

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

## **Independent Auditor's Report**

To the Shareholders of Thanachart Capital Public Company Limited

### **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 31 December 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year 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 31 December 2017, their financial performance and cash flows for the year 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 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 31 December 2017 the Group had loans to customers of Baht 767,890 million (accounting for 75% of total assets) and allowance for doubtful accounts amounting to Baht 24,517 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 year ended 31 December 2017, the Group recognised interest income on loans to customers amounting to Baht 41,252 million (accounting for 62% 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 31 December 2017, goodwill of Baht 17,637 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 31 December 2017, the Company and its subsidiaries have life policy reserves of Baht 8,953 million and outstanding claims from insurance contracts of Baht 1,701 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 subsidiaries 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.

### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon.

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **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

Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 19 February 2018

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statement of financial position**

**As at 31 December 2017**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
<b>Assets</b>					
Cash		11,453,283	12,077,047	-	-
Interbank and money market items - net	6	95,918,183	48,734,079	22,346	30,299
Derivatives assets	7	2,889,208	3,564,235	-	-
Investments - net	8	178,702,646	186,928,040	2,787,420	2,279,080
Investments in subsidiary and associated companies - net	9	2,827,333	2,889,920	33,822,462	33,924,640
Loans to customers and accrued interest receivables	10				
Loans to customers		767,889,652	740,219,156	806,749	1,144,805
Accrued interest receivables		601,200	630,780	2	1
Total loans to customers and accrued interest receivables		768,490,852	740,849,936	806,751	1,144,806
Less: Deferred revenue		(55,128,589)	(48,173,470)	(1,951)	(2,270)
Allowance for doubtful accounts	11	(24,517,149)	(25,153,026)	(79,899)	(86,101)
Revaluation allowance for debt restructuring	12	(977)	(1,976)	-	-
Net loans to customers and accrued interest receivables		688,844,137	667,521,464	724,901	1,056,435
Customers' liability under acceptances		9,824	9,544	-	-
Property foreclosed - net	14	4,747,089	4,991,810	708,943	578,391
Land, premises and equipment - net	15	8,677,958	9,604,927	45,502	45,189
Intangible assets - net	16	2,263,007	2,709,280	873	1,013
Goodwill	17	17,636,604	17,439,110	-	-
Deferred tax assets	18	908,093	1,089,436	-	26,204
Receivables from purchase and sale of securities	19	3,126,780	1,125,862	-	-
Other assets - net	20	7,520,778	8,182,234	37,050	47,825
<b>Total assets</b>		<b>1,025,524,923</b>	<b>966,866,988</b>	<b>38,149,497</b>	<b>37,989,076</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 December 2017**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
<b>Liabilities and equity</b>					
Deposits	21	716,091,089	676,455,824	-	-
Interbank and money market items	22	82,342,804	65,700,880	-	-
Liability payable on demand		1,988,656	1,986,425	-	-
Derivatives liabilities	7	2,867,633	4,912,489	-	-
Debts issued and borrowings	23	51,595,578	61,704,163	12,700,000	12,700,000
Bank's liability under acceptances		9,824	9,544	-	-
Provisions	24	3,679,324	3,676,948	25,888	84,639
Deferred tax liabilities	18	1,323,465	1,002,985	149,488	-
Accrued interest payables	25	2,453,222	2,148,799	98,371	96,204
Insurance contracts liabilities	26	14,641,100	14,593,739	-	-
Other liabilities	27	18,461,956	14,823,823	302,084	257,247
<b>Total liabilities</b>		<b>895,454,651</b>	<b>847,015,619</b>	<b>13,275,831</b>	<b>13,138,090</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 31 December 2017**

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
<b>Equity</b>					
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	3,067,410	2,449,904	593,864	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		43,544,720	39,032,705	8,871,530	8,940,189
Less: Treasury shares - common shares	28	(1,399,914)	(1,399,914)	(1,399,914)	(1,399,914)
<b>Equity attributable to owners of the Company</b>		<b>62,020,402</b>	<b>56,890,881</b>	<b>24,873,666</b>	<b>24,850,986</b>
Non-controlling interests		68,049,870	62,960,488	-	-
<b>Total equity</b>		<b>130,070,272</b>	<b>119,851,369</b>	<b>24,873,666</b>	<b>24,850,986</b>
<b>Total liabilities and equity</b>		<b>1,025,524,923</b>	<b>966,866,988</b>	<b>38,149,497</b>	<b>37,989,076</b>

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

Directors

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statement of comprehensive income**

**For the year ended 31 December 2017**

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
<b>Profit or loss</b>					
Interest income	33	44,681,323	45,208,313	75,458	88,122
Interest expenses	34	(15,510,956)	(16,740,316)	(582,275)	(591,758)
<b>Net interest income</b>		29,170,367	28,467,997	(506,817)	(503,636)
Fees and service income		9,097,431	8,803,263	525	327
Fees and service expenses		(3,207,407)	(2,914,929)	(488)	(569)
<b>Net fees and service income</b>	35	5,890,024	5,888,334	37	(242)
Gains on trading and foreign exchange transactions	36	664,994	459,232	-	209
Gains on investments	37	1,908,241	1,060,788	484,669	20,830
Share of profit from investments accounted for under equity method	9.5	336,899	394,464	-	-
Gains (losses) on property foreclosed and other assets		51,850	(47,758)	(93,231)	(276,409)
Insurance/Life insurance income	38	7,355,875	6,675,301	-	-
Dividend income		557,466	496,116	2,818,719	2,624,945
Other operating income		1,387,142	1,320,547	94,338	59,121
<b>Total operating income</b>		47,322,858	44,715,021	2,797,715	1,924,818
Insurance expenses	39	(4,750,950)	(4,016,080)	-	-
<b>Net operating income</b>		42,571,908	40,698,941	2,797,715	1,924,818
<b>Other operating expenses</b>					
Employee's expenses		12,202,011	11,875,745	115,378	114,358
Directors' remuneration	40	92,737	82,366	36,845	33,645
Premises and equipment expenses		2,835,015	3,080,910	20,146	21,048
Taxes and duties		745,870	775,236	5,395	1,227
Other expenses		4,960,283	5,211,129	51,676	112,312
<b>Total other operating expenses</b>		20,835,916	21,025,386	229,440	282,590
<b>Impairment loss of loans and debt securities (reversal)</b>	41	6,236,181	6,209,856	36,180	(32,611)
<b>Profit before income tax</b>		15,499,811	13,463,699	2,532,095	1,674,839
<b>Income tax</b>	18.2	(1,158,647)	(852,260)	(152,857)	(15,522)
<b>Profit for the year</b>		14,341,164	12,611,439	2,379,238	1,659,317

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 year ended 31 December 2017**

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
<b>Other comprehensive income</b>	42				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale securities		1,330,352	(1,368,960)	114,174	36,322
Share of other comprehensive income of an associate		32,782	101,209	-	-
Income tax relating to components of other comprehensive income (loss)		(267,443)	268,417	(22,835)	(7,264)
		<u>1,095,691</u>	<u>(999,334)</u>	<u>91,339</u>	<u>29,058</u>
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Surplus on revaluation of assets		-	1,620,855	-	15,347
Share of other comprehensive income of an associate		-	400,652	-	-
Actuarial gains (losses)		(235,784)	13,386	(2,272)	(910)
Income tax relating to components of other comprehensive income (loss)		46,560	(349,688)	-	(5,760)
		<u>(189,224)</u>	<u>1,685,205</u>	<u>(2,272)</u>	<u>8,677</u>
<b>Total other comprehensive income</b>		<u>906,467</u>	<u>685,871</u>	<u>89,067</u>	<u>37,735</u>
<b>Total comprehensive income</b>		<u>15,247,631</u>	<u>13,297,310</u>	<u>2,468,305</u>	<u>1,697,052</u>
<b>Profit attributable to</b>					
The Company		7,001,170	6,012,725	2,379,238	1,659,317
Non-controlling interests		7,339,994	6,598,714	-	-
		<u>14,341,164</u>	<u>12,611,439</u>	<u>2,379,238</u>	<u>1,659,317</u>
<b>Total comprehensive income attributable to</b>					
The Company		7,515,427	6,510,032	2,468,305	1,697,052
Non-controlling interests		7,732,204	6,787,278	-	-
		<u>15,247,631</u>	<u>13,297,310</u>	<u>2,468,305</u>	<u>1,697,052</u>
<b>Earnings per share of the Company</b>	43				
Basic earnings per share (Baht per share)		6.01	5.16	2.04	1.42
Diluted earnings per share (Baht per share)		6.01	5.16	2.04	1.42

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statement of cash flows**

**For the year ended 31 December 2017**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
Profit before income tax	15,499,811	13,463,699	2,532,095	1,674,839
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities				
Share of profit from investments accounted for under equity method	(336,899)	(394,464)	-	-
Depreciation and amortisation	1,583,572	1,615,960	17,462	18,706
Impairment loss of loans and debt securities (reversal)	6,236,181	6,209,856	36,180	(32,611)
Increase in provisions	676,621	728,729	1,762	60,671
Increase in allowance for impairment of property foreclosed	232,148	182,849	221,157	369,485
Increase (decrease) in allowance for impairment of equipment/intangible assets/other assets	10,226	(14,896)	22,981	3,987
Loss from revaluation on land	-	13,640	-	-
Unrealised loss (gain) from change in value of investments/ allowance for impairment of investments	(106,272)	120,880	-	-
Gain from disposal of investment in an associated company	(443,025)	-	(281,235)	-
Unrealised loss on exchange	1,455,894	299,496	-	-
Gain on the capital returned from investment in a subsidiary	-	-	(52,988)	-
Loss (gain) on disposal of land, premises and equipment	18,673	17,365	(49)	(5)
Decrease (increase) in accrued other income receivable	87,235	30,661	39	(26)
	24,914,165	22,273,775	2,497,404	2,095,046
Net interest income	(29,170,367)	(28,467,997)	506,817	503,636
Dividend income	(557,466)	(496,116)	(2,818,719)	(2,624,945)
Cash received from interest on operating activities	41,570,834	41,554,073	51,953	69,204
Cash paid for interest on operating activities	(12,349,135)	(14,403,502)	-	(7)
Cash paid for income tax	(1,170,009)	(982,380)	(4,759)	(4,499)
<b>Income from operating activities before changes in operating assets and liabilities</b>	<b>23,238,022</b>	<b>19,477,853</b>	<b>232,696</b>	<b>38,435</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statement of cash flows (continued)**

**For the year ended 31 December 2017**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2017	2016	2017	2016
<b>Cash flows from operating activities (continued)</b>				
Decrease (increase) in operating assets				
Interbank and money market items	(47,365,471)	9,527,236	7,950	(5,782)
Derivatives assets	1,111,356	2,427,331	-	-
Investments in trading securities	(2,823,033)	(5,644,949)	-	-
Loans to customers	(33,505,821)	9,841,114	350,432	20,549
Property foreclosed	5,291,669	6,555,990	(258,526)	(195,153)
Receivables from purchase and sale of securities	(2,000,917)	(213,534)	-	-
Other assets	9,075	(653,009)	(19,586)	36,698
Increase (decrease) in operating liabilities				
Deposits	39,635,265	7,001,344	-	-
Interbank and money market items	16,508,551	(20,078,501)	-	-
Liability payable on demand	2,231	(215,156)	-	-
Derivatives liabilities	(1,744,879)	(2,495,400)	-	-
Payable from purchase and sales of securities	(107,722)	293,775	-	-
Insurance contract liabilities	47,361	(7,963)	-	-
Other liabilities	3,057,358	(905,184)	(17,947)	132,013
<b>Net cash flows from operating activities</b>	<b>1,353,045</b>	<b>24,910,947</b>	<b>295,019</b>	<b>26,760</b>
<b>Cash flows from investing activities</b>				
Decrease (increase) in investments in securities	11,294,333	1,576,368	(451,708)	497,145
Cash received from disposal of investment in an associated company	709,279	-	343,218	-
Cash paid for purchase of investments in subsidiary companies	-	-	-	(35,700)
Cash received from interest	3,830,277	3,920,524	25,608	18,016
Cash received from dividend	805,191	743,458	2,818,719	3,304,899
Cash paid for purchase of premises and equipment/ intangible assets	(654,536)	(1,265,566)	(7,173)	(1,751)
Cash received from disposal of land, premises and equipment	23,831	70,932	49	6
<b>Net cash flows from investing activities</b>	<b>16,008,375</b>	<b>5,045,716</b>	<b>2,728,713</b>	<b>3,782,615</b>

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

**Thanachart Capital Public Company Limited and its subsidiaries**

**Statement of cash flows (continued)**

**For the year ended 31 December 2017**

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<b>Cash flows from financing activities</b>				
Cash received from debts issued and borrowings	13,223,572	13,689,312	500,000	-
Cash paid for debts issued and borrowings	(23,332,157)	(36,914,032)	(500,000)	(1,000,000)
Cash paid for interest expenses on debts issued and borrowings	(2,770,330)	(3,326,490)	(578,107)	(596,531)
Cash received from non-controlling interests for issuance				
shares of subsidiary companies	-	34,300	-	-
Cash paid for dividend	(2,445,625)	(2,212,844)	(2,445,625)	(2,212,844)
Cash paid for dividend to non-controlling interests	(2,660,644)	(2,487,229)	-	-
<b>Net cash flows used in financing activities</b>	<b>(17,985,184)</b>	<b>(31,216,983)</b>	<b>(3,023,732)</b>	<b>(3,809,375)</b>
<b>Net decrease in cash</b>	<b>(623,764)</b>	<b>(1,260,320)</b>	<b>-</b>	<b>-</b>
<b>Cash at beginning of the year</b>	<b>12,077,047</b>	<b>13,337,367</b>	<b>-</b>	<b>-</b>
<b>Cash at end of the year</b>	<b>11,453,283</b>	<b>12,077,047</b>	<b>-</b>	<b>-</b>

**Supplemental cash flows information**

Non-cash transactions

Property foreclosed transferred from loans to customers

    and investments in receivables purchased

4,793,307      5,368,516      -      90

Property foreclosed received from capital returned

    from a subsidiary company

-      -      93,183      -

Bad debt written off

7,672,958      6,708,749      771      -

Payable from purchase of assets

33,265      61,217      -      -

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 year ended 31 December 2017

(Unit: Thousand Baht)

Consolidated financial statements																	
Equity attributable to the Company's shareholders																	
Other components of equity																	
Issued and paid-up share capital		Premium on common share	Premium on treasury share	Share of a subsidiary premium	Amount by which the value of investment in subsidiary lower than attributable net book value			Revaluation surplus on investments - net	Revaluation surplus on assets	Share of other comprehensive income (loss) of an associate	Share of surplus from the change in the ownership interests of an associate	Retained earnings			Treasury shares	Non-controlling interests	Total
Preferred shares	Common shares	share	share	of a subsidiary	net book value	investments - net	an assets	an associate	an associate	Statutory reserve	Treasury shares reserve	Unappropriated	shares	interests			
<b>Balance as at 1 January 2016</b>	133	12,778,164	2,065,645	165,742	775,814	226,460	933,217	-	(15,288)	-	1,277,830	4,798,369	34,466,039	(4,798,369)	58,649,354	111,323,110	
Cumulative effect from share capital reduction of an associated company	-	-	-	-	-	-	-	-	36,595	-	-	-	(116,658)	-	(23,215)	(103,278)	
Conversion of preferred shares to ordinary shares	(1)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dividend paid (Note 32)	-	-	-	-	-	-	-	-	-	-	-	-	(2,213,747)	-	-	(2,213,747)	
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	-	-	903	-	-	903	
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,452,929)	(2,452,929)	
Transfer to retained earnings	-	-	-	-	-	-	(1,885)	-	-	-	-	-	1,885	-	-	-	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	6,012,725	-	6,598,714	12,611,439	
Other comprehensive income for the year (loss)	-	-	-	-	-	-	(543,337)	666,760	371,568	-	-	-	2,316	-	188,564	685,871	
<b>Balance as at 31 December 2016</b>	<b>132</b>	<b>12,064,665</b>	<b>2,065,645</b>	<b>-</b>	<b>775,814</b>	<b>226,460</b>	<b>389,880</b>	<b>664,875</b>	<b>392,875</b>	<b>-</b>	<b>1,277,830</b>	<b>1,399,914</b>	<b>39,032,705</b>	<b>(1,399,914)</b>	<b>62,960,488</b>	<b>119,851,369</b>	
<b>Balance as at 1 January 2017</b>	132	12,064,665	2,065,645	-	775,814	226,460	389,880	664,875	392,875	-	1,277,830	1,399,914	39,032,705	(1,399,914)	62,960,488	119,851,369	
Dividend paid (Note 32)	-	-	-	-	-	-	-	-	-	-	-	-	(2,446,773)	-	-	(2,446,773)	
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	-	-	1,148	-	-	1,148	
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,660,767)	(2,660,767)	
Surplus from the change in the ownership interests in subsidiaries an associated company	-	-	-	-	-	-	-	-	-	59,719	-	-	-	-	17,945	77,664	
Transfer to retained earnings	-	-	-	-	-	-	-	(23,328)	(30,467)	-	-	-	53,795	-	-	-	
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	7,001,170	-	7,339,994	14,341,164	
Other comprehensive income for the year (loss)	-	-	-	-	-	-	588,034	-	23,548	-	-	-	(97,325)	-	392,210	906,467	
<b>Balance as at 31 December 2017</b>	<b>132</b>	<b>12,064,665</b>	<b>2,065,645</b>	<b>-</b>	<b>775,814</b>	<b>226,460</b>	<b>977,914</b>	<b>641,547</b>	<b>385,956</b>	<b>59,719</b>	<b>1,277,830</b>	<b>1,399,914</b>	<b>43,544,720</b>	<b>(1,399,914)</b>	<b>68,049,870</b>	<b>130,070,272</b>	

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 year ended 31 December 2017

(Unit: Thousand Baht)

	Separate financial statements										
	Issued and paid-up share capital				Other components of equity		Retained earnings				
	Preferred shares	Common shares	Premium on common share	Premium on treasury share	Revaluation surplus on	Revaluation surplus on	Appropriated		Unappropriated	Treasury shares	Total
					investments - net	assets	Statutory reserve	Treasury shares reserve			
<b>Balance as at 1 January 2016</b>	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)	-	-	-	-	-	-	-	-	(2,213,747)	-	(2,213,747)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	903	-	903
Share capital reduction from treasury shares cancellation	-	(713,500)	-	(165,742)	-	-	-	(3,398,455)	879,242	3,398,455	-
Profit for the year	-	-	-	-	-	-	-	-	1,659,317	-	1,659,317
Other comprehensive income for the year	-	-	-	-	29,057	12,278	-	-	(3,600)	-	37,735
<b>Balance as at 31 December 2016</b>	<b>132</b>	<b>12,064,665</b>	<b>2,065,645</b>	<b>-</b>	<b>490,247</b>	<b>12,278</b>	<b>1,277,830</b>	<b>1,399,914</b>	<b>8,940,189</b>	<b>(1,399,914)</b>	<b>24,850,986</b>
<b>Balance as at 1 January 2017</b>	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)	-	-	-	-	-	-	-	-	(2,446,773)	-	(2,446,773)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	1,148	-	1,148
Profit for the year	-	-	-	-	-	-	-	-	2,379,238	-	2,379,238
Other comprehensive income for the year	-	-	-	-	91,339	-	-	-	(2,272)	-	89,067
<b>Balance as at 31 December 2017</b>	<b>132</b>	<b>12,064,665</b>	<b>2,065,645</b>	<b>-</b>	<b>581,586</b>	<b>12,278</b>	<b>1,277,830</b>	<b>1,399,914</b>	<b>8,871,530</b>	<b>(1,399,914)</b>	<b>24,873,666</b>

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 year ended 31 December 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, 16-17<sup>th</sup> 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 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 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	
		2017	2016	2017	2016
<u>Subsidiaries directly held by</u>					
<u>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</u>					
<u>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.	In liquidation process	-	-	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 31 December 2017 and 2016 and for the years then ended, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income for the years	
	2017	2016	2017	2016
Thanachart Bank Plc.	942,889	892,901	32,851	31,728
MBK Life Assurance Plc.	9,996	10,428	190	322
Thanachart Insurance Plc.	12,749	11,201	3,292	3,097
Thanachart Securities Plc.	11,447	9,307	1,761	1,914
TS Asset Management Co., Ltd.	2,528	3,221	178	329
Ratchthani Leasing Plc.	39,019	32,779	2,378	2,006
NFS Asset Management Co., Ltd.	1,182	1,613	62	187

- 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**

#### **3.1 Financial reporting standards that became effective in the current accounting year**

During the year, 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.

#### **3.2 Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

### **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 year 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 year.

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 in profit or loss in 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 year.

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 year-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 year. 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 year.

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 (if any). 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 year, 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 from 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 to 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<br>accident with coverage periods<br>of not over six-months | - | 100% of premium as from the date policy is<br>effective, throughout the period of insurance<br>coverage |
| Other  | - | Monthly average basis (the one-twenty fourth<br>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 year-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					
	2017			2016		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development Fund	5,434	800	6,234	3,606	5,500	9,106
Commercial banks	411	24,258	24,669	297	4,075	4,372
Specialised financial institutions	-	36,891	36,891	1	3,450	3,451
Other financial institutions	798	17,997	18,795	2	22,196	22,198
<b>Total</b>	<b>6,643</b>	<b>79,946</b>	<b>86,589</b>	<b>3,906</b>	<b>35,221</b>	<b>39,127</b>
Add: Accrued interest receivables	-	21	21	2	28	30
Less: Deferred revenue	-	(3)	(3)	-	(1)	(1)
Less: Allowance for doubtful accounts	-	(244)	(244)	-	(222)	(222)
<b>Total domestic items</b>	<b>6,643</b>	<b>79,720</b>	<b>86,363</b>	<b>3,908</b>	<b>35,026</b>	<b>38,934</b>
<b>Foreign</b>						
US Dollar	1,397	7,794	9,191	1,368	8,068	9,436
Euro	45	-	45	32	-	32
Others	283	-	283	262	-	262
<b>Total</b>	<b>1,725</b>	<b>7,794</b>	<b>9,519</b>	<b>1,662</b>	<b>8,068</b>	<b>9,730</b>
Add: Accrued interest receivables	-	36	36	-	71	71
Less: Allowance for doubtful accounts	-	-	-	-	(1)	(1)
<b>Total foreign items</b>	<b>1,725</b>	<b>7,830</b>	<b>9,555</b>	<b>1,662</b>	<b>8,138</b>	<b>9,800</b>
<b>Total</b>	<b>8,368</b>	<b>87,550</b>	<b>95,918</b>	<b>5,570</b>	<b>43,164</b>	<b>48,734</b>

(Unit: Million Baht)

	Separate financial statements					
	2017			2016		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Commercial banks	22	-	22	30	-	30
Add: Accrued interest receivables	-	-	-	-	-	-
<b>Total domestic items</b>	<b>22</b>	<b>-</b>	<b>22</b>	<b>30</b>	<b>-</b>	<b>30</b>

As at 31 December 2017, the Company had deposits with a subsidiary company of Baht 22 million in the separate financial statements (2016: Baht 30 million).

## 7. Derivatives

As at 31 December 2017 and 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					
	2017			2016		
	Fair value/Adjustments on an accrual basis		Notional amount*	Fair value/Adjustments on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
<b>Foreign exchange rate</b>						
Derivatives for trading	530	585	85,137	642	698	85,966
Derivatives for banking book	128	32	9,592	44	103	11,076
<b>Interest rate</b>						
Derivatives for trading	1,848	1,785	271,684	2,505	2,485	309,647
Derivatives for banking book	-	-	20,530	-	-	1,000
<b>Foreign exchange rate and interest rate</b>						
Derivatives for trading	139	138	7,931	373	335	9,693
Derivatives for banking book	243	325	10,425	-	1,291	11,430
<b>Others</b>						
Derivatives for trading	1	3	2,303	-	-	1,713
<b>Total</b>	<b>2,889</b>	<b>2,868</b>	<b>407,602</b>	<b>3,564</b>	<b>4,912</b>	<b>430,525</b>

\* 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 year is presented under derivatives assets/derivatives liabilities. Accrued interest receivables/payables per the contracts are recorded as accrued interest receivables under the caption of other assets or accrued interest payables, as the case maybe.

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

Counterparty	Consolidated financial statements	
	2017	2016
	Percent	Percent
Financial institutions	93.32	93.04
Third parties	6.68	6.96
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## 8. Investments

### 8.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2017		2016		2017		2016	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Trading securities</b>								
Government and state enterprises securities	11,487	11,500	9,317	9,321	-	-	-	-
Private debt securities	5,135	5,364	4,617	4,782	-	-	-	-
Domestic marketable equity securities	1,748	1,713	1,613	1,597	-	-	-	-
	18,370	18,577	15,547	15,700	-	-	-	-
Add: Allowance for change in value	207		153		-		-	
Net	18,577		15,700		-		-	
<b>Available-for-sale securities</b>								
Government and state enterprises securities	114,299	114,495	125,159	124,804	497	497	105	105
Private debt securities	25,025	25,373	23,472	23,611	686	695	597	608
Foreign debt securities	10,441	10,430	11,465	11,434	-	-	-	-
Domestic marketable equity securities	3,350	4,531	5,086	5,729	224	941	290	890
Unit trusts	610	625	155	158	199	200	145	147
	153,725	155,454	165,337	165,736	1,606	2,333	1,137	1,750
Add: Allowance for change in value	1,729		399		727		613	
Net	155,454		165,736		2,333		1,750	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2017		2016		2017		2016	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<b>Held-to-maturity debt securities</b>								
Government and state enterprises securities	43	49	564	568	-	-	-	-
Private debt securities	240	273	305	337	-	-	-	-
Investment in receivables purchased	956	1,710	1,036	2,009	529	1,132	562	1,140
	1,239	2,032	1,905	2,914	529	1,132	562	1,140
Less: Allowance for impairment	(239)		(201)		(126)		(84)	
Net	1,000		1,704		403		478	
<b>General investment</b>								
Domestic non-marketable equity securities	3,681		3,824		76		76	
Foreign non-marketable equity securities	1		39		-		-	
Unit trusts	25		25		-		-	
	3,707		3,888		76		76	
Less: Allowance for impairment	(35)		(100)		(25)		(25)	
Net	3,672		3,788		51		51	
<b>Total investments - net</b>	<b>178,703</b>		<b>186,928</b>		<b>2,787</b>		<b>2,279</b>	

## 8.2 Classified by remaining period of debt securities

(Unit: Million Baht)

	Consolidated financial statements									
	2017					2016				
	Due within					Due within				
	At call	Less than 1 year	1 - 5 years	Over 5 years	Total	At call	Less than 1 year	1 - 5 years	Over 5 years	Total
<b>Available-for-sale securities</b>										
Government and state enterprises securities	5	23,293	90,859	142	114,299	262	19,032	105,032	833	125,159
Private debt securities	-	1,188	18,865	4,972	25,025	-	1,750	17,052	4,670	23,472
Foreign debt securities	-	4,249	5,863	329	10,441	-	3,592	7,512	361	11,465
<b>Total</b>	<b>5</b>	<b>28,730</b>	<b>115,587</b>	<b>5,443</b>	<b>149,765</b>	<b>262</b>	<b>24,374</b>	<b>129,596</b>	<b>5,864</b>	<b>160,096</b>
Add: Allowance for change in value	-	39	453	41	533	-	79	(204)	(122)	(247)
<b>Total</b>	<b>5</b>	<b>28,769</b>	<b>116,040</b>	<b>5,484</b>	<b>150,298</b>	<b>262</b>	<b>24,453</b>	<b>129,392</b>	<b>5,742</b>	<b>159,849</b>
<b>Held-to-maturity debt securities</b>										
Government and state enterprises securities	-	-	-	43	43	-	522	-	42	564
Private debt securities	-	40	50	150	240	-	120	35	150	305
Investments in receivables purchased <sup>(1)</sup>	956	-	-	-	956	1,036	-	-	-	1,036
<b>Total</b>	<b>956</b>	<b>40</b>	<b>50</b>	<b>193</b>	<b>1,239</b>	<b>1,036</b>	<b>642</b>	<b>35</b>	<b>192</b>	<b>1,905</b>
Less: Allowance for impairment	(239)	-	-	-	(239)	(201)	-	-	-	(201)
<b>Total</b>	<b>717</b>	<b>40</b>	<b>50</b>	<b>193</b>	<b>1,000</b>	<b>835</b>	<b>642</b>	<b>35</b>	<b>192</b>	<b>1,704</b>
<b>Total debt securities</b>	<b>722</b>	<b>28,809</b>	<b>116,090</b>	<b>5,677</b>	<b>151,298</b>	<b>1,097</b>	<b>25,095</b>	<b>129,427</b>	<b>5,934</b>	<b>161,553</b>

(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									
		2017					2016				
		Due within					Due within				
		Less than			Over 5 years	Total	Less than			Over 5 years	Total
		At call	1 year	1 - 5 years			At call	1 year	1 - 5 years		
<b>Available-for-sale securities</b>											
Government and state enterprises securities											
		-	497	-	-	497	-	105	-	-	105
Private debt securities											
		-	315	371	-	686	-	20	577	-	597
Total		-	812	371	-	1,183	-	125	577	-	702
Add: Allowance for change in value											
		-	6	3	-	9	-	-	11	-	11
Total		-	818	374	-	1,192	-	125	588	-	713
<b>Held-to-maturity debt securities</b>											
Investments in receivables purchased <sup>(1)</sup>											
		529	-	-	-	529	562	-	-	-	562
Total		529	-	-	-	529	562	-	-	-	562
Less: Allowance for impairment											
		(126)	-	-	-	(126)	(84)	-	-	-	(84)
Total		403	-	-	-	403	478	-	-	-	478
<b>Total debt securities</b>		<b>403</b>	<b>818</b>	<b>374</b>	<b>-</b>	<b>1,595</b>	<b>478</b>	<b>125</b>	<b>588</b>	<b>-</b>	<b>1,191</b>

(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 31 December 2017 and 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	
	2017	2016	2017	2016
Manufacturing and commerce	1,668	1,455	828	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 31 December 2017 and 2016 can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Investments in receivables purchased	956	1,036	529	562
Less: Allowance for impairment	(239)	(201)	(126)	(84)
Investments in receivables purchased - net	<u>717</u>	<u>835</u>	<u>403</u>	<u>478</u>

2017				2016					
Number of debtors	Balance		Purchase price	Yield	Number of debtors	Balance		Purchase price	Yield
	per agreement	Million Baht				Million Baht	per agreement		

**Consolidated financial**

**statements**

Total accumulated investments									
in receivables purchased	2,938	33,611	7,845	1.75 - 18.97	2,938	33,611	7,845	1.75 - 18.97	
Outstanding investments in									
receivables purchased as at									
the end of the year	307	8,240	956		315	8,332	1,036		

**Separate financial statements**

Total accumulated investments									
in receivables purchased	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97	
Outstanding investments in									
receivables purchased as at									
the end of the year	193	4,752	529		198	4,799	562		

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries have entered into debt restructuring agreements with its investments in receivables purchased, by means of various types of restructuring, as summarised below.

Type of restructuring	Consolidated financial statements		
	For the year ended 31 December		
	Number of debtors	Outstanding balances before restructuring	Outstanding balances after restructuring
		Million Baht	Million Baht
<b><u>2017</u></b>			
Modification of repayment conditions	6	14	14
Total	6	14	14
<b><u>2016</u></b>			
Modification of repayment conditions	1	-	-
Total	1	-	-

Type of restructuring	Separate financial statements		
	For the year ended 31 December		
	Number of debtors	Outstanding	Outstanding
		balances before restructuring	balances after restructuring
	Million Baht	Million Baht	
<b>2017</b>			
Modification of repayment conditions	5	13	13
Total	5	13	13
<b>2016</b>			
Modification of repayment conditions	1	-	-
Total	1	-	-

Counting from the end of the year, the remaining periods to maturity of receivables of the Company and its subsidiaries that were restructured during the year ended 31 December 2017 and 2016 are as summarised below:

Periods	Consolidated financial statements			
	For the year ended 31 December			
	2017	2016		
	Number of receivables	Outstanding balances after restructuring	Number of receivables	Outstanding balances after restructuring
	Million Baht	Million Baht	Million Baht	Million Baht
Due within the year	5	8	1	-
Less than 5 years	1	6	-	-
Total	6	14	1	-

Periods	Separate financial statements			
	For the year ended 31 December			
	2017	2016		
	Number of receivables	Outstanding balances after restructuring	Number of receivables	Outstanding balances after restructuring
	Million Baht	Million Baht	Million Baht	Million Baht
Due within the year	4	7	1	-
Less than 5 years	1	6	-	-
Total	5	13	1	-

Restructured receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is considered to be fair value. Therefore, as at 31 December 2017 and 2016, there were 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 31 December 2017 and 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								
Number of debtors		Cost		Fair value/ collateral value		Allowance for possible loss/impairment		
						provided in the accounts		
2017	2016	2017	2016	2017	2016	2017	2016	
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
<b>Investments in receivables purchased</b>								
1. Companies which have loan settlement problems or have defaulted on the repayment	114	119	729	784	1,295	1,327	147	151

Separate financial statements								
Number of debtors		Cost		Fair value/ collateral value		Allowance for possible loss/impairment		
						provided in the accounts		
2017	2016	2017	2016	2017	2016	2017	2016	
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
<b>Investments in receivables purchased</b>								
1. Companies which have loan settlement problems or have defaulted on the repayment	65	68	392	407	913	942	58	58

## 9. Investments in subsidiary and associated companies

### 9.1 Separate financial statements

As at 31 December 2017 and 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 for the years	
	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	2,472	2,318
NFS Asset Management Co., Ltd.	700	700	100.00	100.00	700	700	130	35
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	99
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	10.00	11.04	596	658	124	124
<b>Total investments in subsidiary and associated companies</b>					<b>33,823</b>	<b>33,925</b>	<b>2,771</b>	<b>2,576</b>

The Company invested Baht 1 million in 50,998 ordinary shares of MT Service 2016 Co., Ltd. on 4 July 2016 and Baht 25 million in another 2,499,000 ordinary shares of this company on 22 July 2016. This represents a total investment of Baht 26 million or an equity interest of 51 percent.

The Company invested Baht 2 million in 203,998 ordinary shares of TM Broker Co., Ltd. On 8 August 2016 and Baht 8 million in another 816,000 ordinary share of this company on 30 August 2016. This represents a total investment of Baht 10 million or an equity interest of 51 percent.

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 years		Profit allocated to non-controlling interests during the years		Other comprehensive income allocated to non-controlling interests during the years	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(%)	(%)								
Thanachart Bank Plc. and its subsidiaries	49.04	49.04	67,369	62,308	2,652	2,468	7,314	6,503	381	174
MBK Life Assurance Plc	49.00	49.00	631	588	-	-	33	92	10	15

## 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.	
	2017	2016	2017	2016
	Total assets	1,009,557	950,512	10,610
Total liabilities	873,349	824,391	9,322	9,835

### Summarised information about comprehensive income

(Unit: Million Baht)

	For the years ended 31 December			
	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2017	2016	2017	2016
Net operating income	41,981	40,366	202	356
Profit for the year	14,369	12,839	67	189
Other comprehensive income	806	451	21	30
Total comprehensive income	15,175	13,290	88	219

### Summarised information about cash flow

(Unit: Million Baht)

	For the years ended 31 December			
	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2017	2016	2017	2016
Cash flow from (used in) operating activities	2,615	26,182	(1,075)	(707)
Cash flow from investing activities	14,195	3,657	1,075	707
Cash flow used in financing activities	(17,434)	(31,099)	-	-
Net decrease in cash	(624)	(1,260)	-	-

## 9.4 Cash flow information of asset management companies that are subsidiaries

Cash flow information of asset management companies that are subsidiaries for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2017	2016	2017	2016	2017	2016
<b>Cash flows from operating activities</b>						
Profit before income tax	48	118	58	116	108	148
Adjustments to reconcile profit (losses) before income tax to net cash provided by (paid for) operating activities						
Gain on assets transferred for debt settlement	-	(25)	(9)	(5)	-	-
Loss on impairment of property foreclosed (reversal)	(2)	(24)	(1)	(14)	(6)	(146)
Impairment loss of loans and debt securities (reversal)	(46)	(7)	-	(1)	(2)	16
Others	(2)	(7)	(1)	(5)	1	1
	(2)	55	47	91	101	19
Net interest income	17	37	22	26	(148)	(297)
Dividend income	(3)	(3)	-	-	-	-
Cash received from interest	8	-	-	-	148	300
Cash paid for income tax	(16)	(4)	(27)	(5)	(15)	(6)
Income from operating activities before changes in operating assets and liabilities	4	85	42	112	86	16
Decrease (increase) in operating assets						
Current investments	317	(257)	187	(24)	-	-
Investments in receivables purchased	-	27	11	1	-	-
Loans to customers	57	9	(67)	17	333	663
Property foreclosed	92	214	(33)	40	347	862
Other assets	1	8	(4)	7	(20)	10
Increase (decrease) in operating liabilities						
Interbank and money market items	-	-	-	-	-	(691)
Other liabilities	(26)	6	38	(5)	(20)	(21)
<b>Net cash flows from operating activities</b>	<b>445</b>	<b>92</b>	<b>174</b>	<b>148</b>	<b>726</b>	<b>839</b>
<b>Cash flows from investing activities</b>						
Cash received from dividend	3	3	-	-	-	-
<b>Net cash flows from investing activities</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Unit: Million Baht)

	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2017	2016	2017	2016	2017	2016
	<b>Cash flows from financing activities</b>					
Debts issued and borrowings	(230)	-	(57)	-	-	-
Cash paid for interest on borrowings	(25)	(44)	(22)	(28)	-	(4)
Cash paid for dividend	(130)	(35)	(54)	(118)	(330)	(700)
<b>Net cash flows used in financing activities</b>	<b>(385)</b>	<b>(79)</b>	<b>(133)</b>	<b>(146)</b>	<b>(330)</b>	<b>(704)</b>
<b>Net increase in cash and cash equivalents</b>	<b>63</b>	<b>16</b>	<b>41</b>	<b>2</b>	<b>396</b>	<b>135</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>30</b>	<b>14</b>	<b>14</b>	<b>12</b>	<b>190</b>	<b>55</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>93</b>	<b>30</b>	<b>55</b>	<b>14</b>	<b>586</b>	<b>190</b>

## 9.5 Investment in an associated company in the consolidated financial statements

As at 31 December 2017 and 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 during the years		Share of profit during the years		Share of surplus from the change in the ownership subsidiaries of the associated		Share of other comprehensive income during the years	
	2017	2016	2017	2016	Cost method <sup>(1)</sup>		Equity method		2017	2016	2017	2016	2017	2016	2017	2016
	MBK Plc. (operating in property rental, hotel and services businesses)	1,708	1,708	19.90	21.98	861	948	2,827	2,890	248	248	337	395	82	-	33
<b>Total investment in an associated company</b>					<b>861</b>	<b>948</b>	<b>2,827</b>	<b>2,890</b>	<b>248</b>	<b>248</b>	<b>337</b>	<b>395</b>	<b>82</b>	<b>-</b>	<b>33</b>	<b>502</b>

(1) After deducting intergroup transactions.

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 30 September 2017 and 2016, and for the years then ended are as follows:

### Summarised information about financial position

	(Unit: Million Baht)	
	30 September 2017 <sup>(1)</sup>	30 September 2016 <sup>(1)</sup>
Total assets	46,668	44,626
Total liabilities	(23,830)	(22,672)
Other equity items of an associated company	193	(936)
Net assets	23,031	21,018
Shareholding percentage (%)	19.90	21.98
Share of net assets	4,583	4,619
Elimination entries	(1,808)	(1,786)
Goodwill	52	57
Carrying amounts of associate based on equity method	<u>2,827</u>	<u>2,890</u>

(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 years ended 30 September <sup>(1)</sup>	
	2017	2016
Revenue	10,351	12,654
Profit for the year	1,864	2,046
Other comprehensive income	1,060	3,495
Total comprehensive income for the year	2,924	5,541

(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 year ended 31 December 2017 was determined based on financial statements that were prepared with reference to financial statements for the year ended 30 September 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 year ended 30 September 2017 is not materially different from the income for the year ended 31 December 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.

During the year 2017, the Company and Thanachart Bank Plc. (subsidiary) sold 17,765,290 ordinary shares and 17,722,000 ordinary shares of MBK Plc., respectively. As a result, the shareholding percentage of the Company and its subsidiaries decrease from 21.98 percent to 19.90 percent.

b) Fair value of investment in an associated company

As at 31 December 2017 and 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	
	2017	2016	2017	2016
MBK Plc.	6,560	5,405	3,296	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	financial statements	financial statements
	2017	2016	2017	2016
<u>Loans to customers</u>				
Overdrafts	16,668	17,261	-	-
Loans	263,062	261,679	48	107
Notes receivables	56,185	62,534	711	986
Hire purchase receivables	425,996	393,325	48	51
Financial lease receivables	1,710	1,743	-	-
Others	153	141	-	-
Less: Deferred revenues	(55,129)	(48,173)	(2)	(2)
Total loans to customers net of deferred revenues	708,645	688,510	805	1,142
Add: Accrued interest receivables	601	631	-	-
Total loans to customers and accrued interest receivables net of deferred revenues	709,246	689,141	805	1,142
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(8,446)	(7,531)	(80)	(86)
- Collective approach	(5,820)	(5,645)	-	-
2) Excess provision	(10,237)	(11,963)	-	-
Less: Revaluation allowance for debt restructuring	(1)	(2)	-	-
Loans to customers and accrued interest receivables - net	684,742	664,000	725	1,056
<u>Securities business receivables</u>				
Credit balances receivables	4,101	3,508	-	-
Other receivables	15	28	-	-
Total securities business receivables	4,116	3,536	-	-
Less: Allowance for doubtful accounts	(14)	(14)	-	-
Securities business receivables - net	4,102	3,522	-	-
Total loans to customers and accrued interest receivables - net	688,844	667,522	725	1,056

## 10.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	696,946	-	696,946	672,777	-	672,777
US Dollar	8,555	5,570	14,125	11,916	6,455	18,371
Other currencies	161	1,529	1,690	120	778	898
<b>Total*</b>	<b>705,662</b>	<b>7,099</b>	<b>712,761</b>	<b>684,813</b>	<b>7,233</b>	<b>692,046</b>

\* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	805	-	805	1,142	-	1,142
<b>Total*</b>	<b>805</b>	<b>-</b>	<b>805</b>	<b>1,142</b>	<b>-</b>	<b>1,142</b>

\* Total loans net of deferred revenues

## 10.3 Classified by type of business and loan classification

(Unit: Million Baht)

	Consolidated financial statements							
	2017							
	The Company and subsidiary companies which are financial institutions						Other	
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total	subsidiary companies	Consolidated
Agricultural and mining	7,141	289	30	11	27	7,498	-	7,498
Manufacturing and commerce	75,475	313	2,534	274	2,177	80,773	332	81,105
Real estate and construction	45,286	94	262	150	1,653	47,445	39	47,484
Public utilities and services	57,038	285	279	85	1,080	58,767	111	58,878
Personal consuming								
Housing loans	92,789	1,255	897	829	1,851	97,621	55	97,676
Securities business	-	-	-	-	-	-	4,116	4,116
Hire purchase	304,052	23,433	1,312	1,144	1,121	331,062	39,969	371,031
Others	27,263	627	497	181	575	29,143	361	29,504
Others	15,223	2	146	-	98	15,469	-	15,469
<b>Total*</b>	<b>624,267</b>	<b>26,298</b>	<b>5,957</b>	<b>2,674</b>	<b>8,582</b>	<b>667,778</b>	<b>44,983</b>	<b>712,761</b>

\* Total loans net of deferred revenues

(Unit: Million Baht)

Consolidated financial statements								
2016								
	The Company and subsidiary companies which are financial institutions					Total	Other subsidiary companies	Consolidated
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss			
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						
2017						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Personal consuming						
Housing loans	10	4	-	1	6	21
Hire purchase	-	-	-	-	46	46
Others	3	-	-	-	30	33
Others	703	-	-	-	-	703
Total*	716	4	-	1	84	805

\* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					Total
	2016					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	
Manufacturing and commerce	-	-	-	-	2	2
Personal consuming						
Housing loans	4	-	4	1	7	16
Hire purchase	-	-	-	-	49	49
Others	-	-	-	-	96	96
Others	979	-	-	-	-	979
Total*	983	-	4	1	154	1,142

\* Total loans net of deferred revenues

#### 10.4 Non-performing loans

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Non-performing loans (excluding accrued interest receivables)				
The Company	85	159	85	159
Banking business	14,384	12,863	-	-
Asset management business	2,744	2,716	-	-
Securities business	14	14	-	-

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

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
The Company	85	159	85	159
Banking business	21,362	21,068	-	-
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 years 2017 and 2016, the Company and its subsidiaries (banking, asset management and securities businesses) have entered into debt restructuring agreements as follows:

Type of restructuring	Consolidated financial statements				Fair value of assets to be transferred under agreement Million Baht
	Number of debtors	Outstanding	Outstanding	Type of assets to be transferred	
		balances before restructuring <sup>(1)</sup> Million Baht	balances after restructuring <sup>(1)</sup> Million Baht		
<b>2017</b>					
Modification of repayment conditions	1,092	2,317	2,317		
Transfer of assets and/or common shares and/or modification of repayment conditions	2	60	59	Land and premise thereon and car	49
<b>Total</b>	<b>1,094</b>	<b>2,377</b>	<b>2,376</b>		
<b>2016</b>					
Modification of repayment conditions	1,950	5,456	5,411		
Transfer of assets and/or common shares and/or modification of repayment conditions	8	167	159	Land and premise thereon	195
<b>Total</b>	<b>1,958</b>	<b>5,623</b>	<b>5,570</b>		

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

Counting from the end of the years, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the years 2017 and 2016, are summarised below.

Periods	Consolidated financial statements			
	2017		2016	
	Number of debtors	Outstanding balances after restructuring	Number of debtors	Outstanding balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	398	1,016	900	947
Due within the year	264	851	221	790
Less than 5 years	264	204	565	2,746
5 - 10 years	121	193	172	645
10 - 15 years	20	52	42	322
Over 15 years	27	60	58	120
<b>Total</b>	<b>1,094</b>	<b>2,376</b>	<b>1,958</b>	<b>5,570</b>

Supplemental information for the years 2017 and 2016 relating to restructured loans is as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Interest income recognised in the statements of comprehensive income	866	979	1	1
Gain on debt settlement/assets transferred for debt settlement	49	66	37	7
Cash repayment from receivables	3,613	5,273	48	16
Property foreclosed received for debt settlement	73	215	-	-

As at 31 December 2017 and 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	
	2017	2016	2017	2016	2017	2016
			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	17	16	30	93	17	14
Thanachart Bank Plc.	8,465	13,532	8,240	10,093	1,772	2,850
TS Asset Management Co., Ltd.	238	325	2,580	4,261	1,771	2,923
Other subsidiaries	100	129	319	382	118	130

## 10.6 Hire purchase/financial lease receivables

As at 31 December 2017 and 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 31 December 2017				
Amounts due under lease agreements				
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	113,943	287,236	26,527	427,706
Less: Unearned finance income	(18,817)	(34,899)	(1,409)	(55,125)
Present value of minimum lease payments receivables	95,126	252,337	25,118	372,581
Allowance for doubtful accounts				(9,571)
Hire purchase/financial lease receivables - net				363,010

\* 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 31 December 2017

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	48	-	-	48
Less: Unearned finance income	(2)	-	-	(2)
Present value of minimum lease payments receivables	46	-	-	46
Allowance for doubtful accounts				(46)
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 31 December 2017 and 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 <sup>(1)</sup>					
	2017			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	624,843	416,560	3,311	613,284	404,054	2,985
Special mention	26,308	23,844	2,336	25,507	23,188	2,151
Substandard	5,960	2,998	2,241	4,287	2,465	1,666
Doubtful	2,674	1,491	823	3,364	1,656	906
Doubtful of loss	8,582	4,111	3,473	8,093	4,745	3,577
<b>Total</b>	<b>668,367</b>	<b>449,004</b>	<b>12,184</b>	<b>654,535</b>	<b>436,108</b>	<b>11,285</b>
Additional allowance for possible uncollectible accounts			10,017			11,743
<b>Total</b>			<b>22,201</b>			<b>23,028</b>

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

(Unit: Million Baht)

	Separate financial statements					
	2017			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	716	707	7	983	979	10
Special mention	4	-	-	-	-	-
Substandard	-	-	-	4	-	-
Doubtful	1	-	-	1	-	-
Doubtful of loss	84	73	73	154	76	76
<b>Total</b>	<b>805</b>	<b>780</b>	<b>80</b>	<b>1,142</b>	<b>1,055</b>	<b>86</b>

Percentage of allowance for doubtful account set up

	Hire purchase receivables -			
	personal consumer of Thanachart Bank <sup>(2)</sup>		Other loans	
	2017	2016	2017	2016
Normal	0.71	0.62	1	1
Special mention	10.03	9.50	2	2
Substandard	40.67	39.96	100	100
Doubtful	39.66	39.12	100	100
Doubtful of loss	40.60	40.39	100	100

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

### 10.8 Loans to companies which have settlement problems

As at 31 December 2017 and 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	
	2017	2016	2017	2016	2017	2016	2017	2016
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies possible to delisting from the SET	4	6	205	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	554	478	310	365	245	113
3. Companies which have loan settlement problems or have defaulted on the repayment	1,035	1,002	8,262	8,874	4,634	4,359	3,874	4,780

Separate financial statements

	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2017	2016	2017	2016	2017	2016	2017	2016
			Million	Million	Million	Million	Million	Million
			Baht	Baht	Baht	Baht	Baht	Baht
1. Companies which have loan settlement problems or have defaulted on the repayment	20	21	16	84	11	88	10	10

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

As at 31 December 2017 and 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)

	2017			2016		
	Debt balances	Debt balances net of allowance for doubtful accounts		Debt balances	Debt balances net of allowance for doubtful accounts	
		Allowance for doubtful accounts	of allowance for doubtful accounts		Allowance for doubtful accounts	of allowance for doubtful accounts
Normal	4,102	-	4,102	3,522	-	3,522
Substandard	1	1	-	1	1	-
Doubtful	13	13	-	13	13	-
<b>Total</b>	<b>4,116</b>	<b>14</b>	<b>4,102</b>	<b>3,536</b>	<b>14</b>	<b>3,522</b>

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 31 December 2017 and 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)	
	2017	2016
Current or overdue not over 90 days	38,793	32,663
Overdue 91 - 365 days	811	813
Overdue more than 1 year	168	170
Debtors under legal actions	679	545
<b>Total</b>	<b>40,451</b>	<b>34,191</b>
Allowance for doubtful accounts provided in the accounts	2,301	2,110

## 11. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 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 year	2,985	2,151	1,666	906	3,577	11,743	23,028	2,125	25,153
Increase (decrease) during the year	326	185	575	(83)	6,411	(1,726)	5,688	290	5,978
Bad debts recovery	-	-	-	-	1,051	-	1,051	8	1,059
Bad debts written-off	-	-	-	-	(7,566)	-	(7,566)	(107)	(7,673)
<b>Balance - end of the year</b>	<b>3,311</b>	<b>2,336</b>	<b>2,241</b>	<b>823</b>	<b>3,473</b>	<b>10,017</b>	<b>22,201</b>	<b>2,316</b>	<b>24,517</b>

(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	2,873	2,297	1,670	1,291	6,582	9,681	24,394	1,846	26,240
Increase (decrease) during the year	112	(146)	(4)	(385)	2,272	2,062	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	2,985	2,151	1,666	906	3,577	11,743	23,028	2,125	25,153

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2017						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Balance - beginning of the year	10	-	-	-	76	86
Increase (decrease) during the year	(3)	-	-	-	(3)	(6)
Bad debts recovery	-	-	-	-	1	1
Bad debts written-off	-	-	-	-	(1)	(1)
Balance - end of the year	7	-	-	-	73	80

(Unit: Million Baht)

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

## 12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Balance - beginning of the year	2	4	-	-
Amortised during the year	(1)	(2)	-	-
Balance - end of the year	1	2	-	-

## 13. Classification of assets

As at 31 December 2017 and 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					
	2017					
	Interbank and money market items	Loans to customers and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	76,154	624,843	-	-	187	701,184
Special mention	-	26,308	-	-	116	26,424
Substandard	-	5,960	-	-	11	5,971
Doubtful	-	2,674	-	-	8	2,682
Doubtful of loss	-	8,582	503	1,761	402	11,248
Total	76,154	668,367	503	1,761	724	747,509

(Unit: Million Baht)

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

(Unit: Million Baht)

## Separate financial statements

2017

	Loans to customers and Interbank and money market		Investments	Property		Total
	items	accrued interest receivables		foreclosed	Other assets	
Normal	-	716	-	-	-	716
Special mention	-	4	-	-	-	4
Substandard	-	-	-	-	-	-
Doubtful	-	1	-	-	-	1
Doubtful of loss	-	84	151	1,308	104	1,647
<b>Total</b>	<b>-</b>	<b>805</b>	<b>151</b>	<b>1,308</b>	<b>104</b>	<b>2,368</b>

(Unit: Million Baht)

## Separate financial statements

2016

	Loans to customers and Interbank and money market		Investments	Property		Total
	items	accrued interest receivables		foreclosed	Other assets	
Normal	-	983	-	-	-	983
Special mention	-	-	-	-	-	-
Substandard	-	4	-	-	-	4
Doubtful	-	1	-	-	-	1
Doubtful of loss	-	154	117	1,087	81	1,439
<b>Total</b>	<b>-</b>	<b>1,142</b>	<b>117</b>	<b>1,087</b>	<b>81</b>	<b>2,427</b>

## 14. Property foreclosed

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2017				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	4,064	12	(467)	3,609
Movable assets	418	4,787	(4,759)	446
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	1,981	452	(309)	2,124
Non-used branches				
External appraiser	97	506	(235)	368
Total property foreclosed	6,560	5,757	(5,770)	6,547
Less: Allowance for impairment	(1,568)	(730)	498	(1,800)
Property foreclosed - net	4,992	5,027	(5,272)	4,747

(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 year ended 31 December 2017				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	1,124	2	(34)	1,092
Movable assets	1	-	-	1
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	463	334	(27)	770
Others				
Immovable assets				
External appraiser	77	95	(18)	154
Total property foreclosed	1,665	431	(79)	2,017
Less: Allowance for impairment	(1,087)	(262)	41	(1,308)
Property foreclosed - net	578	169	(38)	709

(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 year ended 31 December 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	-	1	339	15	71	426
Transfers/disposals	(384)	(166)	(459)	(13)	(81)	(1,103)
31 December 2017	5,609	2,477	7,279	80	2	15,447
<u>Accumulated depreciation</u>						
1 January 2017	-	972	5,387	62	-	6,421
Transfers/disposals	-	(75)	(491)	(11)	-	(577)
Depreciation for the year	-	127	713	6	-	846
31 December 2017	-	1,024	5,609	57	-	6,690
<u>Allowance for impairment</u>						
1 January 2017	68	25	5	-	-	98
Transfers/disposals	(11)	(3)	(5)	-	-	(19)
31 December 2017	57	22	-	-	-	79
<u>Net book value</u>						
31 December 2017	5,552	1,431	1,670	23	2	8,678
Depreciation for the year						846

\* 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
Depreciation for the year						840

\* 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 year ended 31 December 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
Additions	-	-	1	6	-	7
Transfers/disposals	-	-	(11)	-	-	(11)
31 December 2017	18	45	62	33	-	158
<u>Accumulated depreciation</u>						
1 January 2017	-	30	63	24	-	117
Transfers/disposals	-	-	(11)	-	-	(11)
Depreciation for the year	-	2	4	1	-	7
31 December 2017	-	32	56	25	-	113
<u>Net book value</u>						
31 December 2017	18	13	6	8	-	45
Depreciation for the year						7

\* 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
Depreciation for the year						7

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

As at 31 December 2017 and 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 3,721 million and Baht 3,510 million, respectively (separate financial statements: Baht 67 million and Baht 76 million, respectively).

As at 31 December 2017, the Company and its subsidiaries have no vehicles acquired under financial lease agreements (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 31 December 2017 and 2016 would have been as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Land	4,091	4,329	3	3

Key assumptions used in the valuation are summarised below.

	Consolidated financial statements	Separate financial statements	Result to fair value where as an increase in assumption value
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	
	2017	2016	2017	2016
Balance - beginning of the year	1,616	-	15	-
Increased during the year	-	1,621	-	15
Transferred out during the year	(57)	(5)	-	-
Balance - end of the year	1,559	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 year ended 31 December 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	-	117	-	145	262	-
Transfers/disposals	-	145	-	(148)	(3)	-
31 December 2017	4,100	3,118	7	174	7,399	9
<u>Accumulated amortisation</u>						
1 January 2017	3,040	1,353	7	-	4,400	8
Transfers/disposals	-	(3)	-	-	(3)	-
Amortisation for the year	383	325	-	-	708	-
31 December 2017	3,423	1,675	7	-	5,105	8
<u>Allowance for impairment</u>						
1 January 2017	-	31	-	-	31	-
31 December 2017	-	31	-	-	31	-
<u>Net book value</u>						
31 December 2017	677	1,412	-	174	2,263	1
Remaining amortisation period	2.25 years	0 - 10 years	-	-		0 - 9 years
Amortisation for the year					708	-

(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
Amortisation for the year					739	-

As at 31 December 2017 and 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 346 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	4
Discount rate	11

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 31 December 2017 and 2016, deferred tax assets/liabilities are as follows:

	(Unit: Million Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2017	2016	2017	2016
Deferred tax assets	908	1,089	-	26
Deferred tax liabilities	(1,323)	(1,003)	(149)	-
Net	<u>(415)</u>	<u>86</u>	<u>(149)</u>	<u>26</u>

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

	(Unit: Million Baht)	
	Consolidated financial statements	
	2017	2016
<b>Deferred tax assets</b>		
Intercompany gain from disposal of assets	182	245
Non-accrual of interest income	67	64
Allowance for doubtful debts - general provision/other assets	1,225	962
Allowance for impairment of properties foreclosed	94	227
Employee benefits	536	482
Provisions	188	231
Accrued expenses	82	100
Insurance contract liabilities	300	307
Fees income received in advance	363	369
Late payment fee	175	178
Others	159	278
	<u>3,371</u>	<u>3,443</u>
<b>Deferred tax liabilities</b>		
Assets transferred as a result of business combination	(1,108)	(1,104)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(1,685)	(1,379)
Intangible assets	(135)	(212)
Unrealised gains on changes in value of available-for-sale securities	(346)	(162)
Others	(512)	(500)
	<u>(3,786)</u>	<u>(3,357)</u>
<b>Net</b>	<u>(415)</u>	<u>86</u>

(Unit: Million Baht)

	Separate financial statements	
	2017	2016
<b>Deferred tax assets</b>		
Allowance for impairment of properties foreclosed	-	14
Difference between appraisal value of properties foreclosed and amount of asset transfer for debt settlement	-	9
<b>Deferred tax assets</b>	-	23
<b>Deferred tax liabilities</b>		
Unrealised gains on changes in value of available-for-sale securities	45)	22)
Others	4)	5)
<b>Deferred tax liabilities</b>	49)	27)
<b>Net</b>	49)	6

As at 31 December 2017 and 2016, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 3,080 million and Baht 2,083 million, respectively (separate financial statements: Baht 2,724 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 1,027 million will expire by 2019 - 2022.

In addition, as at 31 December 2017, Thanachart Bank (“a subsidiary”) has tax losses totaling Baht 4,742 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 years ended 31 December 2017 and 2016 are as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<b>Current income tax:</b>				
Corporate income tax charge for the year	879	859	-	-
Adjustment in respect of income tax from previous year	3	2	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	277	(8)	153	16
<b>Income tax expense reported in statements of comprehensive income</b>	<b>1,159</b>	<b>853</b>	<b>153</b>	<b>16</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

(Unit: Million Baht)

	Consolidated financial		Separate financial	
	statements		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	266	(274)	23	7
Deferred tax relating to actuarial gain (loss) on defined benefit plan	(46)	6	-	3
Deferred tax relating to share of other comprehensive income of an associated company	1	25	-	-
	<b>221</b>	<b>81</b>	<b>23</b>	<b>13</b>

Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2017 and 2016 are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Accounting profit before tax	15,500	13,464	2,532	1,675
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	3,100	2,693	506	335
Adjustment in respect of income tax from previous year	3	2	-	-
Effects of non-taxable revenue and non-deductible expenses - net	(1,944)	(1,842)	(353)	(319)
Income tax expenses reported in statements of comprehensive income	1,159	853	153	16

#### 19. Receivables from purchase and sale of securities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Receivables from purchase and sale of securities	3,127	1,126	-	-

## 20. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Accrued premium insurance income	308	269	-	-
Suspense debtors	700	486	-	2
Other receivables	1,495	1,279	107	86
VAT refundable	690	297	-	-
Other receivables - VAT paid in advance				
for customers	248	255	-	-
Deposits	246	275	3	3
Estimated insurance claims recoveries	248	230	-	-
Receivable from clearing house	343	1,332	-	-
Leasehold right	123	177	9	10
Prepaid corporate income tax	661	428	9	11
Deposits from derivative contracts	535	1,034	-	-
Prepaid expenses	446	382	8	9
Reinsurance assets	418	216	-	-
Accrued interest and dividend receivables	742	983	3	3
Others	813	969	2	5
Total	8,016	8,612	141	129
Less: Allowance for impairment	(495)	(430)	(104)	(81)
Other assets - net	7,521	8,182	37	48

## 21. Deposits

### 21.1 Classified by type of deposits

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Current	11,953	11,421	-	-
Saving	295,390	296,885	-	-
Certificates of deposit	142,505	125,493	-	-
Fixed deposits				
- Less than 6 months	36,529	39,442	-	-
- 6 months and up to 1 year	63,772	93,129	-	-
- Over 1 year	165,942	110,086	-	-
Total deposits	716,091	676,456	-	-

### 21.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	714,351	1	714,352	675,262	1	675,263
US Dollar	1,523	31	1,554	837	30	867
Other currencies	182	3	185	317	9	326
Total	716,056	35	716,091	676,416	40	676,456

## 22. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2017			2016		
	At call	Term	Total	At call	Term	Total
<b>Domestic</b>						
Bank of Thailand and Financial Institutions Development Fund	418	372	790	416	2,779	3,195
Commercial banks	1,929	21,597	23,526	649	17,478	18,127
Specialised financial institutions	47	12,525	12,572	47	3,724	3,771
Other financial institutions	15,390	12,077	27,467	10,780	9,822	20,602
<b>Total domestic items</b>	<b>17,784</b>	<b>46,571</b>	<b>64,355</b>	<b>11,892</b>	<b>33,803</b>	<b>45,695</b>
<b>Foreign</b>						
US Dollar	274	15,263	15,537	118	15,766	15,884
Euro	1	-	1	1	-	1
Baht	2,221	229	2,450	3,610	511	4,121
<b>Total foreign items</b>	<b>2,496</b>	<b>15,492</b>	<b>17,988</b>	<b>3,729</b>	<b>16,277</b>	<b>20,006</b>
<b>Total</b>	<b>20,280</b>	<b>62,063</b>	<b>82,343</b>	<b>15,621</b>	<b>50,080</b>	<b>65,701</b>

As at 31 December 2017, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting to Baht 2,550 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, and (iii) a loan of Baht 1,550 million in the form of promissory notes, repayable at the date as specified in each promissory note, and carrying interest at fixed rates per annum, payable monthly. 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 (2016: included loans of a subsidiary company amounting to Baht 1,750 million).

## 23. Debt issued and borrowings

As at 31 December 2017 and 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 (Baht)	Issuance unit		Consolidated financial statements		Separate financial statements	
						2017	2016	2017	2016	2017	2016
						(Thousand unit)	(Thousand unit)				
1	Subordinated debentures issued under Tier II	Year 2012	Year 2022	4.70	1,000	-	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	-	5,000	-	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	-	940	-	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
14	Unsubordinated debentures	Year 2015	Year 2017	3.35	1,000	-	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	
							2017	2016	2017	2016	2017	2016
							(Thousand unit)	(Thousand unit)				
17	Unsubordinated debentures	Year 2016	Year 2017	2.60	1,000	-	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 2019	1.75	1,000	500	-	500	-	500	-	
22	Unsubordinated debentures	Year 2017	Year 2020	2.39 - 2.88	1,000	10,060	-	9,979	-	-	-	
23	Unsubordinated debentures	Year 2017	Year 2020	2.58	1,000	70	-	70	-	-	-	
24	Short-term debentures		Year 2017	1.65				-	2,000	-	-	
25	Structured notes		Year 2018	1.00				393	50	-	-	
26	Promissory notes		At call	0.20 - 2.50, 5.65, 6.65				399	748	-	-	
27	Promissory notes		Year 2018 - 2020	2.90, 3.30, 7.15				290	254	-	-	
28	Borrowings - Departments of Alternative Energy Development and Efficiency		Year 2017	0.50				-	1	-	-	
<b>Total debt issued and borrowings</b>								<b>51,596</b>	<b>61,704</b>	<b>12,700</b>	<b>12,700</b>	

Instruments 1) are name-registered, subordinated, unsecured debentures with a debentures holders' representative, paying interest quarterly. Thanachart Bank has a call option to early redeem these debentures at par if the conditions specified are met. These debentures had been early redeemed in the fourth quarter of 2017.

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), 20) and 22) 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), 15) and 21) are name-registered, unsubordinated, unsecured debenture with no debentures holders' representative, paying interest semi-annually.

Instruments 19) and 23) 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 year ended 31 December 2017					
	Loss from litigation	Employee benefits	Obligations from off-balance items	Others	Total
As at 1 January 2017	411	2,475	434	357	3,677
Increase during the year	41	839	30	1,432	2,342
Decrease from actual utilised	(82)	(574)	(7)	(247)	(910)
Reversal of provisions	(9)	-	(290)	(1,131)	(1,430)
As at 31 December 2017	361	2,740	167	411	3,679

(Unit: Million Baht)

Consolidated financial statements					
For the year ended 31 December 2016					
	Loss from litigation	Employee benefits	Obligations 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 year ended 31 December 2017			
	Loss from litigation	Employee benefits	Total
As at 1 January 2017	47	38	85
Increase during the year	-	4	4
Decrease from actual utilised	(46)	(16)	(62)
Reversal of provisions	(1)	-	(1)
As at 31 December 2017	-	26	26

(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	
	2017	2016	2017	2016
<b>Defined benefit obligation at the beginning of the year</b>	2,204	2,129	38	35
Recognised in profit and loss:				
Current service cost	150	155	1	2
Interest cost	74	70	1	1
Past service costs and gains or losses arising from the payment of benefits	(199)	(90)	-	(1)
Recognised in other comprehensive income:				
Actuarial (gains) losses arising from				
- Demographic assumptions changes	97	26	1	1
- Financial assumptions changes	96	(67)	1	(1)
- Experience adjustments	43	28	-	1
Employee benefits paid during the year	(87)	(47)	(16)	-
<b>Defined benefit obligation at the end of the year</b>	<b>2,378</b>	<b>2,204</b>	<b>26</b>	<b>38</b>

As at 31 December 2017 and 2016, the Company and its subsidiaries expect to pay Baht 59 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 principal actuarial assumptions used to calculate the defined benefit obligations are as follows:

	(Percent per annum)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Discount rate	2.71 - 3.13	2.71 - 3.51	3.11	3.51
Future salary increase rate	5.00 - 5.98	5.00 - 6.39	5.00	5.00
Average staff turnover rate (depending on age)	0 - 42.86	0 - 100	0 - 26.10	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 31 December 2017 and 2016 are summarised below:

	Change	(Unit: Million Baht)			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Discount rate	Decrease 0.25%	63	56	1	1
Future salary increase rate	Increase 0.25%	61	55	1	1
Average staff turnover rate	Decrease 0.25%	56	56	1	1

As at 31 December 2017 and 2016, the weighted average durations of the liabilities for long-term employee benefit of the Company and its subsidiaries are 11, 14, 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 financial statements		Separate financial statements	
	2017	2016	2017	2016
Accrued interest payables	2,453	2,149	98	96

## 26. Insurance contract liabilities

(Unit: Million Baht)

	Consolidated financial statements					
	2017			2016		
	Insurance contract liabilities	Reinsurance assets	Net	Insurance contract liabilities	Reinsurance assets	Net
Life policy reserve	8,953	-	8,953	9,558	-	9,558
Loss reserves and outstanding claims	1,701	(137)	1,564	1,559	(159)	1,400
Unearned premium reserve	3,851	(281)	3,570	3,408	(57)	3,351
Unexpired risks reserve	3	-	3	-	-	-
Unpaid policy benefits	5	-	5	7	-	7
Other liabilities under insurance policies	128	-	128	62	-	62
<b>Total</b>	<b>14,641</b>	<b>(418)</b>	<b>14,223</b>	<b>14,594</b>	<b>(216)</b>	<b>14,378</b>

### **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					
2017					
	Change in	Change	Change in net	Increase/ (decrease) on	Increase/ (decrease)
	assumption	in gross liabilities	liabilities	profit before tax	on equity
Ultimate loss ratio	Increase 2%	161	157	(157)	(126)
Loss adjustment expense	Increase 2%	13	13	(13)	(10)
Ultimate loss ratio	Decrease 2%	(158)	(154)	154	123
Loss adjustment expense	Decrease 2%	(13)	(13)	13	10

(Unit: Million Baht)

Consolidated financial statements					
2016					
	Change in	Change	Change in net	Increase/ (decrease) on	Increase/ (decrease)
	assumption	in gross liabilities	liabilities	profit before tax	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 31 December 2017 and 2016 are summarised below:

(Unit: Million Baht)

Consolidated financial statements					
2017					
	Change	Insurance contract liabilities		Effect to	
		Gross reinsurance increase/ (decrease)	Net reinsurance increase/ (decrease)	Increase/ (decrease) on profit before tax	Increase/ (decrease) on equity
Mortality rate	Increase 10%	17	-	(17)	(13)
Expenses rate	Increase 10%	10	-	(10)	(8)
Lapse and surrender rates	Increase 10%	(22)	-	22	17
Discount rate	Increase 0.5%	(229)	-	229	183
Mortality rate	Decrease 10%	(17)	-	17	13
Expenses rate	Decrease 10%	(10)	-	10	8
Lapse and surrender rates	Decrease 10%	22	-	(22)	(18)
Discount rate	Decrease 0.1%	19	-	(19)	(16)

(Unit: Million Baht)

Consolidated financial statements					
2016					
	Change	Insurance contract liabilities		Effect to	
		Gross reinsurance increase/ (decrease)	Net reinsurance increase/ (decrease)	Increase/ (decrease) on profit before tax	Increase/ (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 years ended 31 December		
	2017	2016
Balance - beginning of the year	9,558	9,723
Insurance policy reserves increased from new policies and enforced policies	137	527
Insurance policy reserves decreased from benefit paid, lapse, surrender and others	(1,063)	(493)
Assumptions changes	150	(22)
Experience adjustments	200	(7)
Other adjustments	(29)	(170)
Balance - end of the year	<u>8,953</u>	<u>9,558</u>

## 26.2 Loss reserves and outstanding claims

(Unit: Million Baht)

Consolidated financial statements		
For the years ended 31 December		
	2017	2016
Balance - beginning of the year	1,559	1,709
Claim expenses for the year	3,949	3,185
Change in loss reserves and outstanding in claims and assumption	152	186
Claim expenses paid during the year	(3,959)	(3,521)
Balance - end of the year	<u>1,701</u>	<u>1,559</u>

## 26.3 Unearned premium reserve

(Unit: Million Baht)

Consolidated financial statements		
For the years ended 31 December		
	2017	2016
Balance - beginning of the year	3,408	3,097
Premium written for the year	7,655	6,489
Premium earned during the current year	(7,212)	(6,178)
Balance - end of the year	<u>3,851</u>	<u>3,408</u>

## 26.4 Unexpired risks reserve

(Unit: Million Baht)

	Consolidated financial statements	
	For the years ended 31 December	
	2017	2016
Balance - beginning of the year	19	6
Increase during the year	45	37
Expire during the year	(1)	(24)
Balance - end of the 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	
	2017	2016
Death benefits	4	5
Surrender	-	1
Others	1	1
Total unpaid policy benefits	5	7

## 27. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Other payables	2,741	2,305	219	171
Suspense cash received from accounts receivable	1,962	353	-	3
Income received in advance	1,830	1,875	-	-
Corporate income tax payable	408	439	-	-
Accrued personnel expenses	2,353	2,184	69	69
Accrued contribution fee to the Financial Institutions Development Fund/Deposit Protection Agency	1,714	1,627	-	-
Accrued other expenses	1,431	1,471	3	4
Insurance premium received in advance	1,422	1,355	-	-
Payables from purchase and sale of securities	2,259	2,366	-	-
Payable to clearing house	1,269	2	-	-
Others	1,073	847	11	10
Total other liabilities	18,462	14,824	302	257

## 28. Share capital/Treasury stocks

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

As at 31 December 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	
	2017	2016	2017	2016
<b>Share premium of a subsidiary</b>	776	776	-	-
<b>Amount by which the value of investment in subsidiary lower than attributable net book value</b>	226	226	-	-
<b>Revaluation surplus (deficit) on investments</b>				
Revaluation surplus on investments				
Available-for-sale securities				
Debt instruments	336	297	9	12
Equity instruments	1,110	936	718	609
Total	1,446	1,233	727	621
Revaluation deficit on investments				
Available-for-sale securities				
Debt instruments	(55)	(414)	-	(1)
Equity instruments	(164)	(327)	-	(7)
Total	(219)	(741)	-	(8)
<b>Total revaluation surplus on investments</b>	1,227	492	727	613
Less: The effect of deferred tax liabilities	(249)	(102)	(145)	(122)
<b>Net revaluation surplus on investments</b>	978	390	582	491
<b>Revaluation surplus on assets</b>	802	831	15	15
Less: The effect of deferred tax liabilities	(160)	(166)	(3)	(3)
<b>Net revaluation surplus on assets</b>	642	665	12	12
<b>Share of other comprehensive income of associate</b>	399	407	-	-
Less: The effect of deferred tax liabilities	(14)	(14)	-	-
<b>Net share of other comprehensive income of associate</b>	385	393	-	-
<b>Share of surplus from the change in the ownership interests in subsidiaries of the associate</b>	62	-	-	-
Less: The effect of deferred tax liabilities	(2)	-	-	-
<b>Net share of surplus from the change in the ownership interests in subsidiaries of the associate</b>	60	-	-	-
<b>Total</b>	<b>3,067</b>	<b>2,450</b>	<b>594</b>	<b>503</b>

### 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 31 December 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 31 December 2017 and 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)	
	2017	2016
<b><u>Tier I capital</u></b>		
<b>Common Equity Tier I capital</b>		
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	41,263	37,348
Other components of equity		
Accumulated other comprehensive income	1,619	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	57,527	53,746
Less: Deductions from Common Equity Tier I capital	(19,613)	(19,925)
Total Common Equity Tier I capital	95,581	87,096
Total Tier I capital	95,581	87,096
<b><u>Tier II capital</u></b>		
Subordinated debentures	12,061	24,519
Reserve for assets classified as normal	8,412	8,613
Total Tier II capital	20,473	33,132
Total capital funds	116,054	120,228

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

	2017		2016	
	Capital ratio of the financial group	Minimum BOT requirement	Capital ratio of the financial group	Minimum BOT requirement
Total capital to risk-weighted assets (percent)	15.33	9.75	15.59	9.125
Total Tier I to risk-weighted assets (percent)	12.62	7.25	11.30	6.625
Total Common Equity Tier I to risk-weighted assets (percent)	12.62	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 31 December 2017 on its website at [www.thanachart.co.th](http://www.thanachart.co.th) within April 2018 and have disclosed capital requirement information as at 30 June 2017 on the website since October 2017.

## 32. Dividends

During the years ended 31 December 2017 and 2016, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment	Dividend per share	Payment date
		Million Baht	Baht	
Interim dividend for the first half-year of 2017	The Company's Board of Directors on 25 September 2017	1,049	0.90	20 October 2017
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
		<u>2,447</u>	<u>2.10</u>	
Interim dividend for the first half-year of 2016	The Company's Board of Directors on 26 September 2016	932	0.80	21 October 2016
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
		<u>2,214</u>	<u>1.90</u>	

### 33. Interest income

Interest income for the years ended 31 December 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Interbank and money market items	1,391	1,347	-	-
Investments and trading transactions	238	220	-	-
Investments in debt securities	3,191	3,571	24	19
Loans to customers	17,786	18,362	51	69
Hire purchase and financial lease	22,075	21,708	-	-
Total interest income	44,681	45,208	75	88

### 34. Interest expenses

Interest expenses for the years ended 31 December 2017 and 2016 consisted of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Deposits	8,698	9,525	-	-
Interbank and money market items	791	741	-	-
Contribution fee to the Financial Institutions Development Fund and the Deposit Protection Agency	3,348	3,326	-	-
Debts issued and borrowings				
- Subordinated debentures	370	590	-	-
- Unsubordinated debentures/short-term debentures	1,197	1,432	580	590
- Subordinated instruments	1,077	1,080	-	-
- Others	22	39	-	-
Borrowings cost	8	7	2	2
Total interest expenses	15,511	16,740	582	592

### 35. Fees and service income

Fees and service income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Fees and service income				
Acceptance, aval and guarantees	202	238	-	-
Brokerage fee from securities/derivatives	1,323	1,599	-	-
Hire purchase fee income	1,547	1,576	-	-
Credit card fee	1,065	907	-	-
ATM and electronic banking services	886	922	-	-
Insurance brokerage fee income	1,851	1,441	-	-
Others	2,223	2,120	-	-
Total fees and service income	9,097	8,803	-	-
Fees and service expenses	(3,207)	(2,915)	-	-
Net fees and service income	5,890	5,888	-	-

### 36. Gains on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Foreign exchange and derivatives relating to				
foreign exchange	277	400	-	-
Derivatives relating to interest rate	64	5	-	-
Debt securities	211	(18)	-	-
Equity securities	(51)	(11)	-	-
Others	164	83	-	-
Total	665	459	-	-

### 37. Gains on investments

Gains on investments for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Gains on disposal of available-for-sale securities	917	773	17	7
Gain on the capital returned from a subsidiary	-	-	53	-
Gains on disposal of investment in an associate company	443	-	281	-
Gains on debt settlement/assets transferred from investments in receivables purchased	263	51	134	14
Reversal loss on impairment of investments	65	2	-	-
Others	220	235	-	-
Total	<u>1,908</u>	<u>1,061</u>	<u>485</u>	<u>21</u>

### 38. Insurance/Life insurance income

Insurance/life insurance income for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Million Baht)	
	Consolidated financial statements	
	2017	2016
Gross premium written	8,093	7,107
Less : Premium ceded to reinsurers	(519)	(153)
Net insurance premium income	7,574	6,954
Less: Unearned premium reserve increased from previous year	(218)	(279)
Total	<u>7,356</u>	<u>6,675</u>

### 39. Insurance expenses

Insurance expenses for the years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Million Baht)	
	Consolidated financial statements	
	2017	2016
Gross claim and loss adjustment expense	3,658	3,026
Less: Claims recovery from reinsurers	(56)	(32)
Benefit payments under life policies and claims	1,448	830
Less: Benefit payment under life policies and claims refundable from reinsurers	(34)	(16)
Commissions and brokerages expenses	231	189
Less: Refundable commissions and brokerages expenses from reinsurers	(141)	(43)
Other underwriting expense	(355)	62
Total	<u>4,751</u>	<u>4,016</u>

### 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 48 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 years ended 31 December 2017 and 2016 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Impairment loss of loans (reversal)				
Interbank and money market items	21	11	-	-
Loans to customers	6,178	6,231	(6)	(5)
Reversal of revaluation allowance for debts restructured during the year	(1)	(2)	-	-
Loss from impairment of investments in receivables purchased (reversal)	38	(30)	42	(28)

Total	6,236	6,210	36	(33)
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#### 42. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2017 and 2016 are as the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<b>Other comprehensive income</b>				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Available-for-sale securities:				
Unrealised gains (losses) during the year	2,247	(596)	131	43
Less: Reclassification of adjustment for realised gains/losses that included in profit or loss	(917)	(773)	(17)	(7)
	1,330	(1,369)	114	36
Share of other comprehensive income of an associate	33	101	-	-
Other comprehensive income (loss) for the year	1,363	(1,268)	114	36
Impact from related income taxes:				
Income tax - gains (losses) on changes in value of available-for-sale investments	(266)	274	(23)	(7)
Income tax - other comprehensive income (loss) of an associate	(1)	(5)	-	-
Impact from related income taxes	(267)	269	(23)	(7)
	1,096	(999)	91	29
<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	-	401	-	-
Actuarial gains (losses) on defined benefit plan	(236)	13	(2)	(1)
Other comprehensive income (loss) for the year	(236)	2,035	(2)	14
Impact from related income taxes:				
Income tax - revaluation surplus on assets	-	(324)	-	(3)
Income tax - other comprehensive income of an associate	-	(20)	-	-
Income tax - actuarial gains (losses) on defined benefit plan	46	(6)	-	(2)
Impact from related income taxes	46	(350)	-	(5)
	(190)	1,685	(2)	9

Other comprehensive income for the year - net	<u>906</u>	<u>686</u>	<u>89</u>	<u>38</u>
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### 43. Earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year 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 year, 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 year or on the date the potential common shares were issued.

	Consolidated financial statements					
	For the years ended 31 December					
	Profit for the years		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
<b>Basic earnings per share</b>						
Profit attributable to the Company	7,001,170	6,012,725	1,165,117	1,165,117	6.01	5.16
<b>Effect of dilutive securities</b>						
Preferred shares convertible to common shares	-	-	13	13		
<b>Diluted earnings per share</b>						
Profit of common shareholders assuming conversion of dilutive securities	7,001,170	6,012,725	1,165,130	1,165,130	6.01	5.16

Separate financial statements						
For the years ended 31 December						
	Profit for the years		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
<b>Basic earnings per share</b>						
Profit attributable to the Company	2,379,238	1,659,317	1,165,117	1,165,117	2.04	1.42
<b>Effect of dilutive securities</b>						
Preferred shares convertible to common shares	-	-	13	13		
<b>Diluted earnings per share</b>						
Profit of common shareholders assuming conversion of dilutive securities	<u>2,379,238</u>	<u>1,659,317</u>	<u>1,165,130</u>	<u>1,165,130</u>	<u>2.04</u>	<u>1.42</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 year ended 31 December 2017, amounting to Baht 427 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 7 million) (2016: Baht 436 million in the consolidated financial statements and Baht 7 million in the separate financial statements).

## 45. Related party transactions

During the years, 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 years ended 31 December				Transfer pricing policy (For the year 2017)
	Consolidated financial statements		Separate financial statements		
	2017	2016	2017	2016	
<b>Transactions occurred during the years</b>					
<b>Subsidiary companies</b>					
Purchase of debt securities	-	-	697	2,019	At market price
Sales of debt securities	-	-	266	-	At market price
Investments in common shares of a subsidiary	-	-	-	36	
Capital returned from a subsidiary company (2017: gain Baht 53 million)	-	-	93	-	At the net assets value
Interest income	-	-	51	68	At interest rate of 0.40 - 7.15 percent per annum
Dividend income	-	-	2,647	2,452	As declared
Rental and other service income	-	-	47	46	At the rate agreed under the contract
Other expenses	-	-	2	3	
<b>Associated company</b>					
Cash received for common shares of subsidiary companies	-	34	-	-	
Dividend income	-	-	124	124	As declared
Other income	1	6	-	-	
Interest expenses	4	5	-	-	At interest rate of 0.40 and 7.15 percent per annum
Dividend paid	-	-	273	247	As declared
Other expenses	129	129	11	12	
<b>Related companies</b>					
Purchase of debt securities	5,979	2,083	-	-	At market price
Sales of debt securities	4,587	2,092	-	-	At market price
Purchase/sales of forward exchange contracts	58,439	106,563	-	-	At market price
Interest income	215	272	-	-	At interest rate of 0.66 - 7.68 percent per annum
Dividend income	82	140	39	40	As declared
Insurance premium/life insurance premium income	12	-	-	-	At the vat agreed under the contract
Other income	4	3	-	-	
Interest expenses	198	136	-	-	At interest rate of 0.05 - 1.75 percent per annum

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2017)
	Consolidated		Separate		
	financial statements		financial statements		
	2017	2016	2017	2016	
<b><u>Transactions occurred during the years</u></b>					
<b>Related companies (continued)</b>					
Dividend paid	2,377	2,229	-	-	As declared
Project management expenses	29	52	13	13	At the contract price calculated by reference to estimated usage time
Insurance premium/life insurance premium expenses	-	22	-	-	
Other expenses	196	139	6	3	

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<b><u>Subsidiary companies</u></b>				
Interbank and money market items (assets)	-	-	127	117
Loans to customers	-	-	748	980
<b><u>Associated company</u></b>				
Deposits	75	135	-	-
Debt issued and borrowings	54	64	-	-
<b><u>Related companies</u></b>				
Interbank and money market items (assets)	213	286	-	-
Loans to customers	6,361	8,395	-	-
Investment in debt securities	1,020	874	-	-
Deposits	1,606	1,528	-	-
Interbank and money market items (liabilities)	13,661	14,339	-	-
Debt issued and borrowings	-	11	-	-

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

(Unit: Million Baht)

Consolidated financial statements									
2017									
Assets					Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivable s	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
<b>Associated company</b>									
MBK Plc.	-	-	-	29	56	-	58	2	-
<b>Related companies</b>									
Other related companies	301	591	5,839	36	1,478	13,138	-	32	698
	<u>301</u>	<u>591</u>	<u>5,839</u>	<u>65</u>	<u>1,534</u>	<u>13,138</u>	<u>58</u>	<u>34</u>	<u>698</u>

(Unit: Million Baht)

Consolidated financial statements									
2016									
Assets					Liabilities				
	Interbank and money market items	Investments - debt securities	Loans to customers and interest receivable s	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments
<b>Associated company</b>									
MBK Plc.	-	-	-	35	136	-	65	1	-
<b>Related companies</b>									
Other related companies	250	1,463	9,396	41	1,505	14,404	-	43	1,166
	<u>250</u>	<u>1,463</u>	<u>9,396</u>	<u>76</u>	<u>1,641</u>	<u>14,404</u>	<u>65</u>	<u>44</u>	<u>1,166</u>

(Unit: Million Baht)

## Separate financial statements

	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
	<b>Subsidiary companies</b>								
Thanachart Bank Plc.	22	-	-	-	-	-	-	1	-
Thanachart Securities Plc.	-	-	-	1	-	-	-	-	-
NFS Asset Management Co., Ltd.	-	-	420	-	-	-	-	-	-
Max Asset Management Co., Ltd.	-	-	281	-	-	-	-	-	-
TM Broker Co., Ltd.	-	-	2	-	-	-	-	-	-
<b>Associated company</b>									
MBK Plc.	-	-	-	3	-	-	-	-	-
	22	-	703	4	-	-	-	1	-

(Unit: Million Baht)

## Separate financial statements

	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
	<b>Subsidiary companies</b>								
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	-	-	-	-	-	-
<b>Associated company</b>									
MBK Plc.	-	-	-	3	-	-	-	-	-
<b>Related company</b>									
Related company	-	-	-	-	-	-	-	2	-
	30	-	979	5	-	-	-	4	-

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

		(Unit: Million Baht)	
		Outstanding balances	
Company's name	Interest rate	2017	2016
	(For the year 2017)		
Max Asset Management Co., Ltd.	MLR of Thanachart Bank - 1%	281	329
NFS Asset Management Co., Ltd.	MLR of Thanachart Bank - 1%	420	650
TM Broker Co., Ltd.	MLR of Thanachart Bank - 1%	2	-
Total		<u>703</u>	<u>979</u>

As at 31 December 2017, the Company and its subsidiaries have investments amounting to Baht 1,835 million (Baht 878 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 (2016: Baht 1,615 million in the consolidated financial statements and Baht 773 million in the separate financial statements).

As at 31 December 2017 and 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	
		2017	2016	2017	2016
Loans to customers		88	125	-	-
Deposits		1,527	815	-	-

## Directors and management's remuneration

During the years 2017 and 2016, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Short-term employee benefits	773	743	97	92
Post-employment benefits	17	18	1	2
	790	761	98	94

## **46. Financial information classified by operating segment**

### **46.1 Financial position and results of operations classified by business activity**

The financial position as at 31 December 2017 and 2016, and the operating results for the years then ended, classified by domestic and foreign operations, are as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	2017			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	1,025,209	23,728	(23,412)	1,025,525
Interbank and money market items (assets)	104,446	14,884	(23,412)	95,918
Investments	169,912	8,791	-	178,703
Investment in an associated company	2,827	-	-	2,827
Loans to customers and accrued interest receivables	688,844	-	-	688,844
Deposits	716,091	-	-	716,091
Interbank and money market items (liabilities)	82,343	23,412	(23,412)	82,343
Debt issued and borrowings	51,596	-	-	51,596

(Unit: Million Baht)

Consolidated financial statements				
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				
2017				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	44,610	368	(297)	44,681
Interest expenses	(15,511)	(297)	297	(15,511)
Net interest income	29,099	71	-	29,170
Net fees and service income	5,890	-	-	5,890
Net insurance/life insurance income	2,605	-	-	2,605
Other operating income	4,933	(26)	-	4,907
Other operating expenses	(20,836)	-	-	(20,836)
Impairment loss of loans and debt securities	(6,236)	-	-	(6,236)
Profit before income tax	15,455	45	-	15,500
Income tax	(1,159)	-	-	(1,159)
Profit before non-controlling interests	14,296	45	-	14,341

(Unit: Million Baht)

	Consolidated financial statements			
	2016			
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	45,133	292	(217)	45,208
Interest expenses	(16,740)	(217)	217	(16,740)
Net interest income	28,393	75	-	28,468
Net fees and service income	5,888	-	-	5,888
Net insurance/life insurance income	2,659	-	-	2,659
Other operating income	3,683	1	-	3,684
Other operating expenses	(21,025)	-	-	(21,025)
Impairment loss of loans and debt securities	(6,210)	-	-	(6,210)
Profit before income tax	13,388	76	-	13,464
Income tax	(853)	-	-	(853)
Profit before non-controlling interests	12,535	76	-	12,611

#### 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)

	2017								
	The Company	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
Net interest income	(507)	27,138	169	310	186	104	1,887	(117)	29,170
Other operating income	3,304	9,645	2,408	(108)	2,074	171	1,160	(5,252)	13,402
Other operating expenses	(229)	(17,702)	(1,292)	(136)	(958)	(109)	(980)	570	(20,836)
Impairment loss of loans and debt securities	(36)	(5,935)	-	-	-	48	(515)	202	(6,236)
Profit before income tax	2,532	13,146	1,285	66	1,302	214	1,552	(4,597)	15,500
Income tax	(153)	(11)	(250)	1	(251)	(95)	(298)	(102)	(1,159)
Profit before non-controlling interests	2,379	13,135	1,035	67	1,051	119	1,254	(4,699)	14,341

(Unit: Million Baht)

	2016								
	The Company	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
Net interest income	(504)	26,548	191	323	191	233	1,547	(61)	28,468
Other operating income	2,429	8,909	2,445	33	2,016	365	1,050	(5,016)	12,231
Other operating expenses	(283)	(17,792)	(1,376)	(155)	(963)	(208)	(884)	636	(21,025)
Impairment loss of loans and debt securities	33	(5,808)	2	-	-	(8)	(490)	61	(6,210)
Profit before income tax	1,675	11,857	1,262	201	1,244	382	1,223	(4,380)	13,464
Income tax	(16)	105	(244)	(12)	(239)	(136)	(253)	(58)	(853)
Profit before non-controlling interests	1,659	11,962	1,018	189	1,005	246	970	(4,438)	12,611

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

(Unit: Million Baht)

	The Company	Banking business	Securities business	Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
	Segment assets								
As at 31 December 2017	38,150	954,460	12,306	10,610	13,452	4,782	40,617	(48,852)	1,025,525
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 years 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 31 December 2017 and 2016, the Company and its subsidiaries have the following encumbrance assets, presented at book value as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Interbank and money market items (assets)				
Placed at insurance registrar	782	650	-	-
Placed at court	3	3	-	-
Investments in securities				
Placed at insurance registrar	2,462	2,475	-	-
Placed at court	30	399	-	-
Placed for electricity usage	1	1	-	-
Property foreclosed				
Immovable assets subject to buyback options or first rights refusal	2	169	-	-
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	30	119	-	31
	<u>3,310</u>	<u>3,816</u>	<u>-</u>	<u>31</u>

## 48. Commitments and contingent liabilities

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

### 48.1 Commitments

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Aval to bills	115	629	-	-
Guarantees of loans	2,291	1,188	-	-
Liability under unmatured import bills	270	637	-	-
Letter of credits	1,045	1,479	-	-
Other obligations				
Committed (but not drawn) overdraft	23,832	24,244	-	-
Others	55,644	55,272	1	1
Total	83,197	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 31 December 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)

Year	Consolidated	Separate
	financial statements	financial statements
	Other companies	Other companies
2018	1,794	11
2019	1,225	2
2020 onward	2,133	3

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 31 December 2017, outstanding obligations are summarised below.

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

As at 31 December 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 452 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 31 December 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 31 December 2017, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 2,909 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 452 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 31 December 2017, the Company and its subsidiaries had letter of guarantees issued by banks on behalf of the Company and its subsidiaries, amounting approximately Baht 30 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 31 December 2017 and 2016, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements			
	2017			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b>Financial assets</b>				
Cash	-	-	11,453	11,453
Interbank and money market items	1,063	88,486	6,556	96,105
Derivatives assets	-	-	2,889	2,889
Investments	956	166,664	9,421	177,041
Loans to customers <sup>(1)</sup>	221,106	491,508	147	712,761
Receivables from purchase and sale of securities	-	-	3,127	3,127
Other assets - receivable from clearing house	-	-	343	343
<b>Financial liabilities</b>				
Deposits	304,946	404,079	7,066	716,091
Interbank and money market items	16,875	63,761	1,707	82,343
Liability payable on demand	-	-	1,989	1,989
Derivatives liabilities	-	-	2,868	2,868
Debt issued and borrowings	62	51,534	-	51,596
Other liabilities - payables from purchase and sale of securities	-	-	2,259	2,259
Other liabilities - payable to clearing house	-	-	1,269	1,269

(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				
2016				
Transactions	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<b>Financial assets</b>				
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 <sup>(1)</sup>	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
<b>Financial liabilities</b>				
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				
2017				
Transactions	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
<b>Financial assets</b>				
Interbank and money market items	15	-	7	22
Investments	529	1,183	499	2,211
Loans to customers <sup>(1)</sup>	724	78	3	805
<b>Financial liabilities</b>				
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.

(Unit: Million Baht)

Transactions	Separate financial statements			
	2016			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<b>Financial assets</b>				
Interbank and money market items	24	-	6	30
Investments	562	702	511	1,775
Loans to customers <sup>(1)</sup>	1,061	77	4	1,142
<b>Financial liabilities</b>				
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						
	2017						
	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Interbank and money market items	750	79,073	6,963	500	1,200	88,486	0.35 - 2.11
Investments	-	25,295	15,053	119,277	7,039	166,664	1.90 - 3.88
Loans to customers	4,651	44,916	25,871	240,130	175,940	491,508	1.28 - 8.00
<b>Financial liabilities</b>							
Deposits	51	129,188	233,576	41,264	-	404,079	1.60
Interbank and money market items	1,699	39,070	20,759	1,118	1,115	63,761	1.44 - 1.90
Debt issued and borrowings	388	893	6,200	21,823	22,230	51,534	1.00 - 5.52

(Unit: Million Baht)

Consolidated financial statements							
2016							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
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
<b>Financial liabilities</b>							
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	744	50	10,171	12,924	37,746	61,635	1.00 - 4.99

(Unit: Million Baht)

Separate financial statements							
2017							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Investments	-	-	813	370	-	1,183	2.67
Loans to customers	78	-	-	-	-	78	6.84
<b>Financial liabilities</b>							
Debt issued and borrowings	-	500	3,100	6,400	2,700	12,700	4.58

(Unit: Million Baht)

Separate financial statements							
2016							
Transactions	At call	Repricing or maturity date				Total	Weighted average interest rates Percent
		0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<b>Financial assets</b>							
Investments	-	105	20	577	-	702	3.39
Loans to customers	77	-	-	-	-	77	7.38
<b>Financial liabilities</b>							
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 year, and the average interest rate for the years 2017 and 2016 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2017			2016		
	Average balances	Interest	Average rate (Percent)	Average balances	Interest	Average rate (Percent)
<b><u>Interest bearings financial assets</u></b>						
Interbank and money market items	60,378	1,391	2.30	50,090	1,347	2.69
Investments and trading operations	13,483	238	1.77	8,402	220	2.62
Investments in debt securities	159,485	3,191	2.00	163,046	3,571	2.19
Loans to customers/hire purchase and financial lease	681,458	39,861	5.85	682,110	40,070	5.87
<b><u>Interest bearings financial liabilities</u></b>						
Deposits	683,002	12,046	1.76	667,088	12,851	1.93
Interbank and money market items	67,105	791	1.18	68,030	741	1.09
Debt issued and borrowings	59,000	2,674	4.53	72,093	3,148	4.37

(Unit: Million Baht)

	Separate financial statements					
	2017			2016		
	Average balances	Interest	Average rate (Percent)	Average balances	Interest	Average rate (Percent)
<b><u>Interest bearings financial assets</u></b>						
Interbank and money market items	120	-	0.32	50	-	0.60
Investments in debt securities	1,172	24	2.05	1,175	19	1.62
Loans to customers/hire purchase and financial lease	742	51	6.77	1,001	69	6.96
<b><u>Interest bearings financial liabilities</u></b>						
Debt issued and borrowings	12,585	582	4.63	12,931	592	4.58

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 31 December 2017 and 2016 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	2017				
	US Dollar	Euro	Yen	Australian Dollar	Others
<b><u>Foreign currency in the statements of financial position</u></b>					
Cash	81	56	8	7	24
Interbank and money market items	9,227	45	99	26	158
Investments	10,442	-	-	-	-
Loans to customers and accrued interest receivable	14,167	67	87	1,535	8
Other assets	507	-	-	-	-
<b>Total assets</b>	<b>34,424</b>	<b>168</b>	<b>194</b>	<b>1,568</b>	<b>190</b>
Deposits	1,554	14	60	41	70
Interbank and money market items	15,537	1	-	-	-
<b>Total liabilities</b>	<b>17,091</b>	<b>15</b>	<b>60</b>	<b>41</b>	<b>70</b>
<b>Net</b>	<b>17,333</b>	<b>153</b>	<b>134</b>	<b>1,527</b>	<b>120</b>
<b><u>Foreign currency commitments</u></b>					
Guarantees of loans	930	1	-	-	-
Liability under unmatured import bills	202	7	12	-	-
Letter of credits	813	109	19	4	4
Others commitments	567	5	-	-	1

(Unit: Million Baht)

Consolidated financial statements					
2016					
	US Dollar	Euro	Yen	Australian Dollar	Others
<b><u>Foreign currency in the statements of financial position</u></b>					
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	-	-	-	-
<b>Total assets</b>	<b>40,469</b>	<b>177</b>	<b>173</b>	<b>811</b>	<b>196</b>
Deposits	867	36	-	49	241
Interbank and money market items	16,242	1	-	-	-
<b>Total liabilities</b>	<b>17,109</b>	<b>37</b>	<b>-</b>	<b>49</b>	<b>241</b>
<b>Net</b>	<b>23,360</b>	<b>140</b>	<b>173</b>	<b>762</b>	<b>(45)</b>
<b><u>Foreign currency commitments</u></b>					
Guarantees of loans	788	-	-	-	-
Liability under unmatured import bills	571	6	19	-	2
Letter of credits	1,279	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					
2017					
	US Dollar	Euro	Yen	Australian Dollar	Others
<b>Foreign exchange contracts</b>					
- Bought	43,563	845	170	54	553
- Sold	49,685	985	303	1,575	661
<b>Cross currency and interest rate swap contracts</b>					
- Bought	3,827	-	-	-	-
- Sold	14,431	-	-	-	-
<b>Interest rate swap contracts</b>					
- Bought	64,098	-	-	-	-
- Sold	64,098	-	-	-	-

(Unit: Million Baht)

Consolidated financial statements

	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 31 December 2017 and 2016 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2017				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>					
Cash	11,453	-	-	-	11,453
Interbank and money market items	8,369	86,036	1,700	-	96,105
Derivatives assets	-	1,069	1,820	-	2,889
Investments	961	45,416	121,273	9,391	177,041
Loans to customers <sup>(1)</sup>	40,579	195,236	476,946	-	712,761
Receivables from purchase and sale of securities	-	3,127	-	-	3,127
Other assets - receivable from clearing house	-	343	-	-	343
<b>Financial liabilities</b>					
Deposits	307,410	365,945	42,736	-	716,091
Interbank and money market items	20,281	59,828	2,234	-	82,343
Liability payable on demand	1,989	-	-	-	1,989
Derivatives liabilities	-	1,319	1,549	-	2,868
Debt issued and borrowings	399	7,144	44,053	-	51,596
Other liabilities - payables from purchase and sale of securities	-	2,259	-	-	2,259
Other liabilities - payable to clearing house	-	1,269	-	-	1,269
<b>Commitments</b>					
Aval to bill	2	100	13	-	115
Guarantees of loans	87	2,204	-	-	2,291
Liability under unmatured import bills	48	222	-	-	270
Letter of credits	250	795	-	-	1,045
Other commitments	38,222	39,177	2,077	-	79,476

(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					
2016					
Transactions	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b><u>Financial assets</u></b>					
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 <sup>(1)</sup>	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
<b><u>Financial liabilities</u></b>					
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	748	10,286	50,670	-	61,704
Other liabilities - payables from purchase and sale of securities	-	2,366	-	-	2,366
Other liabilities - payable to clearing house	-	2	-	-	2
<b><u>Commitments</u></b>					
Aval to bill	4	596	29	-	629
Guarantees of loans	-	1,188	-	-	1,188
Liability under unmatured import bills	40	597	-	-	637
Letter of credits	457	1,022	-	-	1,479
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)

Transactions	Separate financial statements				
	2017				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>					
Interbank and money market items	22	-	-	-	22
Investments	529	813	370	499	2,211
Loans to customers <sup>(1)</sup>	788	2	15	-	805
<b>Financial liabilities</b>					
Debt issued and borrowings	-	3,600	9,100	-	12,700
<b>Commitments</b>					
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)

Transactions	Separate financial statements				
	2016				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<b>Financial assets</b>					
Interbank and money market items	30	-	-	-	30
Investments	562	125	577	511	1,775
Loans to customers <sup>(1)</sup>	1,138	-	4	-	1,142
<b>Financial liabilities</b>					
Debt issued and borrowings	-	500	12,200	-	12,700
<b>Commitments</b>					
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 31 December 2017 and 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				
	2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b><u>Financial assets and liabilities measured at fair value</u></b>					
Derivatives assets	2,518	2,518	-	2,518	-
Investments	174,031	174,031	6,244	167,787	-
Derivatives liabilities	2,511	2,511	-	2,511	-
<b><u>Non-financial assets measured at fair value</u></b>					
Land, premises and equipment - land	5,552	5,552	-	-	5,552
<b><u>Financial assets and liabilities for which fair value are disclosed</u></b>					
Cash	11,453	11,453	11,453	-	-
Interbank and money market items (assets)	95,918	95,918	7,571	55,998	32,349
Derivatives assets	371	529	-	529	-
Investments	4,672	10,467	-	356	10,111
Loans to customers	688,844	697,259	-	324,656	372,603
Receivables from purchase and sale of securities	3,127	3,127	-	3,127	-
Other assets - receivable from clearing house	343	343	-	343	-
Deposits	716,091	716,308	312,012	404,296	-
Interbank and money market items (liabilities)	82,343	82,345	18,581	46,920	16,844
Liability payable on demand	1,989	1,989	1,989	-	-
Derivatives liabilities	357	360	-	360	-
Debt issued and borrowings	51,596	53,388	-	53,388	-
Other liabilities - payables from purchase and sale of securities	2,259	2,259	-	2,259	-
Other liabilities - payable to clearing house	1,269	1,269	-	1,269	-

(Unit: Million Baht)

Consolidated financial statements					
2016					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b><u>Financial assets and liabilities measured at fair value</u></b>					
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	-
<b><u>Non-financial assets measured at fair value</u></b>					
Land, premises and equipment - land	5,925	5,925	-	-	5,925
<b><u>Financial assets and liabilities for which fair value are disclosed</u></b>					
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				
	2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b><u>Financial assets and liabilities measured at fair value</u></b>					
Investments	2,333	2,333	941	1,392	-
<b><u>Non-financial assets measured at fair value</u></b>					
Land, premises and equipment - land	18	18	-	-	18
<b><u>Financial assets and liabilities for which fair value are disclosed</u></b>					
Interbank and money market items (assets)	22	22	22	-	-
Investments	454	1,663	-	-	1,663
Loans to customers	725	725	-	713	12
Debt issued and borrowings	12,700	13,626	-	13,626	-

(Unit: Million Baht)

	Separate financial statements				
	2016				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<b><u>Financial assets and liabilities measured at fair value</u></b>					
Investments	1,750	1,750	890	860	-
<b><u>Non-financial assets measured at fair value</u></b>					
Land, premises and equipment - land	18	18	-	-	18
<b><u>Financial assets and liabilities for which fair value are disclosed</u></b>					
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                               | - | The fair value of marketable securities is based on the latest bid price of the last working day of the year.  |
|   | - | 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)
- 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
- 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
- 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
- The fair value is assumed to approximate their book values in the statement of financial position due to their short-term nature.
- Deposits
- 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)
- 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	- 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 year, 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 31 December 2017 and 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					
	2017			2016		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
Foreign exchange contracts						
- Bought	45,185	-	45,185	44,663	-	44,663
- Sold	53,209	-	53,209	56,983	-	56,983
Cross currency and interest rate swap contracts						
- Bought	1,412	2,415	3,827	699	4,218	4,917
- Sold	5,680	8,751	14,431	4,282	12,261	16,543
Interest rate swap contracts						
- Paid fixed interest rate	38,084	116,132	154,216	41,265	114,131	155,396
- Paid floating interest rate	39,358	98,641	137,999	40,070	115,181	155,251
- Received fixed interest rate	39,358	98,041	137,399	39,070	115,181	154,251
- Received floating interest rate	38,084	116,732	154,816	42,265	114,131	156,396
Future contracts						
- Bought	239	-	239	76	-	76
- Sold	1,668	-	1,668	1,587	-	1,587
Derivative warrant contracts						
- Sold	1	-	1	-	-	-
Other						
- Sold	396	-	396	50	-	50

## 52. Events after the reporting period

On 19 February 2018, the Board of Directors of the Company passed a resolution to propose to the Annual General Meeting of Shareholders 2018 for approval the payment of a dividend of Baht 1.30 per share, or a total of Baht 1,515 million, to the ordinary and preference shareholders.

## 53. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 19 February 2018.