

Thanachart Capital Public Company Limited
and its subsidiaries
Report and financial statements
30 June 2017

Independent Auditor's Report

To the Shareholders of Thanachart Capital Public Company Limited

Report on Audit of Financial Statement

Opinion

I have audited the accompanying consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Thanachart Capital Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 30 June 2017, their financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Allowances for doubtful accounts

As discussed in Note 10 to the consolidated financial statements, as at 30 June 2017 the Group had loans to customers of Baht 747,599 million (accounting for 76% of total assets) and allowance for doubtful accounts amounting to Baht 23,274 million, which are material amounts. The allowance for doubtful accounts is estimated based on criteria established by the Bank of Thailand and relies on various assumptions. Therefore, the management is required to exercise considerable judgment in determining the assumptions to be used. Because the allowance for doubtful accounts is material and estimated based on judgement, I addressed the adequacy of allowance for doubtful accounts as a key audit matter.

I gained an understanding of, assessed and tested on a sampling basis the internal controls relating to the calculation of allowances for doubtful accounts, the calculation of collateral value and the recording of allowance for doubtful accounts. I also assessed the methods applied by the Group in the determination and calculation of the allowance, and compared the Group's policy with regulatory requirements, and I tested certain controls over the computer-based controls relevant to the calculation of allowance for doubtful accounts.

Moreover, I examined the allowances for doubtful accounts as at the period-end date by testing the completeness of the data used in the calculation of allowance for doubtful accounts, reviewing the assumptions and methods applied by the Group to the determination and calculation of the allowances for doubtful accounts, as follows:

- In cases where the Group set loan loss provisions on a specific basis, I tested on a sampling basis the allowance for doubtful accounts by reviewing the loan classification and checking the correctness of the collateral values used in the allowance calculation.
- In cases where the Group applied a collective approach to loan loss provisioning, I tested, on a sampling basis, the assumptions and historical data or information used in determining the assumptions relating to the probability of default and loss given default, compared the assumptions used in the current year and the prior year, and reviewed whether the assumptions and methods were applied consistently.

Recognition of interest income

For the six-month period ended 30 June 2017, the Group recognised interest income on loans to customers amounting to Baht 20,101 million (accounting for 63% of total income). The interest income was derived from a variety of loans provided to a large number of customers and each type of loan agreement had different conditions. Moreover, the recognition of interest income relies primarily on data processed by information systems and regulations require the Group to cease accrual of interest income for overdue loans. I therefore addressed the measurement and occurrence of interest income as a key audit matter.

The audit procedures I performed were to gain an understanding of, assess and test, on a sampling basis, the Group's internal controls relevant to loan origination and interest income recognition, including related computer-based controls. In addition, I applied a sampling method to select loan agreements to consider whether the recognition was consistent with the conditions of the relevant agreement, whether it was in compliance with the Group's accounting policy and whether recognition ceased in accordance with the regulatory requirements. I also performed analytical procedures on interest income and examined, on a sampling basis, material adjustments made through journal vouchers.

Goodwill

As at 30 June 2017, goodwill of Baht 17,538 million was presented in the financial statements.

I have focused on the examination of the impairment of goodwill because the impairment assessment on goodwill is a significant accounting estimate requiring the management to exercise a judgment in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate.

I assessed the identified cash generating units and the financial models selected by the Group's management by gaining an understanding of the management's decision-making process to determine whether the decisions were consistent with how the assets are utilised. In addition, I tested the significant assumptions applied by the management in preparing estimates of the cash flows expected to be realised from the assets in the future, through comparison of those assumptions and information from both internal and external sources and a review of the accuracy of past cash flow projections in comparison to actual operating results in order to assess the reliability of the cash flow projections. I also considered the discount rate used by the management by comparing the rate with the market rate for the same business and tested the calculation of the realisable values of the assets using the selected financial model, taking into consideration the impact of changes in the key assumptions on those realisable values, especially changes in the discount rate and long-term growth rates. Moreover, I assessed the disclosure made with respect to the impairment assessment for goodwill.

Insurance contract liabilities

As discussed in Note 26 to the consolidated financial statements, as at 30 June 2017, the Company and its subsidiaries have life policy reserves of Baht 9,651 million and outstanding claims from insurance contracts of Baht 1,691 million that are treated as part of the insurance / life contract liabilities in the financial statements. Life reserves are the accumulated reserves for insurance policies in force from the inception of the insurance contracts to the end of the reporting period, and are calculated under an actuarial method which applies several assumptions that are best estimates of obligations under the insurance contracts at that time. Changes in these assumptions will affect the balance of life reserves. The loss reserves and outstanding claims are estimates of claims incurred and reported and claims incurred but not reported made by the management of the subsidiary companies using actuarial methods and assumptions that are determined with reference to historical data. The assumptions require management to exercise judgment. In addition, the estimates of these reserves are dependent on the accuracy of the data related to the number, amounts and nature of both current and historical claims incurred. I therefore focused on the completeness of these reserves.

I assessed and tested the internal controls relevant to claims, loss adjustments, claims reserves and outstanding claims and life policy reserves by making enquiry of responsible executives, gaining an understanding of the assumptions used in the estimates made by the actuary. I also randomly selected data used by the actuary in calculating the life policy reserve and claims reserve, performed random tests on major claims to compare them with the accounting records, and compared historical claims data with the reserve estimates. In addition, I reviewed the actuarial report to assess whether it was consistent with the reserves recognised, assessed the assumptions and methods used in the calculation of reserves, tested the accuracy and completeness of historical data used by the actuary and compared the assumptions to those used in the prior year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report

Review Report of Interim Financial Information

I have reviewed the accompanying consolidated statements of comprehensive income and notes to the consolidated financial statements for the three-month period ended 30 June 2017 ("interim financial information") of Thanachart Capital Public Company Limited and its subsidiaries, and I also reviewed the interim 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: 21 August 2017

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position

As at 30 June 2017

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
Assets					
Cash		9,292,603	12,077,047	-	-
Interbank and money market items - net	6	53,114,086	48,734,079	30,453	30,299
Derivatives assets	7	3,311,132	3,564,235	-	-
Investments - net	8	193,085,642	186,928,040	2,317,901	2,279,080
Investments in subsidiary and associated companies - net	9	2,964,771	2,889,920	33,884,445	33,924,640
Loans to customers and accrued interest receivables	10				
Loans to customers		747,598,835	740,219,156	898,835	1,144,805
Accrued interest receivables		598,757	630,780	1	1
Total loans to customers and accrued interest receivables		748,197,592	740,849,936	898,836	1,144,806
Less: Deferred revenue		(51,265,820)	(48,173,470)	(2,094)	(2,270)
Allowance for doubtful accounts	11	(23,273,511)	(25,153,026)	(82,236)	(86,101)
Revaluation allowance for debt restructuring	12	(1,456)	(1,976)	-	-
Net loans to customers and accrued interest receivables		673,656,805	667,521,464	814,506	1,056,435
Customers' liability under acceptances		8,564	9,544	-	-
Property foreclosed - net	14	5,014,263	4,991,810	660,825	578,391
Land, premises and equipment - net	15	9,150,692	9,604,927	41,804	45,189
Intangible assets - net	16	2,482,416	2,709,280	944	1,013
Goodwill	17	17,537,857	17,439,110	-	-
Deferred tax assets	18	1,040,084	1,089,436	27,517	26,204
Receivables from purchase and sale of securities	19	3,300,737	1,125,862	-	-
Other assets - net	20	6,466,550	8,182,234	46,340	47,825
Total assets		980,426,202	966,866,988	37,824,735	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 30 June 2017

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2017	2016	2017	2016
Liabilities and equity					
Deposits	21	665,968,448	676,455,824	-	-
Interbank and money market items	22	78,773,408	65,700,880	-	-
Liability payable on demand		1,966,032	1,986,425	-	-
Derivatives liabilities	7	3,902,814	4,912,489	-	-
Debts issued and borrowings	23	65,701,469	61,704,163	12,700,000	12,700,000
Bank's liability under acceptances		8,564	9,544	-	-
Provisions	24	3,895,951	3,676,948	69,678	84,639
Deferred tax liabilities	18	1,224,270	1,002,985	-	-
Accrued interest payables	25	2,307,554	2,148,799	95,434	96,204
Insurance contracts liabilities	26	15,209,752	14,593,739	-	-
Other liabilities	27	16,943,914	14,823,823	374,632	257,247
Total liabilities		855,902,176	847,015,619	13,239,744	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 30 June 2017

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2017	2016	2017	2016
Equity					
Share capital	28				
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	29	2,825,949	2,449,904	492,405	502,525
Retained earnings					
Appropriated - statutory reserve	30	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		40,920,293	39,032,705	8,684,314	8,940,189
Less: Treasury shares - common shares	28	(1,399,914)	(1,399,914)	(1,399,914)	(1,399,914)
Equity attributable to owners of the Company		59,154,514	56,890,881	24,584,991	24,850,986
Non-controlling interests		65,369,512	62,960,488	-	-
Total equity		124,524,026	119,851,369	24,584,991	24,850,986
Total liabilities and equity		980,426,202	966,866,988	37,824,735	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 30 June 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	33	11,092,107	11,382,562	18,970	21,147
Interest expenses	34	(3,857,720)	(4,303,921)	(145,875)	(147,495)
Net interest income		7,234,387	7,078,641	(126,905)	(126,348)
Fees and service income		2,094,164	1,971,146	60	86
Fees and service expenses		(760,198)	(690,217)	(215)	(249)
Net fees and service income	35	1,333,966	1,280,929	(155)	(163)
Gains on trading and foreign exchange transactions	36	144,535	711	-	-
Gains on investments	37	349,551	129,527	58,523	4,500
Share of profit from investments accounted for under equity method		104,998	114,504	-	-
Gains (losses) on property foreclosed and other assets		104,649	133,993	20,892	(97,170)
Insurance/Life insurance income	38	1,830,311	1,645,300	-	-
Dividend income		311,057	290,267	1,244,943	1,245,096
Other operating income		329,969	319,438	17,511	12,999
Total operating income		11,743,423	10,993,310	1,214,809	1,038,914
Insurance expenses	39	(1,250,502)	(1,036,635)	-	-
Net operating income		10,492,921	9,956,675	1,214,809	1,038,914
Other operating expenses					
Employee's expenses		3,231,978	2,889,887	33,361	29,783
Directors' remuneration	40	58,084	52,656	26,558	23,893
Premises and equipment expenses		704,130	764,238	4,873	5,365
Taxes and duties		181,599	192,170	379	122
Other expenses		1,338,790	1,366,492	16,263	16,051
Total other operating expenses		5,514,581	5,265,443	81,434	75,214
Impairment loss of loans and debt securities (reversal)	41	1,368,788	1,408,308	50,176	(1,740)
Profit before income tax		3,609,552	3,282,924	1,083,199	965,440
Income tax	18.2	(196,371)	(130,991)	(1,012)	(3,445)
Profit for the period		3,413,181	3,151,933	1,082,187	961,995

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 30 June 2017**

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
Other comprehensive income	42				
<i>Transactions will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale securities		549,112	(915,561)	5,739	(12,174)
Share of other comprehensive income of associate		36,156	96,113	-	-
Income tax relating to components of other comprehensive income (loss)		(111,726)	177,816	(1,148)	2,435
		<u>473,542</u>	<u>(641,632)</u>	<u>4,591</u>	<u>(9,739)</u>
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Surplus on revaluation on assets		-	15,347	-	15,347
Actuarial gains		2,607	-	-	-
Income tax relating to components of other comprehensive income (loss)		(521)	(3,069)	-	(3,069)
		<u>2,086</u>	<u>12,278</u>	<u>-</u>	<u>12,278</u>
Total other comprehensive income (loss)		<u>475,628</u>	<u>(629,354)</u>	<u>4,591</u>	<u>2,539</u>
Total comprehensive income		<u>3,888,809</u>	<u>2,522,579</u>	<u>1,086,778</u>	<u>964,534</u>
Profit attributable to					
The Company		1,674,963	1,466,350	1,082,187	961,995
Non-controlling interests		1,738,218	1,685,583	-	-
		<u>3,413,181</u>	<u>3,151,933</u>	<u>1,082,187</u>	<u>961,995</u>
Total comprehensive income attributable to					
The Company		1,931,268	1,178,467	1,086,778	964,534
Non-controlling interests		1,957,541	1,344,112	-	-
		<u>3,888,809</u>	<u>2,522,579</u>	<u>1,086,778</u>	<u>964,534</u>
Earnings per share of the Company	43				
Basic earnings per share (Baht per share)		1.44	1.26	0.93	0.83
Diluted earnings per share (Baht per share)		1.44	1.26	0.93	0.83

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income

For the six-month period ended 30 June 2017

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
Profit or loss					
Interest income	33	21,940,745	23,031,078	39,692	43,518
Interest expenses	34	(7,619,692)	(8,997,559)	(290,146)	(296,797)
Net interest income		14,321,053	14,033,519	(250,454)	(253,279)
Fees and service income		4,332,195	3,977,160	184	159
Fees and service expenses		(1,557,899)	(1,404,886)	(236)	(281)
Net fees and service income	35	2,774,296	2,572,274	(52)	(122)
Gains on trading and foreign exchange transactions	36	329,222	329,186	-	-
Gains on investments	37	540,304	646,361	63,453	7,600
Share of profit from investments accounted for under equity method		180,497	223,151	-	-
Gains (losses) on property foreclosed and other assets		83,208	7,035	(29,099)	(91,337)
Insurance/Life insurance income	38	3,565,782	3,291,025	-	-
Dividend income		400,252	347,125	1,499,672	1,385,144
Other operating income		647,972	634,804	41,805	33,518
Total operating income		22,842,586	22,084,480	1,325,325	1,081,524
Insurance expenses	39	(2,418,511)	(2,351,881)	-	-
Net operating income		20,424,075	19,732,599	1,325,325	1,081,524
Other operating expenses					
Employee's expenses		6,305,587	5,754,487	66,389	59,721
Directors' remuneration	40	68,596	62,408	29,870	27,208
Premises and equipment expenses		1,414,987	1,519,534	9,913	10,476
Taxes and duties		368,455	392,056	1,190	643
Other expenses		2,801,481	2,544,508	28,402	53,556
Total other operating expenses		10,959,106	10,272,993	135,764	151,604
Impairment loss of loans and debt securities (reversal)	41	2,220,838	3,175,328	46,112	(26,774)
Profit before income tax		7,244,131	6,284,278	1,143,449	956,694
Income tax	18.2	(513,471)	(316,829)	(1,217)	(3,736)
Profit for the period		6,730,660	5,967,449	1,142,232	952,958

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the six-month period ended 30 June 2017

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
Other comprehensive income	42				
<i>Transactions will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale securities		924,562	49,673	(12,651)	21,844
Share of other comprehensive income of associate		17,784	69,696	-	-
Income tax relating to components of other comprehensive income (loss)		(185,428)	(13,783)	2,530	(4,369)
		<u>756,918</u>	<u>105,586</u>	<u>(10,121)</u>	<u>17,475</u>
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Surplus on revaluation on assets		-	1,620,855	-	15,347
Share of other comprehensive income of an associate		-	400,652	-	-
Actuarial gains		2,607	-	-	-
Income tax relating to components of other comprehensive income (loss)		(521)	(344,107)	-	(3,069)
		<u>2,086</u>	<u>1,677,400</u>	<u>-</u>	<u>12,278</u>
Total other comprehensive income (loss)		<u>759,004</u>	<u>1,782,986</u>	<u>(10,121)</u>	<u>29,753</u>
Total comprehensive income		<u>7,489,664</u>	<u>7,750,435</u>	<u>1,132,111</u>	<u>982,711</u>
Profit attributable to					
The Company		3,277,253	2,816,850	1,142,232	952,958
Non-controlling interests		3,453,407	3,150,599	-	-
		<u>6,730,660</u>	<u>5,967,449</u>	<u>1,142,232</u>	<u>952,958</u>
Total comprehensive income attributable to					
The Company		3,661,405	3,861,307	1,132,111	982,711
Non-controlling interests		3,828,259	3,889,128	-	-
		<u>7,489,664</u>	<u>7,750,435</u>	<u>1,132,111</u>	<u>982,711</u>
Earnings per share of the Company	43				
Basic earnings per share (Baht per share)		2.81	2.42	0.98	0.82
Diluted earnings per share (Baht per share)		2.81	2.42	0.98	0.82

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

Thanachart Capital Public Company Limited and its subsidiaries

Statements of cash flows

For the six-month period ended 30 June 2017

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before income tax	7,244,131	6,284,278	1,143,449	956,694
Adjustments to reconcile profit before income tax				
to net cash received by (paid from) operating activities				
Share of profit from investments accounted for under equity method	(180,497)	(223,151)	-	-
Depreciation and amortisation	787,245	790,113	8,351	9,387
Impairment loss of loans and debt securities (reversal)	2,220,838	3,175,328	46,112	(26,774)
Increase in provisions	859,511	371,155	1,671	26,385
Increase (decrease) in allowance for impairment of property foreclosed	150,383	(124,964)	154,807	94,188
Increase (decrease) in allowance for impairment				
of equipment/other assets	30,142	(21,808)	101	39
Loss from revaluation on land	-	13,640	-	-
Unrealised gain from change in value of investments/				
allowance for impairment of investments	(57,503)	(40,500)	-	-
Unrealised loss on exchange	653,417	421,349	-	-
Gain on the capital returned from investment in a subsidiary	-	-	(52,988)	-
Loss (gain) on disposal of land, premises and equipment	6,291	15,314	(37)	(5)
Decrease (increase) in accrued other income receivable	227,007	528,229	(13)	(421)
	11,940,965	11,188,983	1,301,453	1,059,493
Net interest income	(14,321,053)	(14,033,519)	250,454	253,279
Dividend income	(400,252)	(347,125)	(1,499,672)	(1,385,144)
Cash received from interest on operating activities	20,325,607	21,191,584	28,116	35,119
Cash paid for interest on operating activities	(6,051,035)	(7,795,122)	-	-
Cash paid for income tax	(596,651)	(372,467)	(3,062)	(1,751)
Income from operating activities before				
changes in operating assets and liabilities (loss)	10,897,581	9,832,334	77,289	(39,004)

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

Thanachart Capital Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the six-month period ended 30 June 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	(4,480,720)	(121,254)	(157)	(23,476)
Derivative assets	899,398	1,399,262	-	-
Investments in trading securities	(2,926,262)	810,341	-	-
Loans to customers	(11,451,158)	18,023,423	252,851	17,619
Property foreclosed	2,239,374	3,323,162	(144,058)	38,175
Receivables from purchase and sale of securities	(2,174,875)	(2,578,133)	-	-
Other assets	1,183,161	647,804	(673)	34,970
Increase (decrease) in operating liabilities				
Deposits	(10,487,376)	256,818	-	-
Interbank and money market items	13,247,291	(4,525,741)	-	-
Liability payable on demand	(20,392)	76,664	-	-
Derivatives liabilities	(1,044,644)	(1,521,726)	-	-
Payables from purchase and sales of securities	1,485,873	3,111,815	1,193	-
Insurance contract liabilities	616,013	118,726	-	-
Other liabilities	181,642	(1,947,063)	99,562	(254)
Net cash flows from (used in) operating activities	(1,835,094)	26,906,432	286,007	28,030
Cash flows from investing activities				
Decrease (increase) in investments in securities	(3,090,443)	(15,780,594)	(110,004)	484,063
Cash received from interest	2,054,510	1,858,858	12,317	8,571
Cash received from dividend	523,847	470,974	1,499,672	2,065,098
Cash paid for purchase of premises and equipment/ intangible assets	(228,792)	(501,690)	(37)	(984)
Cash received from disposal of land, premises and equipment	13,910	67,434	37	5
Net cash flows from (used in) investing activities	(726,968)	(13,885,018)	1,401,985	2,556,753

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

Thanachart Capital Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the six-month period ended 30 June 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	7,341,563	8,811,331	-	-
Cash paid for debts issued and borrowings	(3,344,257)	(20,548,131)	-	(1,000,000)
Cash paid for interest expenses on debt issued and borrowings	(1,402,362)	(1,704,240)	(289,885)	(303,207)
Cash paid for dividend	(1,398,107)	(1,281,576)	(1,398,107)	(1,281,576)
Cash paid for dividend to non-controlling interests	(1,419,219)	(1,394,121)	-	-
Net cash flows used in financing activities	(222,382)	(16,116,737)	(1,687,992)	(2,584,783)
Net decrease in cash	(2,784,444)	(3,095,323)	-	-
Cash at beginning of the period	12,077,047	13,337,367	-	-
Cash at end of the period	9,292,603	10,242,044	-	-

Supplemental cash flows information

Non-cash transactions

Property foreclosed transferred from loans to customers

and investments in receivables purchased

2,289,046 2,578,754 - -

Property foreclosed received from capital returned

from a subsidiary company

- - 93,183 -

Bad debt written off

4,632,130 4,729,647 - -

Payable from purchase of assets

59,099 69,610 - 17

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity

For the six-month period ended 30 June 2017

(Unit: Thousand Baht)

Consolidated financial statements															
Equity attributable to the Company's shareholders															
	Other components of equity														
	Amount by which										Retained earnings				
	Issued and paid-up share capital		Premium on common share	Premium on treasury share	Share premium of a subsidiary	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	Appropriated			Treasury shares	Non-controlling interests
	Preferred shares	Common shares				net book value					Statutory reserve	Treasury shares reserve	Unappropriated		
			share	share	of a subsidiary						reserve	reserve		shares	Total
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)	111,323,110
Conversion of preferred shares to ordinary shares	(1)	1	-	-	-	-		-	-	-	-	-	-	-	-
Dividend paid (Note 32)	-	-	-	-	-	-		-	-	-	-	-	(1,281,643)	-	(1,281,643)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-		-	-	-	-	-	67	-	67
Share capital reduction from treasury shares cancellation	-	(713,500)	-	(165,742)	-	-		-	-	-	-	(3,398,455)	879,242	3,398,455	-
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-		-	-	-	-	-	-	(1,394,121)	(1,394,121)
Transfer to retained earnings	-	-	-	-	-	-		-	(1,885)	-	-	-	1,885	-	-
Profit for the period	-	-	-	-	-	-		-	-	-	-	-	2,816,850	-	5,967,449
Other comprehensive income for the period	-	-	-	-	-	-		28,546	666,760	349,151	-	-	-	738,529	1,782,986
Balance as at 30 June 2016	132	12,064,665	2,065,645	-	775,814	226,460		961,763	664,875	333,863	1,277,830	1,399,914	36,882,440	(1,399,914)	116,397,848
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)	119,851,369
Dividend paid (Note 32)	-	-	-	-	-	-		-	-	-	-	-	(1,398,156)	-	(1,398,156)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-		-	-	-	-	-	49	-	49
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-		-	-	-	-	-	-	(1,419,343)	(1,419,343)
Surplus from the change in the ownership interests															
In subsidiaries of the associate	-	-	-	-	-	-		-	-	335	-	-	-	-	443
Transfer to retained earnings	-	-	-	-	-	-		-	(7,379)	-	-	-	7,379	-	-
Profit for the period	-	-	-	-	-	-		-	-	-	-	-	3,277,253	-	6,730,660
Other comprehensive income for the period	-	-	-	-	-	-		372,168	-	10,921	-	-	1,063	-	759,004
Balance as at 30 June 2017	132	12,064,665	2,065,645	-	775,814	226,460		762,048	657,496	404,131	1,277,830	1,399,914	40,920,293	(1,399,914)	124,524,026

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the six-month period ended 30 June 2017

(Unit: Thousand Baht)

	Separate financial statements										
	Issued and paid-up share capital				Other components of equity		Retained earnings				
	Preferred	Common	Premium on	Premium on	Revaluation	Revaluation	Appropriated				
	shares	shares	common share	treasury share	surplus on	surplus on	Statutory	Treasury shares	Unappropriated	Treasury shares	Total
					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	-	-	-	-	-	-	-	-	-
Dividend paid (Note 32)	-	-	-	-	-	-	-	-	(1,281,643)	-	(1,281,643)
Reversal of dividend on shares held by shareholders											
who are not entitled to receive dividend	-	-	-	-	-	-	-	-	67	-	67
Share capital reduction from treasury shares cancellation	-	(713,500)	-	(165,742)	-	-	-	(3,398,455)	879,242	3,398,455	-
Profit for the period	-	-	-	-	-	-	-	-	952,958	-	952,958
Other comprehensive income for the period	-	-	-	-	17,475	12,278	-	-	-	-	29,753
Balance as at 30 June 2016	132	12,064,665	2,065,645	-	478,665	12,278	1,277,830	1,399,914	9,168,698	(1,399,914)	25,067,913
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
Dividend paid (Note 32)	-	-	-	-	-	-	-	-	(1,398,156)	-	(1,398,156)
Reversal of dividend on shares held by shareholders											
who are not entitled to receive dividend	-	-	-	-	-	-	-	-	49	-	49
Profit for the period	-	-	-	-	-	-	-	-	1,142,232	-	1,142,232
Other comprehensive income for the period	-	-	-	-	(10,120)	-	-	-	-	-	(10,120)
Balance as at 30 June 2017	132	12,064,665	2,065,645	-	480,127	12,278	1,277,830	1,399,914	8,684,314	(1,399,914)	24,584,991

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

Thanachart Capital Public Company Limited and its subsidiaries

Notes to financial statements

For the six-month period ended 30 June 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 These financial statements for the six-month period ended 30 June 2017 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and the principles stipulated by the Bank of Thailand (“BOT”). The presentation of the financial statements has been made in compliance with the 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.

The statement of comprehensive income and notes to the financial statements for the three-month period ended 30 June 2017 are prepared in accordance with Thai Accounting Standard No. 34 (revised 2016) “Interim Financial Reporting”, whereby the Company chooses to present the statement of comprehensive income and notes to the financial statements in the same full format as that used for the annual financial statements.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of preparation of the consolidated financial statements

- a) The consolidated financial statements included the financial statements of the Company and the following subsidiary companies. (“the subsidiaries”).

	Nature of business	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
<u>Subsidiaries directly held by the Company</u>					
Thanachart Bank Plc.	Commercial bank	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	Non-performing asset management	100.00	100.00	-	-
Max Asset Management Co., Ltd.	Non-performing asset management	83.44	83.44	-	-
NASSET Property Fund 6	In liquidation process	99.80	99.80	0.06	0.06
MBK Life Assurance Plc.	Life insurance	51.00	51.00	-	-
TM Broker Co., Ltd.	Life insurance / non-life insurance broker	51.00	51.00	-	-
MT Service 2016 Co., Ltd.	Service	51.00	51.00	-	-
<u>Subsidiaries indirectly held by the Company</u>					
Thanachart Securities Plc.	Securities business	-	-	100.00	100.00
Thanachart Insurance Plc.	Non-life insurance	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	Fund management	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	Non-life insurance broker	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	Hire purchase	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	Services	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	Training services	-	-	100.00	100.00
TS Asset Management Co., Ltd.	Non-performing asset management	-	-	100.00	100.00
Ratchthani Leasing Plc.	Hire purchase and leasing business	-	-	65.18	65.18
National Leasing Co., Ltd.	Leasing business	-	-	100.00	100.00
Security Scib Services Co., Ltd.	Service	-	-	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 30 June 2017 and 31 December 2016 and for the six-month periods ended 30 June 2017 and 2016, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income for the six-month periods ended 30 June	
	30 June	31 December		
	2017	2016	2017	2016
Thanachart Bank Plc.	901,655	892,901	15,962	15,740
MBK Life Assurance Plc.	10,546	10,428	37	(57)
Thanachart Insurance Plc.	12,231	11,201	1,524	1,529
Thanachart Securities Plc.	10,392	9,307	828	809
TS Asset Management Co., Ltd.	2,863	3,221	115	135
Ratchthani Leasing Plc.	35,824	32,779	1,141	962
NFS Asset Management Co., Ltd.	1,344	1,613	42	13

- c) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- d) All subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- e) 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.
- f) The outstanding balances and significant intercompany transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements. The investments in subsidiaries as recorded in the Company's and subsidiaries' books of accounts have been eliminated against equity of the subsidiaries.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

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

3. 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.

4. Significant accounting policies

4.1 Revenue recognition

a) Interest and discounts on loans

Interest on loan is recognised as income on an accrual basis, based on the amount of principal outstanding. Interest on hire purchase and financial lease is recognised based on the effective interest method.

For loans on which principal or interest payments have been defaulted for more than three months past the due date, the Company and its subsidiaries cease accrual of interest income, and accrued interest already recorded is reversed from the Company and its subsidiaries' accounts. Interest is then recognised as income on a cash basis until settlement of such overdue balance has been received from the debtors.

Interest income on restructured loans is recognised as income on an accrual basis, with reference to the interest rate stipulated in the agreements, with the exception of interest on loans that are subject to monitoring for compliance with restructuring conditions, which the Company and its subsidiaries recognise as income on a cash basis until the receivable is able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

The Company and its subsidiaries recognise interest income on investments in purchased/transferred loans for which loan repayment is received during the period based on the effective yield rate of the portfolio multiplied by the new book value (acquisition cost) of the outstanding balances of receivables, to the extent that this is not greater than the amount received from such receivables. After the restructuring,

interest income is recognised using the effective interest method, for those receivables from which loan repayment was received during the period.

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

Interest income received in advance on hire purchase represents discounted on interest given to debtors by dealers, is recognised based on the effective interest method, in the same manner as interest income on hire purchase receivables.

b) Interest and dividends on investments

Interest on investments is recognised as income on an accrual basis based on the effective interest rate. Dividends are recognised as income when the right to receive the dividends is established.

c) Brokerage fee income

Brokerage fees on trading of securities and derivatives are recognised as income on the transaction date.

d) Interest on margin loans for purchase of securities

Interest on margin loans for purchases of securities is recognised as income over the term of the loans based on the amount of principal outstanding. The subsidiary company ceases accruing interest for certain loans that fall under the conditions set by the Securities and Exchange Commission ("SEC").

e) Gains (losses) on investments and derivatives

Gains (losses) on investments and derivatives are recognised as income/ expenses on the transaction date.

f) Fees and service income

Fees and service income are recognised on an accrual basis. When the Company and its subsidiaries provide loyalty programmes to customers, they apportion compensation received from such services based on the fair value of accumulated reward points and realise it as deferred revenue. This deferred revenue is recorded under "other liabilities" in the statement of financial position. The Company and its subsidiaries then realise it as revenue through the statement of comprehensive

income when the customers claim a reward and the Company and its subsidiaries have fulfilled their commitment to provide such reward.

g) Insurance/life insurance premium income

Non-life insurance contract

Premium income consists of direct premium and reinsurance premium less premium of cancelled policies and premiums refunded to policy holders, and adjusted with unearned premium reserve.

Direct premium income is recognised on the date the insurance policy comes into effect. For long-term insurance policies with coverage periods of longer than 1 year, related premium are recorded as unearned items, and recognised as income over the coverage period.

Reinsurance premium income is recognised as income when the reinsurer places the reinsurance application or the statement of accounts.

Life insurance contract

Premium income is recognised as income on the date the insurance policy comes into effect, after deducting premium ceded and refunded. For renewal policy, premium income is recognised as income when the premium is due, only if the policy is still in force at the period-end date.

4.2 Expenses recognition

a) Interest expenses

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

b) Commission and direct expenses charged on hire purchase/financial leases

Initial direct expenses at the inception of a hire purchase/financial lease contract (i.e. commission expenses and stamp duty expenses) are to be deferred and amortised using the effective interest method, with amortisation deducted from interest income throughout the contract period, in order to reflect the effective rate of return on the contracts.

Unearned income on hire purchase/financial leases is presented net of commission expenses and initial direct cost on the inception of the contracts.

c) Fees and service expenses

Fees and service expenses are recognised as expenses on an accrual basis.

4.3 Investments

Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss in the statements of comprehensive income.

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income in the statements of comprehensive income, and will be recognised in profit or loss when the securities are sold.

Investments in held-to-maturity debt securities are stated at amortised cost. The Company and its subsidiaries amortised premiums/discounts on debt securities by the effective rate method with the amortised/accreted amount is presented as an adjustment to the interest income.

Investments in non-marketable equity securities, which are classified as general investments, are stated at cost net of allowance for impairment (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the period. The fair value of debt securities is determined using the yield rates quoted by the Thai Bond Market Association, other markets, or yield rate of government bond adjusted by an appropriate risk factor, as the case may be. The fair value of unit trusts is determined from their net asset value.

The fair value of embedded derivatives investments for which there is no active market or no available market value, is determined using a Black-Scholes Model, a universal theory that is widely used in estimating fair value. Gain/losses arising from revaluation are recognised in profit or loss in the statements of comprehensive income. This method of measurement is in compliance with the principles stipulated by the BOT.

The Company and its subsidiaries recognise loss on impairment (if any) of available-for-sale securities, held-to-maturity debt securities and general investments in profit or loss in the statements of comprehensive income.

In the event that the Company and its subsidiaries transfer investments to another category, the investments are valued at their fair values prevailing on the transfer date. Differences between the carrying amount of the investments and their fair value on that date are recorded as profit or loss or other comprehensive income in the statements of comprehensive income, depending on the type of investment being reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss in the statement of comprehensive income. In case of disposal partial of the investment, the carrying value per

share used to calculate the cost of the portion sold is determined using the weighted average method.

4.4 Investments in receivables purchased and allowance for impairment

Investments in receivables purchased are presented at their acquisition cost net of allowance for impairment (if any). Loss on impairment is recognised as an expense in profit or loss in the statements of comprehensive income.

In case that the receivables purchased enter into debt restructuring agreements, they are transferred to loans to customers and presented at fair value. The fair value is determined based on the outstanding balance of investments as at the transfer date or as at the date of restructuring.

Allowance for impairment of investments in receivables purchased is determined based on the fair value, with reference to the collateral value.

4.5 Investments in subsidiary and associated companies

Investments in subsidiary and associated companies in the separate financial statements are accounted for under the cost method net of allowance for impairment (if any). Loss on impairment is recognised as expenses in profit or loss in the statements of comprehensive income.

Investments in associated companies in the consolidated financial statements are accounted for under the equity method. Under this method, investments are initially recorded at acquisition cost and are adjusted to reflect the attributable shares of the net income from the operations of the associated companies, in proportion to the investment.

4.6 Loans to customers

Loans to customers are stated at the principal balances, excluding accrued interest receivables, except for overdrafts which are presented at the principal balances plus accrued interest receivables. Unrecognised deferred income and discounts on loans are deducted from the loan balances.

Hire purchase receivables and financial lease receivables are stated at the contract value of the hire purchase receivables and financial lease receivables net of unearned income, which is presented after netting commission expenses and initial direct costs on the inception of the contracts.

Securities and derivatives business receivables comprise the net balances of securities business receivables and derivatives business receivables. Securities business receivables comprise credit balance receivables (for which the securities purchased are used as collateral), securities borrowing and lending receivables and guarantee deposit receivables (which comprise cash placed as guarantee for borrowers of securities or Thailand Securities Depository) as well as other receivables, such as overdue amounts in cash accounts and receivables which are under legal proceedings, are undergoing restructuring, or are being settled in installments. The receivable balances of cash accounts are presented as "Receivables from purchase and sale of securities".

4.7 Allowances for doubtful accounts

a) Allowance for doubtful accounts for loans

The Company and its subsidiary companies, that operate in banking and asset management businesses, provide allowance for doubtful accounts in accordance with the Notifications of the BOT and adjust these by the additional amount which is expected not to be collectible based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral. Increase (decrease) in an allowance for doubtful accounts is recognised as an expense during the period.

For loans, excluding hire purchase receivable - personal consuming of the subsidiary operates in banking business, the Company and its subsidiary companies set provision for normal loans (including restructured receivables) and special mention loans at minimum rates of 1% and 2%, respectively, of the loan balances (excluding accrued interest receivable) net of collateral value. For non-performing loans, provision is set at a rate of 100% of the debt balance remaining after deducting the present value of expected future cash flows from debt collection or the present value of expected cash flows from collateral disposal, based on the use of a discount rate and assumptions as to the time needed to dispose of the collateral, in accordance with the BOT's guideline. However, non-performing hire purchase receivables and financial lease receivables are treated as uncollateralised.

The subsidiary that operates in banking business sets provision for hire purchase receivable - personal consuming using the collective approach, which classifies groups of receivables having similar credit risk characteristics, and taking into account the historical loss of loans calculated based on the probability of default and a percentage of the loss given default. Furthermore, the subsidiary has set aside an additional provision by taking into consideration the potential additional loss arising from changes in economic circumstances that may impact certain borrowers' ability to pay. This methodology, its parameters and assumptions have been reviewed in detail and will be monitored on an ongoing basis for continued applicability.

- b) Subsidiary engaged in securities business has provided an allowance for doubtful accounts based on a review of debtors' repayment capability, taking into consideration the risk of recovery and the value of collateral. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the Notifications of the SEC.
- c) Subsidiaries engaged in hire purchase and leasing businesses have provided allowance for doubtful accounts at percentages of the amount of principal outstanding net of unearned income, based on the number of months overdue (with reference to the classification of loans under the BOT's guidelines). Allowance for doubtful accounts is provided based on the loan balances after net of collateral value for receivables overdue no more than 3 months, while provided based on the loan balances without deducting collateral value for receivables overdue more than 3 months.
- d) Allowance for doubtful accounts for other receivables is set up based on the amount of debts that may not be collectible, determined from a review of the current status of the receivable as at the financial reporting date.
- e) The Company and its subsidiaries write off receivables when they determine that such receivables may not be collectible. Amounts written off as bad debts or bad debt recovery are deducted from or added to the allowance for doubtful accounts.

4.8 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms of repayment, the fair value of the receivables after restructuring is based on the net present values of expected future cash flows, discounted by the market's minimum loan rate for credit to large customers prevailing at the restructuring date. The differences between the fair value of receivables as of the restructuring date and their previous book value is recorded as "Revaluation allowance for debt restructuring", and recognised as an expense in part of profit or loss in the statements of comprehensive income in the restructuring period. Such allowance is reviewed based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments against impairment loss of loans account.

In cases where the troubled debt restructuring involves the transfer of assets or equity, the Company and its subsidiaries record the assets or equity interest received as a result of debt restructuring at their fair value (based on the value appraised by internal appraisers or external independent appraisers) providing this does not exceed the amount of principal legally claimable from the debtors (including interest of which recognition has ceased until the restructuring date). Any excess of the fair value of the assets over the book value is recognised as gain on restructuring or interest income in part of profit or loss in the statements of comprehensive income, as the case may be.

Losses arising from debt restructuring through waivers of part of principal or recorded accrued interest receivable are recognised as losses in part of profit or loss in the statements of comprehensive income when incurred.

4.9 Recognition and amortisation of customers' assets

Assets which customers have placed with the subsidiary company for securities trading, in term of cash accounts and credit balance accounts, including amounts which customers have placed as security for derivative trading, are recorded as assets and liabilities of the subsidiary company for internal control purpose. As at the reporting date, the subsidiary company eliminates those amounts which there are no guarantee obligations from both assets and liabilities and present only those assets which belong to the subsidiary company.

4.10 Property foreclosed

Property foreclosed is stated at the lower of cost (fair value with reference to appraisal value, providing this does not exceed the legally claimable amount of debt) or net realisable value, which is determined with reference to the latest appraisal value less estimated selling expenses, adjusts these in accordance with the BOT's guideline and taking into consideration the type and the nature of the assets.

Gains on disposal of property foreclosed are recognised as income in part of profit or loss in the statement of comprehensive income on the disposal date, unless the purchase is made with a loan. In such cases, gains are recognised in accordance with the BOT's guideline. Losses on disposal and impairment losses are recognised as expenses in part of profit or loss in the statement of comprehensive income.

4.11 Land, premises and equipment and depreciation

- a) Land is stated at revalued amount less allowance for loss on impairment of assets (if any). No depreciation is provided on land.

The Company and its subsidiaries initially record land at its cost on the acquisition date, and subsequently have it revalued by an independent professional appraiser, and state it at the revalued amount. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

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

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

- b) Assets under installation are stated at cost, and depreciation is not provided.

- c) Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any). Depreciation is calculated by reference to their cost on a straight-line basis over the following estimated useful lives:

Buildings	-	20 - 30 years
Buildings improvement	-	5 - 10 years
Furniture, fixtures and equipment	-	3 - 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

- d) Land, premises and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on disposal of these assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the statement of comprehensive income.
- e) The Company and its subsidiaries derecognise the revaluation surplus on an asset upon disposal or when no future economic benefits are expected from its use or disposal. The revaluation surplus remaining upon derecognition is transferred directly to retained earnings.

4.12 Intangible assets and amortisation

The Company and its subsidiaries initially recognised intangible assets acquired through business combination at fair value on the date of business acquisition while intangible assets acquired in other cases are initially measured at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

The Company and its subsidiaries amortised intangible assets with finite lives on a systematic basis over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense and losses on impairment are recognised as expenses in part of profit or loss in the statements of comprehensive income.

The intangible assets with finite useful lives have useful lives of approximately 3 - 10 years.

No amortisation for computer software under development.

4.13 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation. Leasehold rights are amortised on a straight-line basis over the lease periods and the amortisation amounts are recognised as expenses in part of profit or loss in the statements of comprehensive income.

4.14 Business combination and goodwill

Business combination accounted for under purchase method.

Goodwill is initially recorded at cost, which equals to the excess of the cost of business combination over the Company's portion in the fair value of the net assets acquired. Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

4.15 Receivable from/payable to Clearing House

Receivable from/payable to Clearing House comprise the net balance receivable/ payable in respect of securities trades settled and derivatives business. These also include amounts pledged with Thailand Clearing House as security for derivatives trading.

4.16 Securities purchased under resale agreements/ securities sold under repurchase agreements

Subsidiary companies enter into agreements with private entities to purchase/sell securities whereby there is an agreement to resell/repurchase the securities at certain dates and at fixed price. Amounts paid for the securities purchased are presented as assets under the caption of "Interbank and money market items" or "Loans to customers", depending on the counterparty, and the underlying securities are treated as collateral to such receivables. The securities sold under repurchase agreement at the amounts received are presented as liabilities under the caption of "Interbank and money market items" in the statements of financial position and the underlying securities are treated as collateral.

4.17 Classification of insurance contracts

Subsidiary companies classify insurance contracts and reinsurance contracts based on the nature of the contract. An insurance contract is one under which the insurer has accepted significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Determination of whether a significant insurance risk has been accepted is based on comparison of the amount of benefit payable under the contract if an insured event occurs with the payment obligation if the insured event does not occur. If a contract does not meet these criteria, the subsidiary classifies it as an investment contract. Investment contracts are those contracts that transfer significant financial risk but not significant insurance risk. Financial risk is the risk arising from the change in interest rate risk, foreign exchange rate risk and securities prices.

In classifying insurance contracts subsidiary companies assess the significance of the insurance risk on the basis of individual contracts. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

4.18 Premium receivable and allowance for doubtful accounts

Premium receivable from both direct and reinsurance is stated at its net realisable value. Subsidiary companies provide an allowance for doubtful accounts based on the estimated loss that may be incurred in the collection of the premium due, on the basis of collection experience and a review of current status of the premium receivable as at the end of reporting period.

4.19 Reinsurance assets and liabilities

- a) Reinsurance assets represent amounts due from reinsurers (consisting of claims receivable and various other items receivable for reinsurers excluding reinsurance premium receivable less allowance for doubtful accounts), amounts deposited on reinsurance and insurance reserve refundable from reinsurers. Insurance reserve refundable from reinsurers is estimated based on the proportion of premium reserve and loss reserve made in accordance with the law regarding insurance reserve calculation that has been reinsured.

- b) Amounts due to reinsurers are stated at the outstanding balances payable from reinsurance and amounts withheld on reinsurance. Amounts due to reinsurers consist of reinsurance premiums and other items payable to reinsurers.

4.20 Premium reserve/life insurance premium reserve

Non-life insurance contract

Premium insurance reserve comprises unearned premium reserve and unexpired risks reserve.

a) Unearned premium reserve

Unearned premium reserve is calculated based on direct premium before deducting premium ceded as follows:

Transportation (cargo), travelling accident with coverage periods of not over six-months	- 100% of premium as from the date policy is effective, throughout the period of insurance coverage
Other	- Monthly average basis (the one-twenty fourth basis)

Unearned reinsurance premiums reserve is calculated based on the proportion of premiums ceded, using the same method as that applied for direct insurance policies that transfer the insurance risk throughout the term of the insurance contract to a reinsurer.

b) Unexpired risks reserve

Unexpired risks reserve is the reserve for the future claims that may be incurred in respect of in-force policies. Unexpired risks reserve is set aside using an actuarial method, at the best estimate of the claims that are expected to be incurred during the remaining period of coverage, based on historical claims data.

At the end of each reporting date, the subsidiary compares the amounts of unexpired risks reserve with the unearned premium reserve, and if unexpired risks reserve is higher than unearned premium reserve, the difference is recognised as unexpired risks reserve in the financial statements.

Life insurance contract

Life insurance premium reserve represents the accumulated total liabilities for estimated future claims under all policies in force as at the financial statement date.

Subsidiaries determine life insurance premium reserve under long-term policies by using the gross premium valuation method (GPV). Calculation of life insurance premium reserve under GPV method is another type of actuarial method with main assumptions used relating to lapse rate or surrender rate, selling and administrative expenses, mortality and morbidity rate, discount rates and non-guaranteed dividend rate. This calculation method is in compliance with the bases stipulated in the notification of the Office of Insurance Commission ("OIC") regarding valuation of assets and liabilities of life insurance company.

4.21 Loss reserve and outstanding claims/Benefits payment to life policy

Non-life insurance contract

Outstanding claims are recorded at the actual amount to be paid. Loss reserve is recorded upon the receipt of the claims advice from the insured based on the number of claims notified by the insured and estimates made by a subsidiary's management. The estimated value of losses is limited to not more than the sum insured of the related insurance policies.

In addition, the subsidiaries set up additional reserve for losses incurred but not reported (IBNR) using an actuarial method based on a best estimate of claims which are expected to be paid in the future for losses occurring before or as at the reporting date, including both reported and unreported claims, and net of recorded claims.

Life insurance contract

Benefits paid under life policies are provided for upon receipt of the claims advices from the insured or in accordance with the conditions of the policy.

4.22 Long-term leases

Leases that transfer substantially all the risks and rewards of ownership to the Company and its subsidiaries are classified as financial leases. Financial leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other payables, while the interest element is charged to profit or loss in the statement of comprehensive income over the lease period. Assets acquired under finance leases are depreciated over their estimated useful lives.

Leases of assets which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as expenses on a straight-line basis over the lease term.

4.23 Financial derivatives

The Company and its subsidiaries have entered into derivative financial instruments in order to manage risk of the Company and its subsidiaries and in response to customer needs.

Financial derivative contracts which were originated for trading purposes are recorded as off-balance items. Gains or losses arising from changes in the fair value of the contracts are recognised as part of profit or loss in the statement of comprehensive income. The fair values of the contracts are based on the quoted market prices. If the fair value of financial derivatives cannot be determined with reference to market price, it is determined using valuation techniques and models, in which the variables used, are derived from observable market factors, adjusted to reflect counterparty credit risk.

Other financial derivative contracts (forward foreign currency contracts, interest rate swap contracts and cross currency and interest rate swap contracts) which were not originated for trading purposes are recorded as off-balance items, and presented on an accrual basis. Foreign currency components are translated at the period-end exchange rate, in the same manner as the hedged items, with unrealised gains or losses on translation (if any) recognised as part of profit or loss in the statement of comprehensive income. Interest rate components are presented on an accrual basis, in the same manner as the hedged assets or liabilities, with gains or losses recorded to interest income and interest expense over the terms of the contracts. Receivables and payables under foreign exchange contracts are presented at the net amount in the statement of financial position.

4.24 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated company and individuals which directly or indirectly own a voting interest in the Company and its subsidiaries that give them significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of the Company's and its subsidiaries' operations.

4.25 Impairment of assets

At the end of each reporting date, the Company and its subsidiaries assess whether there is an indication that an asset may be impaired. The Company and its subsidiaries perform impairment review whenever events or changes in circumstances indicate that an asset may be impaired. Loss on impairment is recognised when the asset's recoverable amount is less than the book value. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell reflects the amount that the Company and its subsidiaries could obtain at the financial reporting date from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company and its subsidiaries recognise impairment losses as expenses in part of profit or loss in the statement of comprehensive income.

In assessing impairment of asset other than goodwill, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss for assets other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined in case that no impairment loss been recognised for the asset in prior years. Such reversal is recognised in part of profit or loss in the statement of comprehensive income.

4.26 Structured notes

Structured notes are debentures which a subsidiary offered to customers, who are institutional investors or high net worth investors. The notes are issued under conditions approved by the Office of the Securities and Exchange Commission (SEC), and the underlying assets are securities listed on the Stock Exchange of Thailand.

The notes are recorded at amortised cost, adjusted by the discount on the notes. The discount is amortised by the effective rate method with the amortised amount presented as interest expenses in profit or loss.

Embedded derivatives are recorded as derivative assets at fair value and the changes in fair value are recorded in profit or loss. In determining the fair value, the subsidiary uses a valuation technique and theoretical model. The input to the model is derived from observable market conditions that include liquidity, dividend, interest rate, and the price and the volatility of the underlying asset.

4.27 Employee benefits

a) Short-term employee benefits

The Company and its subsidiaries recognised short-term employee benefits, such as salary, wages, bonuses, contributions to the social security fund, and vacation, as expenses when incurred.

b) Post-employment benefits (Defined contribution plans)

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

c) Post-employment benefits (Defined benefit plans)

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the projected unit credit method.

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

4.28 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which are also the Company and its subsidiaries' functional currency. Items of each entity included in the consolidated financial statements of each entity are measured using the functional currency of that entity.

Foreign currency transactions are translated into Baht at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and commitment outstanding on the financial reporting date have been translated into Baht at the rates ruling at the reporting date.

Exchange gains and losses arising from trading or translation of foreign currencies are included in determining income.

4.29 Income tax

Income tax expense represents the sum of current income tax and deferred tax.

Current income tax

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

Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and unused tax losses can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

4.30 Provisions

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

4.31 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company and its subsidiaries use the quoted price in an active market to measure the fair value of a financial asset or liability, whenever such a price is available. If a quoted price in an active market is not available, the Company and its subsidiaries measures fair value using a generally accepted valuation technique, which includes analysis of the present value of cash flows and use of a theoretical valuation model.

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

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

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

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

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

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

5.1 Recognition and derecognition of assets and liabilities

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

5.2 Allowance for doubtful accounts for loans and allowance for impairment of investment in receivables

Allowance for doubtful accounts for loans and allowance for impairment of investment in receivables are intended to adjust the value of loans for probable credit losses. The management uses the BOT's and SEC's regulations regarding the provision of allowance for doubtful accounts and judgments to estimate losses on outstanding loans when there is any doubt about the borrower's capability to repay the principal and/or the interest. The allowances for loan losses are determined through a combination of specific reviews, probability of default, value of collateral and current economic conditions.

5.3 Allowance for impairment of investments in securities

The Company and its subsidiaries review an impairment of investments in securities when indication of impairment exists. The determination of what is indication of impairment requires the management's judgment.

5.4 Assessment of investment funds as structured entities

In determining whether the funds to which a subsidiary provides asset management services are structured entities, the management is required to use judgment, taking into consideration the voting rights and other similar rights afforded to other parties, including the rights to remove the subsidiary as fund manager, liquidate the funds, or redeem holdings in the funds, and determining whether such rights are the dominant factor when deciding who controls the funds.

5.5 Fair value of financial instruments

In determining the fair value of financial instruments, which are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk of counterparty, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value and disclosures of fair value hierarchy.

5.6 Allowance for impairment of property foreclosed

The Company and its subsidiaries assess allowance for impairment of property foreclosed when net realisable value falls below the book value. The management uses the BOT's regulation and judgment to estimate impairment losses, taking into consideration the latest appraisal value, the type and the nature of the assets.

5.7 Land, premises and equipment and depreciation

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

The Company and its subsidiaries measure land at revalued amounts. Such amounts are determined by the independent appraisers using the market approach. The valuation involves certain assumptions and estimates as described in Note 15 to the financial statements.

In addition, the management assesses whether there are indicators of the impairment of land, premises and equipment, and record impairment losses in the year when it is determined that the recoverable amounts are lower than the carrying amounts. This requires judgments in terms of forecasting future revenues and expenses relating to the assets subject to the review.

5.8 Goodwill and intangible assets

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to exercise judgment as to the recoverable amount to be generated by the asset, using the discounted cash flows method, and including the selection of a suitable discount rate in order to determine the present value of that cash flow. The estimated cash flows may differ as a result of competitive forces, or changes in revenue trends, cost structures, and the discount rate, industry circumstances or related market conditions.

5.9 Deferred tax assets

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

5.10 Finance lease/Operating lease

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

5.11 Unearned premium/Life insurance premium reserve

Unexpired risk reserve is calculated under an actuarial method, which reflects the best estimate of losses expected to be incurred over the remaining period of the insurance.

Life insurance premium reserve is calculated under an actuarial method, based on the best estimate at that time, which reflects current assumptions or assumption established at inception of the contract. Such reserve requires the management to exercise judgment in order to reflect the best estimates at that time.

5.12 Loss reserve and outstanding claims

At the end of each reporting date, subsidiaries estimate loss reserves and outstanding claims in two parts; loss incurred for which the claims advice has been received from the insured, and loss incurred but not reported (IBNR). The IBNR reserve is calculated using an international standard actuarial method. The main assumptions underlying these techniques relate to historical claims experience, including development of estimates of paid and incurred losses, average costs per claim, and claim numbers. Such estimates require the management to exercise judgment in order to reflect the best estimates available at that time.

5.13 Post-employment benefits under defined benefit plans

Obligations under the defined benefit plan are determined by using actuarial technique. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, and mortality rate, based on their best knowledge of current situation.

5.14 Litigation and contingent liabilities

The Company and its subsidiaries have contingent liabilities as a result of litigation and contingent liabilities as a result of transfer of business and transfer of non-performing assets. The management has used judgment to assess of the results of such transactions, and in case where they believe that there will be no losses, no provisions are recorded as at the end of the reporting period.

6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	5,045	-	5,045	3,606	5,500	9,106
Commercial banks	293	1,686	1,979	297	4,075	4,372
Specialised financial institutions	1	11,210	11,211	1	3,450	3,451
Other financial institutions	63	19,475	19,538	2	22,196	22,198
Total	5,402	32,371	37,773	3,906	35,221	39,127
Add: Accrued interest receivables	-	5	5	2	28	30
Less: Deferred revenue	-	-	-	-	(1)	(1)
Less: Allowance for doubtful accounts	-	(184)	(184)	-	(222)	(222)
Total domestic items	5,402	32,192	37,594	3,908	35,026	38,934
Foreign						
US Dollar	898	14,068	14,966	1,368	8,068	9,436
Euro	38	272	310	32	-	32
Others	229	-	229	262	-	262
Total	1,165	14,340	15,505	1,662	8,068	9,730
Add: Accrued interest receivables	-	17	17	-	71	71
Less: Allowance for doubtful accounts	-	(2)	(2)	-	(1)	(1)
Total foreign items	1,165	14,355	15,520	1,662	8,138	9,800
Total	6,567	46,547	53,114	5,570	43,164	48,734

(Unit: Million Baht)

	Separate financial statements					
	30 June 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	30	-	30	30	-	30
Add: Accrued interest receivables	-	-	-	-	-	-
Total domestic items	30	-	30	30	-	30

As at 30 June 2017, the Company had deposits with a subsidiary company of Baht 30 million in the separate financial statements (31 December 2016: Baht 30 million).

7. Derivatives

As at 30 June 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					
	30 June 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	749	743	98,254	642	698	85,966
Derivatives for banking book	98	47	18,250	44	103	11,076
Interest rate						
Derivatives for trading	2,265	2,229	301,411	2,505	2,485	309,647
Derivatives for banking book	-	-	20,530	-	-	1,000
Foreign exchange rate and interest rate						
Derivatives for trading	103	87	8,111	373	335	9,693
Derivatives for banking book	95	796	10,840	-	1,291	11,430
Others						
Derivatives for trading	1	1	1,801	-	-	1,713
Total	3,311	3,903	459,197	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 receivables and payables in other assets/other liabilities.

Below are the proportions of trading derivatives transactions classified by counterparty, determined based on the notional amount, as at 30 June 2017 and 31 December 2016.

Counterparty	Consolidated financial statements	
	30 June 2017	31 December 2016
	Percent	Percent
Financial institutions	93.52	93.04
Third parties	6.48	6.96
Total	100.00	100.00

8. Investments

8.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	30 June 2017		31 December 2016		30 June 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	10,771	10,776	9,317	9,321	-	-	-	-
Private debt securities	6,137	6,334	4,617	4,782	-	-	-	-
Domestic marketable								
equity securities	1,565	1,521	1,613	1,597	-	-	-	-
	18,473	18,631	15,547	15,700	-	-	-	-
Add: Allowance for change								
in value	158		153		-		-	
Net	18,631		15,700		-		-	
Available-for-sale securities								
Government and state								
enterprises securities	125,639	125,922	125,159	124,804	-	-	105	105
Private debt securities	26,186	26,358	23,472	23,611	749	761	597	608
Foreign debt securities	10,863	10,872	11,465	11,434	-	-	-	-
Domestic marketable								
equity securities	5,093	5,948	5,086	5,729	252	839	290	890
Unit trusts	264	268	155	158	253	254	145	147
	168,045	169,368	165,337	165,736	1,254	1,854	1,137	1,750
Add: Allowance for change								
in value	1,323		399		600		613	
Net	169,368		165,736		1,854		1,750	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	30 June 2017		31 December 2016		30 June 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	435	440	564	568	-	-	-	-
Private debt securities	210	244	305	337	-	-	-	-
Investment in receivables purchased	983	1,727	1,036	2,009	547	1,122	562	1,140
	1,628	2,411	1,905	2,914	547	1,122	562	1,140
Less: Allowance for impairment	(247)		(201)		(134)		(84)	
Net	1,381		1,704		413		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	(44)		(100)		(25)		(25)	
Net	3,706		3,788		51		51	
Total investments - net	193,086		186,928		2,318		2,279	

8.2 Classified by remaining period of debt securities

(Unit: Million Baht)

Consolidated financial statements										
30 June 2017						31 December 2016				
Due within						Due within				
Less						Less				
than						than				
1 - 5						1 - 5				
Over						Over				
At call	1 year	years	5 years	Total		At call	1 year	years	5 years	Total
Available-for-sale securities										
Government and state enterprises securities										
	262	35,010	90,224	143	125,639	262	19,032	105,032	833	125,159
Private debt securities	-	1,275	20,470	4,441	26,186	-	1,750	17,052	4,670	23,472
Foreign debt securities	-	5,103	5,418	342	10,863	-	3,592	7,512	361	11,465
Total	262	41,388	116,112	4,926	162,688	262	24,374	129,596	5,864	160,096
Add: Allowance for change in value										
	-	64	445	(45)	464	-	79	(204)	(122)	(247)
Total	262	41,452	116,557	4,881	163,152	262	24,453	129,392	5,742	159,849
Held-to-maturity debt securities										
Government and state enterprises securities										
	-	393	-	42	435	-	522	-	42	564
Private debt securities	-	-	60	150	210	-	120	35	150	305
Investments in receivables purchased ⁽¹⁾										
	983	-	-	-	983	1,036	-	-	-	1,036
Total	983	393	60	192	1,628	1,036	642	35	192	1,905
Less: Allowance for impairment										
	(247)	-	-	-	(247)	(201)	-	-	-	(201)
Total	736	393	60	192	1,381	835	642	35	192	1,704
Total debt securities	998	41,845	116,617	5,073	164,533	1,097	25,095	129,427	5,934	161,553

(1) The balance of investments in receivables purchased at call are the balance of loans receivable purchased which mainly defaulted on repayment of principal and interest.

(Unit: Million Baht)

Separate financial statements										
30 June 2017						31 December 2016				
Due within						Due within				
Less						Less				
than						than				
1 - 5						1 - 5				
Over						Over				
5 years						5 years				
Total						Total				
At call						At call				
1 year						1 year				
years						years				
5 years						5 years				
Total						Total				
Available-for-sale securities										
Government and state enterprises securities										
-	-	-	-	-	-	-	105	-	-	105
-	263	486	-	749	-	20	577	-	597	
-	263	486	-	749	-	125	577	-	702	
Add: Allowance for change in value										
-	2	10	-	12	-	-	11	-	11	
-	265	496	-	761	-	125	588	-	713	
Held-to-maturity debt securities										
Investments in receivables purchased ⁽¹⁾										
547	-	-	-	547	562	-	-	-	562	
547	-	-	-	547	562	-	-	-	562	
Less: Allowance for impairment										
(134)	-	-	-	(134)	(84)	-	-	-	(84)	
413	-	-	-	413	478	-	-	-	478	
413	265	496	-	1,174	478	125	588	-	1,191	

(1) The balance of investments in receivables purchased at call are the balance of loans receivable purchased which mainly defaulted on repayment of principal and interest.

8.3 Investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investee

As at 30 June 2017 and 31 December 2016, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investee, but which are not treated as subsidiary or associated companies, separated by industry as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Manufacturing and commerce	1,420	1,455	705	723
Banking and finance sector	1	2	-	-
Real estate and construction	21	21	20	20

8.4 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 30 June 2017 and 31 December 2016 can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Investments in receivables purchased	983	1,036	547	562
Less: Allowance for impairment	(247)	(201)	(134)	(84)
Investments in receivables purchased - net	736	835	413	478

30 June 2017					31 December 2016				
	Number	Balance			Number	Balance			
	of	per	Purchase		of	per	Purchase		
	debtors	agreement	price	Yield	debtors	agreement	price	Yield	
		Million Baht	Million Baht	Percent		Million Baht	Million Baht	Percent	
<u>Consolidated financial statements</u>									
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	
Outstanding investments in									
receivables purchased as at									
the end of the period	311	8,288	983		315	8,332	1,036		
<u>Separate financial statements</u>									
Total accumulated investments									
in receivables purchased	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97	
Outstanding investments in									
receivables purchased as at									
the end of the period	196	4,794	547		198	4,799	562		

During the six-month period ended 30 June 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 six-month period ended 30 June 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 30 June 2017 and 31 December 2016, there was no outstanding restructured receivables in the investments in receivables purchased account.

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

As at 30 June 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		
30	31	30	31	30	31	30	31	
June	December	June	December	June	December	June	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	115	119	733	784	1,295	1,327	146	151

Separate financial statements								
						Allowance for possible		
Number of debtors		Cost		Fair value/ collateral value		loss/impairment provided in the accounts		
30	31	30	31	30	31	30	31	
June	December	June	December	June	December	June	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	66	68	393	407	908	942	58	58

9. Investments in subsidiary and associated companies

9.1 Separate financial statements

As at 30 June 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)

Company's name	Separate financial statements							
	Paid-up share capital		Percentage of holding		Value of investment under the cost method		Dividend income	
	30	31	30	31	30	31	for the six-month periods	
	June	December	June	December	June	December	ended 30 June	
	2017	2016	2017	2016	2017	2016	2017	2016
<u>Subsidiary companies</u>								
Thanachart Bank Plc.	60,649	60,649	50.96	50.96	31,866	31,866	1,236	1,236
NFS Asset Management Co., Ltd.	700	700	100.00	100.00	700	700	130	-
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	48	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	-	-
<u>Associated company</u>								
MBK Plc.	1,708	1,708	11.04	11.04	658	658	62	62
Total investments in subsidiary and associated companies					33,885	33,925	1,473	1,358

During the year 2017, NASSET Property Fund 6 returned capital of Baht 93 million to the Company, based on the net asset value. The Company recorded a gain on capital return of Baht 53 million in the separate financial statements and this was eliminated in the consolidated financial statements.

9.2 Details of investments in subsidiaries that have material non-controlling interests

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Dividend paid to non-controlling interests during the six-month periods ended		Profit allocated to non-controlling interests during the six-month periods ended		Other comprehensive income allocated to non-controlling interests during the six-month periods ended	
	30 June	31 December	30 June	31 December	30 June		ended 30 June		ended 30 June	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(%)	(%)								
Thanachart Bank Plc. and its subsidiaries	49.04	49.04	64,721	62,308	1,410	1,382	3,464	3,192	359	696
MBK Life Assurance Plc.	49.00	49.00	595	588	-	-	(9)	(49)	16	43

9.3 Summarised financial information of subsidiaries that have material non-controlling interests based on amounts before inter-company elimination

Summarised information about financial position

(Unit: Million Baht)

	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Total assets	964,247	950,512	11,185	11,035
Total liabilities	833,105	824,391	9,970	9,835

Summarised information about comprehensive income

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2017	2016	2017	2016
Net operating income	20,290	19,804	46	(39)
Profit for the period (loss)	6,860	6,242	(18)	(99)
Other comprehensive income	808	1,483	32	87
Total comprehensive income (loss)	7,668	7,725	14	(12)

Summarised information about cash flow

(Unit: Million Baht)

For the six-month periods ended 30 June				
	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2017	2016	2017	2016
Cash flow from (used in) operating activities	(1,490)	27,608	(468)	(81)
Cash flow from (used in) investing activities	(1,540)	(14,596)	468	81
Cash flow from (used in) financing activities	245	(16,107)	-	-
Net decrease in cash	(2,785)	(3,095)	-	-

9.4 Cash flow information of asset management companies that are subsidiaries

Cash flow information of asset management companies that are subsidiaries for the six-month periods ended 30 June 2017 and 2016 are as follows:

	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2017	2016	2017	2016	2017	2016
Cash flows from operating activities						
Profit before income tax (loss)	54	(21)	62	48	82	15
Adjustments to reconcile profit (losses) before income tax to net cash provided by (paid for) operating activities						
Gain on assets transferred for debt settlement	-	-	(9)	(5)	-	-
Loss on impairment of property foreclosed and other assets (reversal)	(2)	(20)	(1)	(15)	8	(183)
Impairment loss of loans and debt securities (reversal)	(45)	(4)	(4)	1	(3)	25
Others	(2)	-	-	-	-	-
	5	(45)	48	29	87	(143)
Net interest income	11	21	11	13	(101)	(153)
Cash received from interest	5	1	-	-	101	157
Cash paid for income tax	(6)	-	(14)	(2)	(14)	(5)
Income from operating activities before changes in operating assets and liabilities (loss)	15	(23)	45	40	73	(144)

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2017	2016	2017	2016	2017	2016
Cash flows from operating activities (continued)						
Decrease (increase) in operating assets						
Investments	186	3	100	20	-	-
Investments in receivables purchased	-	-	7	(1)	-	-
Loans to customers	55	5	-	3	189	497
Property foreclosed	74	37	1	24	134	746
Other assets	2	(1)	-	2	-	(306)
Increase (decrease) in operating liabilities						
Interbank and money market items	-	-	-	-	-	(691)
Other liabilities	(21)	(2)	5	(4)	(17)	(1)
Net cash flows from operating activities	311	19	158	84	379	101
Cash flows from financing activities						
Debt issued and borrowings	(170)	-	(90)	-	-	-
Cash paid for interest on borrowings	(18)	(22)	(12)	(14)	-	(4)
Cash paid for dividend	(130)	-	(54)	(72)	(330)	-
Net cash flows used in financing activities	(318)	(22)	(156)	(86)	(330)	(4)
Net increase (decrease) in cash and cash equivalents	(7)	(3)	2	(2)	49	97
Cash and cash equivalents at beginning of the period	30	14	14	12	191	55
Cash and cash equivalents at end of the period	23	11	16	10	240	152

9.5 Investment in an associated company in the consolidated financial statements

As at 30 June 2017 and 31 December 2016, investment in an associated company in the consolidated financial statements, which are recorded under the equity method, consists of investment in ordinary shares of the following company which operates in Thailand:

(Unit: Million Baht)

Company's name	Paid-up share capital		Percentage of holding		Value of investment				Dividend income for the six-month periods ended		Share of profit for the six-month periods ended		Share of other comprehensive income for the six-month periods ended	
					Cost method		Equity method							
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	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	2,965	2,890	124	124	181	223	18	470
Total investment in an associated company					948	948	2,965	2,890	124	124	181	223	18	470

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.

9.6 Summarised financial information of an associated company

- a) Summarised financial information of MBK Plc. as at 31 March 2017 and 30 September 2016 and for the six-month periods ended 31 March 2017 and 2016 are as follows:

Summarised information about financial position

(Unit: Million Baht)

	31 March 2017 ⁽¹⁾	30 September 2016 ⁽¹⁾
Total assets	45,931	44,626
Total liabilities	(22,512)	(22,672)
Other equity items of an associated company	(925)	(936)
Net assets	22,494	21,018
Shareholding percentage (%)	21.98	21.98
Share of net assets	4,944	4,619
Elimination entries	(2,036)	(1,786)
Goodwill	57	57
Carrying amounts of associate based on equity method	2,965	2,890

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

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the six-month periods ended 31 March ⁽¹⁾	
	2017	2016
Revenue	5,255	7,143
Profit for the period	1,017	1,080
Other comprehensive income	897	3,028
Total comprehensive income for the period	1,914	4,108

(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 six-month period ended 30 June 2017 was determined based on financial statements that were prepared with reference to financial statements for the six-month period ended 31 March 2017 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 income for the six-month period ended 31 March 2017 is not materially different from the income for the six-month period ended 30 June 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 30 June 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	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
MBK Plc.	5,631	5,405	2,828	2,715

10. Loans to customers and accrued interest receivables

10.1 Classified by loan type

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
<u>Loans to customers</u>				
Overdrafts	16,424	17,261	-	-
Loans	263,790	261,679	108	107
Notes receivables	55,030	62,534	741	986
Hire purchase receivables	406,363	393,325	50	51
Financial lease receivables	1,794	1,743	-	-
Others	140	141	-	-
Less: Deferred revenues	(51,266)	(48,173)	(2)	(2)
Total loans to customers net of deferred revenues	692,275	688,510	897	1,142
Add: Accrued interest receivables	599	631	-	-
Total loans to customers and accrued interest receivables net of deferred revenues	692,874	689,141	897	1,142
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(13,929)	(15,380)	(82)	(86)
- Collective approach	(6,799)	(7,194)	-	-
2) Excess provision	(2,532)	(2,565)	-	-
Less: Revaluation allowance for debt restructuring	(1)	(2)	-	-
Loans to customers and accrued interest receivables - net	669,613	664,000	815	1,056
<u>Securities business receivables</u>				
Credit balances receivables	4,042	3,508	-	-
Other receivables	16	28	-	-
Total securities business receivables	4,058	3,536	-	-
Less: Allowance for doubtful accounts	(14)	(14)	-	-
Securities business receivables - net	4,044	3,522	-	-
Total loans to customers and accrued interest receivables - net	673,657	667,522	815	1,056

10.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	677,524	-	677,524	672,777	-	672,777
US Dollar	11,246	5,883	17,129	11,916	6,455	18,371
Other currencies	111	1,569	1,680	120	778	898
Total*	688,881	7,452	696,333	684,813	7,233	692,046

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	30 June 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	897	-	897	1,142	-	1,142
Total*	897	-	897	1,142	-	1,142

* Total loans net of deferred revenues

10.3 Classified by type of business and loan classification

(Unit: Million Baht)

	Consolidated financial statements							
	30 June 2017							
	The Company and subsidiary companies which are financial institutions						Other subsidiary companies	Consolidated
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	6,056	179	11	5	41	6,292	1	6,293
Manufacturing and commerce	76,959	2,722	848	295	2,067	82,891	295	83,186
Real estate and construction	46,047	84	379	54	1,853	48,417	36	48,453
Public utilities and services	55,968	306	223	77	1,069	57,643	103	57,746
Personal consuming								
Housing loans	93,733	1,565	612	808	1,428	98,146	56	98,202
Securities business	-	-	-	-	-	-	4,058	4,058
Hire purchase	292,670	22,053	1,198	1,148	1,334	318,403	36,876	355,279
Others	26,395	617	451	168	596	28,227	364	28,591
Others	14,422	2	1	2	98	14,525	-	14,525
Total*	612,250	27,528	3,723	2,557	8,486	654,544	41,789	696,333

* Total loans net of deferred revenues

(Unit: Million Baht)

Consolidated financial statements								
31 December 2016								
	The Company and subsidiary companies which are financial institutions						Other subsidiary companies	Consolidated
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	13,703	14	299	35	29	14,080	1	14,081
Manufacturing and commerce	74,384	206	938	425	1,985	77,938	300	78,238
Real estate and construction	45,370	111	363	886	1,115	47,845	36	47,881
Public utilities and services	58,275	349	204	50	1,136	60,014	103	60,117
Personal consuming								
Housing loans	94,094	1,345	576	519	1,168	97,702	54	97,756
Securities business	-	-	-	-	-	-	3,536	3,536
Hire purchase	284,130	22,826	1,363	1,264	2,010	311,593	33,750	345,343
Others	26,760	636	534	184	493	28,607	351	28,958
Others	15,971	3	4	1	157	16,136	-	16,136
Total*	612,687	25,490	4,281	3,364	8,093	653,915	38,131	692,046

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
30 June 2017						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Manufacturing and commerce	-	-	-	-	2	2
Personal consuming						
Housing loans	9	-	-	1	6	16
Hire purchase	-	-	-	-	48	48
Others	-	-	-	-	97	97
Others	734	-	-	-	-	734
Total*	743	-	-	1	153	897

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements				
	31 December 2016				
	Normal	Special mention	Substandard	Doubtful of loss	Total
Manufacturing and commerce	-	-	-	-	2
Personal consuming					
Housing loans	4	-	4	1	16
Hire purchase	-	-	-	-	49
Others	-	-	-	-	96
Others	979	-	-	-	979
Total*	983	-	4	1	1,142

* Total loans net of deferred revenues

10.4 Non-performing loans

As at 30 June 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:

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Non-performing loans (excluding accrued interest receivables)				
The Company	154	159	154	159
Banking business	12,027	12,863	-	-
Asset management business	2,585	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 financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
The Company	154	159	154	159
Banking business	12,377	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.

10.5 Debt restructuring

During the six-month periods ended 30 June 2017 and 2016, the subsidiaries (banking, asset management and securities businesses) have entered into debt restructuring agreements with their debtors as follows:

Consolidated financial statements					
For the six-month periods ended 30 June					
Type of restructuring	Number of debtors	Outstanding balances before restructuring ⁽¹⁾	Outstanding balances after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement Million Baht
		Million Baht	Million Baht		
2017					
Modification of repayment conditions	639	1,389	1,388		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	2	51	51	Land and premise thereon and car	49
Total	641	1,440	1,439		
2016					
Modification of repayment conditions	1,169	1,699	1,698		
Transfer of assets and/or ordinary shares and/or modification of repayment conditions	6	41	33	Land and premise thereon	33
Total	1,175	1,740	1,731		

(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 six-month periods ended 30 June 2017 and 2016, are summarised below.

Periods	Consolidated financial statements			
	For the six-month periods ended 30 June			
	2017		2016	
	Number of	Outstanding	Number of	Outstanding
	debtors	balances after restructuring	debtors	balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	132	116	392	267
Due within the year	141	425	100	474
Less than 5 years	215	586	457	559
5 - 10 years	109	198	141	228
10 - 15 years	13	38	23	58
Over 15 years	31	76	62	145
Total	641	1,439	1,175	1,731

Supplemental information for the six-month periods ended 30 June 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	365	544	-	1
Gain on debt settlement/assets transferred for debt settlement	14	32	11	7
Cash repayment from receivables	1,739	2,217	18	16
Property foreclosed received for debts settlement	61	44	-	-

As at 30 June 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	
	30	31	30	31	30	31
	June	December	June	December	June	December
	2017	2016	2017	2016	2017	2016
			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	16	16	93	93	14	14
Thanachart Bank Plc.	10,764	13,532	8,940	10,093	2,083	2,850
TS Asset Management Co., Ltd.	306	325	2,756	4,261	1,821	2,923
Other subsidiaries	102	129	332	382	118	130

10.6 Hire purchase/financial lease receivables

As at 30 June 2017 and 31 December 2016, the Company and its subsidiaries, which are engaged in banking, hire purchases and financial leases businesses, have hire purchase and financial lease receivables. These mostly comprise hire purchase agreements or financial lease agreements for cars, trucks and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates stipulated in the agreements.

(Unit: Million Baht)

Consolidated financial statement as at 30 June 2017				
Amounts due under lease agreements				
Less than				
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	113,826	271,703	22,628	408,157
Less: Unearned finance income	(17,985)	(32,059)	(1,212)	(51,256)
Present value of minimum lease payments				
receivables	95,841	239,644	21,416	356,901
Allowance for doubtful accounts				(9,415)
Hire purchase/financial lease				
receivables - net				347,486

* Included non-performing receivables

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2016

	Amounts due under lease agreements			
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	115,626	260,267	19,175	395,068
Less: Unearned finance income	(17,548)	(29,592)	(1,016)	(48,156)
Present value of minimum lease payments				
receivables	98,078	230,675	18,159	346,912
Allowance for doubtful accounts				(9,658)
Hire purchase/financial lease				
receivables - net				337,254

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 30 June 2017

	Amounts due under lease agreements			
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	50	-	-	50
Less: Unearned finance income	(2)	-	-	(2)
Present value of minimum lease payments				
receivables	48	-	-	48
Allowance for doubtful accounts				(48)
Hire purchase/financial lease				
receivables - net				-

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2016

	Amounts due under lease agreements			
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	51	-	-	51
Less: Unearned finance income	(2)	-	-	(2)
Present value of minimum lease payments				
receivables	49	-	-	49
Allowance for doubtful accounts				(49)
Hire purchase/financial lease				
receivables - net				-

* Included non-performing receivables

10.7 Classified by classification

As at 30 June 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⁾					
	30 June 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	612,804	409,928	8,218	613,284	404,054	9,805
Special mention	27,558	23,446	3,380	25,507	23,188	3,046
Substandard	3,726	1,969	1,332	4,287	2,465	1,726
Doubtful	2,557	1,611	1,047	3,364	1,656	975
Doubtful of loss	8,486	4,223	4,707	8,093	4,745	5,131
Total	<u>655,131</u>	<u>441,177</u>	<u>18,684</u>	<u>654,535</u>	<u>436,108</u>	<u>20,683</u>
Additional allowance for possible uncollectible accounts						
			<u>2,312</u>			<u>2,345</u>
Total			<u>20,996</u>			<u>23,028</u>

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

(2) As at 30 June 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 9,979 million (31 December 2016: Baht 11,743 million). The Company and subsidiary companies allocated Baht 7,667 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 11,017 million (31 December 2016: Baht 11,285 million), the total provision set aside in accordance with BOT requirements is Baht 18,684 million (31 December 2016: Baht 20,683 million).

(Unit: Million Baht)

Separate financial statements						
	30 June 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	743	734	7	983	979	10
Special mention	-	-	-	-	-	-
Substandard	-	-	-	4	-	-
Doubtful	1	-	-	1	-	-
Doubtful of loss	153	75	75	154	76	76
Total	897	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	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Normal	0.83	0.77	1	1
Special mention	9.83	9.50	2	2
Substandard	44.99	43.83	100	100
Doubtful	49.49	40.96	100	100
Doubtful of loss	95.40	94.69	100	100

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

10.8 Loans to companies which have settlement problems

As at 30 June 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								
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies possible to delisting from the SET	4	6	208	217	1	7	2	2
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	32	24	693	478	462	365	231	113
3. Companies which have loan settlement problems or have defaulted on the repayment	1,086	1,002	6,809	8,874	3,693	4,359	3,302	4,780
Separate financial statements								
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted on the repayment	20	21	83	84	93	88	10	10

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

As at 30 June 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)

	30 June 2017			31 December 2016		
	Debt balances net			Debt balances net		
	Debt balances	Allowance for doubtful accounts	of allowance for doubtful accounts	Debt balances	Allowance for doubtful accounts	of allowance for doubtful accounts
Normal	4,044	-	4,044	3,522	-	3,522
Substandard	1	1	-	1	1	-
Doubtful	13	13	-	13	13	-
Total	4,058	14	4,044	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.

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

As at 30 June 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)

	30 June 2017	31 December 2016
Current or overdue not over 90 days	35,660	32,663
Overdue 91 - 365 days	846	813
Overdue more than 1 year	160	170
Debtors under legal actions	646	545
Total	37,312	34,191
Allowance for doubtful accounts provided in the accounts	2,262	2,110

11. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
For the six-month period ended 30 June 2017									
The Company and subsidiary companies which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Excess provision	Total	Other 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	(1,587)	334	(394)	72	3,601	(33)	1,993	175	2,168
Bad debts recovery	-	-	-	-	582	-	582	3	585
Bad debts written-off	-	-	-	-	(4,607)	-	(4,607)	(25)	(4,632)
Balance - end of the period	8,218	3,380	1,332	1,047	4,707	2,312	20,996	2,278	23,274

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 2016									
The Company and subsidiary companies which are financial institutions									
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Excess provision	Total	Other subsidiary 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

(Unit: Million Baht)

Separate financial statements						
For the six-month period ended 30 June 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 of loss	Total
Balance - beginning of the year	10	-	-	-	81
Increase (decrease) during the year	-	-	-	-	(5)
Balance - end of the year	10	-	-	-	76

12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month period ended 30 June 2017	For the year ended 31 December 2016	For the six-month period ended 30 June 2017	For the year ended 31 December 2016
Balance - beginning of the period/year	2	4	-	-
Amortised during the period/year	(1)	(2)	-	-
Balance - end of the period/year	1	2	-	-

13. Classification of assets

As at 30 June 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					
	30 June 2017					
	Interbank and money market items	Loans to customers and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	30,745	612,804	-	-	204	643,753
Special mention	-	27,558	-	-	113	27,671
Substandard	-	3,726	-	-	11	3,737
Doubtful	-	2,557	-	-	8	2,565
Doubtful of loss	-	8,486	619	1,685	373	11,163
Total	30,745	655,131	619	1,685	709	688,889

(Unit: Million Baht)

Consolidated financial statements

31 December 2016

	Loans to customers and					
	Interbank and	accrued		Property		
	money market	interest		foreclosed	Other assets	Total
	items	receivables	Investments			
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

30 June 2017

	Loans to customers and					
	Interbank and	accrued		Property		
	money market	interest		foreclosed	Other assets	Total
	items	receivables	Investments			
Normal	-	743	-	-	-	743
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	1	-	-	-	1
Doubtful of loss	-	153	160	1,242	81	1,636
Total	-	897	160	1,242	81	2,380

(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

14. Property foreclosed

(Unit: Million Baht)

	Consolidated financial statements			
	For the six-month period ended 30 June 2017			
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	4,064	12	(158)	3,918
Movable assets	418	2,282	(2,203)	497
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	1,981	330	(134)	2,177
Non-used branches				
External appraiser	97	143	(99)	141
Total property foreclosed	6,560	2,767	(2,594)	6,733
Less: Allowance for impairment	(1,568)	(361)	210	(1,719)
Property foreclosed - net	4,992	2,406	(2,384)	5,014

(Unit: Million Baht)

	Consolidated financial statements			
	For the year ended 31 December 2016			
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	5,276	210	(1,422)	4,064
Movable assets	604	5,173	(5,359)	418
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	1,749	452	(220)	1,981
Non-used branches				
External appraiser	90	29	(22)	97
Total property foreclosed	7,719	5,864	(7,023)	6,560
Less: Allowance for impairment	(1,385)	(1,320)	1,137	(1,568)
Property foreclosed - net	6,334	4,544	(5,886)	4,992

(Unit: Million Baht)

Separate financial statements				
For the six-month period ended 30 June 2017				
	Balance - beginning of the period	Additions	Disposals	Balance - end of the period
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	1,124	3	(35)	1,092
Movable assets	1	-	-	1
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	463	183	(8)	638
Others				
Immovable assets				
External appraiser	77	95	-	172
Total property foreclosed	1,665	281	(43)	1,903
Less: Allowance for impairment	(1,087)	(188)	33	(1,242)
Property foreclosed - net	578	93	(10)	661

(Unit: Million Baht)

Separate financial statements				
For the year ended 31 December 2016				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	1,161	6	(43)	1,124
Movable assets	1	-	-	1
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	228	273	(38)	463
Others				
Immovable assets				
External appraiser	80	-	(3)	77
Total property foreclosed	1,470	279	(84)	1,665
Less: Allowance for impairment	(717)	(391)	21	(1,087)
Property foreclosed - net	753	(112)	(63)	578

15. Land, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
For the six-month period ended 30 June 2017						
	Land*	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2017	5,993	2,642	7,399	78	12	16,124
Additions	-	-	68	9	26	103
Transfers/disposals	(52)	(88)	(259)	(13)	(15)	(427)
30 June 2017	5,941	2,554	7,208	74	23	15,800
<u>Accumulated depreciation</u>						
1 January 2017	-	972	5,387	62	-	6,421
Transfers/disposals	-	(24)	(254)	(10)	-	(288)
Depreciation for the period	-	64	356	3	-	423
30 June 2017	-	1,012	5,489	55	-	6,556
<u>Allowance for impairment</u>						
1 January 2017	68	25	5	-	-	98
Transfers/disposals	-	-	(5)	-	-	(5)
30 June 2017	68	25	-	-	-	93
<u>Net book value</u>						
30 June 2017	5,873	1,517	1,719	19	23	9,151
Depreciation for the six-month periods ended 30 June						
2016						410
2017						423

* In 2016, the Company and its subsidiaries changed its accounting policy to present land at revalued amount.

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2016						
	Land*	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2016	4,435	2,627	6,841	93	57	14,053
Additions	-	15	708	4	136	863
Transfers/disposals	(49)	-	(150)	(19)	(181)	(399)
Revaluation surplus*	1,621	-	-	-	-	1,621
Revaluation deficit*	(14)	-	-	-	-	(14)
31 December 2016	5,993	2,642	7,399	78	12	16,124
<u>Accumulated depreciation</u>						
1 January 2016	-	857	4,977	73	-	5,907
Transfers/disposals	-	(6)	(302)	(18)	-	(326)
Depreciation for the year	-	121	712	7	-	840
31 December 2016	-	972	5,387	62	-	6,421
<u>Allowance for impairment</u>						
1 January 2016	68	25	6	-	-	99
Transfers/disposals	-	-	(1)	-	-	(1)
31 December 2016	68	25	5	-	-	98
<u>Net book value</u>						
31 December 2016	5,925	1,645	2,007	16	12	9,605

* In 2016, the Company and its subsidiaries changed its accounting policy to present land at revalued amount.

(Unit: Million Baht)

Separate financial statements						
For the six-month period ended 30 June 2017						
	Land*	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2017	18	45	72	27	-	162
Transfers/disposals	-	-	(10)	-	-	(10)
30 June 2017	18	45	62	27	-	152
<u>Accumulated depreciation</u>						
1 January 2017	-	30	63	24	-	117
Transfers/disposals	-	-	(10)	-	-	(10)
Depreciation for the period	-	1	2	-	-	3
30 June 2017	-	31	55	24	-	110
<u>Net book value</u>						
30 June 2017	18	14	7	3	-	42
Depreciation for the six-month periods ended 30 June						
2016						3
2017						3

* In 2016, the Company changed its accounting policy to present land at revalued amount.

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2016						
	Land*	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2016	3	45	70	27	-	145
Additions	-	-	2	-	-	2
Revaluation surplus*	15	-	-	-	-	15
31 December 2016	18	45	72	27	-	162
<u>Accumulated depreciation</u>						
1 January 2016	-	28	59	23	-	110
Depreciation for the year	-	2	4	1	-	7
31 December 2016	-	30	63	24	-	117
<u>Net book value</u>						
31 December 2016	18	15	9	3	-	45

* In 2016, the Company changed its accounting policy to present land at revalued amount.

As at 30 June 2017 and 31 December 2016, the Company and its subsidiaries have building, office equipment and vehicles which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment, amounting to approximately Baht 3,510 million and Baht 3,510 million, respectively (separate financial statements: Baht 70 million and Baht 76 million, respectively).

As at 30 June 2017, the Company and its subsidiaries have no vehicles acquired under financial lease agreements (31 December 2016: Consolidated financial statements and separate financial statements have vehicles acquired under financial lease agreements with net book values amounting to approximately Baht 4 million and Baht 1 million, respectively).

The Company and its subsidiaries arranged for an independent professional appraiser to appraise the value of land in 2015 and 2016, using the market approach.

Had the land been carried in the financial statements on a historical cost basis, its net book value as at 30 June 2017 and 31 December 2016 would have been as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Land	4,299	4,329	3	3

Key assumptions used in the valuation are summarised below.

	Consolidated	Separate	Result to fair value where as an increase in assumption value
	financial statements	financial statements	
Price per square wah (Baht)	6,300 - 1,000,000	41,200	Increase in fair value

Surplus on revaluation of assets

Movements in surplus on revaluation of assets arising from revaluation of land of the Company and its subsidiaries are summarised below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended	For the year ended	For the six-month period ended	For the year ended
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Balance - beginning of the period/year	1,616	-	15	-
Increased during the period/year	-	1,621	-	15

Transferred out during the period/year	(18)	(5)	-	-
Balance - end of the period/year	1,598	1,616	15	15

Surplus on revaluation of assets can neither be offset against deficit nor used for dividend distribution.

16. Intangible assets

(Unit: Million Baht)

	For the six-month period ended 30 June 2017					Separate financial statements
	Consolidated financial statements					
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total	Computer software
<u>Cost</u>						
1 January 2017	4,100	2,856	7	177	7,140	9
Additions	-	33	-	89	122	-
Transfers/disposals	-	107	-	(111)	(4)	-
30 June 2017	4,100	2,996	7	155	7,258	9
<u>Accumulated amortisation</u>						
1 January 2017	3,040	1,353	7	-	4,400	8
Transfers/disposals	-	(3)	-	-	(3)	-
Amortisation for the period	191	157	-	-	348	-
30 June 2017	3,231	1,507	7	-	4,745	8
<u>Allowance for impairment</u>						
1 January 2017	-	31	-	-	31	-
30 June 2017	-	31	-	-	31	-
<u>Net book value</u>						
30 June 2017	869	1,458	-	155	2,482	1
Remaining amortisation period	2.75 years	0 - 10 years	-	-		0 - 9 years
Amortisation for the six-month period ended 30 June						
2016					361	-
2017					348	-

(Unit: Million Baht)

For the year ended 31 December 2016

	Consolidated financial statements					Separate financial statements
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total	Computer software
<u>Cost</u>						
1 January 2016	4,100	2,442	8	270	6,820	9
Additions	-	184	-	279	463	-
Transfers/disposals	-	230	(1)	(372)	(143)	-
31 December 2016	4,100	2,856	7	177	7,140	9
<u>Accumulated amortisation</u>						
1 January 2016	2,589	1,164	7	-	3,760	8
Transfers/disposals	-	(99)	-	-	(99)	-
Amortisation for the year	451	288	-	-	739	-
31 December 2016	3,040	1,353	7	-	4,400	8
<u>Allowance for impairment</u>						
1 January 2016	-	49	-	-	49	-
Decrease during the year	-	(18)	-	-	(18)	-
31 December 2016	-	31	-	-	31	-
<u>Net book value</u>						
31 December 2016	1,060	1,472	-	177	2,709	1

As at 30 June 2017 and 31 December 2016, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with the gross carrying amount, before deducting accumulated amortisation and allowance for impairment, amounting to approximately Baht 299 million and Baht 182 million, respectively (separate financial statements: Baht 8 million and Baht 8 million, respectively).

17. Goodwill

The Company and its subsidiaries allocated goodwill arising from business combinations to the cash generating unit (CGU) for annual impairment testing, on the assumption that the CGU is the consolidated financial statements of Thanachart Bank and its subsidiaries.

The recoverable amount of the CGU have been determined based on its value in use. The value in use was calculated by using estimate future cash flow, covering a five-year period, for the consolidated operating results of Thanachart Bank and its subsidiaries.

Key assumptions used in value in use calculation are summarised below:

	<u>Rate (Percentage)</u>
Terminal growth rate	5
Discount rate	12

The management of the Company and its subsidiaries determined these key assumptions based on historical operating results and expected market growth. The discount rate used is a rate that reflects risks specific to Thanachart Bank and its subsidiaries.

The management of the Company believes that changes in the key assumption used to determine the value in use of the CGU would not result in impairment.

The management of the Company believes that there is no impairment of goodwill.

18. Deferred tax assets/ liabilities and income tax

18.1 Deferred tax assets/ liabilities

As at 30 June 2017 and 31 December 2016, deferred tax assets/liabilities are as follows:

	(Unit: Million Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Deferred tax assets	1,040	1,089	28	26
Deferred tax liabilities	(1,224)	(1,003)	-	-
Net	(184)	86	28	26

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Million Baht)		
Consolidated financial statements		
	30 June 2017	31 December 2016
Deferred tax assets		
Intercompany gain from disposal of assets	225	245
Non-accrual of interest income	54	64
Allowance for doubtful debts - general provision/other assets	983	962
Allowance for impairment of properties foreclosed	226	227
Employee benefits	465	482
Provisions	294	231
Accrued expenses	95	100
Insurance contract liabilities	324	307
Fees income received in advance	365	369
Late payment fee	174	178
Others	177	278
Deferred tax assets	3,382	3,443
Deferred tax liabilities		
Assets transferred as a result of business combination	(1,106)	(1,104)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(1,514)	(1,379)
Intangible assets	(174)	(212)
Unrealised gains on changes in value of available-for-sale securities	(265)	(162)
Others	(507)	(500)
Deferred tax liabilities	(3,566)	(3,357)
Net	(184)	86

(Unit: Million Baht)

	Separate financial statements	
	30 June	31 December
	2017	2016
Deferred tax assets		
Allowance for impairment of properties foreclosed	133	134
Difference between appraisal value of properties foreclosed and amount of asset transfer for debt settlement	19	19
Deferred tax assets	152	153
Deferred tax liabilities		
Unrealised gains on changes in value of available-for-sale securities	(120)	(122)
Others	(4)	(5)
Deferred tax liabilities	(124)	(127)
Net	28	26

As at 30 June 2017 and 31 December 2016, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 2,458 million and Baht 2,083 million, respectively (separate financial statements: Baht 2,108 million and Baht 1,789 million, respectively) on which deferred tax assets have not been recognised as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow full utilisation of the temporary differences and unused full tax losses.

The unused tax losses amounting to Baht 1,272 million will expire by 2018 - 2022.

In addition, as at 30 June 2017, Thanachart Bank ("a subsidiary") has tax losses totaling Baht 10,212 million arising from investment in a subsidiary company which has already completed the liquidation process. These will expire by 2020. The subsidiary has not recognised deferred tax assets in respect of these losses because management's assessment is that there is uncertainty about their future benefit.

18.2 Income tax

Income tax expenses for the three-month and six-month periods ended 30 June 2017 and 2016 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Current income tax:				
Interim corporate income tax	182	158	-	-
Adjustment in respect of income tax from previous year	3	2	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	12	(29)	1	4
Income tax expense reported in statements of comprehensive income	197	131	1	4

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Current income tax:				
Interim corporate income tax	426	365	-	-
Adjustment in respect of income tax from previous year	3	2	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	85	(50)	1	4
Income tax expense reported in statements of comprehensive income	514	317	1	4

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Deferred tax relating to revaluation surplus on assets	-	3	-	3
Deferred tax relating to gain (loss) on changes in value of available-for-sale securities	110	(183)	1	(3)
Deferred tax relating to actuarial gain (loss)	1	-	-	-
Deferred tax relating to share of other comprehensive income of an associated company	1	5	-	-
	<u>112</u>	<u>(175)</u>	<u>1</u>	<u>-</u>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Deferred tax relating to revaluation surplus on assets	-	324	-	3
Deferred tax relating to gain (loss) on changes in value of available-for-sale securities	185	10	(2)	4
Deferred tax relating to actuarial gain (loss)	1	-	-	-
Deferred tax relating to share of other comprehensive income of an associated company	-	24	-	-
	<u>186</u>	<u>358</u>	<u>(2)</u>	<u>7</u>

Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the three-month and six-month periods ended 30 June 2017 and 2016 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Accounting profit before tax	3,610	3,283	1,083	965
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	722	657	217	193
Adjustment in respect of income tax from previous year	3	2	-	-
Effects of non-taxable revenue and non-deductible expenses - net	(528)	(528)	(216)	(189)
Income tax expenses reported in statements of comprehensive income	197	131	1	4

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Accounting profit before tax	7,244	6,284	1,143	957
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	1,449	1,257	229	191
Adjustment in respect of income tax from previous year	3	2	-	-
Effects of non-taxable revenue and non-deductible expenses - net	(938)	(942)	(228)	(187)
Income tax expenses reported in statements of comprehensive income	514	317	1	4

19. Receivables from purchase and sale of securities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Receivables from purchase and sale of securities	3,301	1,126	-	-

20. Other assets

(Unit: Million Baht)

	Consolidated			Separate		
	financial statements			financial statements		
	30 June	31 December		30 June	31 December	
	2017	2016		2017	2016	
Accrued premium insurance income	260	269	-	-		
Suspense debtors	356	498	10	13		
Other receivables	666	777	74	74		
VAT refundable	347	297	-	-		
Other receivables - VAT paid in advance for customers	251	255	-	-		
Deposits	273	275	3	3		
Estimated insurance claims recoveries	247	230	-	-		
Receivable from clearing house	68	1,332	-	-		
Leasehold right	142	177	9	10		
Prepaid corporate income tax	546	428	8	11		
Deposits from derivative contracts	940	1,034	-	-		
Prepaid expenses	506	382	10	9		
Reinsurance assets	280	216	-	-		
Accrued interest and dividend receivables	864	983	3	3		
Others	1,236	1,509	10	6		
Total	6,982	8,662	127	129		
Less: Allowance for impairment	(515)	(480)	(81)	(81)		
Other assets - net	6,467	8,182	46	48		

21. Deposits

21.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Current	10,645	11,421	-	-
Saving	279,335	296,885	-	-
Certificates of deposit	128,398	125,493	-	-
Fixed deposits				
- Less than 6 months	42,519	39,442	-	-
- 6 months and up to 1 year	52,705	93,129	-	-
- Over 1 year	152,366	110,086	-	-
Total deposits	665,968	676,456	-	-

21.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2017			31 December 2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	664,115	-	664,115	675,262	1	675,263
US Dollar	1,454	34	1,488	837	30	867
Other currencies	358	7	365	317	9	326
Total	665,927	41	665,968	676,416	40	676,456

22. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2017			31 December 2016		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial						
Institutions Development Fund	416	2,468	2,884	416	2,779	3,195
Commercial banks	1,050	28,680	29,730	649	17,478	18,127
Specialised financial institutions	34	3,732	3,766	47	3,724	3,771
Other financial institutions	12,204	11,203	23,407	10,780	9,822	20,602
Total domestic items	13,704	46,083	59,787	11,892	33,803	45,695
Foreign						
US Dollar	280	15,529	15,809	118	15,766	15,884
Euro	1	-	1	1	-	1
Baht	2,642	534	3,176	3,610	511	4,121
Total foreign items	2,923	16,063	18,986	3,729	16,277	20,006
Total	16,627	62,146	78,773	15,621	50,080	65,701

As at 30 June 2017, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting to Baht 1,000 million, consisting of (i) a loan of Baht 800 Million, repayable in full within 3 years from the date of the loan drawdown and since April 2015, the term of repayment has been extended to repayable in full within 75 months from the date of the loan drawdown, carrying interest at a fixed rate per annum, payable monthly, (ii) 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).

23. Debt issued and borrowings

As at 30 June 2017 and 31 December 2016, the balance of domestic debt issued and borrowings, stated in Baht, are as follows:

(Unit: Million Baht)											
Instrument	Types of borrowings	Issue period	Year of maturity	Interest rate	Face value per unit	Issuance unit		Consolidated financial statements		Separate financial statements	
						30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
						(Thousand unit)	(Thousand unit)				
				(Percent per annum)	(Baht)						
1	Subordinated debentures issued under Tier II	Year 2012	Year 2022	4.70	1,000	12,516	12,516	12,516	12,516	-	-
2	Subordinated instruments issued under Tier II	Year 2014	Year 2024	6.00	1,000	13,000	13,000	12,530	12,530	-	-
3	Subordinated instruments issued under Tier II	Year 2015	Year 2025	4.65	1,000	7,000	7,000	7,000	7,000	-	-
4	Unsubordinated debentures	Year 2012	Year 2022	4.60	1,000	3,000	3,000	3,000	3,000	3,000	3,000
5	Unsubordinated debentures	Year 2013	Year 2017	4.70 - 4.80	1,000	3,000	5,000	3,000	5,000	-	-
6	Unsubordinated debentures	Year 2013	Year 2017	4.76	1,000	-	760	-	760	-	-
7	Unsubordinated debentures	Year 2013	Year 2018	4.70	1,000	3,100	3,100	3,100	3,100	3,100	3,100
8	Unsubordinated debentures	Year 2013	Year 2020	5.03	1,000	2,900	2,900	2,900	2,900	2,900	2,900
9	Unsubordinated debentures	Year 2013	Year 2023	4.85 - 5.00	1,000	1,800	1,800	1,800	1,800	1,800	1,800
10	Unsubordinated debentures	Year 2013	Year 2025	4.95	1,000	900	900	900	900	900	900
11	Unsubordinated debentures	Year 2014	Year 2017	4.10 - 4.25	1,000	450	940	450	940	-	-
12	Unsubordinated debentures	Year 2014	Year 2018	4.75	1,000	2,000	2,000	2,000	2,000	-	-
13	Unsubordinated debentures	Year 2015	Year 2017	1.97	1,000	500	500	500	500	500	500
14	Unsubordinated debentures	Year 2015	Year 2017	3.35	1,000	200	200	200	200	-	-
15	Unsubordinated debentures	Year 2015	Year 2018	1.96	1,000	500	500	500	500	500	500
16	Unsubordinated debentures	Year 2015	Year 2018	3.00 - 3.10	1,000	1,100	1,100	1,100	1,100	-	-

(Unit: Million Baht)											
Instrument	Types of borrowings	Issue period	Year of maturity	Interest rate	Face value per unit	Issuance unit		Consolidated financial statements		Separate financial statements	
						30 June	31 December	30 June	31 December	30 June	31 December
						2017	2016	2017	2016	2017	2016
						(Thousand unit)	(Thousand unit)				
17	Unsubordinated debentures	Year 2016	Year 2017	2.60	1,000	770	770	770	770	-	-
18	Unsubordinated debentures	Year 2016	Year 2019	2.70 - 3.00	1,000	1,700	1,700	1,400	1,400	-	-
19	Unsubordinated debentures	Year 2016	Year 2019	2.95 - 3.00	1,000	1,735	1,735	1,735	1,735	-	-
20	Unsubordinated debentures	Year 2017	Year 2019	2.52	1,000	2,000	-	2,000	-	-	-
21	Unsubordinated debentures	Year 2017	Year 2020	2.64 - 2.88	1,000	5,960	-	5,335	-	-	-
22	Short-term debentures		Year 2017	1.65				2,000	2,000	-	-
23	Structured notes		Year 2017	1.00				102	50	-	-
24	Promissory notes		At call,	0.20 - 2.50,				863	1,002	-	-
			Year 2017	7.15							
25	Borrowings - Departments of Alternative Energy Development and Efficiency		Year 2017	0.50				-	1	-	-
Total debt issued and borrowings								65,701	61,704	12,700	12,700

Instruments 1) are name-registered, subordinated, unsecured debentures with a debentures holders' representative, paying interest quarterly. Thanachrt Bank has a call option to early redeem these debentures at par if the conditions specified are met.

Instruments 2) and 3) are name-registered, Tier II capital, subordinated, unsecured instruments with no instrument holder's representative, paying interest quarterly. The instruments will be fully converted to ordinary shares of the issuer in the event that a Point of Non-Viability is triggered requiring financial assistance from the regulators. Thanachart Bank has a call option to early redeem these instruments at par if the conditions specified are met.

Instruments 5) and 12) are name-registered, unsubordinated, unsecured debentures with a debentures holders' representative, paying interest quarterly. 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.

Instruments 6), 11), 14), 16) to 18) and 20) to 21) are name-registered, unsubordinated, unsecured debentures with no debenture holders' representative, paying interest semi-annually. The subsidiary has to comply with the terms and conditions specified in the loan agreement, such as maintenance of a debt to equity ratio.

Instruments 4), 7) to 10), 13) and 15) are name-registered, unsubordinated, unsecured debenture with no debentures holders' representative, paying interest semi-annually.

Instruments 19) are name-registered, unsubordinated, unsecured debentures with no debenture holders' representative, paying interest quarterly. The subsidiary has to comply with the terms and conditions specified in the loan agreement, such as maintenance of a debt to equity ratio.

24. Provisions

(Unit: Million Baht)

	Consolidated financial statements				
	For the six-month period ended 30 June 2017				
	Obligations				
	Loss from litigation	Employee benefits	from off- balance items	Others	Total
As at 1 January 2017	411	2,475	434	357	3,677
Increase during the period	16	391	20	699	1,126
Decrease from actual utilised	(20)	(489)	(6)	(123)	(638)
Reversal of provisions	(7)	-	(6)	(256)	(269)
As at 30 June 2017	400	2,377	442	677	3,896

(Unit: Million Baht)

	Consolidated financial statements				
	For the year ended 31 December 2016				
	Obligations				
	Loss from litigation	Employee benefits	from off- balance items	Others	Total
As at 1 January 2016	350	2,161	447	393	3,351
Increase during the year	125	420	13	658	1,216
Decrease from actual utilised	(40)	(106)	(13)	(230)	(389)
Reversal of provisions	(24)	-	(13)	(464)	(501)
As at 31 December 2016	411	2,475	434	357	3,677

(Unit: Million Baht)

	Separate financial statements		
	For the six-month period ended 30 June 2017		
	Loss from litigation	Employee benefits	Total
As at 1 January 2017	47	38	85
Increase during the period	-	1	1
Decrease from actual utilised	-	(16)	(16)
As at 30 June 2017	47	23	70

(Unit: Million Baht)

	Separate financial statements		
	For the year ended 31 December 2016		
	Loss from litigation	Employee benefits	Total
As at 1 January 2016	14	35	49
Increase during the year	61	3	64
Decrease from actual utilised	(20)	-	(20)
Reversal of provisions	(8)	-	(8)
As at 31 December 2016	47	38	85

Long-term employee benefits

Provision for long-term employee benefits, which are compensations on employees' retirement, are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Defined benefit obligation at the beginning of the period/year	2,204	2,129	38	35
Recognised in profit and loss:				
Current service cost	76	155	1	2
Interest cost	37	70	-	1
Past service costs and gains or losses arising from the payment of benefits	(159)	(90)	-	(1)
Recognised in other comprehensive income:				
Actuarial (gains) losses arising from				
- Demographic assumptions changes	-	26	-	1
- Financial assumptions changes	-	(67)	-	(1)
- Experience adjustments	(3)	28	-	1
Employee benefits paid during the period/year	(86)	(47)	(16)	-
Defined benefit obligation at the end of the period/year	2,069	2,204	23	38

As at 30 June 2017 and 31 December 2016, the Company and its subsidiaries expect to pay Baht 62 million and Baht 86 million, respectively, in long-term employee benefits during the next one year (separate financial statements: nil and Baht 16 million, respectively).

The long-term employee benefit expenses, included in profit or loss for the six-month periods ended 30 June 2017 and 2016, can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Current service cost	76	78	1	1
Interest cost	37	35	-	-
Past service costs and gains or losses arising from the payment of benefits	(159)	(46)	-	-
Total expense ummarized in profit or loss	(46)	67	1	1

The principal actuarial assumptions used to calculate the defined benefit obligations are as follows:

(Percent per annum)

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Discount rate	2.71 - 3.51	2.71 - 3.51	3.51	3.51
Future salary increase rate	5.00 - 6.39	5.00 - 6.39	5.00	5.00
Average staff turnover rate (depending on age)	0 - 100	0 - 100	0.20 - 28.22	0.20 - 28.22

The result of sensitivity analysis for significant assumptions that affect the increasing in present value of the long-term employee benefit obligation as at 30 June 2017 and 31 December 2016 are summarised below:

(Unit: Million Baht)

	Change	Consolidated		Separate	
		financial statements		financial statements	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
Discount rate	Decrease 0.25%	54	56	1	1
Future salary increase rate	Increase 0.25%	56	55	1	1
Average staff turnover rate	Decrease 0.25%	57	56	1	1

As at 30 June 2017 and 31 December 2016, the weighted average durations of the liabilities for long-term employee benefit of the Company and its subsidiaries are 11, 15, 16, 20 years and 10, 15, 16, 20 years, respectively (separate financial statements: 16 years and 16 years, respectively).

25. Accrued interest payables

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Accrued interest payables	2,308	2,149	95	96

26. Insurance contract liabilities

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2017			31 December 2016		
	Insurance contract liabilities	Reinsurance assets	Net	Insurance contract liabilities	Reinsurance assets	Net
Life policy reserve	9,651	-	9,651	9,558	-	9,558
Loss reserves and outstanding claims	1,691	(169)	1,522	1,559	(159)	1,400
Unearned premium reserve	3,790	(111)	3,679	3,408	(57)	3,351
Unexpired risks reserve	5	-	5	-	-	-
Unpaid policy benefits	7	-	7	7	-	7
Other liabilities under insurance policies	66	-	66	62	-	62
Total	15,210	(280)	14,930	14,594	(216)	14,378

Non-life insurance

Assumptions used in determining liabilities from insurance contracts

The assumptions used in determining liabilities from insurance contracts are set taking into consideration the model used to assess, the nature of the data, including actual experience up to the date the assessment is made. The analysis performed considers both internal and external factors that affect the pattern of experience, such as the underwriting process, the proportion of insurance, the process of claims handling, the reinsurance policy, economic trends and regulatory changes. In the event that historical loss data is insufficient to be a credible basis for the determination of the assumptions, industry information is used to ensure that this method is appropriate. In addition, the assumptions used in determining insurance liabilities should be consistent with the assumptions used in determining claims liabilities.

Sensitivity analysis

Sensitivity analysis is performed to analyse the risk that insurance liabilities will increase or decrease as a result of changes in the assumptions used in calculating those liabilities, which will impact claims liabilities both before reinsurance and after reinsurance. The risk may occur because the frequency and severity of the damage or loss adjustment claim expense may not be in line with expectations.

(Unit: Million Baht)

Consolidated financial statements					
30 June 2017					
	Change in assumption	Change in gross liabilities	Change in net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Ultimate loss ratio	Increase 2%	80	79	(79)	(63)
Loss adjustment expense	Increase 2%	12	12	(12)	(10)
Ultimate loss ratio	Decrease 2%	(77)	(76)	76	60
Loss adjustment expense	Decrease 2%	(12)	(12)	12	10

(Unit: Million Baht)

Consolidated financial statements					
31 December 2016					
	Change in assumption	Change in gross liabilities	Change in net liabilities	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Ultimate loss ratio	Increase 2%	146	145	(145)	(116)
Loss adjustment expense	Increase 2%	11	11	(11)	(9)
Ultimate loss ratio	Decrease 2%	(141)	(140)	140	112
Loss adjustment expense	Decrease 2%	(11)	(11)	11	9

Life insurance

Assumptions used in the estimating life reserve for long-term contracts

Mortality rate

The assumptions are determined based on actual historical claims data of the subsidiary company, the industry mortality rate and TMO 2008. Assumptions are differentiated by the type of product, sex and age of the insured, the credibility of data, and the underwriting process. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the long-term insurance policy reserves.

Related expenses

The assumptions are determined through analysis of actual expenses per the financial statements, taking into account both fixed expenses and variable expenses that relate to policy maintenance and adjusted appropriately for inflation. An increase in the level of expenses will result in an increase in the long-term insurance policy reserves.

Lapse and surrender rates

The subsidiary company determines the assumptions based on actual historical lapse and surrender rates of the subsidiary, taking into account the product type, distribution channel and the credibility of data, as well as industry data, in order to arrive at appropriate rates. An increase in lapse and surrender rates early in the life policy will tend to increase in expense, which will reduce profits for shareholders.

Discount rate

The subsidiary company determines the discount rates to be used in estimating the subsidiary company's future payment obligation to the insured using the risk free rate as at the valuation date, which is the higher of the rate of the return on non-interest bearing Thai governments bonds at the valuation date and average rate of return on non-interest bearing Thai governments bonds at the end of each of the eight quarters following the valuation date. A decrease in the discount rate would result in an increase the long-term insurance policy reserves.

Sensitivity analysis

The result of sensitivity analysis for significant assumptions that affect the present value of the insurance contract liabilities as at 30 June 2017 and 31 December 2016 are summarised below:

(Unit: Million Baht)

Consolidated financial statements					
30 June 2017					
	Change	Insurance contract liabilities		Effect to	
		Gross reinsurance	Net reinsurance	Increase/	Increase/
		increase/ (decrease)	increase/ (decrease)	(decrease) on profit before tax	(decrease) on equity
Mortality rate	Increase 10%	17	-	(17)	(14)
Expenses rate	Increase 10%	10	-	(10)	(8)
Lapse and surrender rates	Increase 10%	(20)	-	20	16
Discount rate	Increase 0.5%	(250)	-	250	200
Mortality rate	Decrease 10%	(17)	-	17	14
Expenses rate	Decrease 10%	(10)	-	10	8
Lapse and surrender rates	Decrease 10%	21	-	(21)	(17)
Discount rate	Decrease 0.1%	33	-	(33)	(26)

(Unit: Million Baht)

Consolidated financial statements					
31 December 2016					
	Change	Insurance contract liabilities		Effect to	
		Gross reinsurance	Net reinsurance	Increase/	Increase/
		increase/ (decrease)	increase/ (decrease)	(decrease) on profit before tax	(decrease) on equity
Mortality rate	Increase 10%	17	-	(17)	(13)
Expenses rate	Increase 10%	10	-	(10)	(8)
Lapse and surrender rates	Increase 10%	(19)	-	19	15
Discount rate	Increase 0.5%	(252)	-	252	201
Mortality rate	Decrease 10%	(17)	-	17	13
Expenses rate	Decrease 10%	(10)	-	10	8
Lapse and surrender rates	Decrease 10%	19	-	(19)	(16)
Discount rate	Decrease 0.1%	47	-	(47)	(38)

26.1 Life policy reserve

(Unit: Million Baht)

	Consolidated financial statements	
	For the six-month	For the year ended
	period ended 30 June 2017	31 December 2016
Balance - beginning of the period/year	9,558	9,723
Insurance policy reserves increased from new policies and enforced policies	228	527
Insurance policy reserves decreased from benefit paid, lapse, surrender and others	(159)	(493)
Assumptions changes	102	(22)
Experience adjustments	(53)	(7)
Other adjustments	(25)	(170)
Balance - end of the period/year	9,651	9,558

26.2 Loss reserves and outstanding claims

(Unit: Million Baht)

	Consolidated financial statements	
	For the six-month	For the year ended
	period ended 30 June 2017	31 December 2016
Balance - beginning of the period/year	1,559	1,709
Claim expenses for the period /year	1,907	3,185
Change in loss reserves and outstanding in claims and assumption	112	186
Claim expenses paid during the period /year	(1,887)	(3,521)
Balance - end of the period/year	1,691	1,559

26.3 Unearned premium reserve

(Unit: Million Baht)

	Consolidated financial statements	
	For the six-month	For the year ended
	period ended	
	30 June 2017	31 December 2016
Balance - beginning of the period/year	3,408	3,097
Premium written for the period /year	3,832	6,489
Premium earned during the current period/year	(3,450)	(6,178)
Balance - end of the period/year	3,790	3,408

26.4 Unexpired risks reserve

(Unit: Million Baht)

	Consolidated financial statements	
	For the six-month	For the year ended
	period ended	
	30 June 2017	31 December 2016
Balance - beginning of the period/year	19	6
Increase during the period/year	62	37
Expire during the period/year	(18)	(24)
Balance - end of the period/year	63	19

26.5 Insurance/Life insurance risk

Non-life insurance

Insurance Risk

Insurance risk is the risk that the frequency and severity of losses may deviate from the assumptions used in determining the premium rate, reserve calculations and underwriting. Insurance risk can be divided into three types, depending on the source of the risk, and these consist of product development and pricing risk, underwriting risk and claims management risk.

A subsidiary has insurance risk management procedures covering risk identification, risk assessment using risk measurement indexes like the estimated ultimate combine ratio and claim management, as well as the monitoring and reporting of risk, in order to ensure that risk is appropriately reflected.

Life insurance

Insurance Risk

Insurance risk is the risk that actual claim and benefit payments under life policies will differ from a subsidiary's expectations because fluctuations in frequency, violence and the timing result cause them to deviate from the assumptions that were used in determining premium rate, insurance reserve calculation and the underwriting process. Insurance risk is classified into 3 categories based on the source of risk, as follows:

A) Product development and product pricing risk

Product development and product pricing risk are the risks that premiums will not be sufficient to pay losses and benefits to the insured because the related risk factors, which are mortality rate, morbidity rate, lapse and surrender rates, and investment return rate, deviate from assumptions that used to determine premium rates that may be not appropriate and consistent with the current environment and the occurrence of disasters, violent incidents which have resulted in many deaths and injuries.

In addition, the subsidiary company launches life insurance products which are whole life-ordinary product, endowment-ordinary product, term-ordinary product, group product and other product but the majority of the subsidiary 's products is endowment-ordinary product so the subsidiary may have concentration risk in this product and high loss and underwriting cost in this product would be tend to reduce profits.

B) Underwriting risk

Underwriting risk is arising due to insufficient in underwriting process, no manuals or guidelines for determining underwriting process which are appropriate each risk factor and these are effect to incompleteness of risk assessment such as underwriting in high risk or underwriting which has premium not related to risk etc.

C) Claims management risk

Claim management risk is risk that the subsidiary company allocates insufficient long-term insurance policy reserves to cover its liabilities under insurance policies.

However, the subsidiary company manages the risk by designing new products that are competitive and meet customer needs, adjusting premium rates and conditions for underwriting processes so that they reflect the level of risk, and managing the amounts of short term and long term investments so that they are appropriate and in line with the situation in the money market and the capital market and the insurance maturity profile. It also reviews the correctness and appropriateness of the models used in the design of products, reviews the principles applied in the underwriting process to ensure they are current and consistent for each risk factor, review the reasonableness of the main assumptions used in estimating long-term insurance policy reserves and test the adequacy of the reserves by designing possible scenarios, such as changes in interest rates that would affect the discount rate, in order to ensure that the subsidiary company has adequate reserves to meet its obligations to its policyholders.

26.6 Unpaid policy benefits

(Unit: Million Baht)

	Consolidated financial statements	
	30 June 2017	31 December 2016
Death benefits	6	5
Surrender	-	1
Others	1	1
Total unpaid policy benefits	7	7

27. Other liabilities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Other payables	2,498	2,305	279	171
Suspense cash received from accounts receivable	633	353	-	3
Income received in advance	1,852	1,875	-	-
Corporate income tax payable	395	439	-	-
Accrued personnel expenses	1,563	2,184	70	69
Accrued contribution fee to the Financial Institutions Development Fund/Deposit Protection Agency	1,634	1,627	-	-
Accrued other expenses	1,410	1,471	1	4
Insurance premium received in advance	1,382	1,355	-	-
Payables from purchase and sale of securities	3,852	2,366	1	-
Others	1,725	849	24	10
Total other liabilities	16,944	14,824	375	257

28. Share capital/Treasury stocks

During the six-month period ended 30 June 2017, there is no conversion of preferred shares to the Company's common shares. Therefore, as at 30 June 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 30 June 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.

29. Other components of equity

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 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	355	297	12	12
Equity instruments	901	936	589	609
Total	1,256	1,233	601	621
Revaluation deficit on investments				
Available-for-sale securities				
Debt instruments	(109)	(414)	-	(1)
Equity instruments	(190)	(327)	(1)	(7)
Total	(299)	(741)	(1)	(8)
Total revaluation surplus on investments	957	492	600	613
Less: The effect of deferred tax liabilities	(195)	(102)	(120)	(122)
Net revaluation surplus on investments	762	390	480	491
Revaluation surplus on assets	822	831	15	15
Less: The effect of deferred tax liabilities	(164)	(166)	(3)	(3)
Net revaluation surplus on assets	658	665	12	12
Share of other comprehensive income of associate	418	407	-	-
Less: The effect of deferred tax liabilities	(14)	(14)	-	-
Net share of other comprehensive income of associate	404	393	-	-
Total	2,826	2,450	492	503

30. Statutory reserve

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

As at 30 June 2017, the statutory reserve has fully been set aside.

31. 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 30 June 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)	
	30 June 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	39,034	37,348
Other components of equity		
Accumulated other comprehensive income	1,442	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	55,573	53,746
Less: Deductions from Common Equity Tier I capital	(20,322)	(19,925)
Total Common Equity Tier I capital	90,512	87,096
Total Tier I capital	90,512	87,096
<u>Tier II capital</u>		
Subordinated debentures	23,916	24,519
Reserve for assets classified as normal	8,310	8,613
Total Tier II capital	32,226	33,132
Total capital funds	122,738	120,228

As at 30 June 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:

	30 June 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)	16.40	9.75	15.59	9.125
Total Tier I to risk-weighted assets (percent)	12.09	7.25	11.30	6.625
Total Common Equity Tier I to risk-weighted assets (percent)	12.09	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 will disclose capital requirement information as at 30 June 2017 on its website at www.thanachart.co.th within October 2017 and have disclosed capital requirement information as at 31 December 2016 on the website since April 2017.

32. Dividends

During the six-month periods ended 30 June 2017 and 2016, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment	Dividend per share	Payment date
		Million Baht	Baht	
Dividend for the second half-year of 2016	The Annual General Meeting of shareholders on 5 April 2017	1,398	1.20	3 May 2017
Dividend for the second half-year of 2015	The Annual General Meeting of shareholders on 5 April 2016	1,282	1.10	3 May 2016

33. Interest income

Interest income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Interbank and money market items	255	322	-	-
Investments and trading transactions	63	55	-	-
Investments in debt securities	889	930	6	5
Loans to customers	4,428	4,606	13	17
Hire purchase and financial lease	5,457	5,470	-	-
Total interest income	11,092	11,383	19	22

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Interbank and money market items	525	736	-	-
Investments and trading transactions	121	119	-	-
Investments in debt securities	1,719	1,806	12	9
Loans to customers	8,790	9,343	28	35
Hire purchase and financial lease	10,786	11,027	-	-
Total interest income	21,941	23,031	40	44

34. Interest expenses

Interest expenses for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Deposits	2,114	2,473	-	-
Interbank and money market items	186	186	-	-
Contribution fee to the Financial Institutions				
Development Fund and the Deposit				
Protection Agency	827	841	-	-
Debt issued and borrowings				
- Subordinated debentures	147	147	-	-
- Unsubordinated debentures /Short-term				
debentures	308	375	145	147
- Subordinated instruments	269	268	-	-
- Others	5	12	-	-
Borrowings cost	2	2	1	1
Total interest expenses	3,858	4,304	146	148

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Deposits	4,168	5,259	-	-
Interbank and money market items	371	387	-	-
Contribution fee to the Financial Institutions				
Development Fund and the Deposit				
Protection Agency	1,634	1,700	-	-
Debt issued and borrowings				
- Subordinated debentures	292	294	-	-
- Unsubordinated debentures /Short-term				
debentures	605	794	289	296
- Subordinated instruments	535	537	-	-
- Others	11	24	-	-
Borrowings cost	4	3	1	1
Total interest expenses	7,620	8,998	290	297

35. Fees and service income

Fees and service income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Fees and service income				
Acceptance, aval and guarantees	43	43	-	-
Brokerage fee from securities/derivatives	285	345	-	-
Hire purchase fee income	376	384	-	-
Credit card fee	240	218	-	-
ATM and electronic banking services	206	216	-	-
Insurance brokerage fee income	445	325	-	-
Others	499	440	-	-
Total fees and service income	2,094	1,971	-	-
Fees and service expenses	(760)	(690)	-	-
Net fees and service income	1,334	1,281	-	-

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Fees and service income				
Acceptance, aval and guarantees	91	95	-	-
Brokerage fee from securities/derivatives	640	708	-	-
Hire purchase fee income	766	768	-	-
Credit card fee	492	439	-	-
ATM and electronic banking services	446	466	-	-
Insurance brokerage fee income	908	656	-	-
Others	989	845	-	-
Total fees and service income	4,332	3,977	-	-
Fees and service expenses	(1,558)	(1,405)	-	-
Net fees and service income	2,774	2,572	-	-

36. Gains on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Foreign exchange and derivatives relating to				
foreign exchange	51	86	-	-
Derivatives relating to interest	16	4	-	-
Debt securities	63	(94)	-	-
Equity securities	(70)	(20)	-	-
Others	84	25	-	-
Total	144	1	-	-

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Foreign exchange and derivatives relating to				
foreign exchange	141	191	-	-
Derivatives relating to interest	29	15	-	-
Debt securities	110	93	-	-
Equity securities	(132)	(3)	-	-
Others	181	33	-	-
Total	329	329	-	-

37. Gains on investments

Gains on investments for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Gains on disposal of available-for-sale securities	187	71	3	5
Gains on the capital returned from a subsidiary	-	-	53	-
Gains on debt settlement/assets transferred				
from investments in receivables purchased	118	1	2	-
Loss on impairment of investments	(4)	-	-	-
Others	49	58	-	-
Total	350	130	58	5

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Gains on disposal of available-for-sale securities	304	526	4	5
Gains on the capital returned from a subsidiary	-	-	53	-
Gains on debt settlement/assets transferred				
from investments in receivables purchased	132	4	6	3
Reversal loss on impairment of investments	56	-	-	-
Others	49	116	-	-
Total	541	646	63	8

38. Insurance/Life insurance income

Insurance/life insurance income for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements			
	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2017	2016	2017	2016
Gross premium written	1,987	1,619	4,049	3,295
Less : Premium ceded to reinsurers	(75)	(32)	(155)	(59)
Net insurance premium income	1,912	1,587	3,894	3,236
Add: Unearned premium reserve (increase) decreased from previous period	(82)	58	(328)	55
Total	1,830	1,645	3,566	3,291

39. Insurance expenses

Insurance expenses for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	Consolidated financial statements			
	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2017	2016	2017	2016
Gross claim and loss adjustment expense	920	755	1,801	1,510
Less: Claims recovery from reinsurers	(18)	(5)	(29)	(6)
Benefit payments under life policies and claims	213	212	365	413
Less: Benefit payment under life policies and claims refundable from reinsurers	(13)	(4)	(18)	(8)
Commissions and brokerages expenses	58	48	122	90
Less: Refundable commissions and brokerages expenses from reinsurers	(18)	(4)	(30)	(8)
Other underwriting expense	109	35	208	361
Total	1,251	1,037	2,419	2,352

40. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Company and public subsidiary companies in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to directors who hold executive positions but including the payment of remuneration amounting to Baht 49 million (separate financial statement: Baht 23 million) to the Company's and its subsidiaries' directors, which were approved by the Annual General Meeting of Shareholders of the Company and its subsidiaries.

41. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the three-month and six-month periods ended 30 June 2017 and 2016 consisted of the following:

(Unit: Million Baht)				
For the three-month periods ended 30 June				
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Impairment loss of loans (reversal)				
Interbank and money market items	(29)	(4)	-	-
Loans to customers	1,354	1,412	-	(1)
Amortisation of revaluation allowance for debts				
restructured during the period	(1)	-	-	-
Loss from impairment of investments in				
receivables purchased (reversal)	45	-	50	(1)
Total	1,369	1,408	50	(2)

(Unit: Million Baht)				
For the six-month periods ended 30 June				
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Impairment loss of loans (reversal)				
Interbank and money market items	(36)	(1)	-	-
Loans to customers	2,212	3,201	(4)	(2)
Amortisation of revaluation allowance for debts				
restructured during the period	(1)	(1)	-	-
Loss from impairment of investments in				
receivables purchased (reversal)	46	(24)	50	(25)
Total	2,221	3,175	46	(27)

42. Components of other comprehensive income

Components of other comprehensive income for the three-month and six-month periods ended 30 June 2017 and 2016 are as the following:

	(Unit: Million Baht)			
	For the three-month periods ended 30 June			
	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 securities:				
Unrealised gains (losses) during the period	736	(844)	9	(7)
Less: Reclassification of adjustment for realised gains/losses that included in profit or loss	(187)	(71)	(3)	(5)
	549	(915)	6	(12)
Share of other comprehensive income of an associate company	36	96	-	-
Other comprehensive income for the period (losses)	585	(819)	6	(12)
Impact from relevant income taxes:				
Income tax - gains (losses) on changes in value of available-for-sale securities	(110)	183	(1)	3
Income tax - other comprehensive income of an associated company	(1)	(5)	-	-
Impact from related income taxes	(111)	178	(1)	3
	474	(641)	5	(9)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Revaluation surplus on assets	-	15	-	15
Actuarial gains on defined benefit plan	3	-	-	-
Other comprehensive income for the period	3	15	-	15
Impact from relevant income taxes:				
Income taxes - revaluation surplus on assets	-	(3)	-	(3)
Income tax - actuarial gains (losses) on defined benefit plan	(1)	-	-	-
Impact from relevant income taxes	(1)	(3)	-	(3)
	2	12	-	12
Net other comprehensive income for the period (losses)	476	(629)	5	3

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	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 securities:				
Unrealised gains during the period	1,228	576	(8)	27
Less: Reclassification of adjustment for realised gains/losses that included in profit or loss	(304)	(526)	(4)	(5)
	924	50	(12)	22
Share of other comprehensive income of an associate company	18	70	-	-
Other comprehensive income for the period (losses)	942	120	(12)	22
Impact from relevant income taxes:				
Income tax - gains (losses) on changes in value of available-for-sale securities	(185)	(10)	2	(4)
Income tax - other comprehensive income of an associated company	-	(4)	-	-
Impact from relevant income taxes	(185)	(14)	2	(4)
	757	106	(10)	18
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Revaluation surplus on assets	-	1,621	-	15
Share of other comprehensive income of an associate company	-	400	-	-
Actuarial gains on defined benefit plan	3	-	-	-
Other comprehensive income for the period	3	2,021	-	15
Impact from relevant income taxes:				
Income taxes - revaluation surplus on assets	-	(324)	-	(3)
Income taxes - other comprehensive income of an associate company	-	(20)	-	-
Income tax - actuarial gains (losses) on defined benefit plan	(1)	-	-	-
Impact from relevant income taxes	(1)	(344)	-	(3)
	2	1,677	-	12
Net other comprehensive income for the period (losses)	759	1,783	(10)	30

43. 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 30 June					
	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	1,674,963	1,466,350	1,165,117	1,165,117	1.44	1.26
Effect of dilutive securities						
Preferred shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	1,674,963	1,466,350	1,165,130	1,165,130	1.44	1.26

Consolidated financial statements					
For the six-month periods ended 30 June					
Profit for the period		Weighted average number of common shares		Earnings per share	
2017	2016	2017	2016	2017	2016
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Profit attributable to the Company	3,277,253	2,816,850	1,165,117	1,165,117	2.81 2.42
Effect of dilutive securities					
Preferred shares convertible to common shares	-	-	13	13	
Diluted earnings per share					
Profit of common shareholders assuming conversion of dilutive securities	<u>3,277,253</u>	<u>2,816,850</u>	<u>1,165,130</u>	<u>1,165,130</u>	<u>2.81</u> <u>2.42</u>

Separate financial statements					
For the three-month periods ended 30 June					
Profit for the period		Weighted average number of common shares		Earnings per share	
2017	2016	2017	2016	2017	2016
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Profit attributable to the Company	1,082,187	961,995	1,165,117	1,165,117	0.93 0.83
Effect of dilutive securities					
Preferred shares convertible to common shares	-	-	13	13	
Diluted earnings per share					
Profit of common shareholders assuming conversion of dilutive securities	<u>1,082,187</u>	<u>961,995</u>	<u>1,165,130</u>	<u>1,165,130</u>	<u>0.93</u> <u>0.83</u>

Separate financial statements					
For the six-month periods ended 30 June					
Profit for the period		Weighted average number of common shares		Earnings per share	
2017	2016	2017	2016	2017	2016
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share					
Profit attributable to the Company	1,142,232	952,958	1,165,117	1,165,117	0.98 0.82
Effect of dilutive securities					
Preferred shares convertible to common shares	-	-	13	13	
Diluted earnings per share					
Profit of common shareholders assuming conversion of dilutive securities	<u>1,142,232</u>	<u>952,958</u>	<u>1,165,130</u>	<u>1,165,130</u>	<u>0.98 0.82</u>

44. Provident fund

The Company, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly, at rates of 2 - 15 percent of their basic salaries, and the Company and its subsidiaries contributed to the fund at stipulated rates. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the six-month period ended 30 June 2017, amounting to Baht 215 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 3 million) (2016: Baht 218 million in the consolidated financial statements and Baht 3 million in the separate financial statements).

45. 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 transactions.

(Unit: Million Baht)

	For the three-month periods ended 30 June				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2017	2016	2017	2016	(For the period 2017)
<u>Transactions occurred during the periods</u>					
Subsidiary companies					
Purchase of debt securities	-	-	10	80	At market prices
Capital returned from a subsidiary company (2017: gain Baht 53 million)	-	-	93	-	At the net assets value
Interest income	-	-	13	17	At interest rate of 0.40 - 7.15 percent per annum
Dividend income	-	-	1,236	1,236	As declared
Rental and other service income	-	-	11	12	At the rate agreed under the contract
Other expenses	-	-	-	1	
Associated company					
Interest expenses	1	2	-	-	At interest rate of 0.40 and 7.15 percent per annum
Dividend payment	-	-	156	143	As declared
Other expenses	32	32	3	3	
Related companies					
Purchase of debt securities	1,520	539	-	-	At market prices
Sales of debt securities	787	446	-	-	At market prices
Purchases/Sales of forward exchange contracts	16,827	31,399	-	-	At market prices
Interest income	39	69	-	-	At interest rate of 0.66 - 7.68 percent per annum
Dividend income	16	67	7	6	As declared
Insurance premium/life insurance premium income	7	-	-	-	At the rate agreed under the contract
Other income	2	2	-	-	
Interest expenses	48	33	-	-	At interest rate of 0.05 - 1.65 percent per annum
Dividend payment	1,189	1,189	-	-	As declared
Project management expenses	3	10	3	2	At the contract price calculated by reference to estimated usage time
Insurance premium/life insurance premium expenses	-	3	-	-	At the rate agreed under the contract
Other expenses	61	31	5	1	

(Unit: Million Baht)

	For the six-month periods ended 30 June				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2017	2016	2017	2016	(For the period 2017)
<u>Transactions occurred during the periods</u>					
Subsidiary companies					
Purchase of debt securities	-	-	200	80	At market prices
Capital returned from a subsidiary company (2017: gain Baht 53 million)	-	-	93	-	At the net assets value
Interest income	-	-	28	34	At interest rate of 0.40 - 7.15 percent per annum
Dividend income	-	-	1,410	1,296	As declared
Rental and other service income	-	-	23	23	At the rate agreed under the contract
Other expenses	-	-	1	2	
Associated company					
Dividend income	-	-	62	62	As declared
Other income	1	1	-	-	
Interest expenses	2	3	-	-	At interest rate of 0.40 and 7.15 percent per annum
Dividend payment	-	-	156	143	As declared
Other expenses	64	65	6	6	
Related companies					
Purchase of debt securities	2,435	771	-	-	At market prices
Sales of debt securities	1,655	646	-	-	At market prices
Purchase/Sales of forward exchange contracts	38,121	62,666	-	-	At market prices
Interest income	105	123	-	-	At interest rate of 0.66 - 7.68 percent per annum
Dividend income	49	100	23	22	As declared
Insurance premium/life insurance premium income	8	-	-	-	At the rate agreed under the contract
Other income	4	3	-	-	
Interest expenses	91	62	-	-	At interest rate of 0.05 - 1.65 percent per annum
Dividend payment	1,189	1,189	-	-	As declared
Project management expenses	14	26	6	6	At the contract price calculated by reference to estimated usage time
Insurance premium/life insurance premium expenses	-	2	-	-	At the rate agreed under the contract
Other expenses	93	61	5	1	

The outstanding balances of the above transactions during the six-month periods ended 30 June 2017 and 2016 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	206	200
Loans to customers	-	-	804	981
Debt issued and borrowings	-	-	5	-
<u>Associated company</u>				
Deposits	96	100	-	-
Debt issued and borrowings	55	63	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	217	207	-	-
Loans to customers	6,878	7,139	-	-
Investment in debt securities	1,414	516	-	-
Deposits	1,560	1,454	-	-
Interbank and money market items (liabilities)	13,977	14,755	-	-
Debt issued and borrowings	-	20	-	-

As at 30 June 2017 and 31 December 2016, the significant outstanding balances of the above transactions are as follows:

	(Unit: Million Baht)								
	Consolidated financial statements								
	30 June 2017								
	Assets					Liabilities			
	Loans to customers								
	Interbank and money market items	Investments - debt securities	interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
Associated company									
MBK Plc.	-	-	-	35	59	-	50	1	-
Related companies									
Other related companies	232	1,528	5,352	59	1,677	13,688	-	33	1,379
	232	1,528	5,352	94	1,736	13,688	50	34	1,379

(Unit: Million Baht)

Consolidated financial statements									
31 December 2016									
Assets					Liabilities				
Loans to customers									
Interbank and money market items	Investments - debt securities	and interest receivable s	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Associated company									
MBK Plc.	-	-	-	35	136	-	65	1	-
Related companies									
Other related companies	250	1,463	9,402	41	1,536	14,404	-	44	1,166
	250	1,463	9,402	76	1,672	14,404	65	45	1,166

(Unit: Million Baht)

Separate financial statements									
30 June 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.	30	-	-	1	-	-	-	1	-
Thanachart Securities Plc.	-	-	-	1	-	-	-	1	-
NFS Asset Management									
Co., Ltd.	-	-	480	-	-	-	-	-	-
Max Asset Management									
Co., Ltd.	-	-	254	-	-	-	-	-	-
Associated company									
MBK Plc.	-	-	-	3	-	-	-	-	-
Related company									
Related company	-	-	-	-	-	-	-	6	-
	30	-	734	5	-	-	-	8	-

(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 company									
Related company	-	-	-	-	-	-	-	2	-
	30	-	979	5	-	-	-	4	-

As at 30 June 2017 and 31 December 2016, the Company has loans to subsidiary companies as follows:

Company's name	Interest rate	Outstanding balances	
		30 June 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 30 June 2017, the Company and its subsidiaries have investments amounting to Baht 1,586 million (Baht 756 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 30 June 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	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Loans to customers	91	125	-	-
Deposits	931	815	-	-

Directors and management's remuneration

During the three-month and six-month periods ended 30 June 2017 and 2016, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

(Unit: Million Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Short-term employee benefits	197	197	43	39
Post-employment benefits	4	5	-	1
	<u>201</u>	<u>202</u>	<u>43</u>	<u>40</u>

(Unit: Million Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Short-term employee benefits	366	348	62	59
Post-employment benefits	9	10	-	1
	<u>375</u>	<u>358</u>	<u>62</u>	<u>60</u>

46. Financial information classified by operating segment

46.1 Financial position and results of operations classified by business activity

The financial position as at 30 June 2017 and 31 December 2016, and the operating results for the three-month and six-month periods ended 30 June 2017 and 2016, classified by domestic and foreign operations, are as follows:

(Unit: Million Baht)

Consolidated financial statements				
30 June 2017				
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	980,121	21,372	(21,067)	980,426
Interbank and money market items (assets)	58,610	15,571	(21,067)	53,114
Investments	187,330	5,756	-	193,086
Investment in an associated company	2,965	-	-	2,965
Loans to customers and accrued interest receivables	673,657	-	-	673,657
Deposits	665,968	-	-	665,968
Interbank and money market items (liabilities)	78,773	21,067	(21,067)	78,773
Debt issued and borrowings	65,701	-	-	65,701

(Unit: Million Baht)

Consolidated financial statements				
31 December 2016				
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	966,641	21,854	(21,628)	966,867
Interbank and money market items (assets)	54,566	15,796	(21,628)	48,734
Investments	180,915	6,013	-	186,928
Investment in an associated company	2,890	-	-	2,890
Loans to customers and accrued interest receivables	667,522	-	-	667,522
Deposits	676,456	-	-	676,456
Interbank and money market items (liabilities)	65,701	21,628	(21,628)	65,701
Debt issued and borrowings	61,704	-	-	61,704

(Unit: Million Baht)

Consolidated financial statements				
For the three-month period ended 30 June 2017				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	11,076	88	(72)	11,092
Interest expenses	(3,858)	(72)	72	(3,858)
Net interest income	7,218	16	-	7,234
Net fees and service income	1,334	-	-	1,334
Net insurance/life insurance income	580	-	-	580
Other operating income	1,349	(4)	-	1,345
Other operating expenses	(5,514)	-	-	(5,514)
Impairment loss of loans and debt securities	(1,369)	-	-	(1,369)
Profit before income tax	3,598	12	-	3,610
Income tax	(197)	-	-	(197)
Profit before non-controlling interests	3,401	12	-	3,413

(Unit: Million Baht)

Consolidated financial statements				
For the three-month period ended 30 June 2016				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	11,362	74	(53)	11,383
Interest expenses	(4,304)	(53)	53	(4,304)
Net interest income	7,058	21	-	7,079
Net fees and service income	1,281	-	-	1,281
Net insurance/life insurance income	608	-	-	608
Other operating income	989	(1)	-	988
Other operating expenses	(5,265)	-	-	(5,265)
Impairment loss of loans and debt securities	(1,408)	-	-	(1,408)
Profit before income tax	3,263	20	-	3,283
Income tax	(131)	-	-	(131)
Profit before non-controlling interests	3,132	20	-	3,152

(Unit: Million Baht)

Consolidated financial statements				
For the six-month period ended 30 June 2017				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	21,906	169	(134)	21,941
Interest expenses	(7,620)	(134)	134	(7,620)
Net interest income	14,286	35	-	14,321
Net fees and service income	2,774	-	-	2,774
Net insurance/life insurance income	1,147	-	-	1,147
Other operating income	2,196	(14)	-	2,182
Other operating expenses	(10,959)	-	-	(10,959)
Impairment loss of loans and debt securities	(2,221)	-	-	(2,221)
Profit before income tax	7,223	21	-	7,244
Income tax	(514)	-	-	(514)
Profit before non-controlling interests	6,709	21	-	6,730

(Unit: Million Baht)

Consolidated financial statements				
For the six-month period ended 30 June 2016				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	22,995	134	(98)	23,031
Interest expenses	(8,998)	(98)	98	(8,998)
Net interest income	13,997	36	-	14,033
Net fees and service income	2,572	-	-	2,572
Net insurance/life insurance income	939	-	-	939
Other operating income	2,193	(5)	-	2,188
Other operating expenses	(10,273)	-	-	(10,273)
Impairment loss of loans and debt securities	(3,175)	-	-	(3,175)
Profit before income tax	6,253	31	-	6,284
Income tax	(317)	-	-	(317)
Profit before non-controlling interests	5,936	31	-	5,967

46.2 Financial positions and results of operations classified by business type

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.

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

(Unit: Million Baht)

For the three-month period ended 30 June 2017								
	The Company	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations Consolidated
Net interest income	(127)	6,721	44	79	46	44	455	(28) 7,234
Other operating income	1,342	3,328	504	(72)	492	96	318	(2,749) 3,259
Other operating expenses	(82)	(4,738)	(300)	(33)	(241)	(28)	(239)	147 (5,514)
Impairment loss of loans and debt securities	(50)	(1,200)	-	-	-	18	(146)	9 (1,369)
Profit before income tax	1,083	4,111	248	(26)	297	130	388	(2,621) 3,610
Income tax	(1)	25	(50)	1	(57)	(31)	(67)	(17) (197)
Profit before non-controlling interests	1,082	4,136	198	(25)	240	99	321	(2,638) 3,413

(Unit: Million Baht)

For the three-month period ended 30 June 2016								
	The Company	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations Consolidated
Net interest income	(126)	6,627	50	80	48	31	384	(15) 7,079
Other operating income	1,165	3,083	506	(68)	520	218	252	(2,799) 2,877
Other operating expenses	(75)	(4,453)	(328)	(39)	(237)	(79)	(213)	159 (5,265)
Impairment loss of loans and debt securities	2	(1,358)	1	-	-	(8)	(123)	78 (1,408)
Profit before income tax	966	3,899	229	(27)	331	162	300	(2,577) 3,283
Income tax	(4)	80	(45)	32	(64)	(34)	(63)	(33) (131)
Profit before non-controlling interests	962	3,979	184	5	267	128	237	(2,610) 3,152

(Unit: Million Baht)

	For the six-month period ended 30 June 2017								
	The Company	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
Net interest income	(250)	13,316	84	159	91	78	894	(51)	14,321
Other operating income	1,575	4,888	1,124	(113)	929	125	587	(3,012)	6,103
Other operating expenses	(136)	(9,430)	(629)	(69)	(453)	(56)	(481)	295	(10,959)
Impairment loss of loans and debt securities	(46)	(2,036)	-	-	-	52	(282)	91	(2,221)
Profit before income tax	1,143	6,738	579	(23)	567	199	718	(2,677)	7,244
Income tax	(1)	(56)	(113)	5	(111)	(59)	(135)	(44)	(514)
Profit before non-controlling interests	1,142	6,682	466	(18)	456	140	583	(2,721)	6,730

(Unit: Million Baht)

	For the six-month period ended 30 June 2016								
	The Company	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
Net interest income	(253)	13,091	102	163	98	119	739	(26)	14,033
Other operating income	1,335	4,850	1,053	(203)	1,028	56	524	(2,944)	5,699
Other operating expenses	(152)	(8,694)	(650)	(74)	(483)	(113)	(420)	313	(10,273)
Impairment loss of loans and debt securities	27	(3,125)	1	-	-	(21)	(226)	169	(3,175)
Profit before income tax	957	6,122	506	(114)	643	41	617	(2,488)	6,284
Income tax	(4)	108	(97)	14	(125)	(23)	(128)	(62)	(317)
Profit before non-controlling interests	953	6,230	409	(100)	518	18	489	(2,550)	5,967

The segment assets of the Company and its subsidiaries as at 30 June 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 30 June 2017	37,825	913,842	11,161	11,185	13,165	4,816	37,411	(48,979)	980,426
As at 31 December 2016	37,989	906,868	9,936	11,035	12,045	5,502	34,518	(51,026)	966,867

46.3 Major of principal customers

During the six-month periods ended 30 June 2017 and 2016, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

47. Encumbrance of assets

As at 30 June 2017 and 31 December 2016, the Company and its subsidiaries have the following encumbrance assets, presented at book value as follows:

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	30 June 2017	31 December 2016	30 June 2017	31 December 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	2,640	2,475	-	-
Placed at court	404	399	-	-
Placed for electricity usage	1	1	-	-
Property foreclosed				
Immovable assets subject to buyback				
options or first rights refusal	79	169	-	-
Immovable assets subject to purchase or				
sell agreements with clients but currently				
being settled in installments or through				
transfer of ownership	68	119	-	31
	<u>3,695</u>	<u>3,816</u>	<u>-</u>	<u>31</u>

48. Commitments and contingent liabilities

As at 30 June 2017 and 31 December 2016, significant commitments and contingent liabilities consisted of:

48.1 Commitments

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Aval to bills	531	629	-	-
Liability under unmatured import bills	456	637	-	-
Letter of credits	3,208	2,667	-	-
Other obligations				
Committed (but not drawn) overdraft	24,844	24,244	-	-
Others	56,246	55,272	1	1
Total	85,285	83,449	1	1

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 7 to the financial statements.

48.2 As at 30 June 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:

	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
Year	Other companies	Other companies
2017	1,082	14
2018	1,536	11
2019 onward	3,078	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.

48.3 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 30 June 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 30 June 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 49 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 30 June 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.

49. Contingent liabilities/litigation

- a) As at 30 June 2017, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 3,043 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.

50. Letter of guarantees

As at 30 June 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).

51. Financial instruments

Financial instruments are any contracts which give rise to both a financial assets of one enterprise and a financial liability or equity instruments of another enterprise.

51.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfill an obligation, causing the Company and its subsidiaries to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the statements of financial position and the risk of commitments from avals, guarantees of loans, other guarantees and derivative contracts.

The Company and its subsidiaries manage credit risk by the means of careful consideration of credit approval process, analysis of risk factors and the ability to service debt of customers, and a credit review process, which examines and reviews the quality of the loan portfolio so as to prevent and provide a remedy for problem loans in the future.

51.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the Company and its subsidiaries' foreign currency position and investment status. As such, market risk consists of interest rate risk, foreign exchange risk and equity/commodity position risk.

a) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate as a result of changes in market interest rates.

The Company and its subsidiaries manage the changes in interest rate risk by means of an appropriate structuring of holdings in assets and liabilities with different repricing dates, taking into account the direction of market interest rates, in order to generate a suitable yield while maintaining risk at acceptable levels. Such management is under the supervision of the Asset and Liabilities Management Committee.

As at 30 June 2017 and 31 December 2016, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements			
	30 June 2017			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	9,293	9,293
Interbank and money market items	664	46,711	5,903	53,278
Derivatives assets	-	-	3,311	3,311
Investments	983	179,980	10,933	191,896
Loans to customers ⁽¹⁾	223,470	472,613	250	696,333
Receivables from purchase and sale of securities	-	-	3,301	3,301
Other assets - receivable from clearing house	-	-	68	68
<u>Financial liabilities</u>				
Deposits	288,035	372,285	5,648	665,968
Interbank and money market items	13,723	62,446	2,604	78,773
Liability payable on demand	-	-	1,966	1,966
Derivatives liabilities	-	-	3,903	3,903
Debt issued and borrowings	54	65,647	-	65,701
Other liabilities - payables from purchase and sale of securities	-	-	3,852	3,852
Other liabilities - payable to clearing house	-	-	929	929

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Consolidated financial statements				
31 December 2016				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	12,077	12,077
Interbank and money market items	792	43,288	4,776	48,856
Derivatives assets	-	-	3,564	3,564
Investments	1,036	174,637	11,004	186,677
Loans to customers ⁽¹⁾	226,099	465,779	168	692,046
Receivables from purchase and sale of securities	-	-	1,126	1,126
Other assets - receivable from clearing house	-	-	1,332	1,332
<u>Financial liabilities</u>				
Deposits	307,012	363,141	6,303	676,456
Interbank and money market items	13,869	50,529	1,303	65,701
Liability payable on demand	-	-	1,986	1,986
Derivatives liabilities	-	-	4,912	4,912
Debt issued and borrowings	69	61,635	-	61,704
Other liabilities - payables from purchase and sale of securities	-	-	2,366	2,366
Other liabilities - payable to clearing house	-	-	2	2

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Separate financial statements				
30 June 2017				
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Interbank and money market items	21	-	9	30
Investments	547	749	581	1,877
Loans to customers ⁽¹⁾	817	76	4	897
<u>Financial liabilities</u>				
Debt issued and borrowings	-	12,700	-	12,700
Other liabilities - payables from purchase and sale of securities	-	-	1	1

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

(Unit: Million Baht)

Transactions	Separate financial statements			
	31 December 2016			
	Floating	Fixed	Non-	Total
	interest	interest	interest	
	rate	rate	bearing	
Financial assets				
Interbank and money market items	24	-	6	30
Investments	562	702	511	1,775
Loans to customers ⁽¹⁾	1,061	77	4	1,142
Financial liabilities				
Debt issued and borrowings	-	12,700	-	12,700

(1) The outstanding balances of loans to customers which have floating interest rates or fixed interest rates include loans on which interest recognition is discontinued.

With respect to financial instruments that carry fixed interest rates, the periods from the financial statements date to the repricing or maturity date (whichever is the earlier) are presented below:

(Unit: Million Baht)

Transactions	Consolidated financial statements						
	30 June 2017						
	Repricing or maturity date						Weighted
	At call	0 - 3	3 - 12	1 - 5	Over 5	Total	average
		months	months	years	years		interest rates
							Percent
Financial assets							
Interbank and money market items	21	38,983	6,507	1,200	-	46,711	0.02 - 2.68
Investments	-	6,024	41,987	125,123	6,846	179,980	0.26 - 3.82
Loans to customers	4,926	45,031	24,154	242,329	156,173	472,613	1.28 - 8.00
Financial liabilities							
Deposits	487	126,777	184,417	60,604	-	372,285	1.61
Interbank and money market items	300	42,798	16,182	1,546	1,620	62,446	1.30 - 2.00
Debt issued and borrowings	809	3,253	6,270	17,570	37,745	65,647	1.00 - 4.99

(Unit: Million Baht)

Consolidated financial statements							
31 December 2016							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Percent							
<u>Financial assets</u>							
Interbank and money market items	-	41,092	496	1,700	-	43,288	1.36 - 2.76
Investments	-	5,094	28,798	131,533	9,212	174,637	1.48 - 3.88
Loans to customers	3,010	49,589	27,407	242,788	142,985	465,779	1.32 - 7.77
<u>Financial liabilities</u>							
Deposits	92	98,927	232,932	31,190	-	363,141	1.61
Interbank and money market items	449	28,872	16,946	2,779	1,483	50,529	1.09 - 2.11
Debt issued and borrowings	933	50	10,171	12,735	37,746	61,635	1.00 - 4.99

(Unit: Million Baht)

Separate financial statements							
30 June 2017							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
							Percent
<u>Financial assets</u>							
Investments	-	-	263	486	-	749	3.82
Loans to customers	76	-	-	-	-	76	7.38
<u>Financial liabilities</u>							
Debt issued and borrowings	-	500	500	6,000	5,700	12,700	4.59

(Unit: Million Baht)

Separate financial statements							
31 December 2016							
Transactions	Repricing or maturity date					Total	Weighted average interest rates
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
							Percent
<u>Financial assets</u>							
Investments	-	105	20	577	-	702	3.39
Loans to customers	77	-	-	-	-	77	7.38
<u>Financial liabilities</u>							
Debt issued and borrowings	-	-	500	6,500	5,700	12,700	4.59

In addition, the average balances of the financial assets and liabilities of the Company and its subsidiaries generating revenues and expenses, calculated based on the average balances outstanding during the period, and the average interest rate for the six-month periods ended 30 June 2017 and 2016 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2017			2016		
	Average	Interest	Average	Average	Interest	Average
	balances		rate	balances		rate
			(Percent)			(Percent)
<u>Interest bearings financial assets</u>						
Interbank and money market items	39,886	525	2.63	55,365	736	2.66
Investments and trading operations	13,421	121	1.80	7,553	119	3.15
Investments in debt securities	173,135	1,719	1.99	164,468	1,806	2.20
Loans to customers/hire purchase and financial lease	675,356	19,576	5.80	686,316	20,370	5.94
<u>Interest bearings financial liabilities</u>						
Deposits	664,837	5,802	1.75	670,163	6,959	2.08
Interbank and money market items	66,333	371	1.12	71,471	387	1.08
Debt issued and borrowings	63,802	1,447	4.54	79,322	1,652	4.17

(Unit: Million Baht)

	Separate financial statements					
	2017			2016		
	Average	Interest	Average	Average	Interest	Average
	balances		rate	balances		rate
			(Percent)			(Percent)
<u>Interest bearings financial assets</u>						
Interbank and money market items	199	-	0.33	80	-	0.58
Investments in debt securities	1,182	12	1.96	1,087	9	1.55
Loans to customers/hire purchase and financial lease	783	28	6.82	996	35	6.98
<u>Interest bearings financial liabilities</u>						
Debt issued and borrowings	12,700	290	4.57	13,129	297	4.52

b) Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates may result in changes in the value of financial instruments, and fluctuations in revenues or the values of financial assets and liabilities.

Since the subsidiaries have foreign exchange transactions, it may be exposed to foreign exchange risk. However, the subsidiaries have a policy to mitigate this foreign exchange exposure through management of its net exchange position and operation in accordance with a risk management policy which has been approved by their Board of Directors and is in strict accordance with BOT guidelines.

The status of subsidiaries' foreign currency balances as at 30 June 2017 and 31 December 2016 can be summarised as follows:

(Unit: Million Baht)					
Consolidated financial statements					
30 June 2017					
	US Dollar	Euro	Yen	Australian Dollar	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	30	16	4	4	17
Interbank and money market items	14,983	310	90	18	121
Investments	10,864	-	-	-	38
Loans to customers and accrued interest receivable	17,179	52	51	1,579	3
Other assets	1,028	-	-	-	-
Total assets	44,084	378	145	1,601	179
Deposits	1,488	24	-	50	291
Interbank and money market items	15,809	1	-	-	-
Total liabilities	17,297	25	-	50	291
Net	26,787	353	145	1,551	(112)
<u>Foreign currency commitments</u>					
Liability under unmatured import bills	390	10	16	-	-
Letter of credits	2,304	26	83	-	-
Others commitments	591	25	2	-	1

(Unit: Million Baht)

Consolidated financial statements					
31 December 2016					
	US Dollar	Euro	Yen	Australian Dollar	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	77	72	8	9	35
Interbank and money market items	9,506	32	122	21	119
Investments	11,466	-	-	-	38
Loans to customers and accrued interest receivable	18,414	73	43	781	4
Other assets	1,006	-	-	-	-
Total assets	40,469	177	173	811	196
Deposits	867	36	-	49	241
Interbank and money market items	16,242	1	-	-	-
Total liabilities	17,109	37	-	49	241
Net	23,360	140	173	762	(45)
<u>Foreign currency commitments</u>					
Liability under unmatured import bills	571	6	19	-	2
Letter of credits	2,067	97	63	-	10
Others commitments	686	24	-	-	1

In addition, subsidiaries have commitments from foreign currency exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts and other derivative contracts which have to pay or receive repayment in foreign currency that the subsidiaries made for trading transactions or hedging transactions (banking book) as follows:

(Unit: Million Baht)

Consolidated financial statements					
30 June 2017					
	US Dollar	Euro	Yen	Australian Dollar	Others
Foreign exchange contracts					
- Bought	49,533	624	270	74	2,152
- Sold	64,967	954	250	1,623	2,012
Cross currency and interest rate swap contracts					
- Bought	3,990	-	-	-	-
- Sold	15,016	-	-	-	-
Interest rate swap contracts					
- Bought	66,694	-	-	-	-
- Sold	66,694	-	-	-	-

(Unit: Million Baht)

Consolidated financial statements					
31 December 2016					
	US Dollar	Euro	Yen	Australian Dollar	Others
Foreign exchange contracts					
- Bought	42,370	1,187	459	26	621
- Sold	53,861	1,353	394	791	585
Cross currency and interest rate swap contracts					
- Bought	4,917	-	-	-	-
- Sold	16,543	-	-	-	-
Interest rate swap contracts					
- Bought	70,013	-	-	-	-
- Sold	70,013	-	-	-	-

c) Equity position risk/commodity risk

Equity position risk/commodity risk is the risk that changes in the market prices of equity securities/commodity which will result in fluctuations in revenue and the value of financial assets.

The Company and its subsidiaries have a policy to manage market risk by setting manageable limits on transactions, such as position limit and loss limits. The Risk Control Unit, which is separated from front office and back office functions, is responsible for control of risk and reporting on compliance with the various limits to the Board of Directors, related business unit and related management, in order to facilitate responsive risk management, under the supervision of the Investment Portfolio Committee.

51.3 Liquidity risk

Liquidity risk is the risk that the Company and its subsidiaries will be unable to liquidate their financial assets and/or procure sufficient funds to discharge their obligations in a timely manner, resulting in the Company and its subsidiaries incurring a financial loss.

The Company and its subsidiaries manage liquidity risk by means of appropriate structuring of short-term and long-term sources of capital. In addition, the Company and its subsidiaries have a policy to maintain liquidity to ensure that it has sufficient liquidity to meet both present and future requirements, under the supervision of the Asset and Liability Management Committee.

Counting from the financial position date, the periods to maturity of financial instruments held as at 30 June 2017 and 31 December 2016 are as follows:

(Unit: Million Baht)

Consolidated financial statements					
30 June 2017					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	9,293	-	-	-	9,293
Interbank and money market items	6,588	45,490	1,200	-	53,278
Derivatives assets	-	1,281	2,030	-	3,311
Investments	1,245	58,689	121,315	10,647	191,896
Loans to customers ⁽¹⁾	39,651	193,064	463,618	-	696,333
Receivables from purchase and sale of securities	-	3,301	-	-	3,301
Other assets - receivable from clearing house	-	68	-	-	68
<u>Financial liabilities</u>					
Deposits	290,486	313,257	62,225	-	665,968
Interbank and money market items	16,627	58,980	3,166	-	78,773
Liability payable on demand	1,966	-	-	-	1,966
Derivatives liabilities	-	1,673	2,230	-	3,903
Debt issued and borrowings	813	9,573	55,315	-	65,701
Other liabilities - payables from purchase and sale of securities	-	3,852	-	-	3,852
Other liabilities - payable to clearing house	-	929	-	-	929
<u>Commitments</u>					
Aval to bill	2	501	28	-	531
Liability under unmatured import bills	40	416	-	-	456
Letter of credits	359	2,845	4	-	3,208
Other commitments	41,619	36,898	2,573	-	81,090

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Consolidated financial statements					
31 December 2016					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	12,077	-	-	-	12,077
Interbank and money market items	5,568	41,588	1,700	-	48,856
Derivatives assets	-	1,009	2,555	-	3,564
Investments	1,298	38,824	135,838	10,717	186,677
Loans to customers ⁽¹⁾	39,233	204,434	448,379	-	692,046
Receivables from purchase and sale of securities	-	1,126	-	-	1,126
Other assets - receivable from clearing house	-	1,332	-	-	1,332
<u>Financial liabilities</u>					
Deposits	308,416	335,684	32,356	-	676,456
Interbank and money market items	15,621	45,818	4,262	-	65,701
Liability payable on demand	1,986	-	-	-	1,986
Derivatives liabilities	-	1,609	3,303	-	4,912
Debt issued and borrowings	937	10,286	50,481	-	61,704
Other liabilities - payables from purchase and sale of securities	-	2,366	-	-	2,366
Other liabilities - payable to clearing house	-	2	-	-	2
<u>Commitments</u>					
Aval to bill	4	596	29	-	629
Liability under unmatured import bills	40	597	-	-	637
Letter of credits	457	2,210	-	-	2,667
Other commitments	41,130	36,031	2,355	-	79,516

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Separate financial statements					
30 June 2017					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Interbank and money market items	30	-	-	-	30
Investments	547	263	486	581	1,877
Loans to customers ⁽¹⁾	887	1	9	-	897
<u>Financial liabilities</u>					
Debt issued and borrowings	-	1,000	11,700	-	12,700
Other liabilities - payables from purchase and sale of securities	-	1	-	-	1
<u>Commitments</u>					
Other commitments	1	-	-	-	1

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

(Unit: Million Baht)

Separate financial statements					
31 December 2016					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Interbank and money market items	30	-	-	-	30
Investments	562	125	577	511	1,775
Loans to customers ⁽¹⁾	1,138	-	4	-	1,142
<u>Financial liabilities</u>					
Debt issued and borrowings	-	500	12,200	-	12,700
<u>Commitments</u>					
Other commitments	1	-	-	-	1

(1) The outstanding balances of loans to customers at call included loans for which revenue recognition has been discontinued.

51.4 Fair value

As at 30 June 2017 and 31 December 2016, the Company and its subsidiaries had the financial assets and financial liabilities which presented based on fair value hierarchy as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	30 June 2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
Derivatives assets	3,118	3,118	-	3,118	-
Investments	187,999	187,999	7,469	180,530	-
Derivatives liabilities	3,060	3,060	1	3,059	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land	5,873	5,873	-	-	5,873
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Cash	9,293	9,293	9,293	-	-
Interbank and money market items (assets)	53,114	53,114	6,404	27,215	19,495
Derivatives assets	193	209	-	209	-
Investments	5,087	10,694	-	739	9,955
Loans to customers	673,657	681,283	-	324,845	356,438
Receivables from purchase and sale of securities	3,301	3,301	-	3,301	-
Other assets - receivable from clearing house	68	68	-	68	-
Deposits	665,968	666,301	293,683	372,618	-
Interbank and money market items (liabilities)	78,773	78,793	16,327	46,282	16,184
Liability payable on demand	1,966	1,966	1,966	-	-
Derivatives liabilities	843	827	-	827	-
Debt issued and borrowings	65,701	67,414	-	67,414	-
Other liabilities - payables from purchase and sale of securities	3,852	3,852	-	3,852	-
Other liabilities - payable to clearing house	929	929	-	929	-

(Unit: Million Baht)

Consolidated financial statements					
31 December 2016					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
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	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land	5,925	5,925	-	-	5,925
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Cash	12,077	12,077	12,077	-	-
Interbank and money market items (assets)	48,734	48,734	5,672	20,458	22,604
Derivatives assets	44	44	-	44	-
Investments	5,492	11,297	-	937	10,360
Loans to customers	667,521	674,703	-	328,743	345,960
Receivables from purchase and sale of securities	1,126	1,126	-	1,126	-
Other assets - receivable from clearing house	1,332	1,332	-	1,332	-
Deposits	676,456	676,666	313,315	363,351	-
Interbank and money market items (liabilities)	65,701	65,732	15,172	34,465	16,095
Liability payable on demand	1,986	1,986	1,986	-	-
Derivatives liabilities	1,394	1,256	-	1,256	-
Debt issued and borrowings	61,704	63,427	-	63,427	-
Other liabilities - payables from purchase and sale of securities	2,366	2,366	-	2,366	-
Other liabilities - payable to clearing house	2	2	-	2	-

(Unit: Million Baht)

Separate financial statements					
30 June 2017					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
Investments	1,854	1,854	839	1,015	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land	18	18	-	-	18
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Interbank and money market items (assets)	30	30	30	-	-
Investments	464	1,651	-	-	1,651
Loans to customers	815	815	-	736	79
Debt issued and borrowings	12,700	13,543	-	13,543	-
Other liabilities - payables from purchase and sale of securities	1	1	-	1	-

(Unit: Million Baht)

	Separate financial statements				
	31 December 2016				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
Investments	1,750	1,750	890	860	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land	18	18	-	-	18
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Interbank and money market items (assets)	30	30	30	-	-
Investments	529	1,635	-	-	1,635
Loans to customers	1,056	1,056	-	973	83
Debt issued and borrowings	12,700	13,501	-	13,501	-

Valuation techniques and inputs used for fair value measurement

Cash	- The fair value is assumed to approximate its book value in the statement of financial position.
Interbank and money market items (assets)	- The fair value is assumed to approximate their book value in the statement of financial position due to their short-term nature.
Derivatives	- The fair value is based on quoted market prices. When there is no observable market price, the fair value is measured using a valuation technique that uses observable inputs such as interest rates and foreign exchange rates, obtained from reliable sources and adjusted to reflect counterparty credit risk, as mentioned in Note 4.23 to the financial statements.
Investments	<ul style="list-style-type: none">- The fair value of marketable securities is based on the latest bid price of the last working day of the period.- The fair value of debt securities is determined using the yield rates quoted by the Thai Bond Market Association or on other markets.- The fair value of unit trusts is determined from their net asset value, as mentioned in Note 4.3 to the financial statements.- The fair value of investments in non-marketable equity securities is determined using common valuation techniques such as market approach, cost approach or income approach, as well as book value or adjusted book value.- The fair value of investments in receivables is calculated based on the present value of future cash flows expected to be derived from the sale of collateral.
Loans to customers	- The fair value of floating rate loans is assumed to approximate their book value, net of allowance for doubtful debt and revaluation allowance for debt restructuring.

Loans to customers (continued)	<ul style="list-style-type: none"> - The fair value of fixed rate loans is determined by discounting the expected future cash flows at the interest rate of similar loans, net of allowance for doubtful debt and deferred revenue. - The fair value of non-performing loans is assumed to approximate their book value, net of allowance for doubtful debt or to approximate the amount expected to be derived from their sale or to approximate the net present value of the cash flows expected to be derived from the sale of collateral.
Land, premises and equipment - land	<ul style="list-style-type: none"> - The fair value of land is determined using market comparison approach which is used whereby the buying and selling prices for assets with similar characteristics are obtained.
Receivables and payables from purchase and sale of securities	<ul style="list-style-type: none"> - The fair value is assumed to approximate their book values in the statement of financial position due to their short-term nature.
Receivable from and payable to clearing house	<ul style="list-style-type: none"> - The fair value is assumed to approximate their book values in the statement of financial position due to their short-term nature.
Deposits	<ul style="list-style-type: none"> - The fair value of payable on demand deposits, floating rate deposits or fixed rate deposits with no longer than 1 year from the statement of financial position date remaining to maturity is assumed to approximate their book values. - The fair value of fixed rate deposits with more than 1 year from the statements of financial position date remaining to maturity is determined by discounting the expected future cash flows at the Thanachart Bank's interest rate for similar deposits.
Interbank and money market items (liabilities)	<ul style="list-style-type: none"> - The fair value of interbank and money market items payable on demand, floating rate deposits, fixed rate deposits with not more than 1 year from the statement of financial position date remaining to maturity is assumed to approximate their book values.

Interbank and money market items (liabilities) (continued)	- The fair value of fixed rate interbank and money market items with more than 1 year from the statement of financial position date remaining to maturity is determined by discounting the expected future cash flows at the market interest rate of debt or the Thanachart Bank's announced interest rate for similar deposits.
Liabilities payable on demand	- The fair value is assumed to approximate its book value in the statement of financial position due to its short-term nature.
Debt issued and borrowings	<ul style="list-style-type: none"> - The fair value of floating rate or fixed rate debt issues and borrowings with not more than 1 year from the statement of financial position date remaining to maturity are assumed to approximate their book values. - The fair value of fixed rate debt issues and borrowings with more than 1 year from the statements of financial position date remaining to maturity is determined by discounting the expected future cash flows at the market interest rate for similar debt.

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

51.5 Financial derivatives

The Company and its subsidiaries engage in financial derivatives activities as required in the normal course of their business to manage risk and to meet their clients' needs. These financial derivatives include foreign exchange contracts, cross currency and interest rate swap contracts, interest rate swap contracts, and commodity futures contracts.

The Company and its subsidiaries have set a policy and limit to mitigate related risk, and require risk reporting for the various types of risk, as a control over financial derivative activities. The Company and its subsidiaries manage the credit risk associated with financial derivatives on the basis of the credit limits granted to customers in general. The same credit approval process as used when granting loans to a customer is adopted for financial derivative customers, as a result, the Company and its subsidiaries are able to maintain overall risk at acceptable levels.

As at 30 June 2017 and 31 December 2016, the Company and its subsidiaries have financial derivatives for trading and hedging (banking book) as classified by their maturities as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	30 June 2017			31 December 2016		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	52,654	-	52,654	44,663	-	44,663
- Sold	69,807	-	69,807	56,983	-	56,983
Cross currency and interest rate swap contracts						
- Bought	1,469	2,521	3,990	699	4,218	4,917
- Sold	6,586	8,430	15,016	4,282	12,261	16,543
Interest rate swap contracts						
- Paid fixed interest rate	44,140	125,984	170,124	41,265	114,131	155,396
- Paid floating interest rate	45,229	106,588	151,817	40,070	115,181	155,251
- Received fixed interest rate	44,229	106,588	150,817	39,070	115,181	154,251
- Received floating interest rate	45,140	125,984	171,124	42,265	114,131	156,396
Future contracts						
- Bought	141	-	141	76	-	76
- Sold	1,553	-	1,553	1,587	-	1,587
Derivative warrant contracts						
- Sold	5	-	5	-	-	-
Other						
- Sold	103	-	103	50	-	50

52. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 August 2017.