

Thanachart Capital Public Company Limited
and its subsidiaries
Report and interim financial statements
31 March 2017

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Thanachart Capital Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Thanachart Capital Public Company Limited and its subsidiaries as at 31 March 2017, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the three-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Thanachart Capital Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

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

Conclusion

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

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 9 May 2017

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position

As at 31 March 2017

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 March	31 December	31 March	31 December
		2017	2016	2017	2016
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Assets					
Cash		9,553,103	12,077,047	10	-
Interbank and money market items - net		39,340,927	48,734,079	20,662	30,299
Derivatives assets	3	3,197,574	3,564,235	-	-
Investments - net	4	213,047,255	186,928,040	2,614,952	2,279,080
Investments in subsidiary and associated companies - net	5	2,823,241	2,889,920	33,924,640	33,924,640
Loans to customers and accrued interest receivables	6				
Loans to customers		732,747,633	740,219,156	897,900	1,144,805
Accrued interest receivables		576,874	630,780	-	1
Total loans to customers and accrued interest receivables		733,324,507	740,849,936	897,900	1,144,806
Less: Deferred revenue		(49,538,421)	(48,173,470)	(2,125)	(2,270)
Allowance for doubtful accounts	7	(24,793,522)	(25,153,026)	(82,426)	(86,101)
Revaluation allowance for debt restructuring	8	(1,720)	(1,976)	-	-
Net loans to customers and accrued interest receivables		658,990,844	667,521,464	813,349	1,056,435
Customers' liability under acceptances		9,994	9,544	-	-
Property foreclosed - net		4,851,485	4,991,810	528,781	578,391
Land, premises and equipment - net		9,392,277	9,604,927	43,419	45,189
Intangible assets - net		2,577,123	2,709,280	979	1,013
Goodwill		17,488,484	17,439,110	-	-
Deferred tax assets		1,078,437	1,089,436	29,677	26,204
Receivables from purchase and sale of securities		3,998,437	1,125,862	-	-
Accrued interest and dividend receivables		1,053,157	983,302	87,134	2,902
Other assets - net	10	5,579,139	7,198,932	47,251	44,923
Total assets		972,981,477	966,866,988	38,110,854	37,989,076

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 March 2017

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		31 March	31 December	31 March	31 December
Note		2017	2016	2017	2016
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and equity					
Deposits		675,908,575	676,455,824	-	-
Interbank and money market items	11	59,722,143	65,700,880	-	-
Liability payable on demand		2,017,703	1,986,425	-	-
Derivatives liabilities	3	3,984,384	4,912,489	-	-
Debts issued and borrowings	12	64,868,505	61,704,163	12,700,000	12,700,000
Bank's liability under acceptances		9,994	9,544	-	-
Provisions	13	3,465,806	3,676,948	69,359	84,639
Deferred tax liabilities		1,138,503	1,002,985	-	-
Payables from purchase and sale of securities		9,577,532	2,366,288	-	-
Accrued interest payables		2,683,877	2,148,799	200,395	96,204
Insurance contracts liabilities	14	14,952,119	14,593,739	-	-
Other liabilities	15	11,208,926	12,457,535	244,781	257,247
Total liabilities		849,538,067	847,015,619	13,214,535	13,138,090

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 March 2017

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 March	31 December	31 March	31 December
		2017	2016	2017	2016
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Equity					
Share capital	16				
Registered, issued and paid-up					
13,216 preferred shares of Baht 10 each		132	132	132	132
1,206,466,487 common shares of Baht 10 each		12,064,665	12,064,665	12,064,665	12,064,665
		12,064,797	12,064,797	12,064,797	12,064,797
Premium on common share		2,065,645	2,065,645	2,065,645	2,065,645
Other components of equity	17	2,577,751	2,449,904	487,813	502,525
Retained earnings					
Appropriated - statutory reserve		1,277,830	1,277,830	1,277,830	1,277,830
- treasury share reserve		1,399,914	1,399,914	1,399,914	1,399,914
Unappropriated		40,634,995	39,032,705	9,000,234	8,940,189
Less: Treasury shares - common shares	16	(1,399,914)	(1,399,914)	(1,399,914)	(1,399,914)
Equity attributable to owners of the Company		58,621,018	56,890,881	24,896,319	24,850,986
Non-controlling interests		64,822,392	62,960,488	-	-
Total equity		123,443,410	119,851,369	24,896,319	24,850,986
Total liabilities and equity		972,981,477	966,866,988	38,110,854	37,989,076

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

Directors

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries**Statement of comprehensive income****For the three-month period ended 31 March 2017**

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

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Profit or loss					
Interest income	19	10,848,638	11,648,516	20,722	22,371
Interest expenses	20	(3,761,972)	(4,693,638)	(144,271)	(149,302)
Net interest income		7,086,666	6,954,878	(123,549)	(126,931)
Fees and service income		2,238,031	2,006,014	124	73
Fees and service expenses		(797,701)	(714,669)	(21)	(32)
Net fees and service income	21	1,440,330	1,291,345	103	41
Gains on trading and foreign exchange transactions	22	184,687	328,475	-	-
Gains on investments	23	190,753	516,834	4,930	3,100
Share of profit from investments accounted for under equity method		75,499	108,647	-	-
Insurance/Life insurance income		1,735,471	1,645,725	-	-
Dividend income		89,195	56,859	254,729	140,048
Other operating income		318,003	315,365	24,294	20,519
Total operating income		11,120,604	11,218,128	160,507	36,777
Insurance expenses		(1,168,009)	(1,315,245)	-	-
Net operating income		9,952,595	9,902,883	160,507	36,777
Other operating expenses					
Employee's expenses		3,073,609	2,864,601	33,028	29,938
Directors' remuneration		10,512	9,752	3,312	3,315
Premises and equipment expenses		710,857	755,296	5,040	5,111
Taxes and duties		186,856	199,887	811	521
Losses (gains) on property foreclosed and other assets		21,441	126,958	49,991	(5,833)
Other expenses		1,462,691	1,178,015	12,139	37,505
Total other operating expenses		5,465,966	5,134,509	104,321	70,557
Impairment loss of loans and debt securities (reversal)	24	852,050	1,767,020	(4,064)	(25,034)
Profit (loss) before income tax		3,634,579	3,001,354	60,250	(8,746)
Income tax	25	(317,100)	(185,838)	(205)	(291)
Profit (loss) for the period		3,317,479	2,815,516	60,045	(9,037)

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries**Statement of comprehensive income (continued)****For the three-month period ended 31 March 2017**

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

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
Other comprehensive income	26				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale securities		375,450	965,233	(18,390)	34,018
Share of other comprehensive loss of an associate		(18,372)	(26,417)	-	-
Income tax relating to components of other comprehensive income (loss)		(73,702)	(191,598)	3,678	(6,804)
		<u>283,376</u>	<u>747,218</u>	<u>(14,712)</u>	<u>27,214</u>
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Surplus on revaluation on assets		-	1,605,508	-	-
Share of other comprehensive income of an associate		-	400,651	-	-
Income tax relating to components of other comprehensive income (loss)		-	(341,038)	-	-
		<u>-</u>	<u>1,665,121</u>	<u>-</u>	<u>-</u>
Total other comprehensive income (loss)		<u>283,376</u>	<u>2,412,339</u>	<u>(14,712)</u>	<u>27,214</u>
Total comprehensive income		<u>3,600,855</u>	<u>5,227,855</u>	<u>45,333</u>	<u>18,177</u>
Profit (loss) attributable to					
The Company		1,602,290	1,350,500	60,045	(9,037)
Non-controlling interests		1,715,189	1,465,016	-	-
		<u>3,317,479</u>	<u>2,815,516</u>	<u>60,045</u>	<u>(9,037)</u>
Total comprehensive income attributable to					
The Company		1,730,137	2,682,839	45,333	18,177
Non-controlling interests		1,870,718	2,545,016	-	-
		<u>3,600,855</u>	<u>5,227,855</u>	<u>45,333</u>	<u>18,177</u>
Earnings per share of the Company	27				
Basic earnings per share (Baht per share)		1.38	1.16	0.05	(0.01)
Diluted earnings per share (Baht per share)		1.38	1.16	0.05	(0.01)

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows

For the three-month period ended 31 March 2017

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit (loss) before income tax	3,634,579	3,001,354	60,250	(8,746)
Adjustments to reconcile profit before income tax				
to net cash provided by (paid from) operating activities				
Share of profit from investments accounted for				
under equity method	(75,499)	(108,647)	-	-
Depreciation and amortisation	394,619	390,373	3,913	4,501
Impairment loss of loans and debt securities (reversal)	852,050	1,767,020	(4,064)	(25,034)
Increase in provisions	297,546	146,804	1,152	25,653
Increase (decrease) in allowance for impairment of property foreclosed	42,325	180,957	48,559	(834)
Increase (decrease) in allowance for impairment				
of equipment/other assets	25,426	(60,055)	(4)	38
Loss from revaluation on land	-	13,640	-	-
Unrealised gain from change in value of investments/				
allowance for impairment of investments	(34,657)	(122,097)	-	-
Unrealised loss on exchange	355,494	114,112	-	-
Loss (gain) on disposal of land, premises and equipment	3,801	17,448	(37)	-
Decrease (increase) in accrued other income receivable	219,131	482,573	(2,256)	(5,179)
	5,714,815	5,823,482	107,513	(9,601)
Net interest income	(7,086,666)	(6,954,878)	123,549	126,931
Dividend income	(89,195)	(56,859)	(254,729)	(140,048)
Cash received from interest on operating activities	10,168,951	10,782,770	15,165	18,076
Cash paid for interest on operating activities	(3,460,156)	(4,242,029)	-	-
Cash paid for income tax	(98,832)	(77,103)	(540)	(781)
Income from operating activities before				
changes in operating assets and liabilities (loss)	5,148,917	5,275,383	(9,042)	(5,423)

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the three-month period ended 31 March 2017

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cash flows from operating activities (continued)				
Decrease (increase) in operating assets				
Interbank and money market items	9,303,366	(26,813,806)	9,662	(7,283)
Derivatives assets	974,689	1,320,114	-	-
Investments in trading securities	(2,478,711)	1,800,561	-	-
Loans to customers	5,856,478	9,645,607	253,724	16,125
Property foreclosed	1,271,289	1,383,324	1,050	18,852
Receivables from purchase and sale of securities	(2,872,575)	(1,625,921)	-	-
Other assets	1,296,389	94,498	(4,009)	(5,906)
Increase (decrease) in operating liabilities				
Deposits	(547,250)	9,583,086	-	-
Interbank and money market items	(5,710,091)	(11,447,165)	-	-
Liability payable on demand	31,278	154,396	-	-
Derivatives liabilities	(1,066,299)	(1,278,734)	-	-
Payables from purchase and sale of securities	7,211,245	3,885,208	-	-
Insurance contract liabilities	358,381	228,017	-	-
Other liabilities	(1,061,079)	(1,822,039)	(28,897)	(1,083)
Net cash flows from (used in) operating activities	17,716,027	(9,617,471)	222,488	15,282
Cash flows from investing activities				
Decrease (increase) in investments in securities	(23,778,033)	9,676,542	(361,280)	(152,432)
Cash received from interest	1,049,395	1,168,288	2,280	2,283
Cash received from dividend	22,061	17,598	176,052	681,665
Cash paid for purchase of premises and equipment/intangible assets	(108,480)	(240,242)	-	(635)
Cash received from disposal of land, premises and equipment	5,938	61,594	37	-
Net cash flows from (used in) investing activities	(22,809,119)	10,683,780	(182,911)	530,881

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the three-month period ended 31 March 2017

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cash flows from financing activities				
Cash received from debts issued and borrowings	3,573,265	7,148,182	-	-
Cash paid for debts issued and borrowings	(408,924)	(10,736,217)	-	(500,000)
Cash paid for interest expenses on debts issued and borrowings	(586,313)	(742,757)	(39,567)	(46,148)
Cash paid for dividend to non-controlling interests	(8,880)	(11,840)	-	-
Net cash flows from (used in) financing activities	2,569,148	(4,342,632)	(39,567)	(546,148)
Net increase (decrease) in cash	(2,523,944)	(3,276,323)	10	15
Cash at beginning of the period	12,077,047	13,337,367	-	-
Cash at end of the period	9,553,103	10,061,044	10	15

Supplemental cash flows information

Non-cash transactions

Property foreclosed transferred from loans to customers

and investments in receivables purchased

1,122,186	1,283,752	-	-
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Bad debt written off

1,479,346	2,449,705	-	-
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Payable from purchase of assets

52,006	70,244	-	111
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The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity

For the three-month period ended 31 March 2017

(Unit: Thousand Baht)

Consolidated financial statements															
Equity attributable to the Company's shareholders															
	Other components of equity														
	Issued and paid-up share capital		Premium on common share	Premium on treasury share	Amount by which the value of investment in subsidiary lower than attributable net book value		Revaluation surplus on investments - net	Revaluation surplus on assets	Share of other comprehensive income (loss) of associate	Retained earnings			Treasury shares	Non-controlling interests	Total
										Appropriated		Unappropriated			
	Preferred shares	Common shares	Statutory reserve	Treasury shares reserve											
Balance as at 1 January 2016	133	12,778,164	2,065,645	165,742	775,814	226,460	933,217	-	(15,288)	1,277,830	4,798,369	34,466,039	(4,798,369)	58,649,354	111,323,110
Conversion of preferred shares to ordinary shares	(1)	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,840)	(11,840)
Transfer to retained earnings	-	-	-	-	-	-	-	(1,885)	-	-	-	1,885	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,350,500	-	1,465,016	2,815,516
Other comprehensive income for the period (loss)	-	-	-	-	-	-	406,460	654,482	271,397	-	-	-	-	1,080,000	2,412,339
Balance as at 31 March 2016	132	12,778,165	2,065,645	165,742	775,814	226,460	1,339,677	652,597	256,109	1,277,830	4,798,369	35,818,424	(4,798,369)	61,182,530	116,539,125
Balance as at 1 January 2017	132	12,064,665	2,065,645	-	775,814	226,460	389,880	664,875	392,875	1,277,830	1,399,914	39,032,705	(1,399,914)	62,960,488	119,851,369
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,814)	(8,814)
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,602,290	-	1,715,189	3,317,479
Other comprehensive income for the period (loss)	-	-	-	-	-	-	145,624	-	(17,777)	-	-	-	-	155,529	283,376
Balance as at 31 March 2017	132	12,064,665	2,065,645	-	775,814	226,460	535,504	664,875	375,098	1,277,830	1,399,914	40,634,995	(1,399,914)	64,822,392	123,443,410

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the three-month period ended 31 March 2017

(Unit: Thousand Baht)

	Separate financial statements										
	Issued and paid-up share capital				Other components of equity		Retained earnings				
					Revaluation	Revaluation	Appropriated		Unappropriated	Treasury shares	Total
	Preferred	Common	Premium on	Premium on	surplus on	surplus on	Statutory	Treasury shares			
	shares	shares	common share	treasury share	investments - net	assets	reserve	reserve			
Balance as at 1 January 2016	133	12,778,164	2,065,645	165,742	461,190	-	1,277,830	4,798,369	8,618,074	(4,798,369)	25,366,778
Conversion of preferred shares to ordinary shares	(1)	1	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	(9,037)	-	(9,037)
Other comprehensive income for the period (loss)	-	-	-	-	27,214	-	-	-	-	-	27,214
Balance as at 31 March 2016	132	12,778,165	2,065,645	165,742	488,404	-	1,277,830	4,798,369	8,609,037	(4,798,369)	25,384,955
Balance as at 1 January 2017	132	12,064,665	2,065,645	-	490,247	12,278	1,277,830	1,399,914	8,940,189	(1,399,914)	24,850,986
Profit for the period	-	-	-	-	-	-	-	-	60,045	-	60,045
Other comprehensive income for the period (loss)	-	-	-	-	(14,712)	-	-	-	-	-	(14,712)
Balance as at 31 March 2017	132	12,064,665	2,065,645	-	475,535	12,278	1,277,830	1,399,914	9,000,234	(1,399,914)	24,896,319

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

Thanachart Capital Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month period ended 31 March 2017

1. General information

Thanachart Capital Public Company Limited (“the Company”) is incorporated as a public limited company and operated its business in Thailand. The Company is mainly engaged in investment holding and is the parent company of the Thanachart Group. The registered office of the Company is at 444, 16-17th Floor, MBK Tower, Phayathai Road, Wangmai, Pathumwan, Bangkok.

All subsidiaries are registered limited or public limited companies under Thai laws and operate their businesses in Thailand. The subsidiaries businesses include commercial bank, non-performing assets management business, securities business, leasing and hire purchase business, non-life insurance business, life insurance business, fund management business and others.

2. Basis of preparation of the financial statements

2.1 Basis of preparation of the interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2016) “Interim Financial Reporting”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in equity, and cash flows in the same format as that used for the annual financial statements, which are in accordance with the Bank of Thailand (“BOT”)’s Notification relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 4 December 2015.

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

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

2.2 Basis of preparation of the interim consolidated financial statements

- a) The interim consolidated financial statements were prepared on the same basis as the consolidated financial statements for the year ended 31 December 2016, and there were no changes in shareholding structure during this period. Therefore, the interim consolidated financial statements included the financial statements of the Company and the following subsidiary companies.

	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
	31 March	31 December	31 March	31 December
	2017	2016	2017	2016
<u>Subsidiaries directly held by the Company</u>				
Thanachart Bank Plc.	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	83.44	83.44	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
MBK Life Assurance Plc.	51.00	51.00	-	-
TM Broker Co., Ltd.	51.00	51.00	-	-
MT Service 2016 Co., Ltd.	51.00	51.00	-	-
<u>Subsidiaries indirectly held by the Company</u>				
Thanachart Securities Plc.	-	-	100.00	100.00
Thanachart Insurance Plc.	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	-	-	100.00	100.00
TS Asset Management Co., Ltd.	-	-	100.00	100.00
Ratchthani Leasing Plc.	-	-	65.18	65.18
National Leasing Co., Ltd.	-	-	100.00	100.00
Security Scib Services Co., Ltd.	-	-	100.00	100.00

- b) Total assets and net operating income of the subsidiaries that have significant impact to and are included in the consolidated financial statements as at 31 March 2017 and 31 December 2016 and for the three-month periods ended 31 March 2017 and 2016, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income	
			for the three-month	
	31 March	31 December	periods ended 31 March	
	2017	2016	2017	2016
Thanachart Bank Plc.	896,841	892,901	7,787	7,902
MBK Life Assurance Plc.	10,607	10,428	33	(60)
Thanachart Insurance Plc.	11,769	11,201	734	766
Thanachart Securities Plc.	9,049	9,307	476	432
TS Asset Management Co., Ltd.	3,056	3,221	51	118
Ratchthani Leasing Plc.	34,605	32,779	564	461
NFS Asset Management Co., Ltd.	1,376	1,613	7	2

- c) The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using the same significant accounting policies. In case where there are different accounting policies, the Company has adjusted the effect of these in the consolidated financial statements.

2.3 The separate financial statements present investments in subsidiary and associated companies under the cost method.

2.4 New financial reporting standards

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

2.5 Significant accounting policies

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

3. Derivatives

As at 31 March 2017 and 31 December 2016, the notional amount and the fair value of trading derivatives, and the adjustments made on an accrual basis for hedging derivatives (banking book), were classified by type of risk as follows:

(Unit: Million Baht)

Types of risk	Consolidated financial statements					
	31 March 2017			31 December 2016		
	Fair value/Adjustments on an accrual basis		Notional amount*	Fair value/Adjustments on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate						
Derivatives for trading	837	829	103,540	642	698	85,966
Derivatives for banking book	37	12	5,449	44	103	11,076
Interest rate						
Derivatives for trading	2,111	2,110	306,864	2,505	2,485	309,647
Derivatives for banking book	-	-	18,630	-	-	1,000
Foreign exchange rate and interest rate						
Derivatives for trading	154	123	8,179	373	335	9,693
Derivatives for banking book	58	909	10,990	-	1,291	11,430
Others						
Derivatives for trading	1	1	1,913	-	-	1,713
Total	3,198	3,984	455,565	3,564	4,912	430,525

* Disclosed only in case that the subsidiaries have an obligation to pay

Derivatives for hedging (banking book) are obligations under contracts which are not held for trading, and are measured on an accrual basis. Gain (loss) on exchange at the end of the period is presented under derivatives assets/derivatives liabilities. Accrued interest receivables/payables per the contracts are recorded as accrued interest receivables/payables, as the case may be.

4. Investments

4.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	31 March 2017		31 December 2016		31 March 2017		31 December 2016	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Trading securities								
Government and state								
enterprises securities	10,792	10,796	9,317	9,321	-	-	-	-
Private debt securities	5,406	5,577	4,617	4,782	-	-	-	-
Domestic marketable								
equity securities	1,828	1,780	1,613	1,597	-	-	-	-
	18,026	18,153	15,547	15,700	-	-	-	-
Add: Allowance for change								
in value	127		153		-		-	
Net	18,153		15,700		-		-	
Available-for-sale securities								
Government and state								
enterprises securities	147,509	147,410	125,159	124,804	-	-	105	105
Private debt securities	24,866	24,969	23,472	23,611	750	761	597	608
Foreign debt securities	11,018	11,002	11,465	11,434	-	-	-	-
Domestic marketable								
equity securities	4,983	5,764	5,086	5,729	280	861	290	890
Unit trusts	631	636	155	158	470	473	145	147
	189,007	189,781	165,337	165,736	1,500	2,095	1,137	1,750
Add: Allowance for change								
in value	774		399		595		613	
Net	189,781		165,736		2,095		1,750	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	31 March 2017		31 December 2016		31 March 2017		31 December 2016	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Held-to-maturity debt securities								
Government and state enterprises securities	282	286	564	568	-	-	-	-
Private debt securities	295	330	305	340	-	-	-	-
Investment in receivables purchased	1,029	1,993	1,036	2,009	552	1,123	562	1,140
	1,606	2,609	1,905	2,917	552	1,123	562	1,140
Less: Allowance for impairment	(203)		(201)		(83)		(84)	
Net	1,403		1,704		469		478	
General investment								
Domestic non-marketable equity securities	3,686		3,824		76		76	
Foreign non-marketable equity securities	39		39		-		-	
Unit trusts	25		25		-		-	
	3,750		3,888		76		76	
Less: Allowance for impairment	(40)		(100)		(25)		(25)	
Net	3,710		3,788		51		51	
Total investments - net	213,047		186,928		2,615		2,279	

4.2 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bidding from local financial institutions. The outstanding balances of loans receivable as at 31 March 2017 and 31 December 2016 can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Investments in receivables purchased	1,029	1,036	552	562
Less: Allowance for impairment	(203)	(201)	(83)	(84)
Investments in receivables purchased - net	<u>826</u>	<u>835</u>	<u>469</u>	<u>478</u>

31 March 2017				31 December 2016			
Number	Balance			Number	Balance		
of	per	Purchase		of	per	Purchase	
debtors	agreement	price	Yield	debtors	agreement	price	Yield
	Million	Million	Percent		Million	Million	Percent
	Baht	Baht			Baht	Baht	

Consolidated financial statements

Total accumulated investments

in receivables purchased	2,938	33,611	7,845	1.75 - 18.97	2,938	33,611	7,845	1.75 - 18.97
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Outstanding investments in
receivables purchased as at
the end of the period

313	8,324	1,029		315	8,332	1,036	
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Separate financial statements

Total accumulated investments

in receivables purchased	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97
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Outstanding investments in
receivables purchased as at
the end of the period

196	4,794	552		198	4,799	562	
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During the three-month period ended 31 March 2017, the Company entered into debt restructuring agreement from its investments in 2 debtors with book balances before restructuring amounting to Baht 7 million, by means of modification of repayment conditions. There were no losses on debt restructuring, where by the receivables are due in full within the year 2017 (for the three-month period ended 31 March 2016, the Company entered into debt restructuring agreement from its investment in 1 debtor with no book balance before restructuring, by means of modification of repayment conditions. There was no loss on debt restructuring, where by the receivable is due in full within the year 2016).

Restructured receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is considered to be fair value. Therefore, as at 31 March 2017 and 31 December 2016, there was no outstanding restructured receivables in the investments in receivables purchased account.

4.3 Investments in companies having problems relating to financial position and operating results

As at 31 March 2017 and 31 December 2016, investments in securities of the Company and its subsidiaries included investments in companies having problems relating to financial position and operating results, which are summarised below.

Consolidated financial statements								
						Allowance for possible		
Number of debtors		Cost		Fair value/ collateral value		loss/impairment provided in the accounts		
31	31	31	31	31	31	31	31	
March	December	March	December	March	December	March	December	
2017	2016	2017	2016	2017	2016	2017	2016	
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
<u>Investments in receivables purchased</u>								
1. Companies which have loan settlement problems or have defaulted on the repayment	118	120	776	784	1,303	1,320	152	151

Separate financial statements							
Number of debtors		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts	
31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht

Investments in receivables purchased

1. Companies which have loan settlement problems or have defaulted on the repayment	66	68	397	407	923	942	58	58
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5. Investments in subsidiary and associated companies**5.1 Separate financial statements**

As at 31 March 2017 and 31 December 2016, investments in subsidiary and associated companies in the separate financial statements stated under the cost method consist of investment in ordinary shares of the following companies:

(Unit: Million Baht)

Separate financial statements								
Company's name	Paid-up share capital		Percentage of holding		Value of investment under the cost method		Dividend income	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	for three-month periods ended 31 March	
							2017	2016
Subsidiary companies								
Thanachart Bank Plc.	60,649	60,649	50.96	50.96	31,866	31,866	-	-
NFS Asset Management Co., Ltd.	700	700	100.00	100.00	700	700	129	-
MBK Life Assurance Plc.	700	700	51.00	51.00	460	460	-	-
Max Asset Management Co., Ltd.	143	143	83.44	83.44	117	117	45	60
NASSET Property Fund 6	121	121	99.80	99.80	88	88	-	-
MT Service 2016 Co., Ltd.	50	50	51.00	51.00	26	26	-	-
TM Broker Co., Ltd.	20	20	51.00	51.00	10	10	-	-
Associated company								
MBK Plc.	1,708	1,708	11.04	11.04	658	658	62	62
Total investments in subsidiary and associated companies					33,925	33,925	236	122

5.2 Consolidated financial statements

As at 31 March 2017 and 31 December 2016, investment in an associated company, which presented under the equity method, in the consolidated financial statements consists of investment in ordinary shares of the following company which operates in Thailand:

													(Unit: Million Baht)	
Company's name	Paid-up share		Percentage		Value of investment				Dividend income		Share of profit		Share of other comprehensive income	
	capital		of holding		Cost method		Equity method		for the three-month		for the three-month		for the three-month	
									periods ended		periods ended		periods ended	
	31	31	31	31	31	31	31	31	31 March		31 March		31 March	
	March	December	March	December	March	December	March	December	31 March		31 March		31 March	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
MBK Plc. (operating in property rental, hotel and services businesses)	1,708	1,708	21.98	21.98	948	948	2,823	2,890	124	124	75	109	(18)	374
Total investment in an associated company					948	948	2,823	2,890	124	124	75	109	(18)	374

The Company and its subsidiaries classified investment in MBK Plc. as investment in an associated company since the Company and its subsidiaries had significant influence in that company.

5.3 Summarised financial information of an associated company

- a) Summarised financial information of MBK Plc. as at 31 December 2016 and 30 September 2016 and for the three-month periods ended 31 December 2016 and 2015 are as follows:

(Unit: Million Baht)											
Paid-up share capital		Total assets ⁽¹⁾		Total liabilities ⁽¹⁾		Total income for the three-month periods ended		Profit for the three-month periods ended		Other comprehensive income for the three-month periods ended	
31 December	30 September	31 December	30 September	31 December	30 September	31 December	31 December	31 December	31 December	31 December ⁽¹⁾	31 December ⁽¹⁾
2016	2016	2016	2016	2016	2016	2016	2015	2016	2015	2016	2015
1,708	1,886	44,949	44,626	22,652	22,672	2,717	4,103	553	555	233	376

(1) Presents in the amount after adjustment for the effect of differences in accounting policies.

The share of profit from investment in MBK Plc. accounted for under the equity method was determined based on financial statements of MBK Plc. that were prepared for periods different from those of the Company, due to limited information available. However, they are financial statements prepared for the same length of time and based on the principle of consistency. Therefore, share of profit of the associate under the equity method for the three-month period ended 31 March 2017 was determined based on financial statements that were prepared with reference to financial statements for the three-month period ended 31 December 2016 that had been audited or reviewed by the associate's auditor and adjusted for the effect of differences in accounting policies by the Company's management. In addition, the Company's management considered that the profit for the three-month period ended 31 December 2016 is not materially different from the profit for the three-month period ended 31 March 2017.

On 13 October 2016, MBK Plc. registered a decrease in its share capital in relation to its scheme to acquire 178,331,000 shares of treasury stock. As a result, paid-up share capital was reduced from 1,886,291,000 shares to 1,707,960,000 shares and the shareholding percentage of the Company and its subsidiaries had increased from 19.90 percent to 21.98 percent.

b) Fair value of investment in an associated company

As at 31 March 2017 and 31 December 2016, the fair value of investment in an associated company which is listed on the Stock Exchange of Thailand is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
MBK Plc.	5,706	5,405	2,866	2,715

6. Loans to customers and accrued interest receivables**6.1 Classified by loan type**

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2017	2016	2017	2016
<u>Loans to customers</u>				
Overdrafts	16,338	17,261	-	-
Loans	258,695	261,679	106	107
Notes receivables	53,506	62,534	741	986
Hire purchase receivables	398,716	393,325	50	51
Financial lease receivables	1,790	1,743	-	-
Others	144	141	-	-
Less: Deferred revenues	(49,538)	(48,173)	(2)	(2)
Total loans to customers net of deferred revenues	679,651	688,510	895	1,142
Add: Accrued interest receivables	577	631	-	-
Total loans to customers and accrued interest				
receivables net of deferred revenues	680,228	689,141	895	1,142
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(15,517)	(15,380)	(82)	(86)
- Collective approach	(6,571)	(7,194)	-	-
2) Excess provision	(2,692)	(2,565)	-	-
Less: Revaluation allowance for debt restructuring	(2)	(2)	-	-
Loans to customers and accrued interest				
receivables - net	655,446	664,000	813	1,056
<u>Securities business receivables</u>				
Credit balances receivables	3,528	3,508	-	-
Other receivables	31	28	-	-
Total securities business receivables	3,559	3,536	-	-
Less: Allowance for doubtful accounts	(14)	(14)	-	-
Securities business receivables - net	3,545	3,522	-	-
Total loans to customers and accrued interest				
receivables - net	658,991	667,522	813	1,056

6.2 Non-performing loans

As at 31 March 2017 and 31 December 2016, the Company and its subsidiaries (banking, securities and asset management businesses) had non-performing loans classified in accordance with the Notification of the BOT and SEC (debtors classified as substandard, doubtful and doubtful of loss) as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Non-performing loans (excluding accrued interest receivables)				
The Company	155	159	155	159
Banking business	12,101	12,863	-	-
Asset management business	2,631	2,716	-	-
Securities business	14	14	-	-

The above definition of non-performing loans does not include overdue loans which have been already restructured and are now qualified for classification as Normal or Special mention debt.

Additionally, the Company and its subsidiaries (banking and securities businesses) had loans for which income recognition under an accrual basis has been discontinued, as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
The Company	155	159	155	159
Banking business	12,526	12,945	-	-
Securities business	14	14	-	-

The Company recognises income from loans that were transferred from investment in receivables on a cash basis. Subsidiary companies engaged in the asset management business also recognise income from loans on a cash basis.

6.3 Debt restructuring

During the three-month periods ended 31 March 2017 and 2016, the Company and its subsidiaries (banking, asset management and securities businesses) have entered into debt restructuring agreements with their debtors as follows:

Type of restructuring	Consolidated financial statements				
	For the three-month periods ended 31 March				
	Number of	Outstanding	Outstanding	Type of assets to	Fair value of
	debtors	balances before	balances after	be transferred	assets to be
		restructuring ⁽¹⁾	restructuring ⁽¹⁾		transferred under
		Million Baht	Million Baht		agreement
					Million Baht
<u>2017</u>					
Modification of repayment conditions	357	480	480		
Transfer of assets and/or common shares and/or modification of repayment conditions	1	7	7	Land and premise thereon	7
Total	358	487	487		
<u>2016</u>					
Modification of repayment conditions	635	583	582		
Transfer of assets and/or common shares and/or modification of repayment conditions	5	24	18	Land and premise thereon	18
Total	640	607	600		

(1) Presents the outstanding balance per the books of account (principal plus accrued interest receivable)

Counting from the end of the period, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the three-month periods ended 31 March 2017 and 2016, are summarised below.

Periods	Consolidated financial statements			
	For the three-month periods ended 31 March			
	2017		2016	
	Number of	Outstanding	Number of	Outstanding
	debtors	balances after restructuring	debtors	balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	25	8	123	50
Due within the year	75	164	43	240
Less than 5 years	163	121	351	77
5 - 10 years	71	109	66	109
10 - 15 years	11	47	10	16
Over 15 years	13	38	47	108
Total	358	487	640	600

Supplemental information for the three-month periods ended 31 March 2017 and 2016 relating to restructured loans is as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Interest income recognised in the statements of comprehensive income	182	263	-	1
Gain on debt settlement	12	10	11	7
Cash repayment from receivables	978	1,161	18	16
Property foreclosed received for debts settlement	9	23	-	-

As at 31 March 2017 and 31 December 2016, the Company and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Restructured receivables					
	Number of receivables		Outstanding balances		Outstanding balances, net of collateral	
	31 March	31 December	31 March	31 December	31 March	31 December
	2017	2016	2017	2016	2017	2016
			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	18	16	93	93	14	14
Thanachart Bank Plc.	11,970	13,532	9,744	10,093	2,552	2,850
TS Asset Management Co., Ltd.	317	325	4,140	4,261	2,820	2,923
Other subsidiaries	126	129	336	382	120	130

6.4 Classified by classification

As at 31 March 2017 and 31 December 2016, the Company and its financial institution subsidiaries (banking and asset management businesses) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

	Consolidated financial statements ⁽¹⁾					
	31 March 2017			31 December 2016		
	Net balance			Net balance		
	Loans and accrued interest receivables	used in making allowance for doubtful accounts	Allowance for doubtful accounts ⁽²⁾	Loans and accrued interest receivables	used in making allowance for doubtful accounts	Allowance for doubtful accounts ⁽²⁾
Normal	602,008	398,871	9,865	613,284	404,054	9,805
Special mention	27,038	22,932	3,210	25,507	23,188	3,046
Substandard	3,483	1,889	1,252	4,287	2,465	1,726
Doubtful	2,819	1,746	1,041	3,364	1,656	975
Doubtful of loss	8,586	4,391	4,811	8,093	4,745	5,131
Total	643,934	429,829	20,179	654,535	436,108	20,683
Additional allowance for possible uncollectible accounts			2,472			2,345
Total			22,651			23,028

(1) Only the Company and subsidiary companies subject to BOT's regulations; and after deducting intergroup transactions.

(2) As at 31 March 2017, the provisions set aside by the Company and subsidiary companies exceeded the minimum requirement per the BOT's notification by a total of Baht 11,927 million (31 December 2016: Baht 11,743 million). The Company and subsidiary companies allocated Baht 9,455 million (31 December 2016: Baht 9,398 million) of the excess provision to a specific provision for an individual debtor and so combined with the minimum provision requirement of Baht 10,724 million (31 December 2016: Baht 11,285 million), the total provision set aside in accordance with BOT requirements is Baht 20,179 million (31 December 2016: Baht 20,683 million).

(Unit: Million Baht)

Separate financial statements						
31 March 2017			31 December 2016			
Net balance			Net balance			
Loans and accrued interest receivables	used in making allowance for doubtful accounts	Allowance for doubtful accounts	Loans and accrued interest receivables	used in making allowance for doubtful accounts	Allowance for doubtful accounts	
Normal	741	734	7	983	979	10
Special mention	-	-	-	-	-	-
Substandard	1	-	-	4	-	-
Doubtful	-	-	-	1	-	-
Doubtful of loss	153	75	75	154	76	76
Total	895	809	82	1,142	1,055	86

Percentage of allowance for doubtful account set up				
Hire purchase receivables -				
	personal consumer of Thanachart Bank ⁽³⁾		Other loans	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Normal	0.77	0.77	1	1
Special mention	9.37	9.50	2	2
Substandard	42.74	43.83	100	100
Doubtful	40.70	40.96	100	100
Doubtful of loss	94.26	94.69	100	100

(3) These percentages are average rates used in setting up allowance for doubtful accounts.

6.5 Loans to companies which have settlement problems

As at 31 March 2017 and 31 December 2016, loans of the Company and its subsidiaries (which engaged in banking business, asset management business, hire purchase and financial lease businesses) in the consolidated financial statements and the separate financial statements included amounts due from companies with weak financial positions and poor operating results, as follows:

Consolidated financial statements								
						Allowance for doubtful accounts provided in the accounts		
Number of debtors		Debt balances		Collateral value				
31	31	31	31	31	31	31	31	
March	December	March	December	March	December	March	December	
2017	2016	2017	2016	2017	2016	2017	2016	
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
1. Listed companies possible to delisting from the SET	3	5	206	212	2	7	2	2
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	28	24	539	478	383	365	155	113
3. Companies which have loan settlement problems or have defaulted on the repayment	842	670	8,043	8,493	4,101	4,359	4,262	4,398
Separate financial statements								
						Allowance for doubtful accounts provided in the accounts		
Number of debtors		Debt balances		Collateral value				
31	31	31	31	31	31	31	31	
March	December	March	December	March	December	March	December	
2017	2016	2017	2016	2017	2016	2017	2016	
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
1. Companies which have loan settlement problems or have defaulted on the repayment	22	21	83	84	101	88	10	10

6.6 Classification of securities business receivables in accordance with the Notification of the Securities and Exchange Commission

As at 31 March 2017 and 31 December 2016, a subsidiary company operating in the securities business classified securities business receivables and accrued interest receivables in accordance with the Notification of the Securities and Exchange Commission (“SEC”) governing accounting for the non-performing debts of securities companies as follows:

(Unit: Million Baht)

	31 March 2017			31 December 2016		
	Debt balances net			Debt balances net		
	Allowance for of allowance			Allowance for of allowance		
	Debt balances	doubtful accounts	for doubtful accounts	Debt balances	doubtful accounts	for doubtful accounts
Normal	3,545	-	3,545	3,522	-	3,522
Substandard	1	1	-	1	1	-
Doubtful	13	13	-	13	13	-
Total	3,559	14	3,545	3,536	14	3,522

Allowance for doubtful accounts for substandard loans set aside by the subsidiary is higher than the minimum amount required by the SEC, and takes into account uncertainties as to collateral value and the risk from collection of such receivables.

6.7 Hire purchase/financial lease receivables of subsidiaries classified by aging

As at 31 March 2017 and 31 December 2016, hire purchase and financial lease receivables balances of subsidiary companies engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination) as follows:

(Unit: Million Baht)

	31 March 2017	31 December 2016
Current or overdue not over 90 days	34,346	32,663
Overdue 91 - 365 days	769	813
Overdue more than 1 year	163	170
Debtors under legal actions	599	545
Total	35,877	34,191
Allowance for doubtful accounts provided in the accounts	2,127	2,110

7. Allowance for doubtful accounts

(Unit: Million Baht)

	Consolidated financial statements								
	For the three-month period ended 31 March 2017								
	The Company and subsidiary companies which are financial institutions							Other	
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Excess provision	Total	subsidiary companies	Consolidated
Balance - beginning of									
the period	9,805	3,046	1,726	975	5,131	2,345	23,028	2,125	25,153
Increase (decrease)									
during the period	60	164	(474)	66	890	127	833	25	858
Bad debts recovery	-	-	-	-	260	-	260	2	262
Bad debts written-off	-	-	-	-	(1,470)	-	(1,470)	(9)	(1,479)
Balance - end of									
the period	9,865	3,210	1,252	1,041	4,811	2,472	22,651	2,143	24,794

(Unit: Million Baht)

	Consolidated financial statements								
	For the year ended 31 December 2016								
	The Company and subsidiary companies which are financial institutions							Other	
	Normal	Special	Sub-		Doubtful	Excess		subsidiary	
		mention	standard	Doubtful	of loss	provision	Total	companies	Consolidated
Balance - beginning									
of the year	8,101	3,524	1,819	1,352	8,096	1,502	24,394	1,846	26,240
Increase (decrease)									
during the year	1,704	(478)	(93)	(377)	2,312	843	3,911	349	4,260
Bad debts recovery	-	-	-	-	1,356	-	1,356	6	1,362
Bad debts written-off	-	-	-	-	(6,633)	-	(6,633)	(76)	(6,709)
Balance - end of									
the year	9,805	3,046	1,726	975	5,131	2,345	23,028	2,125	25,153

(Unaudited but reviewed)

(Unit: Million Baht)

Separate financial statements						
For the three-month period ended 31 March 2017						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Balance - beginning of the period	10	-	-	-	76	86
Increase (decrease) during the period	(3)	-	-	-	(1)	(4)
Balance - end of the period	7	-	-	-	75	82

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2016						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Balance - beginning of the year	10	-	-	-	81	91
Increase (decrease) during the year	-	-	-	-	(5)	(5)
Balance - end of the year	10	-	-	-	76	86

8. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the three-month period ended 31 March 2017	For the year ended 31 December 2016	For the three-month period ended 31 March 2017	For the year ended 31 December 2016
Balance - beginning of the period	2	4	-	-
Amortised during the period	-	(2)	-	-
Balance - end of the period	2	2	-	-

9. Classification of assets

As at 31 March 2017 and 31 December 2016, the quality of assets of the Company and its financial institution subsidiaries (banking and asset management businesses) classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

Consolidated financial statements						
31 March 2017						
	Loans to customers and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	24,128	602,008	-	-	207	626,343
Special mention	-	27,038	-	-	110	27,148
Substandard	-	3,483	-	-	9	3,492
Doubtful	-	2,819	-	-	9	2,828
Doubtful of loss	-	8,586	860	1,578	365	11,389
Total	24,128	643,934	860	1,578	700	671,200

(Unit: Million Baht)

Consolidated financial statements						
31 December 2016						
	Loans to customers and Interbank and money market items	accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	26,213	613,284	-	-	213	639,710
Special mention	-	25,507	-	-	115	25,622
Substandard	-	4,287	-	-	13	4,300
Doubtful	-	3,364	-	-	10	3,374
Doubtful of loss	-	8,093	1,290	1,538	340	11,261
Total	26,213	654,535	1,290	1,538	691	684,267

(Unit: Million Baht)

Separate financial statements						
31 March 2017						
	Loans to customers and					
	Interbank and	accrued		Property		
	money market	interest		foreclosed	Other assets	Total
	items	receivables	Investments			
Normal	-	741	-	-	-	741
Special mention	-	-	-	-	-	-
Substandard	-	1	-	-	-	1
Doubtful	-	-	-	-	-	-
Doubtful of loss	-	153	110	1,135	81	1,479
Total	-	895	110	1,135	81	2,221

(Unit: Million Baht)

Separate financial statements						
31 December 2016						
	Loans to customers and					
	Interbank and	accrued		Property		
	money market	interest		foreclosed	Other assets	Total
	items	receivables	Investments			
Normal	-	983	-	-	-	983
Special mention	-	-	-	-	-	-
Substandard	-	4	-	-	-	4
Doubtful	-	1	-	-	-	1
Doubtful of loss	-	154	117	1,087	81	1,439
Total	-	1,142	117	1,087	81	2,427

10. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	31 March 2017	2016	31 March 2017	2016
Accrued premium insurance income	244	269	-	-
Suspense debtors	323	498	13	13
Other receivables	647	777	74	74
VAT refundable	364	297	-	-
Other receivables - VAT paid in advance				
for customers	243	255	-	-
Deposits	277	275	3	3
Estimated insurance claims recoveries	235	230	-	-
Receivable from clearing house	243	1,332	-	-
Leasehold right	161	177	10	10
Prepaid corporate income tax	484	428	12	11
Deposits from derivative contracts	773	1,034	-	-
Prepaid expenses	526	382	12	9
Reinsurance assets	257	216	-	-
Others	1,312	1,509	4	6
Total	6,089	7,679	128	126
Less: Allowance for impairment	(510)	(480)	(81)	(81)
Other assets - net	5,579	7,199	47	45

11. Interbank and money market items (liabilities)

As at 31 March 2017, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting to Baht 1,500 million, consisting of (i) a loan of Baht 800 million, repayable in full within 3 years from the date of the loan drawdown and carrying interest at a fixed rate per annum, payable monthly, (ii) a loan of Baht 500 million, repayable in full within 4 years from the date of the loan drawdown, carrying interest at a fixed rate per annum, payable monthly, and (iii) a loan of Baht 200 million, repayable in full within 3 years from the date of the loan drawdown and carrying interest at a fixed rate per annum, payable quarterly. In addition, the subsidiary has to comply with the terms and conditions specified in the loan agreements, such as maintenance of a debt to equity ratio (31 December 2016: included loans of a subsidiary company amounting to Baht 1,750 million).

12. Debt issued and borrowings

As at 31 March 2017 and 31 December 2016, the balance of domestic debt issued and borrowings, which stated in Baht, are as follows:

			(Unit: Million Baht)			
Types of borrowings	Interest rate per annum (as at 31 March 2017)	Maturity date	Consolidated financial statements		Separate financial statements	
			31 March 2017	31 December 2016	31 March 2017	31 December 2016
Unsubordinated debentures	1.96 - 5.03 percent	2017 - 2025	29,920	26,605	12,700	12,700
Subordinated debentures issued under Tier II	4.70 percent	2022	12,516	12,516	-	-
Subordinated instruments issued under Tier II	4.65, 6.00 percent	2024 - 2025	19,530	19,530	-	-
Short-term debentures	1.65 percent	2017	2,000	2,000	-	-
Structured notes	1.00 percent	2017	44	50	-	-
Promissory notes	0.20 - 2.50, 7.15 percent	At call, 2017	859	1,002	-	-
Borrowings - Department of Alternative Energy Development and Efficiency			-	1	-	-
Total debt issued and borrowings			64,869	61,704	12,700	12,700

On 11 January 2017, a subsidiary issued 1,510,000 units of name registered unsubordinated and unsecured debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2020 and bear interest at a fixed rate of 2.88 percent per annum, payable semi-annually. In addition, the subsidiary has to comply with the terms and conditions as specified in the loan agreement, such as maintenance of a debt to equity ratio.

On 10 March 2017, a subsidiary issued 2,000,000 units of name registered unsubordinated and unsecured debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2019 and bear interest at a fixed rate of 2.52 percent per annum, payable semi-annually. In addition, the subsidiary has to comply with the terms and conditions as specified in the loan agreement, such as maintenance of a debt to equity ratio.

On 10 March 2017, a subsidiary issued 1,450,000 units of name registered unsubordinated and unsecured debentures with no debenture holders' representative, with a face value of Baht 1,000 each. The debentures will mature in 2020 and bear interest at a fixed rate of 2.86 percent per annum, payable semi-annually. In addition, the subsidiary has to comply with the terms and conditions as specified in the loan agreement, such as maintenance of a debt to equity ratio.

13. Provisions

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2017	2016	2017	2016
Loss from litigation	400	411	47	47
Employee benefits payable	2,067	2,475	22	38
Obligations from off-balance items	431	434	-	-
Others	568	357	-	-
Total	3,466	3,677	69	85

14. Insurance contract liabilities

(Unit: Million Baht)

	Consolidated financial statements					
	31 March 2017			31 December 2016		
	Insurance contract liabilities	Reinsurance assets	Net	Insurance contract liabilities	Reinsurance assets	Net
Life policy reserve	9,606	-	9,606	9,558	-	9,558
Loss reserves and outstanding claims	1,582	(162)	1,420	1,559	(159)	1,400
Unearned premium reserve	3,692	(95)	3,597	3,408	(57)	3,351
Unpaid policy benefits	7	-	7	7	-	7
Other liabilities under insurance policies	65	-	65	62	-	62
Total	14,952	(257)	14,695	14,594	(216)	14,378

15. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Other payables	2,338	2,305	171	171
Suspense cash received from accounts receivable	502	353	-	3
Income received in advance	1,854	1,875	-	-
Corporate income tax payable	659	439	-	-
Accrued personnel expenses	1,203	2,184	61	69
Accrued contribution fee to the Financial Institutions Development Fund/Deposit Protection Agency	807	1,627	-	-
Accrued other expenses	1,570	1,471	4	4
Insurance premium received in advance	1,353	1,355	-	-
Others	923	849	9	10
Total other liabilities	11,209	12,458	245	257

16. Share capital/Treasury stocks

During the three-month period ended 31 March 2017, there is no conversion of preferred shares to the Company's common shares. Therefore, as at 31 March 2017, 13,216 preferred shares remained unconverted. Each preferred share can convert to 1 common share. The conversion right is unconditional and does not expire.

As at 31 March 2017, the Company has 41,350,000 treasury shares valued at Baht 1,400 million that were repurchased during 10 February 2015 to 9 August 2015. Repurchase plan require that the treasury shares are to be sold within 3 years from the repurchase date.

17. Other components of equity

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Share premium of a subsidiary	776	776	-	-
Amount by which the value of investment in subsidiary lower than attributable net book value	226	226	-	-
Revaluation surplus (deficit) on investments				
Revaluation surplus on investments				
Available-for-sale securities				
Debt instruments	255	297	11	12
Equity instruments	889	936	586	609
Total	1,144	1,233	597	621
Revaluation deficit on investments				
Available-for-sale securities				
Debt instruments	(252)	(414)	-	(1)
Equity instruments	(218)	(327)	(2)	(7)
Total	(470)	(741)	(2)	(8)
Total revaluation surplus on investments	674	492	595	613
Less: The effect of deferred tax liabilities	(138)	(102)	(119)	(122)
Net revaluation surplus on investments	536	390	476	491
Revaluation surplus on assets	831	831	15	15
Less: The effect of deferred tax liabilities	(166)	(166)	(3)	(3)
Net revaluation surplus on assets	665	665	12	12
Share of other comprehensive income of associate	388	407	-	-
Less: The effect of deferred tax liabilities	(13)	(14)	-	-
Net share of other comprehensive income of associate	375	393	-	-
Total	2,578	2,450	488	503

18. Capital funds

The primary objective of the Company and its subsidiaries' capital management is to ensure that they have an appropriate financial structure and to preserve the ability to continue their businesses as going concerns. Moreover, the Company and its subsidiaries have legal requirements and rules specific to their areas of business regarding maintenance of capital funds, cash, liquidity and other matters.

As at 31 March 2017 and 31 December 2016 the capital funds of the Company and its subsidiaries, calculated in accordance with the BOT regulation regarding "Consolidated Supervision", consist of the following:

	(Unit: Million Baht)	
	31 March 2017	31 December 2016
<u>Tier I capital</u>		
Common Equity Tier I capital		
Issued and fully paid-up share capital less treasury shares	10,665	10,665
Share premium	2,066	2,066
Statutory reserve	1,278	1,278
Retained earnings - unappropriated	37,348	37,348
Other components of equity		
Accumulated other comprehensive income	1,234	1,142
Other components of changes in equity	776	776
Portion of non-controlling interest of subsidiary operating		
commercial banking business qualifying as Tier I capital	53,816	53,746
Less: Deductions from Common Equity Tier I capital	(20,465)	(19,925)
Total Common Equity Tier I capital	86,718	87,096
Total Tier I capital	86,718	87,096
<u>Tier II capital</u>		
Subordinated debentures	24,364	24,519
Reserve for assets classified as normal	8,432	8,613
Total Tier II capital	32,796	33,132
Total capital funds	119,514	120,228

As at 31 March 2017 and 31 December 2016, the capital adequacy ratios of the financial group calculated in accordance with the Notification of the BOT are as follows:

	31 March 2017		31 December 2016	
	Capital ratio of the financial group	Minimum BOT requirement	Capital ratio of the financial group	Minimum BOT requirement
Total capital to risk-weighted assets (percent)	15.79	9.75	15.59	9.125
Total Tier I to risk-weighted assets (percent)	11.46	7.25	11.30	6.625
Total Common Equity Tier I to risk-weighted assets (percent)	11.46	5.75	11.30	5.125

In compliance with the Notification of the BOT regarding Consolidated Supervision, the Company has to disclose qualitative and quantitative information about the capital requirements of the Company and its subsidiaries in the financial group (Full Consolidation). The Company has disclosed capital requirement information as at 31 December 2016 on its website at www.thanachart.co.th since April 2017.

19. Interest income

Interest income for the three-month periods ended 31 March 2017 and 2016 consisted of the following:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Interbank and money market items	270	415	-	-
Investments and trading transactions	58	64	-	-
Investments in debt securities	830	876	6	4
Loans to customers	4,362	4,737	15	18
Hire purchase and financial lease	5,329	5,557	-	-
Total interest income	10,849	11,649	21	22

20. Interest expenses

Interest expenses for the three-month periods ended 31 March 2017 and 2016 consisted of the following:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2017	2016
Deposits	2,054	2,786
Interbank and money market items	185	201
Contribution fee to the Financial Institutions		
Development Fund and the Deposit Protection		
Agency	807	859
Debts issued and borrowings		
- Subordinated debentures	145	147
- Unsubordinated debentures	297	419
- Subordinated instruments	266	268
- Others	6	12
Borrowings cost	2	2
Total interest expenses	3,762	4,694

21. Fees and service income

Fees and service income for the three-month periods ended 31 March 2017 and 2016 consisted of the following:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	2017	2016
Fees and service income		
Acceptance, aval and guarantees	48	52
Brokerage fee from securities/ derivatives	355	363
Hire purchase fee income	390	384
Credit card fee	252	221
ATM and electronic banking services	240	250
Insurance brokerage fee income	463	331
Others	490	405
Total fees and service income	2,238	2,006
Fees and service expenses	(798)	(715)
Net fees and service income	1,440	1,291

22. Gains on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions for the three-month periods ended 31 March 2017 and 2016 consisted of the following:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Foreign exchange and derivatives relating to				
foreign exchange	90	105	-	-
Derivatives relating to interest	13	11	-	-
Debt securities	47	187	-	-
Equity securities	(62)	17	-	-
Others	97	8	-	-
Total	185	328	-	-

23. Gains on investments

Gains on investments for the three-month periods ended 31 March 2017 and 2016 consisted of the following:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Gains on disposal of available-for-sale securities	117	456	1	-
Gains on debt settlement/assets transferred				
from investments in receivables purchased	14	3	4	3
Reversal of impairment on investments	60	-	-	-
Others	-	58	-	-
Total	191	517	5	3

24. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the three-month periods ended 31 March 2017 and 2016 consisted of the following:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Impairment loss of loans (reversal)				
Interbank and money market items	(7)	3	-	-
Loans to customers	858	1,789	(4)	(1)
Reversal of revaluation allowance for debts restructured during the period	-	(1)	-	-
Loss from impairment of investments in receivables purchased (reversal)	1	(24)	-	(24)
Total	852	1,767	(4)	(25)

25. Income tax

Income tax expenses for the three-month periods ended 31 March 2017 and 2016 are as follows:

			(Unit: Million Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Current income tax:				
Interim corporate income tax	244	207	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	73	(21)	-	-
Income tax expense reported in statements of comprehensive income	317	186	-	-

A subsidiary company has no tax expenses for the three-month period ended 31 March 2017 because the subsidiary has unused tax losses resulting from the liquidation of its subsidiary. As at 31 March 2017, a subsidiary has unused tax losses arising from the liquidation of its subsidiary totaling Baht 12,667 million.

The amounts of income tax relating to each component of other comprehensive income for the three-month periods ended 31 March 2017 and 2016 are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Deferred tax relating to revaluation surplus on assets	-	321	-	-
Deferred tax relating to gain (loss) on changes in value of available-for-sale investments	75	193	(3)	7
Deferred tax relating to share of other comprehensive income of associate	(1)	19	-	-
	<u>74</u>	<u>533</u>	<u>(3)</u>	<u>7</u>

26. Components of other comprehensive income

Components of other comprehensive income for the three-month periods ended 31 March 2017 and 2016 are as the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Other comprehensive income				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Available-for-sale investments:				
Unrealised gains (losses) during the period	492	1,421	(17)	34
Less: Reclassification of adjustment for realised gains/losses that included in profit or loss	(117)	(456)	(1)	-
	<u>375</u>	<u>965</u>	<u>(18)</u>	<u>34</u>
Share of other comprehensive loss of an associate company	(18)	(26)	-	-
Other comprehensive income for the period (loss)	<u>357</u>	<u>939</u>	<u>(18)</u>	<u>34</u>
Impact from relevant income taxes:				
Income taxes - gains (losses) on changes in value of available-for-sale investments	(75)	(193)	3	(7)
Income taxes - other comprehensive income of an associate company	1	1	-	-
Impact from related income taxes	<u>(74)</u>	<u>(192)</u>	<u>3</u>	<u>(7)</u>
	<u>283</u>	<u>747</u>	<u>(15)</u>	<u>27</u>

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Other comprehensive income (continued)				
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Revaluation surplus on assets	-	1,606	-	-
Share of other comprehensive income of an associate company	-	400	-	-
Other comprehensive income for the period	-	2,006	-	-
Impact from relevant income taxes:				
Income taxes - revaluation surplus on assets	-	(321)	-	-
Income taxes - other comprehensive income of an associate company	-	(20)	-	-
Effects of relevant income taxes	-	(341)	-	-
	-	1,665	-	-
Other comprehensive income for the period - net (loss)	283	2,412	(15)	27

27. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of common shares issued during the period, netting of treasury shares held by the Company.

Diluted earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the total sum of the weighted average number of common shares outstanding during the period, netting of treasury shares held by the Company, plus the weighted average number of common shares that would be required to be issued to convert all potential common shares to common shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential common shares were issued.

Consolidated financial statements						
For the three-month periods ended 31 March						
Profit for the period		Weighted average number of common shares		Earnings per share		
2017	2016	2017	2016	2017	2016	
Thousand	Thousand	Thousand	Thousand	Baht	Baht	
Baht	Baht	shares	shares			
Basic earnings per share						
Profit attributable to the Company	1,602,290	1,350,500	1,165,117	1,165,117	1.38	1.16
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	1,602,290	1,350,500	1,165,130	1,165,130	1.38	1.16
Separate financial statements						
For the three-month periods ended 31 March						
Profit for the period		Weighted average number of common shares		Earnings per share		
2017	2016	2017	2016	2017	2016	
Thousand	Thousand	Thousand	Thousand	Baht	Baht	
Baht	Baht	shares	shares			
Basic earnings per share						
Profits (losses) attributable to the Company	60,045	(9,037)	1,165,117	1,165,117	0.05	(0.01)
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profits (losses) of common shareholders assuming conversion of dilutive securities	60,045	(9,037)	1,165,130	1,165,130	0.05	(0.01)

28. Related party transactions

During the periods, the Company and its subsidiaries had significant business transactions with its related parties. These transactions have been concluded on commercial terms and based agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those significant transactions.

(Unit: Million Baht)

	For the three-month periods ended 31 March				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2017	2016	2017	2016	(For the year 2017)
Transactions occurred during the periods					
Subsidiary companies					
Purchase of debt securities	-	-	190	-	At market prices
Interest income	-	-	15	17	At interest rate of 0.40 - 7.15 percent per annum
Dividend income	-	-	174	60	As declared
Rental and other service income	-	-	12	11	At the rate agreed under the contract
Other expenses	-	-	1	1	
Associated company					
Dividend income	-	-	62	62	As declared
Other income	1	1	-	-	
Interest expenses	1	1	-	-	At interest rate of 0.40 and 7.15 percent per annum
Other expenses	32	33	3	3	
Related companies					
Purchase of debt securities	915	232	-	-	At market prices
Sales of debt securities	868	200	-	-	At market prices
Purchase/sales of forward exchange contracts	21,294	31,267	-	-	At market prices
Interest income	66	54	-	-	At interest rate of 0.66 - 7.68 percent per annum
Dividend income	33	33	16	16	As declared
Insurance premium/life insurance premium income	1	1	-	-	At the rate agreed under the contract
Other income	2	1	-	-	
Interest expenses	43	29	-	-	At interest rate of 0.05 - 1.65 percent per annum
Project management expenses	11	16	3	4	At the contract price calculated by reference to estimated usage time
Other expenses	32	30	-	-	

The outstanding balances of the above transactions during the three-month periods ended 31 March 2017 and 2016 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	30	22
Loans to customers	-	-	856	982
Debt issued and borrowings	-	-	8	-
<u>Associated company</u>				
Deposits	111	97	-	-
Debts issued and borrowings	58	62	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	220	190	-	-
Loans to customers	8,118	6,605	-	-
Investment in debt securities	1,273	-	-	-
Deposits	1,702	1,368	-	-
Interbank and money market items (liabilities)	14,130	15,003	-	-
Debt issued and borrowings	-	35	-	-

As at 31 March 2017 and 31 December 2016, the significant outstanding balances of the above transactions are as follows:

	(Unit: Million Baht)								
	Consolidated financial statements								
	31 March 2017								
	Assets					Liabilities			
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
Associated company									
MBK Plc.	-	-	-	159	154	-	50	2	-
Related companies									
The Bank of Nova Scotia	188	-	-	-	-	13,783	-	19	509
I-Con Siam Co., Ltd.	-	-	2,059	-	-	-	-	-	30
Synphaet Co., Ltd.	-	-	1,518	-	8	-	-	-	36
Krungthai Card Plc.	-	1,358	1,500	8	4	-	-	-	-
Big C Supercenter Plc.	-	-	1,250	-	-	-	-	-	-
Srithai Superware Plc.	-	-	708	-	14	-	-	-	32
Minor International Plc.	-	405	-	3	710	-	-	-	-
Other related companies	-	-	1,199	69	1,462	130	-	11	804

(Unaudited but reviewed)

188	1,763	8,234	239	2,352	13,913	50	32	1,411
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(Unit: Million Baht)

Consolidated financial statements									
31 December 2016									
Assets					Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivable s	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitment s	
Associated company									
MBK Plc.	-	-	-	35	136	-	65	1	-
Related companies									
The Bank of Nova Scotia	250	-	-	-	-	14,333	-	19	195
I-Con Siam Co., Ltd.	-	-	1,928	-	7	-	-	-	30
Big C Supercenter Plc.	-	-	1,910	-	-	-	-	-	-
Krungthai Card Plc.	-	1,056	1,400	6	6	-	-	-	-
Synphaet Co., Ltd.	-	-	1,243	-	16	-	-	-	36
Srithai Superware Plc.	-	-	829	-	13	-	-	-	30
Minor International Plc.	-	407	-	5	9	-	-	-	-
Other related companies	-	-	1,591	30	1,483	71	-	25	760
	250	1,463	8,901	76	1,670	14,404	65	45	1,051

(Unit: Million Baht)

Separate financial statements									
31 March 2017									
Assets					Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Subsidiary companies									
Thanachart Bank Plc.	21	-	-	1	-	-	35	2	-
Thanachart Securities Plc.	-	-	-	1	-	-	-	-	-
NFS Asset Management Co., Ltd.	-	-	480	1	-	-	-	-	-
Max Asset Management Co., Ltd.	-	-	254	1	-	-	-	-	-
Associated company									
MBK Plc.	-	-	-	3	-	-	-	-	-
	21	-	734	7	-	-	35	2	-

(Unit: Million Baht)

Separate financial statements									
31 December 2016									
	Assets				Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
Subsidiary companies									
Thanachart Bank Plc.	30	-	-	1	-	-	-	1	-
Thanachart Securities Plc.	-	-	-	1	-	-	-	-	-
NFS Asset Management Co., Ltd.	-	-	650	-	-	-	-	-	-
National Leasing Co., Ltd.	-	-	-	-	-	-	-	1	-
Max Asset Management Co., Ltd.	-	-	329	-	-	-	-	-	-
Associated company									
MBK Plc.	-	-	-	3	-	-	-	-	-
Related companies									
Plan Estate Co., Ltd.	-	-	-	-	-	-	-	2	-
	30	-	979	5	-	-	-	4	-

As at 31 March 2017 and 31 December 2016, the Company has loans to subsidiary companies as follows:

(Unit: Million Baht)			
Company's name	Interest rate	Outstanding balances	
		31 March 2017	31 December 2016
Max Asset Management Co., Ltd.	MLR of Thanachart Bank + 0.5%	254	329
NFS Asset Management Co., Ltd.	MLR of Thanachart Bank	480	650
Total		734	979

As at 31 March 2017, the Company and its subsidiaries have investments amounting to Baht 1,568 million (Baht 750 million in the separate financial statements) in related companies in which they are related by means of members of their management being shareholders and/or directors of those companies (31 December 2016: Baht 1,615 million in the consolidated financial statements and Baht 773 million in the separate financial statements).

As at 31 March 2017 and 31 December 2016, the Company and its subsidiaries have the following related parties transactions with executive employees of the Company and companies within Thanachart Group from management level up, including related persons who together with these employees:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2017	2016	2017	2016
Loans to customers	87	125	-	-
Deposits	926	815	-	-

Directors and management's remuneration

During the three-month periods ended 31 March 2017 and 2016, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Short-term employee benefits	169	151	19	20
Post-employment benefits	5	5	-	-
	174	156	19	20

29. Financial information classified by operating segment

The Company and its subsidiaries' operations involve 6 principal segments: (1) Company; (2) Banking business; (3) Asset management business; (4) Securities business; (5) Life insurance business; and (6) Non-life insurance business.

The chief operating decision maker reviews the operating results of each segment separately in order to make decisions on the allocation of resources to each operating segment and to assess performance. The Company and its subsidiaries measure segment performance based on net interest income generated by each segment with net interest income being interest income and interest expenses from external customers, net of interest income and interest expenses from inter-segment lending and borrowing with other business segment. For inter-segment borrowing, market interest rates are charged.

(Unaudited but reviewed)

Financial information of the Company and its subsidiaries presented by operating segments are as follows:

(Unit: Million Baht)

	For the three-month period ended 31 March 2017								
	The	Banking	Securities	Life	Non-life	Asset			
	Company	business	business	insurance	insurance	management	Other		
				business	business	business	businesses	Eliminations	Consolidated
Net interest income	(124)	6,595	40	80	46	35	439	(24)	7,087
Other operating income	284	1,541	620	(41)	436	16	271	(262)	2,865
Other operating expenses	(104)	(4,673)	(329)	(36)	(213)	(16)	(243)	148	(5,466)
Impairment loss of loans and debt securities	4	(836)	-	-	-	34	(136)	82	(852)
Profit before income tax	60	2,627	331	3	269	69	331	(56)	3,634
Income tax	-	(81)	(63)	4	(53)	(28)	(69)	(27)	(317)
Profit before non-controlling interests	60	2,546	268	7	216	41	262	(83)	3,317

(Unit: Million Baht)

	For the three-month period ended 31 March 2016								
	The	Banking	Securities	Life	Non-life	Asset	Other		
	Company	business	business	insurance	insurance	management	businesses	Eliminations	Consolidated
Net interest income	(127)	6,464	52	84	50	88	356	(12)	6,955
Other operating income	164	1,733	547	(136)	509	10	266	(145)	2,948
Other operating expenses	(71)	(4,208)	(322)	(35)	(246)	(206)	(202)	155	(5,135)
Impairment loss of loans and debt securities	25	(1,767)	-	-	-	(14)	(103)	92	(1,767)
Profit before income tax	(9)	2,222	277	(87)	313	(122)	317	90	3,001
Income tax	-	29	(52)	(18)	(62)	12	(65)	(30)	(186)
Profit (loss) before non-controlling interests	(9)	2,251	225	(105)	251	(110)	252	60	2,815

The segment assets of the Company and its subsidiaries as at 31 March 2017 and 31 December 2016 are as follow:

(Unit: Million Baht)

	The Company	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
Segment assets									
As at 31 March 2017	38,111	908,932	9,717	11,232	12,750	5,131	36,246	(49,138)	972,981
As at 31 December 2016	37,989	906,868	9,936	11,035	12,045	5,502	34,518	(51,026)	966,867

30. Encumbrance of assets

As at 31 March 2017 and 31 December 2016, the Company and its subsidiaries have the following encumbrance assets, presented at book value as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2017	2016	2017	2016
Interbank and money market items (assets)				
Placed at insurance registrar	500	650	-	-
Placed at court	3	3	-	-
Investments in securities				
Placed at insurance registrar	2,645	2,475	-	-
Placed at court	400	399	-	-
Placed for electricity usage	1	1	-	-
Property foreclosed				
Immovable assets subject to buyback				
options or first rights refusal	87	169	-	-
Immovable assets subject to purchase or				
sell agreements with clients but currently				
being settled in installments or through				
transfer of ownership	168	119	38	31
	<u>3,804</u>	<u>3,816</u>	<u>38</u>	<u>31</u>

31. Commitments and contingent liabilities

As at 31 March 2017 and 31 December 2016, significant commitments and contingent liabilities consisted of:

31.1 Commitments

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2017	2016	2017	2016
Aval to bills	609	629	-	-
Liability under unmatured import bills	440	637	-	-
Letter of credits	3,784	2,667	-	-
Other obligations				
Committed (but not drawn) overdraft	24,863	24,244	-	-
Others	55,681	55,272	1	1
Total	<u>85,377</u>	<u>83,449</u>	<u>1</u>	<u>1</u>

In addition, the subsidiaries have commitments in respect of foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and gold futures contracts, as mentioned in Note 3 to the financial statements.

- 31.2** As at 31 March 2017, the Company and its subsidiaries have commitments to pay the service fees in relation to property foreclosed, computer system services and other services, including commitments in respect of office rental and related service fees under long-term rental and services contracts, as follows:

Year	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	Other companies	Other companies
2017	1,592	21
2018	1,497	11
2019 onward	3,021	4

In addition, the Company has obligations to pay an administrative fee to a subsidiary company, determined at actual cost plus a margin, for the period stipulated in the agreement.

31.3 Commitments of SCIB from transfer of business from Bangkok Metropolitan Bank Public Company Limited and transfer of non-performing assets to Sukhumvit Asset Management Company Limited

SCIB entered into a business transfer agreement with Bangkok Metropolitan Bank Plc. (“BMB”), effective from 1 April 2002, and transferred its assets and those of BMB to Petchburi Asset Management Co., Ltd. (“PAM”), before they were transferred to Sukhumvit Asset Management Co., Ltd. (“SAM”). Subsequently, SCIB transferred its entire business, including commitments and agreements with PAM and/or SAM, to Thanachart Bank, effective from 1 October 2011. Thanachart Bank thus has commitments as a result of such transfer. However, the commitments of the Financial Institutions Development Fund (“FIDF”) to SCIB have been transferred to/assumed by Thanachart Bank as the purchaser of SCIB’s shares from FIDF. As at 31 March 2017, outstanding obligations are summarised below.

- a) There was an outstanding difference of Baht 2 million, as a result of the transfer of assets to SAM. These comprised receivables awaiting collection and the difference is presented under other assets in the statements of financial position. Such amount relate to transfers of guarantee claims, for which there are pending issues with regard to proof of rights of claim or the qualification of the assets transferred under the conditions set out in the transfer agreements. Such differences, for which full allowance for doubtful debts has been set aside, are now being examined and/or negotiated among Thanachart Bank, SAM and the FIDF for final resolution.
- b) SAM is re-examining certain previously transferred assets (both of SCIB and BMB) in order to determine whether to transfer the assets back, to request price adjustments or to request settlement together with interest. The major pending issue relates to the proof of rights of claim over these assets.

As at 31 March 2017, the transferred assets which SAM is re-examining totaling Baht 29 million of transactions incurred by BMB. If losses arise, Thanachart Bank will receive compensation for those from FIDF and any adjusting transactions will be within the limit of the funds set aside by FIDF to compensate losses in such cases, amounting to approximately Baht 29 million.

- c) Lawsuits in which SCIB is involved as a result of the transfer of business from BMB amounting to Baht 456 million, as disclosed under contingent liabilities in Note 32 to the financial statements.
- d) Outstanding letters of guarantee.

The FIDF deposited an amount equal to the loss compensation limit with Thanachart Bank in FIDF's account. This deposit account is to compensate for losses incurred as a result of the transfer of business from BMB, if actual losses are incurred due to the outstanding issues described in a), b), c) and d) above. As at 31 March 2017, the deposit account of the FIDF with Thanachart Bank to fund the payment of compensation for losses has an outstanding balance of approximately Baht 407 million.

However, Thanachart Bank and SAM had a meeting and mutually agreed a resolution to such pending issues. Thanachart Bank believes that no significant further loss will be incurred, other than losses for which it has already set aside full allowance for doubtful debts and/or amount that will be compensated by FIDF.

32. Contingent liabilities/litigation

- a) As at 31 March 2017, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 3,247 million (separate financial statements: Baht 215 million) in respect of litigation. However, the Company and its subsidiaries' management have already made certain provisions for contingent losses, and for the remaining portion the management believes that no loss will result and therefore no liabilities are currently recorded.

Part of the contingent liabilities for litigation mentioned above in the consolidated financial statements amounting to Baht 456 million, relates to lawsuits involving Thanachart Bank, as a result of the transfer of business from BMB to SCIB, Thanachart Bank is entitled to compensation for actual losses incurred if such losses are in accordance with the conditions agreed with the FIDF.

- b) Furthermore, an organization supervised by a government agency requested that a subsidiary pay compensation amounting to Baht 2,100 million, plus interest at 7.5 percent per annum. The management of a subsidiary is confident that no loss will be incurred.

33. Letter of guarantees

As at 31 March 2017, the Company and its subsidiaries had letter of guarantees issued by banks on behalf of the Company and its subsidiaries, amounting approximately Baht 31 million, placed for electricity usage (separate financial statements: Baht 1 million).

34. Fair value of financial instruments

As at 31 March 2017 and 31 December 2016, the Company and its subsidiaries have financial assets and financial liabilities that were measured at fair value which presented based on fair value hierarchy as follows:

(Unit: Million Baht)

Consolidated financial statements					
31 March 2017					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Derivatives assets	3,103	3,103	-	3,103	-
Investments	207,934	207,934	7,544	200,390	-
Derivatives liabilities	3,063	3,063	1	3,062	-

(Unit: Million Baht)

Consolidated financial statements					
31 December 2016					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Derivatives assets	3,520	3,520	-	3,520	-
Investments	181,436	181,436	7,326	174,110	-
Derivatives liabilities	3,518	3,518	-	3,518	-

(Unit: Million Baht)

Separate financial statements					
31 March 2017					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Investments	2,095	2,095	861	1,234	-

(Unit: Million Baht)

Separate financial statements					
31 December 2016					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Investments	1,750	1,750	890	860	-

Valuation techniques and inputs used for Level 2 fair value measurement

- A) The fair value of investments in debt securities has been determined by using the yield rates quoted by the Thai Bond Market Association or by other market.
- B) The fair value of derivatives, which have no active market, has been determined by using valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as interest rate and foreign exchange rate and adjust with counterparty credit risk.

During the current period, the Company and its subsidiaries did not transfer any items among fair value hierarchy levels.

35. Events after the reporting period

On 5 April 2017, the Annual General Meeting of the Shareholders of the Company passed a resolution to pay to dividend at a rate of Baht 1.20 per share, or a total of Baht 1,398 million, to the ordinary and preference shareholders.

36. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 9 May 2017.