873</u>	<u>190,751</u>	<u>6,380,337</u>

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

(Unit: Thousand Baht)

	As at 31 December 2015			
	Individual	Collective	Allowance	Total
	impairment	impairment	established in excess	
Balance - beginning of year	3,446,373	2,743,213	190,751	6,380,337
Increase in allowance for doubtful accounts during the year	3,036,334	3,456,231	121,184	6,613,749
Bad debt written-off	(4,223,662)	(3,199,934)	-	(7,423,596)
Balance - end of year	2,259,045	2,999,510	311,935	5,570,490

(Unit: Thousand Baht)

	As at 31 December 2014			
	Individual	Collective	Allowance	Total
	impairment	impairment	established in excess	
Balance - beginning of year	3,018,513	2,647,328	108,951	5,774,792
Increase in allowance for doubtful accounts during the year	932,588	4,135,242	81,800	5,149,630
Bad debt written-off	(504,728)	(4,039,357)	-	(4,544,085)
Balance - end of year	3,446,373	2,743,213	190,751	6,380,337

3.5.3 Non-performing loans to customers

(Unit: Million Baht)

	As at 31 December	
	2015	2014
	Non-performing loans to customers	6,906
Allowance for doubtful accounts ⁽¹⁾	2,224	1,873

⁽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 an individual debtor.

3.6 Classification of assets

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

(Unit: Million Baht)

	Cost		Fair value		Allowance for possible loss provided in the accounts	
	as at 31 December		as at 31 December		as at 31 December	
	2015	2014	2015	2014	2015	2014
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1
Equity instruments - ordinary shares ⁽²⁾	6	6	-	-	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.

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

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

(Unit: Million Baht)

	Loans to customer ⁽¹⁾		Investments in securities as at		Investments in receivables as at		Property foreclosed		Total	
	as at 31 December		31 December		31 December		as at 31 December		as at 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Pass	238,906	264,939	-	-	-	-	-	-	238,906	264,939
Special mention	16,254	21,900	-	-	-	-	-	-	16,254	21,900
Sub-standard	2,713	3,267	-	-	-	-	-	-	2,713	3,267
Doubtful	1,938	2,057	-	-	-	-	-	-	1,938	2,057
Doubtful of loss	2,255	578	49	46	14	17	1	18	2,319	659
Total	262,066	292,741	49	46	14	17	1	18	262,130	292,822

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

3.6.3 Classification of assets under the Bank of Thailand's guidelines for hire purchase receivables on which the Bank sets aside provision using a collective approach

(Unit: Million Baht)

	Debt balance		Net amount used for setting the allowance for doubtful accounts ⁽¹⁾		Percentage of allowance for doubtful account set up ⁽²⁾		Allowance for doubtful accounts ⁽³⁾	
	as at 31 December		as at 31 December		as at 31 December		as at 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014
Pass	146,900	159,758	146,900	159,758	0.68	0.58	1,000	933
Special mention	14,458	16,071	14,458	16,071	5.34	3.84	772	616
Sub-standard	2,296	2,826	2,296	2,826	23.38	23.24	537	657
Doubtful	1,728	1,840	1,728	1,840	22.91	23.39	396	430
Doubtful of loss	1,306	459	1,306	459	22.57	23.33	295	107
Total	166,688	180,954	166,688	180,954			3,000	2,743

⁽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 an individual debtor.

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

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

	Number of debtors as at 31 December		Debt balance as at 31 December		Collateral value as at 31 December		Allowance for doubtful accounts provided in the accounts as at 31 December	
	2015	2014	2015	2014	2015	2014	2015	2014
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	-	-	-	-	-	-	-	-
3. Listed companies under rehabilitation	1	-	821	-	497	-	324	-
4. Companies which have loan settlement problems or have defaulted on payment of debts	-	-	-	-	-	-	-	-
5. Companies whose auditor's report cited going concern issues	-	-	-	-	-	-	-	-
Total	1	-	821	-	497	-	324	-

3.7 Properties foreclosed

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Acquisition of assets for debt repayment		
Immovable assets		
<u>Appraisal by an internal appraiser</u>		
Balance - beginning of year	70,484	77,129
Additions	-	83
Disposals	(54,087)	(6,728)
Balance - end of year	16,397	70,484
Total properties foreclosed - Immovable assets	16,397	70,484
Movable assets		
Balance - beginning of year	65,585	55,963
Additions	4,337,674	5,576,372
Disposals	(4,374,693)	(5,566,750)
Balance - end of year	28,566	65,585
Total properties foreclosed	44,963	136,069
Less: Allowance for impairment		
Balance - beginning of year	18,102	18,169
Increase	303	369
Decrease	(17,788)	(436)
Balance - end of year	617	18,102
Total properties foreclosed - net	44,346	117,967

3.8 Investment properties

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

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Book value - beginning of year	16,067	16,067
Transfer type of asset	15,296	-
Book value - end of year	<u>31,363</u>	<u>16,067</u>

The investment property is an office condominium for rent and stated at fair value at the end of 2015. The fair value of investment properties was calculated by the asset appraisal method based on the income approach. The income approach was made by the present value calculation of discounted cash flows on expected cash inflows, expected cash outflows, occupancy rate, capitalisation rate, discount rate and other relevant factors. These asset appraisal approach also made reference to data of assets in the market that are similar and comparable to the appraisal assets, taking into account past operation results and forecast returns of the appraisal assets, market demand and supply and other factors that would affect to the asset value. These valuations were made by in-house appraisers of the Bank who have professional experiences and are capable of the asset appraisal, and were based on the assets appraisal standard and professional ethics in Thailand.

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

	As at 31 December 2015	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	565 - 1,250	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	9.50	Decrease in fair value

3.9 Premises and equipment

(Unit: Thousand Baht)

	Revaluation	Cost basis				Total
	basis	Land	Building and improvements	Furniture, fixtures and computer equipment	Motor vehicles	
Cost:						
As at 1 January 2014	557,220	17,509	443,149	607,666	63,691	1,689,235
Additions/transfers in	-	-	65,154	47,495	7,070	119,719
Adjustment items	(27,000)	-	-	-	-	(27,000)
Disposals/written-off/ transfers out	-	-	(12,858)	(60,363)	6,197	(79,418)
As at 31 December 2014	530,220	17,509	495,445	594,798	64,564	1,702,536
Additions/transfers in	-	-	17,647	17,253	18,455	53,355
Disposals/written-off/ transfers out	(21,103)	-	(13,129)	(37,666)	(3,253)	(75,151)
As at 31 December 2015	509,117	17,509	499,963	574,385	79,766	1,680,740
Accumulated depreciation:						
As at 1 January 2014	-	-	359,497	548,888	38,479	946,864
Depreciation for the year	9,454	-	32,939	29,952	10,008	82,353
Depreciation on disposals/ written-off/transfers out	-	-	(11,574)	(60,337)	(6,197)	(78,108)
As at 31 December 2014	9,454	-	380,862	518,503	42,290	951,109
Depreciation for the year	9,227	-	33,321	22,883	7,937	73,368
Depreciation on disposals/ written-off/transfers out	(5,808)	-	(10,656)	(37,662)	(3,253)	(57,379)
As at 31 December 2015	12,873	-	403,527	503,724	46,974	967,098
Net book value:						
As at 31 December 2014	520,766	17,509	114,583	76,295	22,274	751,427
As at 31 December 2015	496,244	17,509	96,436	70,661	32,792	713,642
Depreciation for the years ended 31 December:						
2014						82,353
2015						73,368

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

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

	(Unit: Thousand Baht)	
	As at 31 December	
	2015	2014
Office condominiums - net of accumulated depreciation	240,081	252,765

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

	As at 31 December 2015	Result to fair value where as an increase in assumption value
Estimated rental rate (Baht/Sq.m./Month)	565 - 1,250	Increase in fair value
Estimated occupancy rate (%)	100	Increase in fair value
Estimated discount rate (%)	9.00	Decrease in fair value

3.10 Intangible assets

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

	(Unit: Thousand Baht)
	Computer software
As at 31 December 2015:	
Cost	652,235
Less: Accumulated amortisation	(373,144)
Net book value	279,091
As at 31 December 2014:	
Cost	584,759
Less: Accumulated amortisation	(361,158)
Net book value	223,601

A reconciliation of the net book value of intangible assets for the years ended 31 December 2015 and 2014 is presented as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December 2014	
	2015	2014
Net book value at beginning of year	223,601	39,821
Acquisitions of computer software	67,476	208,119
Disposals of computer software	-	(5,283)
Amortisation	(11,986)	(19,056)
Net book value at end of year	<u>279,091</u>	<u>223,601</u>

3.11 Other assets

	(Unit: Thousand Baht)	
	As at 31 December	
	2015	2014
Value added tax - net	667,366	360,056
Accrued interest receivables	19,911	61,426
Fee and service receivables	54,600	52,600
Deposits	45,979	40,768
Other receivables	553,865	491,149
Other assets	231,977	214,461
Total other assets	<u>1,573,698</u>	<u>1,220,460</u>

3.12 Deposits

3.12.1 Classified by type of deposits

	(Unit: Thousand Baht)	
	As at 31 December	
	2015	2014
Deposits		
Current accounts	3,245,280	3,250,954
Saving accounts	48,272,465	49,606,051
Fixed accounts		
- not over 6 months	15,505,231	22,613,265
- over 6 months but not over 1 year	1,859,691	1,034,917
- over 1 year	369,246	313,129
Certificates of deposit/negotiable certificates of deposit	89,794,514	129,572,991
Total	<u>159,046,427</u>	<u>206,391,307</u>

3.12.2 Classified by the remaining period of contract

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Not over 1 year ⁽¹⁾	158,546,485	205,885,759
Over 1 year	499,942	505,548
Total deposits	159,046,427	206,391,307

⁽¹⁾Including fully-mature deposit contracts

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

3.13 Interbank and money market items - net (liabilities)

(Unit: Thousand Baht)

	As at 31 December					
	2015			2014		
	At call	Term	Total	At call	Term	Total
<u>Domestic</u>						
Bank of Thailand and Financial Institutions						
Development Fund	-	20,711	20,711	-	23,645	23,645
Commercial banks	131,107	-	131,107	52,836	500,000	552,836
Specialised financial institutions	-	2,671,000	2,671,000	-	500,000	500,000
Other financial institutions	1,249,124	5,891,563	7,140,687	1,376,577	7,899,326	9,275,903
Total	1,380,231	8,583,274	9,963,505	1,429,413	8,922,971	10,352,384

3.14 Debt issued and borrowings

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,643,000	6,643,000
Unsubordinated unsecured debentures	60,939,000	51,056,900
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	67,618,919	57,736,819

3.14.1 Subordinated unsecured debentures

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

Year	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity in the year	Interest rate
	2015	2014		2015	2014		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2010	-	1.00	1,000	-	1,000	2020	5.00 percent per annum.
2010	-	1.00	1,000	-	1,000	2020	4.80 percent per annum.
2012	1.00	1.00	1,000	1,000	1,000	2022	4.85 percent per annum.
2012	1.24	1.24	1,000	1,243	1,243	2022	4.60 percent per annum.
2014	1.60	1.60	1,000	1,600	1,600	2024	6.00 percent per annum.
2014	0.80	0.80	1,000	800	800	2024	6.00 percent per annum.
2015	1.00	-	1,000	1,000	-	2025	4.50 percent per annum.
2015	1.00	-	1,000	1,000	-	2025	4.25 percent per annum.
Total				6,643	6,643		

3.14.2 Unsubordinated unsecured debentures

As at 31 December 2015 and 2014, the Bank has short-term and long-term unsubordinated unsecured debenture as follows:

Year	Type of debentures	Units as at 31 December		Face value per unit (Baht)	Balance as at 31 December		Maturity	Interest rate
		2015	2014		2015	2014		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2014	Short-term debenture	-	51.057	1,000	-	51,057	2015	2.33 - 2.85 percent per annum
2015	Short-term debenture	5.60	-	1,000	5,600	-	2016	1.75 percent per annum
2015	Short-term debenture	39.659	-	1,000	39,659	-	2016	1.55 - 1.76 percent per annum
2015	Long-term debenture	15.68	-	1,000	15,680	-	2017	1.875 - 2.00 percent per annum
Total					60,939	51,057		

3.14.3 Bills of exchange

Bills of exchange comprise the fixed interest rate bearing at 2.50 percent per annum, which will gradually mature in 2016.

3.15 Provision for long-term employee benefits

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

	(Unit: Thousand Baht)	
	As at 31 December	
	2015	2014
Defined post-employment benefit obligation at beginning of year	130,741	100,885
Current service cost	10,856	11,368
Interest cost	4,272	4,955
Benefits paid during the year	(4,403)	(2,139)
Included in other comprehensive income:		
Actuarial (gain) loss arising from		
Demographic assumptions changes	10,929	2,862
Financial assumptions changes	(3,052)	1,279
Other assumptions changes	(13,374)	11,531
Defined post-employment benefit obligation at end of year	135,962	130,741
Other long-term benefits	69,580	46,045
Total provision for long-term employee benefits at end of year	<u>205,542</u>	<u>176,786</u>

Long-term employee benefits expenses included in the profit or loss for the years ended 31 December 2015 and 2014 were as follows:

	(Unit: Thousand Baht)	
	For the years ended	
	31 December	
	2015	2014
Current service cost	19,536	19,403
Interest cost	5,736	6,332
Actuarial losses	22,656	2,955
Total employee benefits expenses	<u>47,928</u>	<u>28,690</u>

The cumulative amount of actuarial losses recognised in other comprehensive income and taken as part of retained earnings of the Bank as at 31 December 2015 and 2014 amounted to Baht 28 million and Baht 33 million, respectively.

The Bank expects to pay Baht 2 million in contributions to its provision for long-term employee benefits during the next year (31 December 2014: Baht 4 million).

As at 31 December 2015 and 2014, the weighted average duration of the liabilities for long-term employee benefit is 23 years and 24 years, respectively.

Significant actuarial assumptions are summarised below.

	(Unit: Percent per annum)	
	2015	2014
Discount rate	1.49 - 4.00	2.13 - 4.27
Average salary increase rate	2.99	4.21
Average inflation rate	0.99	2.21

The result of sensitivity analysis for significant assumptions that affect the present value to the long-term employee benefits obligation as at 31 December 2015 are summarised below.

	(Unit: Thousand Baht)	
	31 December 2015	
	Increase 0.25%	Decrease 0.25%
Discount rate	(4,675)	4,900
Average salary increase rate	5,100	(4,883)

3.16 Other liabilities

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Withholding income tax and other tax payables	339,816	346,168
Accrued insurance premium	768,266	664,267
Deferred income	1,125,804	1,153,412
Accrued expenses	1,282,122	1,465,741
Suspense creditors	620,420	345,707
Other liabilities	414,758	192,803
Total other liabilities	4,551,186	4,168,098

The above accrued expenses included accrued bonus expenses which are remunerations paid to employees and management based on annual performance. These accrued bonus expenses included costs of annual bonus that are determined with reference to the parent company's share price, paid to employees whose performance impacts the Bank's operating results, as an incentive to work effectively and to build loyalty to the Bank. This vested bonus is set aside for payment five years later. It is paid in cash and determined based on the average daily price of the parent company's shares over the period of five years from grant date to settlement date. As of 31 December 2015 and 2014, the Bank has issued bonus under this scheme amounting to Baht 198 million and Baht 176 million, respectively.

3.17 Preference shares converted to ordinary shares

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

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

3.18 Capital funds

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

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

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

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

	(Unit: Thousand Baht)	
	As at 31 December	
	2015	2014
<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	11,761,069	9,764,407
Other components of equity	223,944	220,913
Less : Deductions from Common Equity Tier I items	(738,189)	(125,120)
Total Common Equity Tier I capital	23,989,524	22,602,900
<u>Financial Instrument Tier I capital</u>		
Issued and paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	23,989,525	22,602,901
<u>Tier II capital</u>		
Long-term subordinated debentures	6,643,000	6,643,000
Surplus of provision	-	340,412
Reserve for loans classified as pass	268,512	653,521
Total Tier II capital	6,911,512	7,636,933
Total capital funds	30,901,037	30,239,834

(Unit: Percent)

	As at 31 December			
	2015		2014	
Capital fund ratios	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	13.98	4.50	12.55	4.50
Tier I capital to risk assets	13.98	6.00	12.55	6.00
Total capital to risk assets	18.01	8.50	16.79	8.50

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

3.19 Surplus on changes in value of investments

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Balance - beginning of year	40,751	7,166
Increase (decrease) from changes in value of investments during the year	(2,305)	33,585
	38,446	40,751
Less: The effect of deferred tax liabilities	(7,689)	(8,150)
Balance - end of year	30,757	32,601

3.20 Surplus on revaluation of assets

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

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Balance - beginning of year	268,686	298,463
Adjustments	-	(27,000)
Transfer to retained earnings	(2,752)	(2,777)
	265,934	268,686
Less: The effect of deferred tax liabilities	(54,293)	(54,293)
Balance - end of year	211,641	214,393

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

3.21 Interest income

Interest income in the statement of comprehensive income for the years ended 31 December 2015 and 2014 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2015	2014
Interbank and money market items	478,639	587,357
Investments in debt securities	244,997	404,751
Loans to customers	5,586,056	6,062,734
Hire purchase and finance lease	9,694,611	10,888,713
Total interest income	<u>16,004,303</u>	<u>17,943,555</u>

3.22 Interest expenses

Interest expenses in the statement of comprehensive income for the years ended 31 December 2015 and 2014 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2015	2014
Deposits	3,869,637	6,112,189
Interbank and money market items	214,711	254,050
Contribution fee to the Deposit Protection Agency and Bank of Thailand	1,138,798	1,284,148
Issued debt instruments		
- Subordinated debentures	341,715	422,938
- Unsubordinated debentures	999,206	1,007,531
Borrowings	686	2,901
Total interest expenses	<u>6,564,753</u>	<u>9,083,757</u>

3.23 Net fee and service income

Net fee and service income in the statement of comprehensive income for the years ended 31 December 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2015	2014
Fee and service income		
- Acceptance, aval and guarantees	15,208	10,822
- Insurance service	2,284,977	2,313,135
- Fund management	7,013	-
- Financial advisory	1,000	2,250
- Others	825,197	741,598
Total fee and service income	3,133,395	3,067,805
Fee and service expenses	(65,389)	(64,447)
Net fee and service income	3,068,006	3,003,358

3.24 Net gains on trading and foreign exchange transactions

Net gains on trading and foreign exchange transactions in the statement of comprehensive income for the years ended 31 December 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2015	2014
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	32,704	50,114
- Derivatives on interest rates	(19,108)	(38,386)
- Debt securities	770	11,862
Net gains on trading and foreign exchange transactions	14,366	23,590

3.25 Net gains on investments

Net gains on investments in the statement of comprehensive income for the years ended 31 December 2015 and 2014 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2015	2014
Gains on disposal		
- Available-for-sale investments	11,389	117,392
- Held-to-maturity securities	65	29
- General investments	14,983	22,387
Total	26,437	139,808
Reversal of losses (losses) on impairment		
- General investments	(2,362)	868
Total	(2,362)	868
Gain on return of capital from a subsidiary company	-	829
Net gains on investments	24,075	141,505

3.26 Bad debt, doubtful accounts and impairment losses

Bad debt, doubtful accounts and impairment losses in the statement of comprehensive income for the years ended 31 December 2015 and 2014 consisted of the following:

(Unit: Thousand Baht)

	For the years ended 31 December	
	2015	2014
Reversal of interbank and money market items	-	(5,000)
Reversal of held-to-maturity debt securities	(3,183)	(328)
Loans to customers	4,872,857	3,983,477
Total	4,869,674	3,978,149

3.27 Other operating income

Other operating income in the statement of comprehensive income for the years ended 31 December 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2015	2014
Gains on disposal of property foreclosed	48,107	21,774
Dividend income	78,529	75,295
Others	30,104	23,136
Total	156,740	120,205

3.28 Other operating expenses

Other operating expenses in the statement of comprehensive income for the years ended 31 December 2015 and 2014 consisted of the following:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2015	2014
Mailing expenses	50,923	47,479
Software amortisation expenses	11,986	19,056
Legal expenses	317,582	266,411
Transportation expenses	72,742	83,396
Advertising and business promotion expenses	92,407	91,355
Others	227,296	140,070
Total	772,936	647,767

3.29 Income tax expenses

Income tax expenses of the Bank for the years ended 31 December 2015 and 2014 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2015	2014
Current income tax:		
Income tax expenses for the year	702,322	912,090
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	14,029	(144,044)
Income tax expenses reported in the statement of comprehensive income	716,351	768,046

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2015	2014
Decrease (increase) in revaluation surplus in investments	461	(6,717)
Surplus on revaluation of assets	-	5,400
Actuarial (gains) losses	(1,100)	3,134
Income tax expenses recorded directly to other comprehensive income	(639)	1,817

A reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2015 and 2014 is as follows:

	(Unit: Thousand Baht)	
	For the years ended 31 December	
	2015	2014
Accounting profit before tax	3,630,657	3,866,351
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by applicable tax rate	726,131	773,270
Tax effect of net tax-exempt income and net disallowed expenses	(9,780)	(5,224)
Income tax expenses reported in the statement of comprehensive income	716,351	768,046

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	As at 31 December		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the years ended 31 December	
	2015	2014	2015	2014
Allowance for doubtful accounts	62,387	38,150	24,237	16,354
Allowance for impairment of investments	22,114	26,688	(4,574)	(240)
Allowance for impairment of properties foreclosed	124	3,621	(3,497)	(13)
Non-accrual of interest income	32,833	41,348	(8,515)	15,575
Depreciation of assets	(891)	3,151	(4,042)	(3,661)
Finance leases	12,441	12,631	(190)	(12,848)
Gain on changes in value of investment properties	(1,489)	(1,489)	-	-
Surplus on revaluation of assets	(54,293)	(54,293)	-	-
Gains on valuation in available-for-sale investments	(7,689)	(8,150)	-	-
Unrealised loss on derivatives	8,165	6,888	1,277	12,746
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(461,702)	(451,161)	(10,541)	71,511
Unearned interest income on hire purchase	142,906	146,753	(3,847)	12,570
Accrued expenses	103,890	131,610	(27,720)	16,953
Employee benefit expenses	41,109	35,357	6,852	3,312
Others	111,569	95,038	16,531	11,785
Deferred tax assets	11,474	26,142	(14,029)	144,044

3.30 Components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December	
	2015	2014
Other comprehensive income		
Available-for-sale investments:		
Gains (losses) during the year	9,084	150,977
Less: Reclassification adjustments for gains included in profit or loss	(11,389)	(117,392)
	(2,305)	33,585
Losses on revaluation of assets	-	(27,000)
Actuarial gains (losses)	5,504	(15,672)
Other comprehensive income	3,199	(9,087)
Income tax effects relating to components of other comprehensive income	(639)	1,817
Net other comprehensive income for the year	2,560	(7,270)

3.31 Income tax effects relating to components of other comprehensive income

(Unit: Thousand Baht)

	For the years ended 31 December					
	2015			2014		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
Gains (losses) on valuation in available-for-sale investments	(2,305)	461	(1,844)	33,585	(6,717)	26,868
Losses on revaluation of assets	-	-	-	(27,000)	5,400	(21,600)
Actuarial gains (losses)	5,504	(1,100)	4,404	(15,672)	3,134	(12,538)
	3,199	(639)	2,560	(9,087)	1,817	(7,270)

3.32 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	
	2015	2014
Profit attributable to equity holders of the Bank (Thousand Baht)	2,914,306	3,098,305
Weighted average number of shares (Thousand shares)	921,568	878,084
Basic earnings per share (Baht/share)	3.16	3.53

3.33 Related party transactions

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

	(Unit: Thousand Baht)	
	As at 31 December	
	2015	2014
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	416,681	529,065
Accrued interest payable	42	116
Dividend payable	1,105,742	1,105,742
Other liabilities	101,343	89,958
Related companies (related by common shareholder)		
Interbank and money market items (Assets):		
TISCO Securities Co., Ltd.	-	297,000
Other Assets:		
TISCO Securities Co., Ltd.	1,948	2,044
TISCO Leasing Co., Ltd.	4,585	6,551
Deposits:		
Hi-Way Co., Ltd.	62,293	29,300
TISCO Information Technology Co., Ltd.	155,594	122,699
Primus Leasing Co., Ltd.	32,899	32,841
TISCO Learning Center Co., Ltd.	31,189	44,102
Deutsche TISCO Investment Advisory Co., Ltd.	219,013	205,058
TISCO Leasing Co., Ltd.	2,760	2,170
All-Ways Co., Ltd.	821	599
TISCO Tokyo Leasing Co., Ltd.	1,250	494

(Unit: Thousand Baht)

As at 31 December

	2015	2014
<u>Outstanding balance (continued)</u>		
Related companies (related by common shareholder) (continued)		
Interbank and money market items (Liabilities):		
TISCO Securities Co., Ltd.	12,389	149,313
TISCO Asset Management Co., Ltd.	160,126	116,659
Accrued interest payable:		
TISCO Securities Co., Ltd.	-	11
TISCO Asset Management Co., Ltd.	344	662
TISCO Information Technology Co., Ltd.	258	99
TISCO Learning Center Co., Ltd.	34	53
Other liabilities:		
Hi-Way Co., Ltd.	34,800	32,040
TISCO Learning Center Co., Ltd.	3,443	2,763
All-Ways Co., Ltd.	637	650
Commitments		
Parent company		
TISCO Financial Group Plc.	1,080	1,040
Related companies (related by common shareholder)		
TISCO Securities Co., Ltd.	540	540
TISCO Asset Management Co., Ltd.	440	440
TISCO Information Technology Co., Ltd.	1,070	1,070

Loans to related companies

As at 31 December 2015 and 1 January 2015, the balance of loans between the Bank and its related companies and their movement are as follows:

(Unit: Thousand Baht)

	As at 1 January 2015	Increase	Decrease	As at 31 December 2015
Related companies (related by common shareholder)				
Interbank and money market items				
(Assets):				
TISCO Securities Co., Ltd.	297,000	-	-	297,000

(Unit Thousand Baht)

	For the years ended		Terms and pricing policy
	31 December		
	2015	2014	
<u>Transactions occurred during the years</u>			
Parent company			
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	948,192	975,434	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	7,406	21,560	With reference to the terms and prices as offered to other customers
Other expenses	9,263	9,263	With reference to the terms and prices as offered to other customers
Other income	1,000	750	With reference to the terms and prices as offered to other customers
Related companies			
Interest income	10,480	9,526	With reference to the terms and prices as offered to other customers
Income involving to loan	3,876	5,175	With reference to the terms and prices as offered to other customers
Other income	8,446	10,434	With reference to the terms and prices as offered to other customers
Computer system advisory service expenses	252,000	260,000	Determined on the basis on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	40,265	49,852	With reference to the prices as offered from other service providers
Expenses involving to loan	135,560	122,880	Determined on the basis on actual cost
Interest expenses	6,686	13,338	With reference to the terms and prices as offered to other customers
Other expenses	6,825	7,436	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Loans ⁽¹⁾	5,456	6,306

⁽¹⁾ Including employee welfare loans and normal loans

Liabilities payable to directors and key management personnel

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Deposits	65,446	90,118

Directors and management's benefits

During the years ended 31 December 2015 and 2014, the Bank had short-term benefit expenses paid to their directors and key management during the year and other employee benefit expenses payable to their directors and management as follow:

(Unit: Million Baht)

	For the years ended 31 December	
	2015	2014
Short-term benefits	150	148
Post-employment benefits	14	3
Other long-term benefits	19	19
Total	183	170

3.34 Segment information

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

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

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

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

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

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

The Bank's operate 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 2015 and 2014, the Bank did not have income from any customer amounting to or over 10 percent of their income.

The following tables present revenue, profit and total assets information regarding the Bank's operating segments for the years ended 31 December 2015 and 2014, respectively.

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the year ended 31 December 2015						
Revenue						
External customers	10,837	2,201	445	13,483	-	13,483
Inter-segment	-	-	1,335	1,335	(1,335)	-
Total revenue	10,837	2,201	1,780	14,818	(1,335)	13,483
Operating results:						
Net interest income	7,122	1,944	374	9,440	-	9,440
Net fee and service income	2,973	101	(6)	3,068	-	3,068
Other operating income	742	156	1,412	2,310	(1,335)	975
Total operating income	10,837	2,201	1,780	14,818	(1,335)	13,483
Premises and equipment expenses and amortisation	(251)	(34)	(488)	(773)	-	(773)
Other operating expenses	(4,037)	(625)	(883)	(5,545)	1,335	(4,210)
Bad debt, doubtful accounts and impairment losses	(2,690)	(669)	(1,511)	(4,870)	-	(4,870)
Total operating expenses	(6,978)	(1,328)	(2,882)	(11,188)	1,335	(9,853)
Segment profit	3,859	873	(1,102)	3,630	-	3,630
Income tax expenses						(716)
Profit for the year						2,914

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments
As at 31 December 2015				
Segment total assets	181,838	52,446	35,516	269,800
Premises and equipment - net	17	1	696	714

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statement
For the year ended 31 December 2014						
Revenue						
External customers	9,842	2,168	727	12,737	-	12,737
Inter-segment	-	-	1,585	1,585	(1,585)	-
Total revenue	9,842	2,168	2,312	14,322	(1,585)	12,737
Operating results:						
Net interest income	6,291	2,005	564	8,860	-	8,860
Net fee and service income	2,915	90	(2)	3,003	-	3,003
Other operating income	636	73	1,750	2,459	(1,585)	874
Total operating income	9,842	2,168	2,312	14,322	(1,585)	12,737
Premises and equipment expenses and amortisation	(256)	(36)	(514)	(806)	-	(806)
Other operating expenses	(3,865)	(704)	(1,103)	(5,672)	1,585	(4,087)
Bad debt, doubtful accounts and impairment losses	(3,569)	(105)	(304)	(3,978)	-	(3,978)
Total operating expenses	(7,690)	(845)	(1,921)	(10,456)	1,585	(8,871)
Segment profit	2,152	1,323	391	3,866	-	3,866
Income tax expenses						(768)
Profit for the year						3,098

(Unit: Million Baht)

	Retail banking	Corporate banking	Treasury investment and others	Total segments
As at 31 December 2015				
Segment total assets	190,773	67,293	47,820	305,886
Premises and equipment - net	23	2	726	751

3.35 Provident fund

The Bank and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Bank and its 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 year 2015 and 2014, the Bank realised provident fund contributions as expenses totaling Baht 95 million and Baht 75 million, respectively.

3.36 Commitments and contingent liabilities

3.36.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at 31 December	
	2015	2014
Avals	414,867	7,151
Other guarantees	691,788	628,138
Undrawn client overdraft facilities	30,000	34,070
Interest rate swap agreements (Note 3.37.5)	1,200,000	1,200,000
Cross currency swap agreements (Note 3.37.5)	-	3,296,300
Others	13,364,596	14,543,512
Total	<u>15,701,251</u>	<u>19,709,171</u>

3.36.2 Litigation

As at 31 December 2015 and 2014, the Bank has been sued for compensation totaling approximately Baht 363 million and Baht 359 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

3.36.3 Other commitments

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

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

	(Unit: Million Baht)	
	As at 31 December	
	2015	2014
Payable within		
Not over 1 year	93	112
Over 1 to 5 years	72	136
Over 5 years	1	3

3.37 Financial instruments

3.37.1 Credit risk

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

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

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

Quality of risk from provision of hire purchase receivables of the Bank, which comprises the largest portion of credit granted by the Bank, is as detailed below.

The risk of hire purchase credit that is not overdue of the Bank can be classified into three groups, based on quality of risk in respect of expected losses within one year. These are “Very High Grade”, “High Grade” and “Medium Grade”, with “Very High Grade” credit defined as credit from which expected losses over the next year are less than or equal to 0.2% of the balance; “High Grade” as credit from which losses within one year are expected to be between 0.2% and 2% and “Medium Grade” as credit from which losses within one year are expected to exceed 2% of the balance.

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

(Unit: Million Baht)

	As at 31 December	
	2015	2014
Neither past due nor impaired		
Very high grade	45,348	112,689
High grade	90,926	41,865
Medium grade	10,626	5,204
Subtotal	146,900	159,758
Hire purchase receivables - overdue for 31 to 90 days	14,458	16,071
Hire purchase receivables - overdue for more than 90 days	5,330	5,124
Total	166,688	180,953

3.37.2 Market risk

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

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

3.37.2.1 Market risk - Marketable portfolio

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

(Unit: Million Baht)

	Market risk as at 31 December	
	2015	2014
Marketable financial assets		
Debt securities	10	15
Derivatives	14	22

3.37.2.2 Market risk sensitivity - Interest bearing assets and liabilities

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

(Unit: Million Baht)

	Increase (decrease) in sensitivity of net interest income as at 31 December	
	2015	2014
Change in interest rate		
Increase by 1 percent	(223.05)	(426.59)
Decrease by 1 percent	223.05	426.59

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

3.37.2.3 Interest rate risk

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

(Unit: Million Baht)

As at 31 December 2015				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,100	1,100
Interbank and money market items	50	27,807	1,806	29,663
Investments - net	-	3,186	3,999	7,185
Loans to customers ⁽¹⁾	25,526	204,363	4,880	234,769
	<u>25,576</u>	<u>235,356</u>	<u>11,785</u>	<u>272,717</u>
Financial liabilities				
Deposits	51,250	107,529	267	159,046
Interbank and money market items	562	9,358	44	9,964
Liabilities payable on demand	-	-	356	356
Derivatives liabilities	-	-	42	42
Debts issued and borrowings	-	67,619	-	67,619
	<u>51,812</u>	<u>184,506</u>	<u>709</u>	<u>237,027</u>

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

(Unit: Million Baht)

As at 31 December 2014				
Outstanding balances of financial instruments				
Transactions	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
Financial assets				
Cash	-	-	1,180	1,180
Interbank and money market items	50	34,712	2,091	36,853
Investments - net	-	7,893	5,416	13,309
Loans to customers ⁽¹⁾	23,092	230,539	4,938	258,569
	<u>23,142</u>	<u>273,144</u>	<u>13,625</u>	<u>309,911</u>
Financial liabilities				
Deposits	52,594	153,533	264	206,391
Interbank and money market items	465	9,846	41	10,352
Liabilities payable on demand	-	-	400	400
Derivatives liabilities	-	-	41	41
Debts issued and borrowings	-	57,737	-	57,737
	<u>53,059</u>	<u>221,116</u>	<u>746</u>	<u>274,921</u>

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

Financial instruments which bear interest rate at fixed rates are classified below by the years 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 2015							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	27,509	-	298	-	27,807	1.5205
Investments - net	-	196	952	2,038	-	3,186	4.0413
Loans to customers	2,196	19,669	45,884	119,931	16,683	204,363	7.1028
	<u>2,196</u>	<u>47,374</u>	<u>46,836</u>	<u>122,267</u>	<u>16,683</u>	<u>235,356</u>	
Financial liabilities							
Deposits	3,613	78,028	25,388	500	-	107,529	1.8095
Interbank and money market items	775	1,435	4,456	21	2,671	9,358	1.4426
Debts issued and borrowings	37	29,365	15,894	15,680	6,643	67,619	2.0739
	<u>4,425</u>	<u>108,828</u>	<u>45,738</u>	<u>16,201</u>	<u>9,314</u>	<u>184,506</u>	

(Unit: Million Baht)

As at 31 December 2014							
Transactions	Repricing or maturity date					Total	Interest rates (%)
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Interbank and money market items	-	34,414	-	298	-	34,712	2.0154
Investments - net	-	2,078	4,031	1,784	-	7,893	3.3603
Loans to customers	23,349	28,622	46,425	126,731	5,412	230,539	6.8300
	<u>23,349</u>	<u>65,114</u>	<u>50,456</u>	<u>128,813</u>	<u>5,412</u>	<u>273,144</u>	
Financial liabilities							
Deposits	3,920	115,425	33,683	505	-	153,533	2.6197
Interbank and money market items	833	6,111	2,878	24	-	9,846	2.5430
Debts issued and borrowings	37	32,834	18,223	-	6,643	57,737	2.8393
	<u>4,790</u>	<u>154,370</u>	<u>54,784</u>	<u>529</u>	<u>6,643</u>	<u>221,116</u>	

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

3.37.3 Liquidity risk

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

Liquidity risk management framework

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

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

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

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

3.37.3.1 Remaining contractual maturity of liabilities

(Unit: Million Baht)

As at 31 December 2015				
Remaining contractual maturity				
	Less than 3 months	3 - 12 months	More than 1 year	Total
Liabilities	172,690	45,738	25,557	243,985

(Unit: Million Baht)

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

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

3.37.3.2 Volume and composition of highly liquid assets and internal ratio

(Unit: Million Baht)

	As at 31 December	
	2015	2014
Composition of highly liquid assets		
Cash	1,100	1,180
Interbank and money market - net	29,663	36,853
Current investments - net	6,749	12,870
Total liquid assets ⁽¹⁾	37,512	50,903
Liquid asset requirement ⁽¹⁾	9,974	12,900

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

The Bank has a policy in maintaining the highly liquid assets higher than internal liquid asset requirement. As at 31 December 2015 and 2014, the Bank has highly liquid assets, which are daily calculated, at Baht 37,512 million and Baht 50,903 million, respectively, higher than internal liquid asset requirement, which is daily considered, of Baht 9,974 million and Baht 12,900 million, respectively. In addition, the Bank has contingency credit line, operating cash inflow from business, and available credit line from other financial institutions which is available to support uncertain liquidity requirement.

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

(Unit: Million Baht)

Transactions	As at 31 December 2015							Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	Non-performing Loans	
Financial assets								
Cash	1,100	-	-	-	-	-	-	1,100
Interbank and money market items	1,856	27,509	-	298	-	-	-	29,663
Investments - net	-	3,327	1,384	2,038	-	436	-	7,185
Loans to customers	1,079	20,022	49,074	128,518	29,170	-	6,906	234,769
	<u>4,035</u>	<u>50,858</u>	<u>50,458</u>	<u>130,854</u>	<u>29,170</u>	<u>436</u>	<u>6,906</u>	<u>272,717</u>
Financial liabilities								
Deposits	55,130	78,028	25,388	500	-	-	-	159,046
Interbank and money market items	1,381	1,435	4,456	21	2,671	-	-	9,964
Liabilities payable on demand	356	-	-	-	-	-	-	356
Derivatives liabilities	-	-	-	42	-	-	-	42
Debts issued and borrowings	37	29,365	15,894	15,680	6,643	-	-	67,619
	<u>56,904</u>	<u>108,828</u>	<u>45,738</u>	<u>16,243</u>	<u>9,314</u>	<u>-</u>	<u>-</u>	<u>237,027</u>
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	1	7	434	26	-	639	-	1,107
Other commitments	-	-	-	1,200	-	30	-	1,230

(Unit: Million Baht)

As at 31 December 2014

<u>Transactions</u>	As at 31 December 2014						Non-	Total
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Unspecified	performing Loans	
Financial assets								
Cash	1,180	-	-	-	-	-	-	1,180
Interbank and money market items	2,141	34,414	-	298	-	-	-	36,853
Investments - net	-	6,234	4,853	1,784	-	438	-	13,309
Loans to customers	31,429	29,565	51,966	132,918	6,789	-	5,902	258,569
	<u>34,750</u>	<u>70,213</u>	<u>56,819</u>	<u>135,000</u>	<u>6,789</u>	<u>438</u>	<u>5,902</u>	<u>309,911</u>
Financial liabilities								
Deposits	56,777	115,425	33,684	505	-	-	-	206,391
Interbank and money market items	1,339	6,111	2,878	24	-	-	-	10,352
Liabilities payable on demand	400	-	-	-	-	-	-	400
Derivatives liabilities	-	5	-	36	-	-	-	41
Debts issued and borrowings	37	32,834	18,223	-	6,643	-	-	57,737
	<u>58,553</u>	<u>154,375</u>	<u>54,785</u>	<u>565</u>	<u>6,643</u>	<u>-</u>	<u>-</u>	<u>274,921</u>
Commitment and contingent liabilities								
Avals to bills and guarantees of loans	-	10	31	13	-	581	-	635
Other commitments	-	3,296	-	1,200	-	34	-	4,530

3.37.4 Foreign exchange risk

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

Loans in foreign currency amounting to USD 100 million equivalent to Baht 3,296 million, of which the Bank entered into cross currency swap agreements to hedge risk on the whole amount, as mentioned in Note 3.37.5 to the financial statements.

3.37.5 Derivatives

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

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

a) Interest rate swap agreement

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

(Unit: Million Baht)

As at 31 December 2015		
Maturity	Notional amount	Fair value gain (loss)
2019	1,200	(42)

(Unit: Million Baht)

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

b) Cross currency swap agreement/Foreign exchange contract

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

(Unit: Million Baht)

As at 31 December 2015		
Maturity	Notional amount	Fair value gain (loss)
-	-	-

(Unit: Million Baht)

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

3.37.6 Fair value of financial instruments

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

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2015	
	Book value	Fair value
<u>Financial assets</u>		
Cash	1,100	1,100
Interbank and money market items - net	29,663	29,663
Investments - net	7,185	8,327
Loans to customers and accrued interest receivables - net	229,510*	231,032
<u>Financial liabilities</u>		
Deposits	159,046	159,046
Interbank and money market items - net	9,964	9,964
Liabilities payable on demand	356	356
Derivatives liabilities	42	42
Debt issued and borrowings	67,619	68,029

* Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 312 million.

(Unit: Million Baht)

<u>Transactions</u>	As at 31 December 2014	
	Book value	Fair value
<u>Financial assets</u>		
Cash	1,180	1,180
Interbank and money market items - net	36,853	36,853
Investments - net	13,309	13,309
Loans to customers and accrued interest receivables - net	252,380*	256,772
<u>Financial liabilities</u>		
Deposits	206,391	206,391
Interbank and money market items - net	10,352	10,352
Liabilities payable on demand	400	400
Derivatives liabilities	41	41
Debt issued and borrowings	57,737	58,264

* Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 191 million.

In estimating the fair value of financial instruments, an allowance for doubtful debt is deducted based on the relative risk. The book value of financial instruments is the value net of the full amount of such allowance for doubtful debt.

3.38 Fair value hierarchy

As of 31 December 2015, the Bank has the following assets and liabilities that were measured at fair value or disclosed using different levels of inputs as follows:

(Unit: Million Baht)

	As at 31 December 2015				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Available-for-sale investments					
Debt instruments	6,749	-	6,749	-	6,749
Investment properties	31	-	-	31	31
Office condominiums	496	-	-	496	496
Financial liabilities measured at fair value					
Derivatives					
Interest rate swaps agreements	42	-	42	-	42
Assets for which fair value is disclosed					
Cash	1,100	1,100	-	-	1,100
Interbank and money market items - net	29,663	1,857	27,509	297	29,663
General investments	436	-	-	1,578	1,578
Loans to customers and accrued interest receivables	229,510*	-	37,084	193,948	231,032
Liabilities for which fair value is disclosed					
Deposit	159,046	51,517	107,529	-	159,046
Interbank and money market items - net	9,964	605	9,359	-	9,964
Liabilities payable on demand	356	356	-	-	356
Debts issued and borrowings	67,619	-	68,029	-	68,029

* Book value of loans to customers and accrued interest receivables does not include excess provision amounting to Baht 312 million.

Sensitivity to changes in unobservable inputs for nonfinancial assets

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

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

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

4. Dividend payment

	Approved by	Dividend per share		Amounts of	Dividend
		Preference share	Ordinary share	dividend paid	payment period
		(Baht per share)	(Baht per share)	(Million Baht)	
Interim dividend for 2014	The Board of Directors' Meeting of TISCO Bank No. 7/2014 on 15 December 2014	1.20	1.20	1,106	January 2015
Total dividend payment in year 2014				<u>1,106</u>	
Interim dividend for 2015	The Board of Directors' Meeting of TISCO Bank No. 6/2015 on 18 December 2015	1.20	1.20	1,106	January 2016
Total dividend payment in year 2015				<u>1,106</u>	

5. Approval of financial statements

These financial statements were approved by the Bank's Audit Committee on 9 February 2016.