

TISCO Bank Public Company Limited
Review report and interim financial information
31 March 2020

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of TISCO Bank Public Company Limited

I have reviewed the accompanying statement of financial position of TISCO Bank Public Company Limited as at 31 March 2020, the related statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, as well as the condensed notes to the interim financial statements (collectively "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting and the Bank of Thailand's regulations. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

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

Conclusion

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

Emphasis of Matter

I draw attention to Note 1.2 to the interim financial statements. The COVID-19 pandemic is continuing to evolve, impacting various businesses and industries and resulting in an economic slowdown and fluctuations in the money market and the capital market. This situation could create uncertainties and may be impacting the operating results and cash flows in the future. The impact cannot be reasonably estimated at this stage. My conclusion is not modified in respect of this matter.

Other Matter

Due to the impact of COVID-19 outbreak situation, the Bank has postponed the annual general meeting of the Bank's shareholders which results in no resolution for the appointment of the auditor of the Bank for the accounting period of 2020 yet. However, the Board of Director of the Bank has a resolution to propose to the annual general meeting of the Bank's shareholders to appoint me as the auditor of the Bank for the accounting period of 2020. I therefore have conducted my review on the interim financial information for first quarter of 2020.



Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 12 May 2020

TISCO Bank Public Company Limited

Statement of financial position

As at 31 March 2020

(Unit: Thousand Baht)

	Note	31 March 2020 (Unaudited but reviewed)	31 December 2019 (Audited)
Assets			
Cash		1,274,522	1,099,247
Interbank and money market items - net	4.2, 4.8	50,790,791	44,049,590
Financial assets measured at fair value through profit or loss	4.3	757,859	-
Derivatives assets	4.4	-	21,907
Investments - net	4.5, 4.8	11,071,383	7,671,893
Loans to customers and accrued interest receivables	4.6, 4.8		
Loans to customers		251,712,265	257,250,213
Accrued interest receivables and undue interest income		1,335,044	1,106,977
Total loans to customers and accrued interest receivables		253,047,309	258,357,190
Less: Deferred revenue		(18,769,684)	(19,084,739)
Less: Allowance for expected credit losses	4.7	(10,725,004)	-
Less: Allowance for doubtful accounts	4.7	-	(10,074,115)
Less: Allowance for loss on debt restructuring	4.7	-	(7,343)
Loans to customers and accrued interest receivables - net		223,552,621	229,190,993
Properties foreclosed - net		11,452	13,703
Investment properties		28,152	28,152
Premises and equipment - net	4.9	795,526	792,039
Right-of-use assets - net	4.10	562,734	-
Intangible assets - net		159,359	181,929
Deferred tax assets	4.26	523,629	882,142
Other assets	4.11	1,021,293	1,356,706
Total assets		290,549,321	285,288,301

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

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

		(Unit: Thousand Baht)	
	Note	31 March 2020	31 December 2019
		(Unaudited but reviewed)	(Audited)
Liabilities and equity			
Liabilities			
Deposits	4.12	221,676,336	218,433,146
Interbank and money market items		3,912,119	3,831,925
Liabilities payable on demand		251,988	306,867
Derivatives liabilities	4.4	41,558	-
Debts issued and borrowings	4.13	23,256,919	18,716,919
Lease liabilities	4.14	533,501	-
Provisions	4.15	757,065	709,830
Accrued interest payable		1,135,328	988,036
Income tax payable		617,912	653,167
Dividend payable		-	4,100,976
Other liabilities	4.16	5,618,270	6,244,428
Total liabilities		257,800,996	253,985,294

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

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

	Note	31 March 2020 (Unaudited but reviewed)	31 December 2019 (Audited)
(Unit: Thousand Baht)			
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		317,621	304,899
Retained earnings			
Appropriated-statutory reserve		984,000	984,000
Unappropriated		19,688,003	18,255,407
Total equity		<u>32,748,325</u>	<u>31,303,007</u>
Total liabilities and equity		<u>290,549,321</u>	<u>285,288,301</u>

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



Mr. Suthas Ruangmanamongkol
 (Chairperson of the Executive Board)



Mr. Sakchai Peechapat
 (President)



ธนาคารทีเอสซี จำกัด (มหาชน)
 TISCO Bank Public Company Limited

(Unaudited but reviewed)

TISCO Bank Public Company Limited
Statement of comprehensive income
For the three-month period ended 31 March 2020

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

	Note	2020	2019
Profit or loss:			
Interest income	4.18	4,206,636	4,128,923
Interest expenses	4.19	(1,072,214)	(1,264,102)
Net interest income		3,134,422	2,864,821
Fee and service income		568,791	686,571
Fee and service expenses		(19,057)	(19,548)
Net fee and service income	4.20	549,734	667,023
Net losses on financial instruments measured at fair value through profit or loss	4.21	(4,423)	-
Net losses on trading and foreign exchange transactions		-	(10,721)
Net gains on investments	4.22	1,345	4,957
Penalty fee income from loans		57,194	72,003
Other operating income	4.23	57,773	62,355
Total operating income		3,796,045	3,660,438
Operating expenses			
Employee expenses		613,907	832,560
Premises and equipment expenses		318,910	295,716
Taxes and duties		74,115	70,627
Intercompany supporting fee expenses	4.29	566,366	520,616
Other operating expenses	4.24	188,333	190,810
Total operating expenses		1,761,631	1,910,329
Bad debts, doubtful accounts and impairment losses		-	104,083
Expected credit losses	4.25	790,310	-
Profit from operations before income tax expenses		1,244,104	1,646,026
Income tax expenses	4.26	246,683	325,602
Profit for the period		997,421	1,320,424

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited
Statement of comprehensive income (continued)
For the three-month period ended 31 March 2020

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

	Note	2020	2019
Other comprehensive income:	<u>4.27</u>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Gains on valuation in investments in debt instruments measured at fair value through other comprehensive income		10,161	-
Gains on valuation in available-for-sale investments		-	2,325
Income tax effects		<u>(2,032)</u>	<u>(465)</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		<u>8,129</u>	<u>1,860</u>
Other comprehensive income for the period		8,129	1,860
Total comprehensive income for the period		<u><u>1,005,550</u></u>	<u><u>1,322,284</u></u>
Earnings per share			
Basic earnings per share (Baht per share)	4.28	<u><u>1.08</u></u>	<u><u>1.43</u></u>

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Cash flow statement

For the three-month period ended 31 March 2020

	(Unit: Thousand Baht)	
	2020	2019
Cash flows from operating activities		
Profit from operations before income tax	1,244,104	1,646,026
Adjustments to reconcile profit from operations before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	85,977	39,813
Expected credit losses on loans to customers and accrued interest receivables	1,195,276	-
Expected credit losses on investments in debt instruments	3,095	-
Expected credit losses on interbank and money market items	466	-
Expected credit losses on committed credit lines and financial guarantees	845	-
Bad debts and doubtful accounts	-	526,072
Reversal of allowance for impairment of investments	-	(2,151)
Reversal of allowance for impairment of properties foreclosed	(59)	(10,970)
Gains on disposal of investments in securities	-	(2,879)
Unrealised (gains) losses on foreign exchange transactions and trading derivatives	(21,789)	7,689
Losses on financial instruments measured at fair value through profit or loss	1,060	-
(Gains) losses on disposal of equipment and intangible assets	1	(612)
Losses on written-off of equipment	279	159
Gains on disposal of properties foreclosed	(5,213)	(17,414)
Employee benefit expenses	50,146	106,771
Decrease in accrued income	68,510	13,277
Decrease in accrued expenses	(323,547)	(27,099)
Net interest income	(3,134,422)	(2,864,821)
Dividend income	(28,795)	(28,595)
Cash received on interest income	4,168,578	4,170,128
Cash paid on interest expenses	(785,063)	(698,541)
Cash received on dividend income	28,595	28,595
Cash paid on income tax	(35,255)	(43,603)
Profit from operating activities before changes in operating assets and liabilities	2,512,789	2,841,845
Operating assets (increase) decrease		
Interbank and money market items - net	(6,741,675)	4,736,499
Loans to customers	4,097,692	(1,946,339)
Properties foreclosed	363,820	394,676
Other assets	194,294	61,249

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Cash flow statement (continued)

For the three-month period ended 31 March 2020

	(Unit: Thousand Baht)	
	2020	2019
Operating liabilities increase (decrease)		
Deposits	3,243,190	6,738,638
Interbank and money market items	80,194	(171,743)
Liabilities payable on demand	(54,879)	72,347
Short-term debts issued and borrowings	2,320,000	-
Provision for long-term employee benefits	(3,756)	(2,590)
Other liabilities	(281,906)	(395,859)
Net cash flows from operating activities	5,729,763	12,328,723
Cash flows from investing activities		
Cash paid for purchase of investments in securities held for investment	(12,044,456)	(3,329,710)
Cash received from disposal of investments in securities held for investment	8,438,802	4,802,573
Cash paid for purchase of equipment	(22,015)	(36,155)
Cash paid for purchase of intangible assets	(942)	(4,102)
Cash received from disposal of equipment	15	612
Net cash flows from (used in) investing activities	(3,628,596)	1,433,218
Cash flows from financing activities		
Cash received from issuance of long-term debentures	2,220,000	2,400,000
Cash paid for redemption of long-term debentures	-	(12,400,000)
Cash paid for lease liabilities	(44,916)	-
Dividend paid	(4,100,976)	(3,594,114)
Net cash flows used in financing activities	(1,925,892)	(13,594,114)
Net increase in cash	175,275	167,827
Cash at beginning of the period	1,099,247	1,188,931
Cash at end of the period	1,274,522	1,356,758
	-	-
Supplemental cash flows information		
Non-cash transactions		
Right-of-use assets	1,424	-

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

(Unaudited but reviewed)

TISCO Bank Public Company Limited

Statement of changes in equity

For the three-month period ended 31 March 2020

(Unit: Thousand Baht)

	Other components of equity									Total	
	Issued and fully paid-up		Share premium on ordinary shares	Deficit on changes in value of available-for-sale investments	Surplus on changes in value of investments in debt instruments measured at fair value through other comprehensive income	Surplus on revaluation of assets	Total of equity other components	Retained earnings			Total
	Preference shares	Ordinary shares						Appropriated	Unappropriated		
Balance as at 1 January 2019	1	9,215,676	2,543,024	(5,462)	-	308,123	302,661	984,000	17,277,459	30,322,821	
Profit for the period	-	-	-	-	-	-	-	-	1,320,424	1,320,424	
Other comprehensive income for the period	-	-	-	1,860	-	-	1,860	-	-	1,860	
Total comprehensive income for the period	-	-	-	1,860	-	-	1,860	-	1,320,424	1,322,284	
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(457)	(457)	-	569	112	
Balance as at 31 March 2019	1	9,215,676	2,543,024	(3,602)	-	307,666	304,064	984,000	18,598,452	31,645,217	
Balance as at 1 January 2020	1	9,215,676	2,543,024	(1,362)	-	306,261	304,899	984,000	18,255,407	31,303,007	
Cumulative effects due to the adoption of new financial reporting standards (Note 2)	-	-	-	5,056	-	-	5,056	-	434,597	439,653	
Reclassification	-	-	-	(3,694)	3,694	-	-	-	-	-	
Balance as at 1 January 2020 - as restated	1	9,215,676	2,543,024	-	3,694	306,261	309,955	984,000	18,690,004	31,742,660	
Profit for the period	-	-	-	-	-	-	-	-	997,421	997,421	
Other comprehensive income for the period	-	-	-	-	8,129	-	8,129	-	-	8,129	
Total comprehensive income for the period	-	-	-	-	8,129	-	8,129	-	997,421	1,005,550	
Transfer surplus on revaluation of assets to retained earnings	-	-	-	-	-	(463)	(463)	-	578	115	
Balance as at 31 March 2020	1	9,215,676	2,543,024	-	11,823	305,798	317,621	984,000	19,688,003	32,748,325	

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

TISCO Bank Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 March 2020

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

1.1 Basis for preparation of interim financial information

This interim financial information is prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, with the Bank choosing to present condensed interim financial information. However, the Bank has presented the statements of financial position, comprehensive income, changes in equity and cash flows in the same format as that used for the annual financial statements, and in accordance with the regulations of the Bank of Thailand (“BOT”), and their presentation has been made in compliance with the BOT’s Notification No. Sor Nor Sor. 21/2561 regarding “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups”, dated 31 October 2018, which has become effective for the financial statements for the year 2020.

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

The interim financial information in Thai language is the official statutory financial statements of the Bank. The interim financial information in English language has been translated from the Thai language interim financial information.

1.2 Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 pandemic is continuing to evolve, impacting various businesses and industries and resulting in an economic slowdown and fluctuations in the money market and the capital market. This situation could create uncertainties and may be impacting the operating results and cash flows in the future. However, the impact cannot be reasonably estimated at this stage. The Bank’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in various matters in order to continuously assess the impact as the situation evolves.

1.3 New financial reporting standards that became effective in the current period

During the period, the Bank has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. However, the new standards involve changes to key principles, which are summarised below:

Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

Classification and measurement of financial assets

The Bank classifies its financial assets and financial liabilities in accordance with the business model and management of the Bank's financial assets and liabilities based on the characteristics of the contractual cash flows on financial assets and the facts and circumstances as of the date these financial reporting standards were initially adopted.

- Classification and measurement of investments in equity instruments of non-listed companies: The Bank measures investments in equity instruments of non-listed companies at fair value and classifies the investments as financial assets at fair value through profit or loss.
- Classification and measurement of investments in available-for-sale equity securities of listed companies measured at fair value through other comprehensive income: The Bank has decided to classify these investments as financial assets at fair value through profit or loss. The cumulative gains (or losses) on changes in the value of reclassified available-for-sale investments that were previously presented in other comprehensive income is to be reclassified to retained earnings.

Classification of financial liabilities

The adoption of these standards does not have an impact on the classification of financial liabilities. The Bank continues to classify and measure its financial liabilities at amortised cost.

Impairment of financial assets

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

Practice during transitional period

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

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

TFRS 16 Leases

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

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

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

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

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

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

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for entities providing assistance to debtors impacted by the aforementioned situations during the period from 1 January 2020 to 31 December 2021, considering the following guidelines.

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

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

- (1) For the provision of assistance to loans that are not yet non-performing (Non-NPL), the Bank classifies them as loans with no significant increase in credit risk (Performing or Stage 1), provided that analysis of its status and business shows that the debtor is able to comply with the debt restructuring agreement without compliance monitoring and the debt restructuring is considered a pre-emptive debt restructuring rather than a troubled debt restructuring, and classification of the debtor remains at the same stage as before.
- (2) For the provision of assistance to non-performing loans (NPL), the Bank classifies them as performing loans if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 months or 3 installments consecutively, whichever is the longer period.
- (3) Additional working capital loans provided to a debtor in order to increase liquidity and enable the debtor to continue its business operations during the debt restructuring are classified by account level if the debtor has cash flows to support repayment or if, considering other factors, the debtor has the ability to pay the debt.
- (4) The guidelines of the BOT relating to assessment of whether there has been a significant increase in credit risk are applied to assess whether a debtor is moving to Stage 2.
- (5) Expected credit losses are determined based on the outstanding balance of the drawn down portion only.

- (6) If the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan, the Bank applies a newly calculated effective interest rate to determine the present value of loans that have been restructured and recognises interest income on the basis of this new effective interest rate during the grace period, or in accordance with the BOT's new guidelines if there are changes.
- (7) In cases where a general approach is used in determining expected credit losses, consideration is given to placing less weight on forward-looking information that is the result of the temporary crisis than on information reflecting ability of debt payment from historical experience.

As at 31 March 2020, the Bank has entered into the scheme to provide assistance to affected debtors. However, no debtors have been applied with the procedures in accordance with the Accounting Guidance as mentioned above.

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

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

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

The Bank has elected to apply the following temporary relief measures on accounting alternatives:

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

1.4 Significant accounting policies

The interim financial information is prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2019 except for the changes in accounting policies that became effective on 1 January 2020, as follows:

1.4.1 Classification and measurement

Financial assets that are debt instruments are measured at fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification is driven by the Bank's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets that are equity instruments are measured at fair value through profit or loss.

Financial liabilities are classified and measured at amortised cost.

1.4.2 Revenue recognition

a) Interest income and discounts on loans to customers

Since 1 January 2020 the Bank has recognised interest on loans on an accrual basis, using the effective interest rate method, applied to the outstanding principal amount, without ceasing revenue recognition. If loans to customers are later credit-impaired, the Bank recognises interest income using the effective interest rate method applied to the net carrying value of the loan (the loan amount net of allowance for expected credit losses). Before 1 January 2020, the Bank had a policy to stop accruing interest income for corporate loans on which interest payments have been defaulted for more than one month and for other loan accounts that were overdue for more than three months, and then reverse already recorded accrued interest from the accounts. Interest income was then recognised on a cash basis.

b) Gains (losses) on financial instruments measured at fair value through profit or loss

Gains (losses) on securities and derivatives trades are recognised as income (expenses) on the transaction dates. Changes in the fair value are recorded in profit or loss.

1.4.3 Investments in securities

Since 1 January 2020 the Bank has classified investments in securities as investments in securities measured at fair value through profit or loss, investments in securities measured at fair value through other comprehensive income or as investments in securities measured at amortised cost.

Investments in securities measured at fair value through profit or loss

Investments in debt instruments and investments in equity instruments measured at fair value through profit or loss are initially recognised at their fair value.

After initial recognition, gains or losses from changes in fair value are recognised in profit or loss.

Investments in securities measured at fair value through other comprehensive income

Investments in debt instruments measured at fair value through other comprehensive income are initially recognised at their fair value.

After initial recognition, gains or losses from changes in fair value are presented as a separate item in other comprehensive income, with gains or losses from changes in the accumulated fair value of investments in debt instruments recognised as net gains (losses) on investments in profit or loss upon the disposal of investments.

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

Investments in securities measured at amortised cost

Investments in debt instruments measured at amortised cost are initially recognised at fair value.

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

Revenue from investments and disposals of investments

Gains or losses on disposals of investments are recognised in profit or loss on the transaction date.

Changes in classification of investments in debt instruments

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

1.4.4 Loans to customers

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

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

1.4.5 Investments in receivables purchased or transferred in

Investments in receivables purchased or transferred in are classified as held-to-maturity financial assets, and initially recognised at acquisition cost. At the end of the period these investments are presented in the statement of financial position at amortised cost net of allowance for expected credit loss (if any).

If the receivable enters into a troubled debt restructuring agreement, the investment is transferred to loans to customers at fair value, which is based on the outstanding balance of the receivable net of allowance for expected credit loss as at the transfer date or the date of restructuring.

1.4.6 Allowance for expected credit losses

The Bank uses general principles to calculate expected credit losses on financial assets, such as deposits at financial institutions, investments in debt instruments measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, loans to customers and accrued interest receivables and committed credit lines and financial guarantees.

The Bank classifies financial assets with no credit impairment since initial purchase or acquisition into three groups (Three-stage approach) in order to measure the expected credit losses, with the classification of the financial assets determined on the basis of the change in credit quality since the initial transaction date, as follows:

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

For financial assets with no significant increase in credit risk since the initial recognition date, the Bank measures allowance for expected credit losses equal to the 12-month expected credit losses.

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

For financial assets with significant increases in credit risk since the initial recognition date but that are not credit-impaired, the Bank recognises the expected credit losses over the expected lifetime of the financial instrument.

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

For financial assets that are considered to be credit-impaired, the Bank recognises the expected credit losses over the expected lifetime of the asset.

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

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

In subsequent periods, if the credit quality of financial assets improves and it is assessed that the significant increase in credit risk from the initial recognition date that was assessed in the previous period no longer exists, the Bank changes from recognising expected credit losses over the expected lifetime to recognising them within the next 12 months.

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

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

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

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

1.4.7 Financial assets with modifications of terms/Debt restructuring

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

- If the modification of terms does not result in derecognition of the financial asset, the Bank calculates the gross book value of the new financial asset based on the present value of the new or modified cash flows, discounted using the original effective interest rate of the financial asset, and recognises a gain or loss on modification of terms in profit or loss.

- If the modification of terms results in derecognition of the financial asset, the fair value of the new financial asset is the latest cash flows of the original financial asset as at the date of derecognition. The difference between the book value and the fair value of the financial asset is recognised in profit or loss.

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

1.4.8 Leases

Right-of-use assets

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

Unless the Bank is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Bank's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and Leases of low-value assets

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

1.5 Significant accounting judgements and estimates

The interim financial information is prepared using subjective judgements and estimates as same as those used for the financial statements for the year ended 31 December 2019, except for the changes in judgements and estimates related to the following matters that became effective on 1 January 2020.

1.5.1 Allowance for expected credit losses on hire purchase receivables

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

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

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

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

	(Unit: Million Baht)			
	31 December 2019	The impacts of Financial reporting standards related to financial instruments	TFRS 16	1 January 2020
Statement of financial position				
Assets				
Financial instruments measured at				
fair value through profit or loss	-	759	-	759
Investments - net	7,672	(209)	-	7,463
Right-of-use assets	-	-	616	616
Deferred tax assets	882	(110)	-	772
Others assets	1,357	-	(36)	1,321
Liabilities				
Lease liabilities	-	-	580	580
Equity				
Other components of equity	305	5	-	310
Retained earnings - unappropriated	18,255	435	-	18,690

2.1 Financial instruments

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

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

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

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

(Unaudited but reviewed)

(Unit: Million Baht)

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

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

(Unit: Million Baht)

	As at 31 December 2019	Remeasurement	As at 1 January 2020
Allowance for expected credit losses - investments in available-for-sale debt securities reclassified as investments in debt instruments measured at fair value through other comprehensive income	1	-	1
Allowance for expected credit losses - loans to customers and accrued interest receivables	10,081	-	10,081
Total	10,082	-	10,082

2.2 Leases

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

	(Unit: Million Baht)
	Financial statements
Operating lease commitments as at 31 December 2019	282
Add: Option to extend lease term	345
Less: Deferred interest expenses	(47)
Lease liabilities as at 1 January 2020	<u>580</u>

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

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

3. General information

3.1 The Bank's information

TISCO Bank Public Company Limited ("the Bank") is a public company incorporated and domiciled in Thailand. Its parent company is TISCO Financial Group Public Company Limited, which was incorporated in Thailand. The Bank has been licensed by the Ministry of Finance to operate a commercial banking business. Its registered address is 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. As at 31 March 2020, the Bank has 59 branches in Thailand. (As at 31 December 2019: 61 branches).

3.2 Related party transactions

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

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

(Unaudited but reviewed)

4. Supplemental information

4.1 Classification of financial assets and financial liabilities

(Unit: Thousand Baht)

	As at 31 March 2020			Total
	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	
<u>Financial assets</u>				
Cash	-	-	1,274,522	1,274,522
Interbank and money market items - net	-	-	50,790,791	50,790,791
Financial assets measured at fair value through profit or loss	757,859	-	-	757,859
Investments - net	-	11,071,383	-	11,071,383
Loans to customers and accrued interest receivables - net	-	-	223,552,621	223,552,621
<u>Financial liabilities</u>				
Deposits	-	-	221,676,336	221,676,336
Interbank and money market items	-	-	3,912,119	3,912,119
Liabilities payable on demand	-	-	251,988	251,988
Derivatives liabilities	41,558	-	-	41,558
Debts issued and borrowings	-	-	23,256,919	23,256,919
Lease liabilities	-	-	553,501	553,501

4.2 Interbank and money market items

As at 31 March 2020 and 31 December 2019, interbank and money market items include purchases of securities under resale agreements made by the Bank in accordance with private repurchase transactions, with the securities purchased being used as collateral, as follows:

(Unit: Thousand Baht)

	Securities purchased under resale agreements according to private repurchase transactions as at	
	31 March 2020	31 December 2019
Commercial banks	24,700,000	26,800,000
Specialised financial institutions	24,100,000	15,000,000

(Unaudited but reviewed)

Fair value of securities received as collateral is as follows:

(Unit: Thousand Baht)

	Fair value of securities received as collateral as at	
	31 March 2020	31 December 2019
Commercial banks	24,628,100	26,456,400
Specialised financial institutions	24,371,700	15,057,800

4.3 Financial assets measured at fair value through profit or loss

(Unit: Thousand Baht)

Investments	As at	
	31 March 2020	31 December 2019
	Fair value	Fair value
Others		
Domestic marketable equity instruments	1,940	-
Domestic non-marketable equity instruments	755,919	-
Total	757,859	-

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

(Unit: Thousand Baht)

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

(Unaudited but reviewed)

4.4 Derivatives assets/derivatives liabilities

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

(Unit: Thousand Baht)

Type of risk	As at					
	31 March 2020			31 December 2019		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
Exchange rate	-	41,558	1,162,809	21,907	-	917,044
Total	-	41,558	1,162,809	21,907	-	917,044

All counterparties of these derivatives transactions are financial institutions.

4.5 Investments

4.5.1 Investments classified by type of investments (in accordance with new accounting standards)

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

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
	Fair value/ amortised cost	Fair value/ amortised cost
Investments in debt instruments measured at fair value through other comprehensive income		
Government and state enterprise securities	10,889,113	-
Private sector debt securities	182,270	-
Total	11,071,383	-
Investments in debt instruments measured at amortised cost		
Investments in receivables	12,211	-
Less: Allowance for expected credit losses	(12,211)	-
Total	-	-
Total investments	11,071,383	-

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
Available-for-sale investments - fair value		
Government and state enterprise securities	-	7,280,613
Private sector debt securities	-	183,387
Domestic marketable equity securities	-	3,000
Less: Allowance for impairment	-	(1,460)
Total available-for-sale investments	-	7,465,540
Held-to-maturity debt securities - cost/amortised cost		
Investments in receivables	-	12,437
Less: Allowance for impairment	-	(12,437)
Total held-to-maturity debt securities	-	-
General investments - cost		
Domestic non-marketable equity securities	-	246,596
Less: Allowance for impairment	-	(40,243)
Total general investments	-	206,353
Investments - net	-	7,671,893

4.5.2 Classified by remaining years to maturity of the debt instruments

(Unit: Million Baht)

	As at 31 March 2020			
	Due within			
	Less than 1 year	1 - 5 years	Over 5 years	Total
Investments in debt instruments measured at fair value through other comprehensive income				
Government and state enterprise securities	10,516	373	-	10,889
Private sector debt securities	182	-	-	182
Total	10,698	373	-	11,071
Investments in debt instruments measured at amortised cost				
Investments in receivables	12	-	-	12
Less: Allowance for expected credit losses	(12)	-	-	(12)
Total	-	-	-	-
Total debt instruments	10,698	373	-	11,071

(Unaudited but reviewed)

(Unit: Million Baht)

As at 31 December 2019

	Due within			Total
	Less than	Over		
	1 year	1 - 5 years	5 years	
Available-for-sale investments				
Government and state enterprise securities	7,278	3	-	7,281
Private sector debt securities	183	-	-	183
Total	7,461	3	-	7,464
Less: Allowance for impairment	(1)	-	-	(1)
Total	7,460	3	-	7,463
Held-to-maturity debt securities				
Investments in receivables	12	-	-	12
Less: Allowance for impairment	(12)	-	-	(12)
Total	-	-	-	-
Total debt securities	7,460	3	-	7,463

4.5.3 Investments subject to restrictions

(Unit: Million Baht)

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

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

(Unit: Thousand Baht)

	As at 31 March 2020		
	Cost	Fair value	Allowance for impairment
Companies having problems with debt repayment or in default	1,460	-	1,460

(Unit: Thousand Baht)

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

(Unaudited but reviewed)

4.5.5 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 2019		
	Fair value of investments	Unpaid amounts	Percentage of holding (%)
Services:			
Jiji Press (Thailand) Co., Ltd.	814	300	10
Trading import and export:			
Juki (Thailand) Co., Ltd.	5,707	-	10
PDTL Trading Co., Ltd.	3,637	-	10
Wattana Inter-Trade Co., Ltd.	5,382	-	10
Real estate:			
UMI Property Co., Ltd.	4,097	-	10
Industrial:			
Siam Art Ceramic Co., Ltd.	11,299	-	10

4.6 Loans to customers and accrued interest receivables

4.6.1 Classified by type of loans to customers

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
Loans to customers		
Overdrafts	47,292	107,811
Loans	100,773,763	103,383,449
Hire purchase receivables	150,891,210	153,758,207
Finance lease receivables	4,458	9,359
Less: Deferred revenue	(18,769,684)	(19,084,739)
Advances received from finance lease receivables	(4,458)	(8,613)
Total loans to customers	232,942,581	238,165,474
Add: Accrued interest receivables and undue interest receivables	1,335,044	1,106,977
Less: Allowance for expected credit losses	(10,725,004)	-
Allowance for doubtful accounts	-	(10,074,115)
Allowance for loss on debt restructuring	-	(7,343)
Loans to customers and accrued interest receivables - net	223,552,621	229,190,993

(Unaudited but reviewed)

4.6.2 Classified by currency and residency of debtors

(Unit: Thousand Baht)

	As at					
	31 March 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	224,507,339	7,272,433	231,779,772	230,030,212	7,218,218	237,248,430
US Dollars	-	1,162,809	1,162,809	-	917,044	917,044
Total loans to customers net of deferred revenue	<u>224,507,339</u>	<u>8,435,242</u>	<u>232,942,581</u>	<u>230,030,212</u>	<u>8,135,262</u>	<u>238,165,474</u>

4.6.3 Classified by loan classification

(Unit: Thousand Baht)

	As at 31 March 2020	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets with no significant increase in credit risk (Performing)	202,811,192	3,702,921
Financial assets with significant increases in credit risk (Under-performing)	25,847,499	3,544,689
Financial assets that are credit-impaired (Non-performing)	5,618,934	1,628,696
Allowance established in excess	-	1,848,698
Total	<u>234,277,625</u>	<u>10,725,004</u>

(Unit: Thousand Baht)

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

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

(2) As at 31 December 2019, the provisions set aside by the Bank exceeded the BOT's notification No. Sor Nor Sor. 5/2559 minimum requirement by a total of Baht 5,714 million. The Bank allocated Baht 2,151 million of the excess provision to specific provision for individual debtors and so combined with the minimum provision requirement of Baht 4,360 million, the total provision set aside in accordance with BOT's requirement is Baht 6,511 million.

(Unaudited but reviewed)

As at 31 December 2019			
Percentage of allowance for doubtful accounts set up (%)			
	Hire purchase receivables ⁽³⁾	Loan against auto license receivables ⁽³⁾	Other loans ⁽⁴⁾
Pass	0.72	1.87	1
Special mention	7.64	17.25	2
Sub-standard	26.35	39.13	100
Doubtful	31.89	39.13	100
Doubtful of loss	26.21	39.13	100

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

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

4.6.4 Classified by loan classification and type of debtors

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

(Unit: Million Baht)								
As at 31 March 2020								
	Hire purchase receivables		Loan against auto license				Total	
	Loans to customers and accrued interest receivables	Allowance for expected credit losses	Loans to customers and accrued interest receivables	Allowance for expected credit losses	Loans to customers and accrued interest receivables	Allowance for expected credit losses	Loans to customers and accrued interest receivables	Allowance for expected credit losses
Financial assets with no significant increase in credit risk (Performing)	111,754	1,309	25,787	819	65,270	1,575	202,811	3,703
Financial assets with significant increases in credit risk (Under-performing)	17,904	1,718	4,857	759	3,087	1,067	25,848	3,544
Financial assets that are credit-impaired (Non-performing)	3,353	822	839	302	1,427	505	5,619	1,629
Total	133,011	3,849	31,483	1,880	69,784	3,147	234,278	8,876
Allowance established in excess								1,849
Total								10,725

(Unaudited but reviewed)

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

(Unit: Million Baht)

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

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

4.6.5 Hire purchase and finance lease receivables

As at 31 March 2020, receivables of the Bank under hire purchase and finance lease agreements amount to Baht 132,294 million (31 December 2019: Baht 134,847 million) and mostly comprise hire purchase agreements for cars and finance lease agreements for machines and equipment for business operation. The terms of the agreements are generally between 1 to 8 years and under most agreements, interest is charged at a fixed rate as specified in agreements.

(Unit: Million Baht)

	As at 31 March 2020				
	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Financial assets that are credit-impaired (Non-performing)	Total
Gross investment in the agreements	44,549	91,145	7,956	7,245	150,895
Less: Deferred revenue ⁽⁶⁾	(5,731)	(8,616)	(286)	(3,964)	(18,597)
Advances received from finance lease receivables	(4)	-	-	-	(4)
Present value of minimum lease pay from agreements	<u>38,814</u>	<u>82,529</u>	<u>7,670</u>	<u>3,281</u>	132,294
Allowance for expected credit losses					(3,849)
Net hire purchase and finance lease receivables					<u>128,445</u>

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

(Unaudited but reviewed)

(Unit: Million Baht)

As at 31 December 2019

	Amounts of installments due under the long-term lease agreements				
	Not over 1 year	Over 1 year but not over 5 years	Over 5 years	Non- performing loans	Total
Gross investment in the agreements	45,748	93,957	7,412	6,651	153,768
Less: Deferred revenue ⁽⁶⁾	(5,868)	(8,866)	(325)	(3,853)	(18,912)
Advances received from finance lease receivables	(9)	-	-	-	(9)
Present value of minimum lease pay from agreements	<u>39,871</u>	<u>85,091</u>	<u>7,087</u>	<u>2,798</u>	134,847
Allowance for doubtful accounts ⁽⁵⁾					(2,535)
Net hire purchase and finance lease receivables					<u>132,312</u>

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

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

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

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

(Unit: Million Baht)

As at 31 December 2019

	Amounts calculated under BOT's guidelines ⁽⁸⁾	Amounts calculated under the Bank's policy
	Loans to customers for which the recognition of interest income has been ceased ⁽⁷⁾	6,816

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

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

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

(Unaudited but reviewed)

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

(Unit: Million Baht)

	As at	
	31 March 2020	31 December 2019
Deferred revenue ⁽⁹⁾	18,770	19,085

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

4.6.8 Troubled debt restructuring

Supplemental information regarding the Bank's debt structuring agreements with debtors for the three-month periods ended 31 March 2020 and 2019 is as follows:

	For the three-month periods ended 31 March	
	2020	2019
Debtors restructured during the period		
Number of debtors restructured by modification of terms (number)	213	277
Loan balances before restructuring (Million Baht)	88	83
Loan balances after restructuring (Million Baht)	89	84
Loss on troubled debt restructuring (Million Baht)	-	-
Average contract period of debt restructuring (years)		
Hire purchase receivables	5	4
Mortgage loan receivables	16	4
Loan against auto license receivables	4	5

Supplemental information for the three-month periods ended 31 March 2020 and 2019 relating to the restructured debts is as follows:

(Unit: Million Baht)

	For the three-month periods ended 31 March	
	2020	2019
Interest income on restructured receivables	31	55
Receipt of principal and interest	225	316

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

(Unit: Million Baht)

	As at			
	31 March 2020		31 December 2019	
	Number of debtors	Outstanding balance	Number of debtors	Outstanding balance
The balance of the restructured debts	9,655	1,934	10,615	2,109

(Unaudited but reviewed)

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

4.7.1 Allowance for expected credit losses

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

(Unit: Thousand Baht)

	For the three-month period ended 31 March 2020					Total
	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant increases in credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit-impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts/ allowance for impairments	Allowance established in excess	
Interbank and money market items (assets)						
Balance - beginning of period	-	-	-	-	-	-
Increase during the period	466	-	-	-	-	466
Balance - end of period	<u>466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>466</u>
Investments in debt instruments measured at fair value through other comprehensive income						
Balance - beginning of period	-	-	-	1,460	-	1,460
Changes due to the adoption of new financial reporting standards ⁽¹⁾	-	-	1,460	(1,460)	-	-
	-	-	1,460	-	-	1,460
Increase during the period	3,320	-	-	-	-	3,320
Balance - end of period	<u>3,320</u>	<u>-</u>	<u>1,460</u>	<u>-</u>	<u>-</u>	<u>4,780</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the three-month period ended 31 March 2020

	Financial assets with no significant increase in credit risk (12-mth ECL)	Financial assets with significant credit risk (Lifetime ECL - not credit impaired)	Financial assets that are credit- impaired (Lifetime ECL - credit impaired)	Allowance for doubtful accounts/ allowance for impairments	Allowance established in excess	Total
Investments in debt instruments measured at amortised cost						
Balance - beginning of period	-	-	-	12,437	-	12,437
Changes due to the adoption of new financial reporting standards ⁽¹⁾	-	-	12,437	(12,437)	-	-
	-	-	12,437	-	-	12,437
Decrease during the period	-	-	(226)	-	-	(226)
Balance - end of period	-	-	12,211	-	-	12,211
Loans to customers and accrued interest receivables						
Balance - beginning of period	-	-	-	6,511,551	3,562,564	10,074,115
Changes due to the adoption of new financial reporting standards ⁽¹⁾						
- Allocation of allowance for doubtful accounts	3,693,151	2,882,492	1,385,674	(6,511,551)	(1,449,766)	-
- Transfer allowance for loss on debt restructuring to allowance for expected credit losses	-	7,343	-	-	-	7,343
	3,693,151	2,889,835	1,385,674	-	2,112,798	10,081,458
Increase (decrease) during the period	9,770	654,854	794,753	-	(264,100)	1,195,277
Bad debts written-off	-	-	(551,731)	-	-	(551,731)
Balance - end of period	3,702,921	3,544,689	1,628,696	-	1,848,698	10,725,004

(1) Beginning balance of allowance for doubtful accounts, measured in accordance with the rules of the BOT, is presented as 12-mth ECL and Lifetime ECL on TFRS9, without restatement of the comparative information.

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

(Unaudited but reviewed)

4.7.2 Allowance for doubtful accounts

As at 31 December 2019, the Bank has allowance for doubtful accounts classified by receivable classification as follows:

(Unit: Thousand Baht)

	For the year ended 31 December 2019						Total
	Pass	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess	
	Balance - beginning of year	2,512,050	3,194,214	1,268,714	586,227	531,021	
Increase (decrease) in allowance for doubtful accounts during the year	(73,475)	(841,946)	(204,699)	1,419,687	1,531,388	611,136	2,442,091
Bad debts written-off	-	-	(26,731)	(1,525,301)	(1,859,598)	-	(3,411,630)
Balance - end of year	<u>2,438,575</u>	<u>2,352,268</u>	<u>1,037,284</u>	<u>480,613</u>	<u>202,811</u>	<u>3,562,564</u>	<u>10,074,115</u>

4.7.3 Allowance for loss on debt restructuring

(Unit: Thousand Baht)

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

4.8 Classification of assets

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

(Unit: Million Baht)

	Cost as at		Fair value as at		Allowance for possible loss provided in the accounts as at	
	31 March	31 December	31 March	31 December	31 March	31 December
	2020	2019	2020	2019	2020	2019
Investments in debt instruments measured at fair value through other comprehensive income						
Debt instruments - debentures ⁽¹⁾	1	1	-	-	1	1

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

4.8.2 Classification of assets under the BOT's guidelines

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

(Unit: Million Baht)

	As at 31 March 2020				Total
	Financial assets				
	Interbank and money market items	Debt instruments measured at fair value through		Loans to customers and accrued interest receivables	
		other comprehensive income	Debt instruments measured at amortised cost		
Financial assets with no significant increase in credit risk (Performing)	50,791	11,070	-	202,811	264,672
Financial assets with significant increases in credit risk (Under-performing)	-	-	-	25,848	25,848
Financial assets that are credit-impaired (Non-performing)	-	1	12	5,619	5,632
Total	50,791	11,071	12	234,278	296,152

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

(Unit: Million Baht)

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

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

4.8.3 Loans to customers with weak financial position and poor operating results

	Number of debtors		Debt balance		Collateral value		Allowance for expected credit losses/allowance for doubtful accounts provided in the accounts ⁽⁴⁾	
	as at		as at		as at		as at	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
				(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Listed companies vulnerable to delisting from the SET ⁽³⁾	1	1	501	513	456	467	501	513 ⁽⁵⁾
2. Non-listed companies with similar operating results and financial positions to listed companies vulnerable to delisting from the SET	7	8	606	862	206	236	85	10
Total	8	9	1,107	1,375	662	703	586	523

(3) The company is currently under rehabilitation.

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

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

4.9 Premises and equipment

Movement of premises and equipment for the three-month period ended 31 March 2020 is as follows:

	(Unit: Thousand Baht)
Cost	
1 January 2020	1,691,557
Additions	22,015
Disposals/transfers out	(71,805)
31 March 2020	1,641,767
Accumulated depreciation	
1 January 2020	899,518
Depreciation for the period	15,872
Depreciation on disposals/transfers out	(69,149)
31 March 2020	846,241
Net book value	
31 December 2019	792,039
31 March 2020	795,526

4.10 Right-of-use assets

Movement of right-of-use assets for the three-month period ended 31 March 2020 is as follows:

	(Unit: Thousand Baht)
Cost	
1 January 2020	616,201
Addition	1,424
Contract termination	(8,299)
31 March 2020	<u>609,326</u>
Accumulated depreciation	
1 January 2020	-
Depreciation for the period	47,074
Depreciation for terminated contract	(482)
31 March 2020	<u>46,592</u>
Net book value	
1 January 2020	<u>616,201</u>
31 March 2020	<u><u>562,734</u></u>

4.11 Other assets

	(Unit: Thousand Baht)	
	As at	
	31 March 2020	31 December 2019
Value added tax - net	255,659	386,145
Accrued interest receivables	20,302	11,334
Fee and service receivables	118,821	187,331
Deposits	63,464	62,476
Other receivables	369,750	515,506
Other assets	193,297	193,914
Total other assets	<u><u>1,021,293</u></u>	<u><u>1,356,706</u></u>

(Unaudited but reviewed)

4.12 Deposits

4.12.1 Classified by type of deposits

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
Deposits		
Current accounts	4,125,382	3,013,919
Saving accounts	45,887,078	37,801,616
Fixed accounts		
- not over 6 months	15,638,150	19,248,789
- over 6 months but not over 1 year	36,056,875	33,399,669
- over 1 year	3,192,804	3,912,418
Certificates of deposit/negotiable certificates of deposit	116,776,047	121,056,735
Total	<u>221,676,336</u>	<u>218,433,146</u>

4.12.2 Classified by the remaining years of contract

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
Not over 1 year ⁽¹⁾	221,111,446	217,738,781
Over 1 year	564,890	694,365
Total deposits	<u>221,676,336</u>	<u>218,433,146</u>

(1) Including fully-mature deposit contracts

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

4.13 Debts issued and borrowings

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
<u>Domestic borrowings</u>		
Subordinated unsecured debentures	6,680,000	6,680,000
Unsubordinated unsecured debentures	16,540,000	12,000,000
Bills of exchange	36,122	36,122
Promissory notes	797	797
Total	<u>23,256,919</u>	<u>18,716,919</u>

4.13.1 Subordinated unsecured debentures

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

Issued year	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
	31 March 2020	31 December 2019		31 March 2020	31 December 2019		
	(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2015	1.00	1.00	1,000	1,000	1,000	2025	4.50 percent per annum
2015	1.00	1.00	1,000	1,000	1,000	2025	4.25 percent per annum
2016	0.68	0.68	1,000	680	680	2026	3.875 percent per annum
2017	1.00	1.00	1,000	1,000	1,000	2027	4.00 percent per annum
2017	0.60	0.60	1,000	600	600	2027	3.70 percent per annum
2019	1.20	1.20	1,000	1,200	1,200	2029	4.00 percent per annum
2019	1.20	1.20	1,000	1,200	1,200	2029	4.00 percent per annum
Total				6,680	6,680		

4.13.2 Unsubordinated unsecured debentures

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

Issued year	Type of debentures	Units as at		Face value per unit (Baht)	Balance as at		Maturity in the year	Interest rate
		31 March 2020	31 December 2019		31 March 2020	31 December 2019		
		(Million units)	(Million units)		(Million Baht)	(Million Baht)		
2018	Long-term debenture	12.00	12.00	1,000	12,000	12,000	2020	1.65 - 2.05 percent per annum
2020	Short-term debenture	2.32	-	1,000	2,320	-	2021	1.30 percent per annum
2020	Long-term debenture	2.22	-	1,000	2,220	-	2022	1.40 percent per annum
Total					16,540	12,000		

4.13.3 Bills of exchange

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

(Unaudited but reviewed)

4.14 Lease liabilities

(Unit: Thousand Baht)

As at

	31 March 2020	31 December 2019
Beginning balance as at 1 January 2020 from the adoption of new financial reporting standards	627,281	-
Increase during the period	1,443	-
Paid during the period	(44,916)	-
Terminated during the period	(8,460)	-
Balance as at 31 March 2020	575,348	-
Less: Deferred interest expense	(41,847)	-
Lease liabilities - net	533,501	-

4.15 Provisions

(Unit: Thousand Baht)

As at

	31 March 2020	31 December 2019
Allowance for expected credit losses for committed credit lines and financial guarantees	845	-
Provision for long-term employee benefits	756,220	709,830
Total provisions	757,065	709,830

4.16 Other liabilities

(Unit: Thousand Baht)

As at

	31 March 2020	31 December 2019
Withholding income tax and other tax payables	198,601	317,795
Accrued insurance premium	206,286	272,811
Deferred income	1,544,084	1,614,941
Accrued expenses	2,355,775	2,679,322
Suspense creditors	1,012,233	1,014,778
Other liabilities	301,291	344,781
Total other liabilities	5,618,270	6,244,428

4.17 Capital funds

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

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

Regarding Capital funds as at 31 March 2020 and 31 December 2019, the Bank has allocated the additional reserve from classification as a part of regulatory capital funds. The reserve has been classified to Tier 1 capital and Tier 2 capital based on method under BOT's regulation.

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

	(Unit: Thousand Baht)	
	As at	
	31 March 2020	31 December 2019
<u>Common Equity Tier I capital</u>		
Issued and fully paid-up share capital	9,215,676	9,215,676
Premium on share capital	2,543,024	2,543,024
Statutory reserve	984,000	984,000
Net profits after appropriation	17,277,459	17,277,459
Other components of equity	317,621	304,899
Less: Deductions from Common Equity Tier I items	(701,607)	(1,080,464)
Total Common Equity Tier I capital	29,636,173	29,244,594
<u>Financial Instrument Tier I capital</u>		
Issued and fully paid-up share capital - non cumulative preferred shares	1	1
Total Tier I capital	29,636,174	29,244,595
<u>Tier II capital</u>		
Long-term subordinated debentures	6,680,000	6,680,000
Surplus of provision	749,141	749,945
Reserve for loans classified as pass	305,346	542,598
Total Tier II capital	7,734,487	7,972,543
Total capital funds	37,370,661	37,217,138

(Unaudited but reviewed)

(Unit: Percent)

Capital fund ratios	As at			
	31 March 2020		31 December 2019	
	The Bank	Requirement	The Bank	Requirement
Common Equity Tier I capital to risk assets	17.58	7.00	17.37	7.00
Tier I capital to risk assets	17.58	8.50	17.37	8.50
Total capital to risk assets	22.16	11.00	22.10	11.00

To comply with the Notification of the BOT No. Sor Nor Sor. 14/2562 regarding “Public Disclosure of Capital Maintenance for Commercial Banks” (No.2), the Bank has disclosed capital maintenance information as at 31 December 2019 on its website (www.tisco.co.th) in April 2020.

4.18 Interest income

Interest income for the three-month periods ended 31 March 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2020	2019
Interbank and money market items	92,355	210,001
Investments in debt securities	28,647	33,749
Loans to customers	2,137,348	1,955,295
Hire purchase and finance lease	1,948,286	1,929,878
Total interest income	4,206,636	4,128,923

Interest income for the three-month period ended 31 March 2020 consisted of interest income on impaired financial assets amounting to Baht 81 million. The Bank recognised expected credit losses on which at the amount that fully covers this interest income.

4.19 Interest expenses

Interest expenses for the three-month periods ended 31 March 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2020	2019
Deposits	807,459	741,768
Interbank and money market items	3,652	2,218
Contribution fee to the Deposit Protection Agency and the Bank of Thailand	134,728	278,941
Issued debt securities		
- Subordinated debentures	67,826	70,105
- Unsubordinated debentures	53,191	170,845
Borrowings	227	225
Others	5,131	-
Total interest expenses	<u>1,072,214</u>	<u>1,264,102</u>

4.20 Fee and service income

Fee and service income for the three-month periods ended 31 March 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2020	2019
Fee and service income		
- Acceptance, aval and guarantees	1,433	1,397
- Insurance service	364,871	443,624
- Others	202,487	241,550
Total fee and service income	<u>568,791</u>	<u>686,571</u>
Fee and service expenses	<u>(19,057)</u>	<u>(19,548)</u>
Net fee and service income	<u>549,734</u>	<u>667,023</u>

(Unaudited but reviewed)

4.21 Net losses on financial instruments measured at fair value through profit or loss

Net losses on financial instruments measured at fair value through profit or loss for the three-month periods ended 31 March 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods ended 31 March	
	2020	2019
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and derivatives on foreign exchange	(15,297)	-
- Debt securities	11,934	-
- Equity securities	(1,060)	-
Total	<u>(4,423)</u>	<u>-</u>

4.22 Net gains on investments

Net gains on investments for the three-month periods ended 31 March 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods ended 31 March	
	2020	2019
Gains on disposal		
- Debt instruments measured at amortised cost	1,345	-
- Held-to-maturity debt instruments	-	2,879
Total	<u>1,345</u>	<u>2,879</u>
Reversal of allowance for losses on impairment		
- General investments	-	2,078
Total	<u>-</u>	<u>2,078</u>
Net gains on investments	<u>1,345</u>	<u>4,957</u>

4.23 Other operating income

Other operating income for the three-month periods ended 31 March 2020 and 2019 consisted of the following:

(Unit: Thousand Baht)

	For the three-month periods ended 31 March	
	2020	2019
Gains on disposal of properties foreclosed	5,213	17,414
Dividend income	28,795	28,595
Others	23,765	16,346
Total	<u>57,773</u>	<u>62,355</u>

4.24 Other operating expenses

Other operating expenses for the three-month periods ended 31 March 2020 and 2019 consisted of the following:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2020	2019
Mailing expenses	13,850	14,238
Software amortisation expenses	23,513	23,405
Legal expenses relating to the business	68,248	69,551
Transportation expenses	17,737	18,695
Expenses related to the repossession and the disposal of repossessed assets	17,316	17,394
Advertising and business promotion expenses	26,760	14,198
Others	20,909	33,329
Total	188,333	190,810

4.25 Expected credit losses

Expected credit losses and gains or losses from the modification of terms for financial assets for the three-month periods ended 31 March 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2020	2019
Interbank and money market items	466	-
Investments in debt instruments measured at amortised cost	(225)	-
Investments in debt instruments measured at fair value through other comprehensive income	3,320	-
Loans to customers		
- Expected credit losses	757,907	-
- Losses from the modification of terms	27,997	-
Total	789,465	-
Committed credit lines and financial guarantees	845	-
Total	790,310	-

4.26 Income tax expenses

Income tax expenses for the three-month periods ended 31 March 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2020	2019
Current income tax:		
Income tax expenses for the period	-	441,783
Deferred tax:		
Deferred tax on temporary differences and reversion of temporary differences	246,683	(116,181)
Income tax expenses reported in the statement of comprehensive income	246,683	325,602

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	As at		Change in deferred tax assets/deferred tax liabilities reported in profit or loss for the three-month periods ended 31 March	
	31 March 2020	31 December 2019	2020	2019
Allowance for doubtful accounts	369,740	712,513	(342,773)	93,314
Allowance for impairment of investments	13,080	13,125	(45)	(430)
Allowance for impairment of properties foreclosed	44	55	(11)	(2,290)
Non-accrual of interest income	33,124	33,209	(85)	(1,021)
Depreciation of assets	(37,531)	(41,143)	3,612	(5,807)
Finance leases	4	(12)	16	(30)
Gains on changes in fair value of investment properties	-	-	-	2,983
Surplus on revaluation of assets	(76,450)	(76,565)	-	-
(Surplus) deficit on changes in value of investments	(1,692)	340	-	-
Unrealised gain on derivatives	-	(214)	214	(1,402)
Gains on change in value of securities	(109,701)	-	212	-
Deferred commission and direct expenses incurred at the initiation of hire purchase	(571,124)	(583,651)	12,527	(13,888)
Unearned interest income on hire purchase	191,529	197,238	(5,709)	5,182
Accrued expenses	346,225	346,225	-	-
Employee benefit expenses	151,244	141,966	9,278	29,669
Tax loss carried forward	74,358	-	74,358	-
Others	140,779	139,056	1,723	9,901
Deferred tax assets	523,629	882,142	(246,683)	116,181

(Unaudited but reviewed)

4.27 Components of other comprehensive income

(Unit: Thousand Baht)

For the three-month periods ended 31 March

	2020	2019
Other comprehensive income		
Debt securities investments:		
Gains during the period	10,161	-
Less: Reclassification adjustments for gains included in profit or loss	-	-
	10,161	-
Available-for-sale investments:		
Gains during the period	-	2,325
Less: Reclassification adjustments for gains included in profit or loss	-	-
	-	2,325
Other comprehensive income	10,161	2,325
Income taxes effects	(2,032)	(465)
Net other comprehensive income for the period	8,129	1,860

4.28 Earnings per share

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

For the three-month periods ended 31 March

	2020	2019
Profit attributable to equity holders of the Bank (Thousand Baht)	997,421	1,320,424
Weighted average number of shares (Thousand shares)	921,568	921,568
Basic earnings per share (Baht/share)	1.08	1.43

4.29 Related party transactions

The relationships between the Bank and its related parties

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

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

	(Unit: Thousand Baht)	
	As at	
	31 March 2020	31 December 2019
<u>Outstanding balance</u>		
Parent company		
TISCO Financial Group Plc.		
Deposits	4,954	1,098,238
Accrued interest payable	64	210
Dividend payable	-	4,100,464
Other liabilities	126,583	120,398
Related companies		
Other Assets		
TISCO Insurance Solution Co., Ltd.	15,318	15,417
TISCO Securities Co., Ltd.	117	199
TISCO Asset Management Co., Ltd.	4,378	3,009
Hi-Way Co., Ltd.	855	2,280
Deposits		
Hi-Way Co., Ltd.	158,329	113,782
TISCO Insurance Solution Co., Ltd.	270,303	553,781
TISCO Information Technology Co., Ltd.	339,834	295,531
TISCO Learning Center Co., Ltd.	29,128	42,813

(Unaudited but reviewed)

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
Related companies (continued)		
Deposits (continued)		
All-Ways Co., Ltd.	212,158	211,551
Primus Leasing Co., Ltd. (in the process of liquidation)	32,897	32,898
TISCO Tokyo Leasing Co., Ltd.	1,711	4,186
Interbank and money market items (liabilities)		
TISCO Securities Co., Ltd.	107,546	98,020
TISCO Asset Management Co., Ltd.	49,187	64,335
TISCO Investment Advisory Securities Co., Ltd.	43,112	23,888
Accrued interest payable		
TISCO Securities Co., Ltd.	21	3
TISCO Asset Management Co., Ltd.	94	80
TISCO Investment Advisory Securities Co., Ltd.	-	1
Hi-Way Co., Ltd.	152	7
TISCO Insurance Solution Co., Ltd.	24	223
TISCO Information Technology Co., Ltd.	152	69
TISCO Learning Center Co., Ltd.	19	128
All-Ways Co., Ltd.	192	236
TISCO Tokyo Leasing Co., Ltd.	5	1
Other liabilities		
Hi-Way Co., Ltd.	185,884	175,092
TISCO Insurance Solution Co., Ltd.	22,929	38,623
TISCO Learning Center Co., Ltd.	3,204	1,723
TISCO Securities Co., Ltd.	278	-
Common directors company		
Deposits	60,159	60,803
Commitments - Guarantees		
Parent company		
TISCO Financial Group Plc.	1,040	1,040
Related companies		
TISCO Securities Co., Ltd.	540	540
TISCO Asset Management Co., Ltd.	440	440
TISCO Insurance Solution Co., Ltd.	200	200
TISCO Information Technology Co., Ltd.	1,014	1,014
Commitments - Undrawn overdraft facilities		
Related company		
TISCO Securities Co., Ltd.	30,000	30,000

(Unaudited but reviewed)

Loans to related company

As at 31 March 2020 and 1 January 2020, the balances of loans between the Bank and its related companies and their movements are as follows:

(Unit: Thousand Baht)

	As at 1 January 2020	Increase	Decrease	As at 31 March 2020
Parent company				
Loans				
TISCO Financial Group Plc.	-	8,000	-	8,000

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

(Unit: Thousand Baht)

	For the three-month periods ended		
	31 March		
	2020	2019	Terms and pricing policies
<u>Transactions occurred during the periods</u>			
Parent company			
Other income	151	333	With reference to the terms and prices as offered to other customers
Risk and financial management fee expenses, human resources management fee expenses and office administration fee expenses	378,500	398,616	Determined on market prices and/or actual cost in compliance with the criteria specified by the Bank of Thailand
Interest expenses	902	2,850	With reference to the terms and prices as offered to other customers
Other expenses	-	2,509	With reference to the terms and prices as offered to other customers
Related companies			
Interest income	-	2,622	With reference to the terms and prices as offered to other customers
Income involving loans	-	47	With reference to the terms and prices as offered to other customers
Other income	31,828	27,782	With reference to the terms and prices as offered to other customers

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended		Terms and pricing policies
	31 March		
	2020	2019	
Related companies (continued)			
Expenses involving loans	182,800	114,150	Determined on actual cost
Computer system advisory service expenses	176,250	157,000	Determined on actual cost in compliance with the criteria specified by the Bank of Thailand
Training expenses	10,556	7,390	With reference to the prices as offered from other service providers
Interest expenses	1,829	2,425	With reference to the terms and prices as offered to other customers
Other expenses	293	2,349	With reference to the terms and prices as offered to other customers

Loans to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
Loans ⁽¹⁾	1,780	1,846

(1) Including employee welfare loans and normal loans

Liabilities payable to management-level employees (departmental manager upward)

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
Deposits	60,492	65,333

Directors and management's benefits

During the three-month periods ended 31 March 2020 and 2019, the Bank had short-term benefit expenses paid to its directors and key management during the periods and other employee benefit expenses payable to its directors and management as follows:

(Unit: Million Baht)

	For the three-month periods ended 31 March	
	2020	2019
Short-term benefits	22	20
Post-employment benefits	4	17
Total	26	37

(Unaudited but reviewed)

4.30 Segment information

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

The following tables present revenue and profit information regarding the Bank's operating segments for the three-month periods ended 31 March 2020 and 2019, respectively.

(Unit: Million Baht)

	For the three-month period ended 31 March 2020					
	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
Revenue						
External customers	3,387	314	95	3,796	-	3,796
Inter-segment	-	-	733	733	(733)	-
Total revenue	3,387	314	828	4,529	(733)	3,796
Operating results:						
Net interest income	2,777	301	56	3,134	-	3,134
Net fee and service income	524	28	(2)	550	-	550
Other operating income	86	(15)	774	845	(733)	112
Total operating income	3,387	314	828	4,529	(733)	3,796
Premises and equipment expenses and amortisation	(78)	(6)	(258)	(342)	-	(342)
Other operating expenses	(1,553)	(121)	(479)	(2,153)	733	(1,420)
Expected credit losses	(1,067)	22	255	(790)	-	(790)
Total operating expenses	(2,698)	(105)	(482)	(3,285)	733	(2,552)
Segment profit before income tax expenses	689	209	346	1,244	-	1,244
Income tax expenses						(247)
Profit for the period						997

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month period ended 31 March 2019

	Retail banking	Corporate banking	Treasury investment and others	Total segments	Adjustments and eliminations	Financial statements
Revenue						
External customers	3,168	282	210	3,660	-	3,660
Inter-segment	-	-	968	968	(968)	-
Total revenue	3,168	282	1,178	4,628	(968)	3,660
Operating results:						
Net interest income	2,426	266	173	2,865	-	2,865
Net fee and service income	650	19	(2)	667	-	667
Other operating income	92	(3)	1,007	1,096	(968)	128
Total operating income	3,168	282	1,178	4,628	(968)	3,660
Premises and equipment expenses and amortisation	(75)	(6)	(239)	(320)	-	(320)
Other operating expenses	(1,692)	(133)	(733)	(2,558)	968	(1,590)
Bad debts, doubtful accounts and impairment losses	(398)	32	262	(104)	-	(104)
Total operating expenses	(2,165)	(107)	(710)	(2,982)	968	(2,014)
Segment profit before income tax expenses	1,003	175	468	1,646	-	1,646
Income tax expenses						(326)
Profit for the period						1,320

(Unaudited but reviewed)

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

(Unit: Million Baht)

	As at 31 March 2020			
	Retail banking	Corporate banking	Treasury	Total segments
			investment and others	
Segment total assets	198,406	34,576	57,567	290,549
Premises equipment - net	38	2	756	796

(Unit: Million Baht)

	As at 31 December 2019			
	Retail banking	Corporate banking	Treasury	Total segments
			investment and others	
Segment total assets	202,783	35,426	47,079	285,288
Premises equipment - net	38	6	748	792

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

During the three-month periods ended 31 March 2020 and 2019, the Bank did not have income from any customer amounting to or over 10 percent of its income.

4.31 Commitments and contingent liabilities

4.31.1 Avals, guarantees and commitments

(Unit: Thousand Baht)

	As at	
	31 March 2020	31 December 2019
Other guarantees	464,428	482,094
Undrawn overdraft facilities	50,000	76,439
Foreign exchange contracts	1,162,809	917,044
Others	642,681	548,509
Total	2,319,918	2,024,086

4.31.2 Litigation

As at 31 March 2020 and 31 December 2019, the Bank has been sued for compensation totaling approximately Baht 344 million and Baht 313 million, respectively. Final judgements have not yet been reached in respect of these cases. The management of the Bank believes that no material losses to the financial statements will be incurred as a result of the mentioned lawsuits.

4.31.3 Other commitments

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

As at 31 March 2020 and 31 December 2019, the Bank has future minimum lease payments required under the non-cancellable operating lease contracts as follows:

	(Unit: Million Baht)	
	As at	
	31 March 2020	31 December 2019
Payable within:		
Not over 1 year	-	142
Over 1 to 5 years	-	108
Over 5 years	-	32

- c) The Bank has provided warranties in accordance with the terms of an agreement, related to the sale of a personal loan portfolio. The warranties cover a period of 3 years after the transfer date, to be expired in 2021.

4.32 Fair value of financial instruments

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

(Unit: Million Baht)

	As at 31 March 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Financial assets measured at fair value through profit or loss					
Equity securities	758	2	-	756	758
Investments - net					
Debt securities	11,071	-	11,071	-	11,071
Financial liabilities measured at fair value					
Derivatives					
Foreign exchange contracts	42	-	42	-	42

(Unit: Million Baht)

	As at 31 December 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Derivatives					
Foreign exchange contracts	22	-	22	-	22
Available-for-sale investments					
Equity securities	3	3	-	-	3
Debt securities	7,463	-	7,463	-	7,463

Valuation techniques and inputs to Level 2 and Level 3 valuations

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

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

5. Event after the reporting period

On 10 April 2020, the Board of Directors Meeting of the Bank passed a resolution approving an interim dividend payment of Baht 1.06 per share to holders of both preference share and ordinary share listed in the share register as at 28 April 2020 in respect of the 2019 operating results. The dividend will be paid on 7 May 2020 and recorded in the accounts in the second quarter of 2020.

6. Approval of interim financial information

These interim financial information were approved by the Bank's Audit Committee on 12 May 2020.