

THE THAI CREDIT RETAIL BANK PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2017



Independent auditor's report

To the Shareholders of Thai Credit Retail Bank Public Company Limited

My opinion

In my opinion, the financial statements of Thai Credit Retail Bank Public Company Limited (the Bank) present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Bank in accordance with the Federation of Accounting Professions under the Royal Patronage of His Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of management for the financial statements

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

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

The audit committee assists management in discharging their responsibilities for overseeing the Bank's financial reporting process.



Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

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



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

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in blue ink, appearing to read 'Boonlert Kamolchanokkul', written in a cursive style.

Boonlert Kamolchanokkul
Certified Public Accountant (Thailand) No. 5339
Bangkok
28 February 2018

The Thai Credit Retail Bank Public Company Limited


Statement of Financial Position

As at 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
Assets			
Cash		520,849	441,572
Interbank and money market items, net	7	4,684,413	2,288,874
Investments in securities, net	8	1,478,957	2,905,874
Loans to customers and accrued interest receivables, net	9		
Loans to customers		39,497,525	34,283,858
<u>Add</u> Accrued interest receivables		211,445	167,565
		<u>39,708,970</u>	<u>34,451,423</u>
<u>Less</u> Allowance for doubtful accounts	10	(1,745,053)	(1,206,033)
<u>Less</u> Revaluation allowance for debts restructuring	11	(237,655)	(190,642)
		<u>37,726,262</u>	<u>33,054,748</u>
Properties for sale, net	12	63,714	15,967
Premises and equipment, net	13	263,888	163,846
Other intangible assets, net	14	124,906	111,617
Deferred tax assets	15	132,565	128,730
Other assets, net	16	234,092	223,133
Total assets		<u><u>45,229,646</u></u>	<u><u>39,334,361</u></u>


 Director
 (Mr. Winyou Chaiyawan)




 Director
 (Mr. Roy Agustinus Gunara)

The accompanying notes are an intergal part of these financial statements

The Thai Credit Retail Bank Public Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
Liabilities and equity			
Liabilities			
Deposits	17	37,876,754	32,905,104
Interbank and money market items, net	18	1,099,530	1,792,660
Liabilities payable on demand		78,272	93,241
Provisions	19	65,590	50,956
Other liabilities	20	607,526	527,973
Total liabilities		<u>39,727,672</u>	<u>35,369,934</u>
Equity			
Share capital	22		
Authorised share capital			
515,625,000 ordinary shares of Baht 10 each		<u>5,156,250</u>	
412,500,000 ordinary shares of Baht 10 each			<u>4,125,000</u>
Issued and paid-up share capital			
500,000,000 ordinary shares of Baht 10 each		5,000,000	
400,000,000 ordinary shares of Baht 10 each			4,000,000
Reserve for share-based payment	21	18,675	15,412
Other reserves		2,388	(36)
Retained earnings			
Appropriated			
Legal reserve	23	2,300	2,300
Unappropriated (Deficit)		478,611	(53,249)
Total Bank's equity		<u>5,501,974</u>	<u>3,964,427</u>
Total equity		<u>5,501,974</u>	<u>3,964,427</u>
Total liabilities and equity		<u>45,229,646</u>	<u>39,334,361</u>



..... Director

(Mr. Winyou Chaiyawan)






..... Director

(Mr. Roy Agustinus Gunara)


The accompanying notes are an intergal part of these financial statements

The Thai Credit Retail Bank Public Company Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
Interest income	27	3,952,523	2,957,258
Interest expenses	28	(805,987)	(745,918)
Interest income, net		3,146,536	2,211,340
Fees and service income	29	266,513	245,921
Fees and service expenses	29	(120,857)	(69,884)
Fees and service income, net		145,656	176,037
Net gains on investments	30	6,798	2,683
Dividend income		26	86
Other operating income		54,953	22,817
Total operating income		3,353,969	2,412,963
Other operating expenses			
Employee's expenses		(1,379,124)	(1,080,953)
Directors' remuneration		(9,713)	(10,570)
Premises and equipment expenses		(290,001)	(253,786)
Taxes and duties		(126,524)	(90,227)
Other expenses		(193,556)	(94,917)
Total other operating expenses		(1,998,918)	(1,530,453)
Bad debts, doubtful accounts and impairment loss	31	(693,009)	(475,931)
Profit from operating before income tax expense		662,042	406,579
Income tax	32	(130,746)	(80,158)
Net profit		531,296	326,421


..... Director
(Mr. Winyou Chaiyawan)




..... Director
(Mr. Roy Agustinus Gunara)

The accompanying notes are an integral part of these financial statements

The Thai Credit Retail Bank Public Company Limited
Statement of Profit or Loss and Other Comprehensive Income (Cont'd)
For the year ended 31 December 2017

	Note	2017 Baht'000	2016 Baht'000
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain (loss) remeasurements of post-employment benefit obligations		705	(1,384)
Income tax on items that will not be reclassified		(141)	276
Total items that will not be reclassified to profit or loss		<u>564</u>	<u>(1,108)</u>
Items that will be reclassified to profit or loss			
Gains (loss) on remeasuring available-for-sale investment		3,030	(3,813)
Income tax relating to item that will be reclassified subsequently to profit of loss		(606)	763
Total items that will be reclassified subsequently to profit or loss		<u>2,424</u>	<u>(3,050)</u>
Total other comprehensive income (loss), net		<u>2,988</u>	<u>(4,158)</u>
Total comprehensive income		<u><u>534,284</u></u>	<u><u>322,263</u></u>
Earning per share of owners of the Bank			
Basic earning per share	36	1.11	0.82


..... Director
(Mr. Winyou Chaiyawan)




..... Director
(Mr. Roy Agustinus Gunara)

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The Thai Credit Retail Bank Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2017

	Notes	Issued and paid-up share capital Ordinary shares Baht'000	Reserve for share-based payment Baht'000	Other reserves -		Retained earnings		Total Baht'000
				revaluation surplus (deficit) on Investments Baht'000	Unappropriated (Deficit) Baht'000	Appropriated Legal reserve Baht'000	Unappropriated (Deficit) Baht'000	
Balance as at 1 January 2016		4,000,000	11,987	3,014		2,300	(378,562)	3,638,739
Provision for share-based payment	21	-	3,425	-	-	-	-	3,425
Total comprehensive income		-	-	(3,050)		-	325,313	322,263
Balance as at 31 December 2016		<u>4,000,000</u>	<u>15,412</u>	<u>(36)</u>		<u>2,300</u>	<u>(53,249)</u>	<u>3,964,427</u>
Balance as at 1 January 2017		4,000,000	15,412	(36)		2,300	(53,249)	3,964,427
Increase in ordinary share capital	22	1,000,000	-	-	-	-	-	1,000,000
Provision for share-based payment	21	-	3,263	-	-	-	-	3,263
Total comprehensive income		-	-	2,424		-	531,860	534,284
Balance as at 31 December 2017		<u>5,000,000</u>	<u>18,675</u>	<u>2,388</u>		<u>2,300</u>	<u>478,611</u>	<u>5,501,974</u>

The accompanying notes are an integral part of these financial statements

The Thai Credit Retail Bank Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
Cash flows from operating activities			
Profit from operating before income tax expense		662,042	406,579
Items to reconcile profit (loss) from operating before			
Income tax expense to cash received (paid) from operating activities			
Bad debt and doubtful accounts	31	645,996	422,288
Depreciation and amortisation expenses		70,894	51,002
Net amortisation of premium (discount) on			
Investments in debt securities		(9,792)	4,287
Gain on disposal of securities	30	(6,798)	(2,683)
Gain on sales of properties for sale		(4,841)	(6,579)
Loss on disposal of premises and equipment		432	5,179
Loss on write-off of premises and equipment		1,167	-
Loss on reclassification of intangible assets		608	-
Loss on trouble debts restructuring	31	47,013	53,643
Employment benefit expense		17,335	9,434
Decommissioning cost of leasehold Improvement		2,482	6,334
Directors' remuneration using share - based payment		3,263	3,425
Net interest income		(3,146,536)	(2,211,340)
Proceeds from interest income		3,915,604	2,940,843
Cash paid for interest expenses		(835,013)	(705,197)
Dividend income		(26)	(86)
Proceeds from dividend income		26	86
Cash paid for income tax		(100,625)	(76,355)
Profit from operations before changes in operating assets and liabilities		1,263,231	900,860
(Increase) decrease in operating assets			
Interbank and money market items		(2,395,539)	(838,692)
Loans to customers		(5,327,210)	(6,524,563)
Account receivable from sale of loans		-	21,000
Properties for sale		(42,906)	3,946
Other assets		(19,844)	(87,695)
Increase (decrease) in operating liabilities			
Deposits		4,971,650	6,339,732
Interbank and money market items		(693,130)	(205,956)
Liabilities payable on demand		(14,969)	45,548
Employee benefits paid	19	(4,477)	-
Other liabilities		72,170	69,567
Net cash used in operating activities		(2,191,024)	(276,253)

The accompanying notes are an integral part of these financial statements

The Thai Credit Retail Bank Public Company Limited
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2017

	Notes	2017 Baht'000	2016 Baht'000
Cash flows from investing activities			
Cash paid for purchase of investment in available-for-sale securities		(3,124,130)	(3,869,829)
Proceeds from sale or redeem of investment in available-for-sale securities		4,570,667	4,123,317
Cash paid for purchase of equipment		(149,827)	(37,495)
Proceeds from sale of premises and equipment		306	49
Cash paid for purchase of intangible assets		(26,715)	(11,395)
Net cash provided by investing activities		1,270,301	204,647
Cash flows from financing activities			
Proceeds from share capital increase	22	1,000,000	-
Net cash provided by financing activities		1,000,000	-
Net increase (decrease) in cash and cash equivalents		79,277	(71,606)
Cash and cash equivalents as at 1 January		441,572	513,178
Cash and cash equivalents as at 31 December		520,849	441,572
Supplementary disclosures of cash flow information			
Gain (loss) on remeasuring of available-for-sale securities		3,030	(3,813)
Properties for sale received from settlement of loans	12	104,964	80,144
Purchase of equipment creditors		1,834	3,287
Purchase of intangible assets creditors		10,184	2,149

The accompanying notes are an integral part of these financial statements

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1 General information

The Thai Credit Retail Bank Public Company Limited (“the Bank”) was incorporated as a limited company in Thailand on 6 October 1970 and was transformed to a public company limited on 28 July 2005. The Bank had been granted the license to operate as a retail bank from the Ministry of Finance on 22 December 2006 and commenced its operations on 18 January 2007. The Bank registered to change its name from “Thai Keha Credit Foncier Public Co., Ltd” to “The Thai Credit Retail Bank Public Company Limited”.

The head office is located at Thai Life Insurance Building, 123 Ratchadaphisek Road, and 1st, 7th, 10th, 17th, 25th, 26th, 37th, and 41st floors, RS Tower Building, 121 Ratchadaphisek Road, Dindaeng, Bangkok 10400.

The principal business activities are financial services under the scope of retail banking license.

As at 31 December 2017, the Bank is in process of changing its shareholder structure which was approved by the Bank of Thailand on 20 November 2017. After the shareholder restructuring, VNB Holding Company Limited will become a major shareholder of the Bank which hold 59.97% of issued and paid up share capital.

The financial statements were concurred by the Board of Directors on 28 February 2018.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547. The primary financial statements (i.e., statements of financial position, statements of comprehensive income, changes in equity and cash flow) have been prepared in the format as required by the Notification of the Bank of Thailand (BOT) no. Sor.Nor.Sor 21/2558, “Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups” dated 4 December 2015.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The functional and presentation currency are in Thai Baht.

The preparation of financial statements in conformity with the generally accepted accounting principles in Thailand requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

An English-language version of the financial statements has been prepared from the financial statements that are in Thai-language version. In the event of a conflict or a difference in interpretation between the two languages, the Thai language financial statements shall prevail.

2 Accounting policies (Cont'd)

2.2 Revised financial reporting standards and related interpretations

2.2.1 Revised financial reporting standards and interpretations are effective on 1 January 2017:

a) Financial reporting standards, which have a significant impact to the Bank:

TAS 1 (revised 2016)	Presentation of financial statements
TAS 19 (revised 2016)	Employee benefits
TAS 34 (revised 2016)	Interim financial reporting

TAS 1 (revised 2016), the amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in TAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

TAS 19 (revised 2016), the amendments clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

TAS 34 (revised 2016), the amendments clarify that what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

The Bank's management has determined that such revised accounting standards, revise financial reporting standards, and related interpretations do not significantly impact the financial statements being presented.

b) Financial reporting standards with minor changes and do not have impact to the Bank are as follows:

There are 48 financial reporting standards with minor changes. The Bank's management has determined that such revised accounting standards, revise financial reporting standards, and related interpretations do not significantly impact the financial statements being presented.

2 Accounting policies (Cont'd)

2.2 Revised financial reporting standards and related interpretations (Cont'd)

2.2.2 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant changes and are relevant to the Bank. The Bank has not yet adopted these revised standards.

TAS 7 (revised 2017)	Statement of cash flows
TAS 12 (revised 2017)	Income taxes
TFRS 12 (revised 2017)	Disclosure of interests in other entities

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable

TFRS 12 (revised 2017), the amendments clarify that the disclosure requirements of TFRS 12 apply to interests in entities that are classified as held for sale according to TFRS 5 (revised 2017), except for the summarised financial information.

The Bank's management assessed and considered that the above revised standards will not have a material impact on the Bank except for disclosure.

2 Accounting policies (Cont'd)

2.3 Revenue recognition

(a) Interest income and discount on loans to customers

Interest income is recognised on an accrual basis. The Bank discontinues recognition of overdue accrued interest income more than three months since the due date or there is uncertainty of collectability, a collection basis is applied. The Bank also reverses interest income on such loans in order to comply with the Bank of Thailand's Notification. The Bank continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest have been paid.

The Bank recognises interest income on restructured loans on cash basis.

(b) Interest income on factoring

The Bank recognises interest income on factoring on an accrual basis, except in the case of interest on factoring which is defaulted over three months from the due date where interest is recognised on collection basis.

The Bank reverses accrued interest income on loan to customers and factoring when its principal or interest payment has become over three months past due to comply with the BOT's Notification. The Bank continues its income recognition on the accrual basis when the entire amount of the principal and overdue interest have been paid.

(c) Interest income from hire-purchase and leasing

Hire-purchase and leasing income are recorded as income through the installment period using the effective interest method. Interest income on hire-purchase and leasing which is over three months past due from the due date is recognised on collection basis.

The Bank reverses accrued interest income on hire-purchase and leasing when the principal or interest payment has become over three months past due to comply with the BOT's Notification. The Bank continue income recognition on the accrual basis when the entire amount of the principal and overdue interest have been paid.

(d) Interest income, discount and dividend income from investment in securities

Interest income on investment in securities is recognised on an accrual basis while dividend income is recognised when the right to receive the dividend is declared. Unearned discount on bill and other unearned income are recognised on an accrual basis according to the term.

(e) Fees and services income

The Bank recognises fees and services income when services have been rendered.

(f) Gains (losses) on sale of properties for sale

Gains (losses) on sale of properties are recognised as income or expenses in statements of comprehensive income when the significant risks and rewards of ownership of properties for sale have been transferred to the buyer.

2 Accounting policies (Cont'd)

2.3 Revenue recognition (Cont'd)

(g) Gains (losses) on sale of investments

Gains (losses) on sale of investments are recognised as income/expenses on the settlement date.

(h) Brokerage fee

The Bank recognises brokerage fee on an accrual basis.

(i) Other income

The Bank recognises other income on an accrual basis.

2.4 Expense recognition

(a) Expenses

The Bank recognises expenses on an accrual basis.

(b) Initial commission expenses and direct cost of hire-purchase and leasing contracts.

The Bank records initial commission expenses and direct cost arising from hire-purchase and leasing contracts commencing from 1 January 2008 as a part of loan to customers then recognise them as expenses using the effective interest method throughout the installment period and present these expenses net from interest income from hire-purchase and leasing. For hire-purchase contracts which were commenced before 1 January 2008, the Bank recorded initial commission expenses and direct cost as expenses in the statements of comprehensive income.

2.5 Cash and cash equivalents

In the cash flows statements, cash and cash equivalents consist of cash on hand and cash on collection of the Bank which is in accordance with the BOT's Notification regarding the Preparation and Announcement of Financial Statements of Commercial Banks and Parent Companies of Financial Holding Groups.

2 Accounting policies (Cont'd)

2.6 Investments

The Bank's investment portfolios consist of debt and equity securities which are classified as available-for-sale securities, held-to-maturity debt securities and general investment.

Investment in marketable debt securities or equity securities with readily determinable market values that are acquired with the intent to hold for a short period of time in order to take advantage of anticipated changes in market values are classified as trading securities and carried at fair value. Unrealised gains and losses from changes in fair value and gains and losses on disposal of securities are recognised as net gains (losses) on trading transactions in the statements of profit or loss and other comprehensive income.

Investments in debt securities for which the Bank has the intent and the ability to hold until maturity are classified as held-to-maturity debt securities and carried at the amortised cost, net of valuation allowances for impairment (if any). Difference between acquired cost and redemption value are amortised by the effective interest method throughout the remaining year.

Investments in marketable debt equity securities with readily determinable market values that are not classified as either held-to-maturity securities, or trading securities or investment in subsidiary are classified as available-for-sale securities and carried at fair value, net of valuation allowances for impairment (if any). The change in fair value of these securities is recorded in other components of shareholders' equity through other comprehensive income until securities are sold, then, the gains or losses on disposal of investments will be recognised as gains (losses) on investments.

Non-marketable equity securities are classified as general investment and carried at cost, net of valuation allowances for impairment (if any).

Gain or loss on sales of held-to-maturity debt securities and available for sale securities are recognised as net gains (losses) on investments in the statements of comprehensive income.

Valuation allowances for impairment are established by recognising an unrealised loss upon impairment of investments in the statements of profit or loss and other comprehensive income.

The Bank recognises investments on the settlement date and uses the weighted average method in computation of the cost of investments.

For government debt securities, state enterprise bonds and other domestic debt securities listed in The Thai Bond Market Association (ThaiBMA), the fair values are calculated using the bidding prices at The Thai Bond Market Association or other financial institutions, depending on the case of the mentioned fair value determination of debt securities.

In the event of transferring between investment portfolios, such investments are adjusted to their fair values at the transfer dates. Differences between the carrying amount of the investments and their fair values on those dates are either recognised as gains (losses) in the statements of comprehensive income or presented as item in shareholders' equity, depending on the type of the transferred investments.

2 Accounting policies (Cont'd)

2.7 Loans to customers

Overdrafts are carried at the principal amounts including interest.

Hire-purchase and finance lease receivables are carried at the principal amounts including deferred initial commission expenses and direct costs at the inception of the contracts.

Other loans to customers are carried at the principal amounts.

Deferred revenues are deducted from loans to customers of the Bank.

2.8 Allowance for doubtful accounts

According to the BOT's regulations, the Bank is allowed to categorise loans and set up the allowance for doubtful accounts on either an account-by-account basis or on a customer basis. In this respect, the Bank has chosen to categorise loans and set up the allowance for doubtful accounts on a customer basis, such that all loans extended to a customer are classified at the lowest quality category of such customer and the allowance for doubtful accounts is determined according to that classification. The Bank also performs qualitative reviews of loans and commitments in accordance with the guidelines of the BOT.

The Bank determines the minimum allowance for doubtful accounts in accordance with the BOT's Notifications, regarding the Classification and Allowance of Financial Institutions dated 10 June 2016 and regarding the Collateral Appraisal and Immovable Assets for Sale Received from Debt Repayment of Financial Institutions dated 10 June 2016 including individual loan analysis and assessment with respect to the Bank's experience in credit risk evaluation and collateral value.

The Bank determines the minimum allowance for doubtful accounts in accordance with the percentage under the BOT's guidelines of the difference between the book value of outstanding loan and the present value of estimated future cash flows from the debtor, or the difference between the book value of outstanding loan and the present value of the estimated future cash flows from the disposal of collateral. Furthermore, the Bank has set aside an additional allowance for doubtful accounts in excess of the minimum BOT's requirement by consideration the additional potential loss arising from changes in economic and legal environment and other factors that may impact the ability of the debtors in meeting their obligations under the loan agreements.

Bad debts written-off are made in accordance with the requirements of the BOT.

Bad debts recovery is recorded as other operating income in the statements of comprehensive income.

2.9 Troubled debt restructuring and loss from restructuring

The Bank's trouble debt restructuring methodology include the modification of payment schedule, reduction of principal and/or accrued interest receivable and asset transfer.

The Bank records assets for debt settlements at the lower of the fair values of assets net of estimated selling expenses (if any), or the amount of investment in receivables (including accrued interest receivable).

In case of modifying repayment terms, fair value of investment in receivables after restructuring is based on the present value of the expected future cash flows discounted by the interest rates as stated on the original loan agreements. The Bank recognises loss on debt restructuring net of allowance for bad debts as expenses in the statements of profit or loss and other comprehensive income when debt restructuring incurred.

Legal fees and other direct costs incurred from debt restructuring are recognised as expenses when incurred.

2 Accounting policies (Cont'd)

2.10 Properties for sale

Properties for sale except for repossessed vehicles are stated at the lower of costs or net realisable value which referred to the latest appraisal value net of estimated selling expenses.

The repossessed vehicles are stated at the lower of the outstanding loan principal including accrued interest and output VAT submitted to the Revenue Department or fair value, net of selling costs and expenses. Fair value of the repossessed vehicles is based on the net realisable value.

The impairment of the property for sales carrying amount will be realised as the allowance for impairment of the property for sales when incurred.

Gain or loss on sales of such properties for sale is realised upon disposition of the underlying asset and is included in other operating income in the statements of comprehensive income.

2.11 Premises, equipment and depreciation

Premises and equipment are stated at historical cost less accumulated depreciation and impairment loss (if any).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method based on the estimated useful lives of assets as follows:

Premises	25 years
Leasehold improvement	10 years
Computers and accessories	3 - 5 years
Furniture and office equipment	5 years
Motor vehicle	5 years

At the end of each reporting year, the assets' residual values and useful lives are reviewed, and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in the statements of comprehensive income.

2 Accounting policies (Cont'd)

2.12 Intangible assets and amortisation

Intangible assets with indefinite useful lives are stated at cost net of allowance for impairment (if any).

Intangible assets with definite useful lives are stated at cost net of accumulated amortisation and allowance for impairment (if any).

Amortisation

The amortisation of intangible assets-computer program is calculated by the straight-line method over the expected future economic benefit period not over 5 years or remaining period of the term of agreement.

The amortisation expense is recognised as other operating expenses in the statements of comprehensive income.

2.13 Leasehold rights

Leasehold rights are stated at cost net of accumulated amortisation and presented as part of other assets.

The amortisation of leasehold rights is calculated by the straight-line method over the lease periods 20 years.

The amortisation amounts are recognised as other operating expenses in the statements of comprehensive income.

2.14 Accounting for long-term leases

Properties under lease contracts that significant portions of risks and ownership rewards are transferred to the Bank is classified as finance leases and capitalised at the lower of the fair value of leased properties or the present value of cash payment under lease contracts. The payment consists of principal and finance charges so as to achieve a constant interest rate on the outstanding balance by individual lease contract. The outstanding rental obligations net of finance charges are recorded as other liabilities. The finance cost is recognised in the statements of comprehensive income over the lease period. Finance lease assets are depreciated over the shorter period of the useful lives of assets or the lease terms.

Long-term leases that significant portions of risks and ownership rewards are retained by to the lessors are classified as operating leases. Payments made under operating leases are recognised in the statements of comprehensive income.

Expense incurred from the termination of operating leases before expiration such as penalty paid to the lessor is recognised as an expense in the year in which the termination takes place.

2 Accounting policies (Cont'd)

2.15 Provisions

The Bank recognises provisions when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Bank expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is highly likely.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Post-employment benefits

Defined contribution plans

The Bank has a provident fund, which are managed by external fund manager, for their employees in accordance with the Provident Fund Act B.E. 2530 (1987). The Bank and their employees contribute to the fund at the specified rates. The employees are entitled to benefits according to the fund regulations.

The provident funds are considered defined contribution plans. The Bank recognises their contributions to the provident funds as personnel expenses in the statements of comprehensive income upon receiving the service from employees.

Defined benefit plans

The Bank provides the defined benefit plans for their employees under the employment agreements. The provision for the employee benefits is assessed by an actuary using the actuarial techniques called the Projected Unit Credit Cost Method to determine the present value of cash flows of employee benefits to be paid in the future. Under this method, the calculation is based on actuarial assumptions which include the employee's salaries, turnover rate, mortality rate, years of service and other factors.

The Bank recognises the provision for defined benefit plans on the statements of financial position with the net of the present value of defined benefits obligations. The expenses for defined benefit plans are recognised as personnel expenses in the statements of comprehensive income.

Actuarial gains (losses) are recognised in other comprehensive income (losses).

2 Accounting policies (Cont'd)

2.17 Contributions to the Deposit Protection Agency and the Financial Institutions Development Fund

Contributions to the Deposit Protection Agency and the Financial Institutions Development Fund are recorded as expenses in the statements of comprehensive income on an accrual basis.

2.18 Income tax

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

Current tax

The Bank calculates corporate income tax at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislations.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for temporary differences to the extent that they are probable that taxable profits will be available against which those temporary differences can be utilised. The carrying amounts of deferred tax assets are reviewed at the reporting date. Deferred tax assets shall be reduced to the extent that utilized taxable profits are decreased. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available to allow total or part of the tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting year.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amounts and the Bank intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously and when they relate to income taxes levied by the same taxation authority.

Income tax expense or income related to profit or loss are presented in the statements of profit or loss and other comprehensive income. For current income taxes and deferred taxes related to items recognised directly in other comprehensive income in equity in the same or different year, they will be recognised directly in other comprehensive income.

2 Accounting policies (Cont'd)

2.19 Reserve for share based payment

Stock options

The Bank operates an equity-settled stock option plan to certain senior management. The fair value of rights is recognised as an expense over the vesting period and the equity provided is treated as a capital contribution. Stock options are granted with an exercise price equal Baht 10 per share. Generally, options cannot be exercised until it meets the requirement as specified by the Bank.

2.20 Earnings (loss) per share

The Bank calculates basic earnings (loss) per share by dividing the net income (loss) by the weighted-average numbers of paid-up ordinary shares issued during the period.

2.21 Assets held-for-sale

Assets are classified as assets held-for-sale when their carrying amounts are recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less cost to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

3 Risk management

3.1 Financial risk factors

The Bank's activities expose them to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out under policies approved by the Board of Directors. The Bank's treasury identify, evaluate and hedge financial risks in close co-operation with its operating units. The Risk Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment excess liquidity.

3 Risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

3.1.1 Credit risk

Credit risk is risk that borrowers or counterparties fail to fulfill their obligations under the financial instruments, probably due to the fact that the borrowers or counterparties had financial problems or decided not to comply with the obligations resulting in loss to the Bank. Credit risks exist in all types of financial products and activities on statement of financial position such as loans, bank overdrafts, notes and contingent liabilities such as various types of letters of guarantee. The maximum exposure of credit risk is the carrying amount of the financial instruments net of allowance for loss as shown on the statements of financial position and risks of that off-statement of financial position items arising from bank guarantee and other transactions.

The Bank defines its credit risk management policies under the supervision of the Financial Group Risk Management Committee. The main objective is to efficiently manage the Bank credit risks in all aspects: policies, organizational structures, processes, and systems within an appropriated risks stated in the Bank business strategies as well as comply with regulations.

The Bank applies credit risk management in credit examination and approval process, risk and repayment ability analysis, credit operation process after credit approval, credit review, credit monitoring and debt reschedule or restructure in order to prevent and resolve any problems might occur in the future.

The Bank has set the credit risk preventing policy by setting up the "Check and Balance" in credit approval process, setting up risk-based authority, setting up various standard procedures for credit facilities under "Product Program" and setting up appropriate collateral consideration policy.

3.1.2 Interest rate risk

Interest rate risk is the risk that arises from the potential of changes in interest rates which have an adverse effect on the net interest earnings of the Bank in the current reporting year and future. Interest rate risk arises from the structure and the characteristics of the Bank's assets and liabilities and the repricing mismatch of assets and liabilities.

The Bank defines policies to adjust the structure of their financial positions to be conformed to the interest direction in the future and the defined risk frame. The Bank monitors the interest direction movement and customer's behavior closely in order to assess the most realistic risk. The Bank also monitors its risk position more frequently when there are significant changes in asset and liability structures through "Repricing Gap" reporting in order to follow up the interest rate risks and net interest income sensitivity in the next 12 months.

Furthermore, the Bank also simulates the situations by increasing or decreasing its interest rate to manage its stability of net interest income regardless of the interest direction.

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3 Risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

3.1.2 Interest rate risk (Cont'd)

The Bank has summarised the financial assets and financial liabilities classified by maturity of interest repricing years as at 31 December 2017 and 2016, as follows:

	2017						Total Baht'000
	0-3 Months Baht'000	3-12 Months Baht'000	1-5 Years Baht'000	Over 5 Years Baht'000	Non- performing Loans Baht'000	Non- interest Bearing Baht'000	
Financial assets							
Interbank and money market items, net	4,051,000	-	-	-	-	633,413	4,684,413
Investments, net	685,938	687,978	101,033	1,062	-	2,946	1,478,957
Loans to customers*	29,631,780	1,611,095	4,525,632	1,586,959	2,142,059	-	39,497,525
Financial liabilities							
Deposits	27,907,809	7,456,715	2,512,230	-	-	-	37,876,754
Interbank and money market items	915,594	68,675	115,261	-	-	-	1,099,530
Liabilities payable on demand	-	-	-	-	-	78,272	78,272

* Loans to customers are netted of deferred revenue.

	2016						Total Baht'000
	0-3 Months Baht'000	3-12 Months Baht'000	1-5 Years Baht'000	Over 5 Years Baht'000	Non- performing Loans Baht'000	Non- interest Bearing Baht'000	
Financial assets							
Interbank and money market items, net	1,836,000	-	-	-	-	452,874	2,288,874
Investments, net	1,422,973	1,017,221	434,517	29,488	-	1,675	2,905,874
Loans to customers*	25,828,943	1,229,650	3,297,696	2,413,709	1,513,860	-	34,283,858
Financial liabilities							
Deposits	24,645,874	4,879,437	3,379,793	-	-	-	32,905,104
Interbank and money market items	1,069,122	536,407	112,867	74,264	-	-	1,792,660
Liabilities payable on demand	-	-	-	-	-	93,241	93,241

* Loans to customers are netted of deferred revenue.

3 Risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

3.1.2 Interest rate risk (Cont'd)

Basic information of loans to customers net of deferred revenue classified by fixed versus floating interest rates as at 31 December 2017 and 2016 are as follows:

	2017 Baht'000	2016 Baht'000
Fixed interest rate	10,881,249	7,930,772
Floating interest rate	28,616,276	26,353,086
Total	<u>39,497,525</u>	<u>34,283,858</u>

The Bank has earning financial assets and interest-bearing financial liabilities. The average balances of such financial assets or liabilities are calculated based on outstanding balances and averaged interest rates for the years ended 31 December 2017 and 2016 are as follows:

	2017		
	Average balance 12 months Baht'000	Interest amount Baht'000	Average interest rate %
Earning financial assets			
Interbank and money market items	3,059,345	46,207	1.51
Investments	2,323,422	37,632	1.62
Loans to customers	36,645,876	3,700,257	10.10
Interest-bearing Financial Liabilities			
Deposits	35,063,593	634,328	1.81
Interbank and money market items	1,341,783	4,087	0.30
	2016		
	Average balance 12 months Baht'000	Interest amount Baht'000	Average interest rate %
Earning financial assets			
Interbank and money market items	1,672,036	25,315	1.51
Investments	2,695,300	47,813	1.77
Loans to customers	30,296,062	2,645,600	8.73
Interest-bearing Financial Liabilities			
Deposits	28,997,163	601,843	2.08
Interbank and money market items	1,621,115	4,936	0.30

3 Risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

3.1.3 Foreign exchange rate risk

Foreign exchange rate risk is the risk that arises from the change in foreign exchange rate which may affect the value change in the financial instruments or may cause fluctuation in the earning income or in value of the financial assets or liabilities.

The Bank has no foreign exchange rate risk as there is no foreign currency transaction.

3.1.4 Equity price risk

Investments in equity securities consist of investment in general investment held from trouble debts restructuring settlement.

Such investments in equity securities are not marketable securities, presented on the statements of financial positions at cost net of valuation allowances for impairment. Loss on impairment of such investment is recognised in the statements of comprehensive income as disclosed in Note 2.6.

3.1.5 Liquidity risk

Liquidity risk is the risk that the Bank may not be able to meet their financial obligations when they are due. This risk arises from an inability to convert their assets into cash or acquire adequate fund at the appropriated cost and time which results in a loss to the Bank.

The Bank defines its liquidity risk management policies under the supervision of the Assets and Liabilities Management Committee who monitors and reviews the liquidity position on a regular basis.

The following tables present the Bank's maturities of financial assets and liabilities as at 31 December 2017 and 2016.

	2017						Total Baht'000
	At Call Baht'000	0-3 Months Baht'000	3-12 Months Baht'000	1-5 Years Baht'000	Over 5 Years Baht'000	No Maturity Baht'000	
Financial assets							
Interbank and money market items, net	631,961	4,052,452	-	-	-	-	4,684,413
Investments, net	-	685,938	687,978	101,033	1,062	2,946	1,478,957
Loans to customers*	841,506	2,129,753	699,911	10,085,737	25,740,618	-	39,497,525
Financial liabilities							
Deposits	25,038,290	2,869,519	7,456,715	2,512,230	-	-	37,876,754
Interbank and money market items	690,464	225,130	68,675	115,261	-	-	1,099,530
Liabilities payable on demand	78,272	-	-	-	-	-	78,272

* Loans to customers are netted of deferred revenue.

3 Risk management (Cont'd)

3.1 Financial risk factors (Cont'd)

3.1.5 Liquidity risk (Cont'd)

	2016						Total Baht'000
	At Call Baht'000	0-3 Months Baht'000	3-12 Months Baht'000	1-5 Years Baht'000	Over 5 Years Baht'000	No Maturity Baht'000	
Financial assets							
Interbank and money market items, net	452,388	1,836,486	-	-	-	-	2,288,874
Investments, net	-	1,422,973	1,017,221	434,517	29,488	1,675	2,905,874
Loans to customers*	583,321	2,621,272	891,630	6,536,818	23,650,817	-	34,283,858
Financial liabilities							
Deposits	22,322,422	2,323,451	4,879,437	3,379,794	-	-	32,905,104
Interbank and money market items	726,122	343,000	536,407	112,867	74,264	-	1,792,660
Liabilities payable on demand	93,241	-	-	-	-	-	93,241

* Loans to customers are netted of deferred revenue.

3.2 Fair value

Since the majority of the Banks' financial instruments are short-term in nature and bear floating interest rates, their fair values are not expected to be materially different from the amounts presented in the statements of financial position.

The methodology of fair value measurement is depended on the characteristics of the financial instrument. For those financial instruments which are regarded as being traded in an active market, fair value is determined by reference to the market price of the financial instrument. If however the appropriate quoted market price cannot be determined, the fair value is determined by using an appropriate valuation technique and complied with related authorities' regulations.

As at 31 December 2017 and 2016 the estimated fair values of the Bank's financial instruments are as follows:

	2017		2016	
	Carrying amount Baht'000	Fair value Baht'000	Carrying amount Baht'000	Fair value Baht'000
Financial assets				
Interbank and money market items, net	4,684,413	4,684,413	2,288,874	2,288,874
Investments, net	1,478,957	1,478,957	2,905,874	2,913,530
Loans to customers and accrued interest receivables, net	37,726,262	37,769,216	33,054,748	33,498,851
Financial liabilities				
Deposits	37,876,754	37,885,449	32,905,104	32,901,051
Interbank and money market items, net	1,099,530	1,098,670	1,792,660	1,792,660
Liabilities payable on demand	78,272	78,272	93,241	93,241

The methods and assumptions used by the Bank in estimating the fair values of financial instruments are in Note 6 to financial statements.

4 Critical accounting estimation and assumption

Preparation of the financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions in certain circumstances, affecting reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting years. Actual results could differ from these estimates. The significant areas requiring managements to make judgments and estimates that affect reported amounts and disclosures are as follows:

4.1 Impairment of investments in securities

The Bank assesses the impairment of investments where objective evidence of impairment exists and determines that the investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires the Bank's judgment. In making this judgment, the Bank evaluates the volatility in the investment fair value and other factors which include the estimated future cash flows, the deterioration in the financial position of the issuer of the securities and the operating environment in the industry sector of the issuer.

4.2 Allowance for doubtful accounts

The Bank estimates the minimum allowance for doubtful accounts in accordance with the BOT's guidelines. In addition, the Bank estimates an additional allowance which the management has used various assumptions and judgments including considering of objective evidence indicating an adverse change in the capacity of the borrowers to repay loans and accrued interest receivable, considering of the expected future cash flow collected from the borrower, the expected cash flow from collateral where the source of repayment came from the selling of the collateral, the timing of future cash flows, the potential of additional future loss and the economic conditions that may have an impact on the loan default rate. The Bank reviews these estimates and assumptions on a regular basis.

4.3 Impairment for properties for sale

The Bank provides the valuation allowance for impairment of properties for sale when there is a decline in net realisable cash flows from selling of the assets, based on the appraised value together with other factors which can affect the realisable value such as related selling expenses, holding costs and future discount expenses.

The Bank records provision for impairment loss of properties for sale on the statements of comprehensive income when book values of those assets are higher than the expected cash flow received from sale of such properties for sale.

4.4 Impairment of assets

The Bank reviews the carrying amounts of their assets at each date of the statements of financial position whether there are any indications of impairment. If any such indications exist, the Bank will estimate the asset recoverable amounts by using discounted cash flows.

If the carrying amount of asset is greater than the recoverable amount, the Bank will record loss from impairment in the statements of comprehensive income.

4 Critical accounting estimation and assumption (Cont'd)

4.5 Provisions

The determination of the provisions on the statements of financial position requires the use of various assumptions and judgments by the Bank, taking into consideration the nature of transactions and the circumstances requiring the provisions, the probability of the outflow of economic benefits to settle such obligations and the estimate of the net future cash outflows. The consideration is based on the experience and information that is available at the time that the financial statements are being prepared. The provisions are reviewed regularly. However, the actual results may differ from the estimates.

For the estimation of the provision for the defined benefit plans under the post-employment benefits, the Bank makes estimation by using the actuarial techniques which require actuarial assumptions on financial variables such as discount rate, future salaries and benefits, expected return on planed assets etc., and demographic variables such as employee mortality and turnover etc. Such estimation is calculated by an actuary.

4.6 Fair value

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The Bank uses different methodologies for determining the fair value of financial instruments depending on the characteristics of the financial instruments and the financial markets in which it operates.

The Bank uses the quoted market prices as the fair values for financial instruments that have standard terms and conditions and are traded on an active and liquid market. For other types of financial instruments, the fair values are determined by using valuation techniques commonly used by market participants including the reference to the fair value of other instruments of a similar nature.

The Bank uses their best judgment in estimating the fair values of financial instruments. However, estimation methodologies and assumptions used to estimate fair values are inherently subjective. Accordingly, the use of different estimation methodologies and/or market assumptions may have a significant effect on the estimated fair values.

5 Capital risk management

The Bank's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, The Bank may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt obligations.

Moreover, the Bank is required to manage its capital funds in accordance with the Act on Undertaking of Banking Business B.E. 2551. The Bank's capital fund is presented in Note 25 to the interim financial statements.

6 Fair value

6.1 Fair value estimate

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

In applying the above-mentioned valuation techniques, the Bank endeavors to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorising such inputs into three levels as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data.

As at 31 December 2017 and 2016, the Bank's financial assets measured and recognised at fair value are as follows:

	2017			Total Baht'000
	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
Asset				
Available-for-sale financial assets				
Government and state enterprises securities	-	1,172,400	-	1,172,400
Private enterprises debt securities	-	304,837	-	304,837
Total asset	-	1,477,237	-	1,477,237
	2016			
	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	Total Baht'000
Asset				
Available-for-sale financial assets				
Government and state enterprises securities	-	2,260,572	-	2,260,572
Private enterprises debt securities	-	446,179	-	446,179
Total asset	-	2,706,751	-	2,706,751

There were no transfers between levels during the period.

Other financial instruments not carried at fair value on the statement of financial position are typically short-term in nature or at call and reprice to current market rate frequently. Accordingly, their carrying amounts are reasonable approximation of fair values. These financial instruments include cash, saving deposits and current accounts presented as both interbank and money market asset and liability items, saving deposits, current accounts and liabilities payable on demand.

6 Fair value (Cont'd)

6.1 Fair value estimate (Cont'd)

As at 31 December 2017 and 2016, the Bank's financial assets and liabilities that are not specified to measure and recognised at fair value are as follows:

	2017			Total Baht'000
	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	
Assets				
Interbank and money market items, net	-	4,684,413	-	4,684,413
Loans to customers and accrued interest receivables, net	-	37,769,216	-	37,769,216
Total assets	-	42,453,629	-	42,453,629
Liabilities				
Deposits	-	37,885,449	-	37,855,449
Interbank and money market items, net	-	1,098,670	-	1,098,670
Liabilities payable on demand	-	78,272	-	78,272
Total liabilities	-	39,062,391	-	39,062,391
2016				
	Level 1 Baht'000	Level 2 Baht'000	Level 3 Baht'000	Total Baht'000
Assets				
Interbank and money market items, net	-	2,288,874	-	2,288,874
Held-to-maturity debt securities	-	205,059	-	205,059
Loans to customers and accrued interest receivables, net	-	33,498,851	-	33,498,851
Total assets	-	35,992,784	-	35,992,784
Liabilities				
Deposits	-	32,901,051	-	32,901,051
Interbank and money market items, net	-	1,792,660	-	1,792,660
Liabilities payable on demand	-	93,241	-	93,241
Total liabilities	-	34,786,952	-	34,786,952

Fair value of the following assets and liabilities estimated for the purpose of disclosure are as follows:

Interbank and money market items, net

The interbank and money market items (assets) are deposits at the BOT, deposits at other financial institutions and loans to financial institutions which are short-term or at call and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

The interbank and money market items (liabilities) are deposits and borrowing from the BOT or other financial institutions, which are short-term or at call and reprice to current market rate frequently. Accordingly, their carrying amount is a reasonable approximation of fair value.

6 Fair value (Cont'd)

6.1 Fair value estimate (Cont'd)

Fair value of the following assets and liabilities estimated for the purpose of disclosure are as follows: (Cont'd)

Held-to-maturity debt securities

Fair values are calculated by using the bidding prices at The ThaiBMA or other financial institutions, as the case may be.

Loans to customers and accrued interest receivable, net

For floating rate loans, the fair value is equal to the carrying amount.

For fixed rate loans which are classified as normal or special mentioned, the fair value is equal to the present value of future cash flows discounted by the contractual rate of loans.

For non-performing fixed rate loans, the fair value is equal to the carrying amount.

Deposits

Deposits are saving deposits, current accounts, fixed or certificate of deposits. These deposits are typically short-term in nature. The management has assessed the existing effective rate of the deposit is a reasonable approximation of market effective rate. Accordingly, carrying amounts of saving deposits, current accounts and fixed or certificate of deposits with the 1-year maturity or less are reasonable approximation of their fair values. Whereas fixed or certificate of deposits with longer than 1-year maturity, the fair values are estimated using discounted cash flow, applying current rates offered for fixed deposits of similar remaining maturities.

Liabilities payable on demand

Liabilities payable on demand are call liabilities. Accordingly, their carrying amount is a reasonable approximation of fair value.

6.2 Valuation techniques used to derive Level 2 fair values

6.2.1 Fair values of available-for-sale investments and held-to-maturity debt securities are Level 2. Their fair values are based on the yield curve of The ThaiBMA or other financial institutions at the last business day of the period.

6.2.2 Fair values of deposits are Level 2. The fixed or certificate of deposits with longer than 1-year maturities, the fair value are estimated using discounted cash flow, applying current rates offered for fixed deposits of similar remaining maturities.

6.2.3 Fair values of loans to customers and accrued interest receivable which are classified as normal or special mentioned with longer than 1-year maturities are Level 2. Their fair values are estimated using discounted cash flow by the contractual rate of loans.

7 Interbank and money market items, net (assets)

	2017			2016		
	At call Baht'000	Term Baht'000	Total Baht'000	At call Baht'000	Term Baht'000	Total Baht'000
Domestic:						
Bank of Thailand	582,155	351,000	933,155	367,299	336,000	703,299
Commercial banks	49,806	2,100,000	2,149,806	85,089	-	85,089
Specialized Financial Institution	-	1,600,000	1,600,000	-	1,500,000	1,500,000
Total	631,961	4,051,000	4,682,961	452,388	1,836,000	2,288,388
<u>Add</u> Accrued interest receivable	-	1,452	1,452	-	486	486
Total	631,961	4,052,452	4,684,413	452,388	1,836,486	2,288,874

8 Investments in securities, net

8.1 Classified by type of investments

	2017 Fair value Baht'000	2016 Fair value Baht'000
Available-for-sale securities		
Government and state enterprises securities	1,172,400	2,260,572
Private enterprises debt securities	304,837	446,179
Total investments in available-for-sale securities	1,477,237	2,706,751
	2017 Amortised cost Baht'000	2016 Amortised cost Baht'000
Held-to-maturity securities		
Government and state enterprise securities	-	197,403
Total investments in held-to-maturity securities	-	197,403
	2017 Cost Baht'000	2016 Cost Baht'000
General Investment		
Domestic non-marketable equity securities	1,720	1,720
Total investments in general investment	1,720	1,720
Total investments, net	1,478,957	2,905,874

As at 31 December 2017 and 2016, the Bank has some of investments in securities pledged as collateral (see Note 24).

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8 Investments in securities, net (Cont'd)

8.2 Classified by the remaining period to maturity of the debt securities

	2017				2016			
	Periods remaining				Periods remaining			
	1 year Baht'000	1 - 5 years Baht'000	Over 5 years Baht'000	Total Baht'000	1 year Baht'000	1 - 5 years Baht'000	Over 5 years Baht'000	Total Baht'000
Available-for-sale securities								
Government and state enterprises securities	1,089,410	81,033	1,062	1,171,505	2,067,594	192,584	-	2,260,178
Private sector debt securities	284,506	20,000	-	304,506	346,053	100,565	-	446,618
Total	1,373,916	101,033	1,062	1,476,011	2,413,647	293,149	-	2,706,796
<u>Add</u> Allowance for revaluation	751	449	26	1,226	539	(584)	-	(45)
Available-for-sale securities, net	1,374,667	101,482	1,088	1,477,237	2,414,186	292,565	-	2,706,751
Held-to-maturity securities								
Government and state enterprises securities	-	-	-	-	26,548	141,367	29,488	197,403
Held-to-maturity securities, net	-	-	-	-	26,548	141,367	29,488	197,403
Total debt securities	1,374,667	101,482	1,088	1,477,237	2,440,734	433,932	29,488	2,904,154

9 Loans to customers and accrued interest receivables, net

9.1 Classified by loan type

	2017 Baht'000	2016 Baht'000
Overdraft	451,746	531,099
Loans	35,283,143	28,792,329
Notes	1,952,980	2,551,148
Hire-purchase receivables	1,809,656	2,408,576
Financial lease receivables	-	706
Total loans to customers	39,497,525	34,283,858
<u>Add</u> Accrued interest receivables	211,445	167,565
Total loans to customers net of deferred revenue and accrued interest receivables	39,708,970	34,451,423
<u>Less</u> Allowance for doubtful accounts		
Minimum provision according to the BOT's requirement	(1,232,072)	(675,452)
Excess provision	(512,981)	(530,581)
Total	37,963,917	33,245,390
<u>Less</u> Revaluation allowance for debts restructuring	(237,655)	(190,642)
Total loans to customers, net	37,726,262	33,054,748

9 Loans to customers and accrued interest receivables, net (Cont'd)

9.1 Classified by loan type (Cont'd)

As at 31 December 2017, there were defaulted loans amounting to Baht 2,142.06 million (31 December 2016: Baht 1,514.00 million) for which the Bank has ceased recognition of interest income on accrual basis.

For the year ended 31 December 2017, the Bank sold a part of its loans to customers to a third party at the price of Baht 90.82 million net of allowance for doubtful accounts and revaluation allowance for debts restructuring. The Bank has already received the payments on 16 November 2017.

For the year ended 31 December 2016, the Bank sold a part of its loans to customers to a third party of Baht 107.65 million net of allowance for doubtful accounts and revaluation allowance for debts restructuring. The Bank has already received the payments on 22 August 2016.

9.2 Classified by currency and customer's residence

	2017	2016
	Baht'000	Baht'000
Thai Baht - Domestic	<u>39,497,525</u>	<u>34,283,858</u>
Total	<u>39,497,525</u>	<u>34,283,858</u>

9.3 Classified by type of business and loan classification

	2017					Total Baht'000
	Normal Baht'000	Special mention Baht'000	Sub- standard Baht'000	Doubtful Baht'000	Doubtful loss Baht'000	
Agriculture and mining	589,669	23,900	2,079	623	4,064	620,335
Manufacturing and commerce	16,434,868	1,150,863	263,377	421,324	594,581	18,865,013
Property development and construction	4,039,819	205,798	20,231	30,121	51,461	4,347,430
Public utility and services	6,172,148	327,880	53,973	88,259	178,888	6,821,148
Housing loans	2,887,084	413,529	73,220	57,101	133,694	3,564,628
Others	4,713,823	396,086	41,239	47,848	79,975	5,278,971
Total loans net of deferred revenue	<u>34,837,411</u>	<u>2,518,056</u>	<u>454,119</u>	<u>645,276</u>	<u>1,042,663</u>	<u>39,497,525</u>

	2016					Total Baht'000
	Normal Baht'000	Special mention Baht'000	Sub- standard Baht'000	Doubtful Baht'000	Doubtful loss Baht'000	
Agriculture and mining	433,371	14,701	8,532	3,763	151	460,518
Manufacturing and commerce	12,814,774	1,091,052	299,396	129,047	347,752	14,682,021
Property development and construction	3,746,501	276,903	19,680	16,005	63,224	4,122,313
Public utility and services	5,184,930	416,792	31,345	52,083	104,416	5,789,566
Housing loans	3,309,586	467,782	63,906	61,892	147,512	4,050,678
Others	4,561,573	452,033	42,336	34,998	87,822	5,178,762
Total loans net of deferred revenue	<u>30,050,735</u>	<u>2,719,263</u>	<u>465,195</u>	<u>297,788</u>	<u>750,877</u>	<u>34,283,858</u>

9 Loans to customers and accrued interest receivables, net (Cont'd)

9.4 Classified by type of classification

	2017			Allowance for doubtful account Baht'000
	Loans and accrued interest receivables Baht'000	Outstanding balance use for allowance set up Baht'000	% of Allowance	
Minimum provision according to the BOT's requirement				
- Normal	35,025,380	10,610,687	1	102,290
- Special mention	2,541,532	567,007	2	7,212
- Sub-standard	454,120	220,417	100	212,261
- Doubtful	645,275	336,655	100	320,905
- Doubtful loss	1,042,663	622,830	100	589,404
Total	39,708,970	12,357,596		1,232,072
Surplus reserve				512,981
				1,745,053

	2016			Allowance for doubtful account Baht'000
	Loans and accrued interest receivables Baht'000	Outstanding balance use for allowance set up Baht'000	% of Allowance	
Minimum provision according to the BOT's requirement				
- Normal	30,202,285	7,237,441	1	71,988
- Special mention	2,735,279	665,625	2	7,649
- Sub-standard	465,195	131,319	100	121,440
- Doubtful	297,788	121,281	100	111,243
- Doubtful loss	750,876	383,673	100	363,132
Total	34,451,423	8,539,339		675,452
Surplus reserve				530,581
				1,206,033

9.5 Non-performing loans

As at 31 December 2017 and 2016, the Bank has non-performing loans (NPLs) according to the BOT's Notification No. Sor.Nor.Sor. 5/2559 dated 10 June 2016. Such non-performing loans consist of loans classified as sub-standard, doubtful and doubtful loss under the BOT's guideline details as follows:

	2017 Principal	2016 Principal
NPLs before allowance for doubtful accounts (Baht'000)	2,142,059	1,513,860
NPLs as percentage of total loans (%)	5.42	4.42
NPLs after allowance for doubtful accounts (Baht'000)	979,408	889,222
NPLs as percentage of total loans (%)	2.48	2.59

9 Loans to customers and accrued interest receivables, net (Cont'd)

9.6 Troubled debt restructuring

As at 31 December 2017, the Bank has outstanding receivables which have been restructured as follows:

	2017	
	Number of loans	Outstanding balance after restructuring Baht'000
Restructured in 2017	1,403	2,679,221
Restructured during the year ended 31 December 2017	1,086	3,193,806
Total	2,489	5,873,027

Detail of customers whose debts have been restructured during the year ended 31 December 2017 compared with the total customers, in the financial statement, are as follows:

	2017	
	Number of loans	Outstanding balance after restructuring Baht'000
Restructured debts	2,489	5,873,027
Total customers	82,883	39,497,525

Details of customers whose debt have been restructured during the year are as follows:

Restructuring method	2017				2016			
	Number of loans	Outstanding balance before restructuring Baht'000	Fair value of assets Baht'000	Book value after restructuring Baht'000	Number of loans	Outstanding balance before restructuring Baht'000	Fair value of assets Baht'000	Book value after restructuring Baht'000
Transfer of properties	1	25,947	13,580	11,816	-	-	-	-
Modifications of terms of receivables	2,488	6,256,742	-	5,861,211	2,034	5,059,148	-	4,820,087
Total	2,489	6,282,689	13,580	5,873,027	2,034	5,059,148	-	4,820,087

Most of the assets transferred for settlement are land and buildings.

As at 31 December 2017, the weighted average terms of the above mentioned restructuring is 9.11 years (2016: 9.68 years).

For the year ended 31 December 2017 and 2016, the Bank recognised losses from trouble debt restructuring amounting to Baht 47.01 million and Baht 53.64 million in the financial statements, respectively. The Bank also recognised interest income from the restructured loans amounting to Baht 267.49 million and Baht 191.97 million in the financial statements, respectively.

9 Loans to customers and accrued interest receivables, net (Cont'd)

9.6 Troubled debt restructuring (Cont'd)

As at 31 December 2017 and 2016, the outstanding balances of troubled debt restructuring receivables are classified as follows:

	2017 Principal Baht'000	2016 Principal Baht'000
Normal	3,056,574	2,063,487
Special mention	1,620,495	1,932,343
Sub-standard	152,570	328,272
Doubtful	424,521	195,054
Doubtful loss	618,867	300,931
Total	<u>5,873,027</u>	<u>4,820,087</u>

For the year ended 31 December 2017 the Bank has losses from trouble debt restructuring amounting to Baht 47.01 million (2016: Baht 53.64 million).

9.7 Hire-purchase contract and finance lease contract receivables

	2017			
	Amounts due under finance lease agreements			
	Less than 1 year Baht'000	1 - 5 years Baht'000	Over 5 years Baht'000	Total Baht'000
Gross receivables	821,432	984,215	4,010	1,809,657
<u>Less</u> Unearned interest income	-	-	-	-
Present value of minimum lease payments receivable	<u>821,432</u>	<u>984,215</u>	<u>4,010</u>	1,809,657
<u>Less</u> Allowance for doubtful accounts				<u>(110,236)</u>
Hire-purchase contract and finance lease contracts, net				<u>1,699,421</u>
	2016			
	Amounts due under finance lease agreements			
	Less than 1 year Baht'000	1 - 5 years Baht'000	Over 5 years Baht'000	Total Baht'000
Gross receivables	1,154,790	1,244,391	10,101	2,409,282
<u>Less</u> Unearned interest income	-	-	-	-
Present value of minimum lease payments receivable	<u>1,154,790</u>	<u>1,244,391</u>	<u>10,101</u>	2,409,282
<u>Less</u> Allowance for doubtful accounts				<u>(91,451)</u>
Hire-purchase contract and finance lease contracts, net				<u>2,317,831</u>

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10 Allowance for doubtful accounts

	2017						
	Normal Baht'000	Special mention Baht'000	Sub- standard Baht'000	Doubtful Baht'000	Doubtful loss Baht'000	Surplus reserve Baht'000	Total Baht'000
Beginning balance	71,988	7,649	121,440	111,243	363,132	530,581	1,206,033
Doubtful accounts (reversal)	30,388	(437)	91,573	215,997	304,403	(17,600)	624,324
Bad debt written-off	(66)	-	-	-	(57,463)	-	(57,529)
Transferred out	-	-	-	(348)	(242)	-	(590)
Account receivable sold out	(20)	-	(752)	(5,987)	(20,426)	-	(27,185)
Ending balance	<u>102,290</u>	<u>7,212</u>	<u>212,261</u>	<u>320,905</u>	<u>589,404</u>	<u>512,981</u>	<u>1,745,053</u>

	2016						
	Normal Baht'000	Special mention Baht'000	Sub- standard Baht'000	Doubtful Baht'000	Doubtful loss Baht'000	Surplus reserve Baht'000	Total Baht'000
Beginning balance	62,400	7,210	112,945	71,805	261,056	360,731	876,147
Doubtful accounts	9,727	2,761	8,653	39,438	148,902	169,850	379,331
Bad debt written-off	(139)	(4)	(158)	-	(221)	-	(522)
Transferred out	-	-	-	-	28	-	28
Account receivable sold out	-	(2,318)	-	-	(46,633)	-	(48,951)
Ending balance	<u>71,988</u>	<u>7,649</u>	<u>121,440</u>	<u>111,243</u>	<u>363,132</u>	<u>530,581</u>	<u>1,206,033</u>

11 Revaluation allowance for debts restructuring

	2017 Baht'000	2016 Baht'000
Beginning balance	190,642	136,999
Increase during the year	47,013	53,643
Ending balance	<u>237,655</u>	<u>190,642</u>

12 Properties for sale, net

	2017			
	Balance as at 1 January Baht'000	Additions Baht'000	Disposals Baht'000	Balance as at 31 December Baht'000
Type of properties for sale				
Assets from settlement of debts				
Immovable assets	13,646	61,050	(14,513)	60,183
Movable assets	2,501	43,914	(42,704)	3,711
Total	16,147	104,964	(57,217)	63,894
Less Allowance for impairment	(180)	-	-	(180)
Total properties for sale, net	<u>15,967</u>	<u>104,964</u>	<u>(57,217)</u>	<u>63,714</u>

12 Properties for sale, net (Cont'd)

	2016			Balance as at 31 December Baht'000
	Balance as at 1 January Baht'000	Additions Baht'000	Disposals Baht'000	
Type of properties for sale				
Assets from settlement of debts				
Immovable assets	10,959	4,919	(2,232)	13,646
Movable assets	2,555	75,225	(75,279)	2,501
Total	13,514	80,144	(77,511)	16,147
<u>Less</u> Allowance for impairment	(180)	-	-	(180)
Total properties for sale, net	<u>13,334</u>	<u>80,144</u>	<u>(77,511)</u>	<u>15,967</u>

As at 31 December 2017 and 2016, the value of all immovable assets from debt repayment of the Bank was appraised by internal and external appraisers.

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13 Premises and equipment, net

	Premises Baht'000	Leasehold improvement Baht'000	Leasehold improvement Decommissioning Baht'000	Furniture and office equipment Baht'000	Computers and accessories Baht'000	Motor vehicle Baht'000	Total Baht'000
At 1 January 2016							
Cost	-	133,592	-	124,181	130,696	-	388,469
Less Accumulated depreciation	-	(40,023)	-	(85,410)	(90,536)	-	(215,969)
Net book amount	-	93,569	-	38,771	40,160	-	172,500
For the year ended 31 December 2016							
Opening net book amount	-	93,569	-	38,771	40,160	-	172,500
Additions	-	12,021	6,091	13,582	6,424	-	38,118
Disposals, net	-	-	-	(36)	-	-	(36)
Write-off, net	-	(5,026)	-	(167)	-	-	(5,193)
Reclassification, net	-	(166)	-	166	-	-	-
Depreciation charge	-	(13,465)	(1,100)	(14,340)	(12,638)	-	(41,543)
Closing net book amount	-	86,933	4,991	37,976	33,946	-	163,846
At 31 December 2016							
Cost	-	134,713	6,091	137,372	137,119	-	415,295
Less Accumulated depreciation	-	(47,780)	(1,100)	(99,396)	(103,173)	-	(251,449)
Net book amount	-	86,933	4,991	37,976	33,946	-	163,846
For the year ended 31 December 2017							
Opening net book amount	-	86,933	4,991	37,976	33,946	-	163,846
Additions	66,090	41,522	2,298	25,332	15,443	467	151,152
Disposals, net	-	(529)	-	(131)	(79)	-	(739)
Write-off, net	-	(1,152)	-	(15)	-	-	(1,167)
Depreciation charge	(1,854)	(15,637)	(746)	(16,973)	(13,992)	(2)	(49,204)
Closing net book amount	64,236	111,137	6,543	46,189	35,318	465	263,888
At 31 December 2017							
Cost	66,090	171,390	8,389	159,265	141,849	467	547,450
Less Accumulated depreciation	(1,854)	(60,253)	(1,846)	(113,076)	(106,531)	(2)	(283,562)
Net book amount	64,236	111,137	6,543	46,189	35,318	465	263,888

14 Other intangible assets, net

	Leasehold computer software Baht'000	Initial service fee of ITMX Baht'000	Leasehold computer software during development Baht'000	Total Baht'000
At 1 January 2016				
Cost	98,692	32,621	43,573	174,886
<u>Less</u> Accumulated amortisation	(66,896)	-	-	(66,896)
Net book amount	<u>31,796</u>	<u>32,621</u>	<u>43,573</u>	<u>107,990</u>
For the year ended 31 December 2016				
Opening net book amount	31,796	32,621	43,573	107,990
Additions	6,095	-	5,985	12,080
Transfers in (out)	3,154	-	(3,154)	-
Amortisation charge	(8,453)	-	-	(8,453)
Closing net book amount	<u>32,592</u>	<u>32,621</u>	<u>46,404</u>	<u>111,617</u>
At 31 December 2016				
Cost	107,941	32,621	46,404	186,966
<u>Less</u> Accumulated amortisation	(75,349)	-	-	(75,349)
Net book amount	<u>32,592</u>	<u>32,621</u>	<u>46,404</u>	<u>111,617</u>
For the year ended 31 December 2017				
Opening net book amount	32,592	32,621	46,404	111,617
Additions	13,770	-	20,980	34,750
Transfers in (out)	45,209	-	(45,209)	-
Reclassification, net	-	-	(776)	(776)
Amortisation charge	(20,685)	-	-	(20,685)
Closing net book amount	<u>70,886</u>	<u>32,621</u>	<u>21,399</u>	<u>124,906</u>
At 31 December 2017				
Cost	166,920	32,621	21,399	220,940
<u>Less</u> Accumulated amortisation	(96,034)	-	-	(96,034)
Net book amount	<u>70,886</u>	<u>32,621</u>	<u>21,399</u>	<u>124,906</u>

The Bank needs to be a member of the National ITMX services in order to facilitate the Bank's and its customers. Initial service fee of ITMX provides the right of utilising the national ITMX services without having limited useful life.

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15 Deferred tax assets and liabilities

Movements in total deferred tax assets and liabilities during the year are as follows:

	2017			Balance as at 31 December Baht'000
	Balance as at 1 January Baht'000	Recognised in profit and loss income (expenses) Baht'000	Recognised in other comprehensive income Baht'000	
Deferred tax assets				
Loans to customers and accrued interest receivables	116,956	740	-	117,696
Properties for sale	36	-	-	36
Provisions	10,191	496	2,430	13,117
Reserve for share based payment	3,083	653	-	3,736
Others	161	-	(162)	(1)
Total	130,427	1,889	2,268	134,584
Deferred tax liabilities				
Loans to customers and accrued interest receivables	(547)	433	-	(114)
Properties, plant and equipment	(998)	(310)	-	(1,308)
Others	(152)	-	(445)	(597)
Total	(1,697)	123	(445)	(2,019)
Deferred tax assets, net	128,730			132,565
2016				
	Balance as at 1 January Baht'000	Recognised in profit and loss income (expenses) Baht'000	Recognised in other comprehensive income Baht'000	Balance as at 31 December Baht'000
Deferred tax assets				
Loans to customers and accrued interest receivables	80,801	36,155	-	116,956
Properties for sale	36	-	-	36
Properties, plant and equipment	10	(10)	-	-
Provisions	6,762	3,153	276	10,191
Reserve for share based payment	2,398	685	-	3,083
Others	23	-	138	161
Total	90,030	39,983	414	130,427
Deferred tax liabilities				
Loans to customers and accrued interest receivables	(1,650)	1,103	-	(547)
Properties, plant and equipment	-	(998)	-	(998)
Others	(777)	-	625	(152)
Total	(2,427)	105	625	(1,697)
Deferred tax assets, net	87,603			128,730

16 Other assets, net

	2017	2016
	Baht'000	Baht'000
Deferred leasehold rights	8,715	9,720
Interest and income receivables	35,746	34,951
Prepaid expenses	75,827	60,855
Supplies	1,997	1,435
Deposits and guarantee	36,759	36,941
Account receivables - Counter service	7,739	5,216
Other receivables	27,413	43,891
Advance to customers	21,170	15,197
Others	18,726	14,927
Total	234,092	223,133

17 Deposits

17.1 Classified by products

	2017	2016
	Baht'000	Baht'000
Payable on demand	79,111	150,706
Saving deposits	24,959,179	22,171,716
Time deposits	12,838,464	10,582,682
Total	37,876,754	32,905,104

17.2 Classified by currency and customer's residence

	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Thai Baht	37,876,754	-	37,876,754	32,905,104	-	32,905,104
Total	37,876,754	-	37,876,754	32,905,104	-	32,905,104

18 Interbank and money market items, net (liabilities)

	2017			2016		
	At call	Term	Total	At call	Term	Total
	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Domestic:						
Bank of Thailand	-	3,598	3,598	-	429,204	429,204
Special purpose financial institutions	-	386,438	386,438	-	529,333	529,333
Other financial	690,464	19,030	709,494	726,123	108,000	834,123
Total	690,464	409,066	1,099,530	726,123	1,066,537	1,792,660

19 Provisions

	2017	2016
	Baht'000	Baht'000
Provision for post-employment benefit	56,774	44,622
Provision for decommissioning cost of leasehold improvement	8,816	6,334
Total provisions	65,590	50,956

Provision for employee benefits

The Bank has post-employment benefit plans in accordance with the Labor Protection Law which are unfunded defined benefit plans and presented as provision on the statements of financial positions.

The reconciliation of the present value of defined benefit obligations are as follows:

	2017	2016
	Baht'000	Baht'000
Beginning balance of defined benefit obligations	44,622	33,803
Current service costs	16,443	8,272
Interest costs	892	1,163
Amount paid under defined benefit plan	(4,477)	-
Remeasurements:		
(Gain)/loss from change in demographic assumptions	3,229	(1,746)
(Gain)/loss from change in financial assumptions	(912)	3,949
Experience (gain)/(loss)	(3,023)	(819)
Ending balance of defined benefit obligations	56,774	44,622

Employee benefits under defined benefit plans authorised in the statements of profit or loss and other comprehensive income are as follows:

	2017	2016
	Baht'000	Baht'000
Current service costs	16,443	8,272
Interest costs	892	1,163
Total	17,335	9,435

Principal actuarial assumptions used to calculate the defined benefit obligations as at 31 December 2017 and 2016, are as follows:

	2017	2016
Discount rates (%)	2.22	2.00
Average rate of salary increases (%)	5.00	5.00

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19 Provisions (Cont'd)

	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	2017 Baht'000	2016 Baht'000	2017 Baht'000	2016 Baht'000	2017 Baht'000	2016 Baht'000
Discount rate	1%	1%	Decrease by 6.38%	Decrease by 6.04%	Increase by 7.18%	Increase by 6.82%
Salary growth rate	1%	1%	Increase by 6.54%	Increase by 6.20%	Decrease by 5.93%	Decrease by 5.62%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the defined benefit obligation is 7.94 years (2016: 7.42 years).

Expected maturity analysis of undiscounted retirement benefits:

	Less than a year Baht'000	Between 1 - 2 years Baht'000	Between 2 - 5 years Baht'000	Over 5 years Baht'000	Total Baht'000
At 31 December 2017					
Retirement benefits	1,290	12,579	43,702	2,576,781	2,634,352
Total	1,290	12,579	43,702	2,576,781	2,634,352
At 31 December 2016					
Retirement benefits	2,658	5,966	35,757	1,656,849	1,701,230
Total	2,658	5,966	35,357	1,656,845	1,701,230

20 Other liabilities

	2017 Baht'000	2016 Baht'000
The Revenue Department payable	5,445	4,631
Account payables - purchase of assets	12,848	5,886
Accrued interest expenses	97,510	126,536
Other payables	13,523	13,544
Accrued fee and service expenses	356,590	282,604
Withholding tax payable	9,229	10,864
Accrued specific business tax	11,877	8,799
Corporate income tax	94,492	67,274
Others	6,012	7,835
Total	607,526	527,973

21 Reserve for share-based payment

Stock options

The Bank awards the stock options of the Bank to certain senior management.

The Extraordinary General Shareholders' Meeting dated 28 February 2017 passed a resolution to issue the second program of warrants for certain senior management of the Bank to purchase an additional registered ordinary share capital of The Thai Credit Retail Bank Public Company Limited at par value of Baht 10 each in total amount of 3.13 million shares. Exercise ratio is 1 warrant for 1 ordinary share at the exercise price Baht 10 per ordinary share.

The Annual General Shareholders' Meeting dated 27 March 2014 passed a resolution to issue the warrants for certain senior management of the Bank to purchase an additional registered ordinary share capital of The Thai Credit Retail Bank Public Company Limited at par value of Baht 10 each in total amount of 12.5 million shares. Exercise ratio is 1 warrant for 1 ordinary share at the exercise price Baht 10 per ordinary share.

All of these awards contain clawback provisions that may result in cancellation prior to vesting under certain specified circumstances.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted - average exercise price per share Baht	Number of options million ordinary shares
At 1 January 2016	10	12.50
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
At 31 December 2016	10	12.50
At 1 January 2017	10	12.50
Granted	10	3.13
Forfeited	-	-
Exercised	-	-
Expired	-	-
At 31 December 2017	10	15.63

21 Reserve for share-based payment (Cont'd)

Stock options

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	<u>Exercise price Baht per share</u>	<u>2016 Million ordinary Shares</u>	<u>2017 Million ordinary Shares</u>
Expired date: 27 March 2019	10	12.50	15.63

Management has estimated the fair value using the Binomial valuation model by engaging the valuation specialist. The weighted-average option price as at 28 February 2017 is Baht 1.24 per option and the weighted-average option price as at 27 March 2014 is Baht 1.37 per option. The risk-free interest rate is the implied yield on zero-coupon Thailand government bonds, with a remaining life equal to the expected life of the option. The expected volatility is estimated for giving consideration to, amongst other things, the historical volatility of pass listed in the Stock Exchange of Thailand for the period that commensurate with the expected life of the option. The 0% dividend yield assumption has been adopted for valuation.

The remaining contractual life of the total 15.63 million options is 1.25 years.

For the year ended 31 December 2017, the Bank has stock options expense recognised during the year amounting to Baht 3.26 million (2016: Baht 3.43 million).

22 Share capital

	<u>Number of shares Shares</u>	<u>Ordinary Shares Baht</u>	<u>Total Baht</u>
At 1 January 2016	400,000,000	4,000,000,000	4,000,000,000
Issue of shares	-	-	-
At 31 December 2016	400,000,000	4,000,000,000	4,000,000,000
Issue of shares	100,000,000	1,000,000,000	1,000,000,000
At 31 December 2017	<u>500,000,000</u>	<u>5,000,000,000</u>	<u>5,000,000,000</u>

On 28 February 2017, the shareholders at the Bank's extraordinary shareholders' meeting passed a resolution to approve increase the authorised share capital from 412.50 million ordinary shares with a par value of Baht 10 per share to 515.63 million ordinary shares with a par value of Baht 10 per share. The Bank registered the increased share capital with the Ministry of Commerce on 7 March 2017. On 21 March 2017, the Bank received subscription of 100 additional million shares at Baht 10 par value in the total of Baht 1,000 million already.

23 Legal reserve

	2017	2016
	Baht'000	Baht'000
At 1 January	2,300	2,300
Appropriation during the year	-	-
At 31 December	<u>2,300</u>	<u>2,300</u>

Under the Public Limited Company Act., B.E. 2535, the Bank is required to set aside a legal reserve at least 5% of its net income for the year after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered share capital. The legal reserve is not available for dividend distribution.

24 Assets with obligations and restrictions

As at 31 December 2017 and 2016, the Bank has investment in securities under obligations and restrictions as follows:

	2017	2016
	Baht'000	Baht'000
Pledged as collateral for private REPO under the BOT	150,000	250,000
Pledged as other collaterals	834	1,012
Total	<u>150,834</u>	<u>251,012</u>

Contingent liabilities

As at 31 December 2017 and 2016, contingent liabilities are as follows:

	2017	2016
	Baht'000	Baht'000
Aval	18,680	43,648
Other contingencies		
- Other guarantees	169,911	123,234
- Unused overdraft credit facilities	183,898	255,010
Total	<u>372,489</u>	<u>421,892</u>

25 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 a capital adequacy ratio in accordance with the Act on Undertaking of Banking business B.E. 2551. The capital funds comprise:

	2017	Total capital
	Baht'000	to risk assets
		%
<u>Tier I</u>		
Issued and paid up share capital	5,000,000	
Warrants	18,675	
Statutory reserve	2,300	
Deficit after appropriation	128,977	
Other reserves	1,910	
<u>Less</u> Deduction items from Tier 1 capital		
Intangible assets	(99,925)	
Deferred tax assets	(132,565)	
Total Tier I capital fund	4,919,372	14.79
<u>Tier II</u>		
Reserve for loan classified as pass	358,357	
Total Tier II capital fund	358,357	1.08
Total capital funds	5,277,729	15.87
	2016	Total capital
	Baht'000	to risk assets
		%
<u>Tier I</u>		
Issued and paid up share capital	4,000,000	
Warrants	15,413	
Statutory reserve	2,300	
Deficit after appropriation	(209,129)	
Other reserves	(22)	
<u>Less</u> Deduction items from Tier 1 capital		
Intangible assets	(66,970)	
Deferred tax assets	(128,730)	
Total Tier I capital fund	3,612,862	12.70
<u>Tier II</u>		
Reserve for loan classified as pass	313,160	
Total Tier II capital fund	313,160	1.10
Total capital funds	3,926,022	13.80

The Bank will disclose capital maintenance information as at 31 December 2017 in accordance with the Notification of the Bank of Thailand RE: Public Disclosure of Capital Maintenance Information for Commercial Banks and Consolidated Supervision on its website at www.tcrbank.com within four months after the statements of financial position date.

26 The position and the results of operation by domestic and foreign operations

The Bank has been operating in a single segment, which is banking business carrying out in Thailand only. As a result, most revenues, expenses, profit, assets and liabilities as reflected in the financial statements pertaining to the aforementioned industry and geographic area.

27 Interest income

	2017	2016
	Baht'000	Baht'000
Interbank and money market items	46,207	25,315
Investments in debt securities	37,632	47,813
Loans to customers	3,700,257	2,645,600
Hire-purchase and finance lease	168,427	238,530
Total interest income	<u>3,952,523</u>	<u>2,957,258</u>

28 Interest expenses

	2017	2016
	Baht'000	Baht'000
Deposits	634,328	601,843
Interbank and money market items	4,087	4,936
Contributions to the Deposit Protection agency and the Financial Institution	167,572	139,139
Total interest expense	<u>805,987</u>	<u>745,918</u>

29 Fees and service income, net

	2017	2016
	Baht'000	Baht'000
Fees and service income		
Acceptances, aval and guarantees of loans	2,626	2,621
Brokerage fee	208,493	199,234
Registration fee	2,543	4,345
Others	52,851	39,721
Total fees and service income	<u>266,513</u>	<u>245,921</u>
Fees and service expenses		
Fee and service expenses on ATM	10,023	10,808
Registration fee and services expenses	1,862	2,913
Others commission fee and service expenses	108,972	56,163
Total fees and service expenses	<u>120,857</u>	<u>69,884</u>
Fees and service income, net	<u>145,656</u>	<u>176,037</u>

30 Net gains on investments

	2017	2016
	Baht'000	Baht'000
Gains on sales of available-for-sales securities	6,798	2,683
Net gains on investments	6,798	2,683

31 Bad debts, doubtful accounts and impairment loss

	2017	2016
	Baht'000	Baht'000
Loans to customers	637,701	404,379
Other account receivable	8,295	17,909
Loss on troubled debt restructuring	47,013	53,643
Total bad debts, doubtful accounts and impairment loss	693,009	475,931

32 Income tax

	2017	2016
	Baht'000	Baht'000
Current tax	135,328	120,246
Deferred tax income	(4,582)	(40,088)
Total income tax expenses	130,746	80,158

Reconciliation of effective tax rates for the year ended 31 December 2017 and 2016 are follows:

	2017		2016	
	Baht'000	%	Baht'000	%
Profit from operating before income tax expenses	662,042		406,579	
Tax expenses				
Taxable amount as per tax rate	132,408	20	81,316	20
Adjustment for deferred tax relating to the origination and reversal of temporary differences	(1,662)		(1,158)	
Total income tax expenses	130,746	20	80,158	20

The weighted average applicable tax rate for the year ended 31 December 2017 was 20% (2016: 20%).

32 Income tax (Cont'd)

The tax (charge)/credit relating to component of other comprehensive income is as follows:

	2017			2016		
	Before tax Baht'000	Tax (charge) credit Baht'000	After tax Baht'000	Before tax Baht'000	Tax (charge) credit Baht'000	After tax Baht'000
Fair value gains:						
Available-for-sale financial assets	3,030	(606)	2,424	(3,813)	763	(3,050)
Remeasurement on retirement benefit obligations	705	(141)	564	(1,384)	276	(1,108)
Other comprehensive income	3,735	(747)	2,988	(5,197)	1,039	(4,158)
Current tax		135,328			120,246	
Deferred tax income		(4,582)			(40,088)	
Total income tax expenses		130,746			80,158	

33 Commitments

i) Contingent liabilities

As at 31 December 2017, the Bank has capital expenditure contract relating to installation the computer system, software development and implement for the International Financial Reporting Standard No. 9 Financial Instruments but does not recognised in the financial statements. The Bank is obligated to pay Baht 20.26 million further under contract agreements.

ii) Operating lease commitments

The Bank has entered into a number of lease agreements and series agreements. The future payments from the dates on the statements of financial position are summarised as follows:

	2017 Baht'000	2016 Baht'000
Within 1 year	161,419	147,519
More than 1 year and up to 5 years	233,189	109,824
Over 5 years	141	141
	394,749	257,484

34 Related parties transactions

Individuals and enterprises that, directly or indirectly control or are controlled by or are under common control with, the Bank including investment entities, associates, joint venture and individuals or entities having significant influence over the Bank, key management personnel, including directors and officers of the Bank and close members of the family of these individuals also constitute related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

During the year ended 31 December 2017, the Bank provided services to related parties on agreed-upon contractual basis.

Information with respect to major shareholder and related parties is as follows:

Major shareholder

Thai Life Insurance Public Co., Ltd.

Related parties

Relationship

V.One Asset Co., Ltd.	Common directors
Chaiyawan Co., Ltd.	Common directors
Yad Sampan Co., Ltd.	Common directors
SBI Thai Online Securities Co. Ltd.	Common directors
VC.Sombat Co., Ltd.	Common directors
Thai Health Insurance Public Co., Ltd.	Common shareholder
Thai Paiboon Insurance Public Co., Ltd.	Common shareholder
V.73 Co., Ltd.	Common shareholder
C.12 Co., Ltd.	Common shareholder
Thunchai Co.,Ltd.	Common shareholder
Siengkong Co., Ltd.	Common shareholder
Chai Brothers Co., Ltd.	Common shareholder
Insure and Beyond Broker Co., Ltd.	Shares held by management related person
Thachaisri Co., Ltd.	Shares held by management related person
CNT Liquor Co., Ltd.	Shares held by management related person
Piam Anan Co., Ltd.	Shares held by management related person
Pathum Thani Jutemill Co., Ltd.	Shares held by management related person
C.Laing Co., Ltd.	Shares held by management related person
Sakhorn Liquor Co., Ltd.	Shares held by management related person

34 Related parties transactions (Cont'd)

The Bank has a portion of assets, liabilities, income and expenses which were transactions with related parties. The accompanying financial statements reflect the effects of these transactions in the normal course of business on an arm's-length basis, with details as follows:

Balances with related parties as at 31 December 2017 and 2016, are as follows:

	2017	2016
	Baht'000	Baht'000
Income receivables		
Major shareholder	15,239	19,869
Related parties		
Common shareholder	14,940	2,075
Deposits		
Major shareholder	453,153	526,569
Related parties		
Common directors	4,748	8,794
Common shareholder	137,836	143,234
Shares held by management related person	8,262	1,014
Director level upward including their related persons	72,865	48,483
Accrued interest payable - deposits		
Major shareholder	27	34
Related parties		
Common directors	3	2
Common shareholder	696	612
Shares held by management related person	-	1
Director level upward including their related persons	62	114

Income and expenses with related parties for the year ended 31 December 2017 and 2016 are as follows:

	2017	2016
	Baht'000	Baht'000
Interest expense - deposits		
Major shareholder	1,396	1,927
Related parties		
Common directors	70	546
Common shareholder	2,871	3,149
Shares held by management related person	85	33
Director level upward including their related persons	700	802
Office rental expense		
Major shareholder	3,376	3,376
Related parties		
Common directors	28,593	27,455
Service expenses		
Major shareholder	4,949	4,949
Fees and services income		
Major shareholder	184,648	178,642
Related parties		
Common shareholder	64,000	21,714
Pricing policies		

Transactions between the Bank and related parties have been priced as follows:

- Interests on loan and deposit are based on market price
- Rental and service income are based on rates specified in rental and services contracts

35 Other benefits to directors and persons with managing authority

For the year ended 31 December 2017 and 2016, benefits to key management personnel are as follows:

	2017	2016
	Baht'000	Baht'000
Short-term benefits	127,072	110,182
Post-employment benefits	10,375	3,323
Reserve for share based payment	3,263	3,425
Total	<u>140,710</u>	<u>116,930</u>

36 Earning per share

Earning per share as presented in the statements of comprehensive income are calculated by dividing net profit for the year by the weighted average number of ordinary shares held by outside shareholders in issue during the year.

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2017 and 2016.

	2017	2016
Net profit for the year (Baht'000)	531,296	326,421
Weighted average number of ordinary shares held by share holder	478,082,192	400,000,000
Basic earnings per share (Baht)	1.11	0.82