

Thanachart Capital Public Company Limited
and its subsidiaries
Report and interim financial statements
31 March 2018

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Thanachart Capital Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Thanachart Capital Public Company Limited and its subsidiaries as at 31 March 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Thanachart Capital Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

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

Conclusion

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

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 10 May 2018

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position

As at 31 March 2018

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Note	31 March 2018	31 December 2017	31 March 2018	31 December 2017
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Assets					
Cash		9,272,436	11,453,283	10	-
Interbank and money market items - net		112,746,257	95,918,183	18,400	22,346
Derivatives assets	3	4,013,668	2,889,208	-	-
Investments - net	4	159,297,714	178,702,646	2,140,151	2,787,420
Investments in subsidiary and associated companies - net	5	2,784,070	2,827,333	33,822,462	33,822,462
Loans to customers and accrued interest receivables	6				
Loans to customers		770,900,539	767,889,652	956,194	806,749
Accrued interest receivables		579,132	601,200	1	2
Total loans to customers and accrued interest receivables		771,479,671	768,490,852	956,195	806,751
Less: Deferred revenue		(57,207,888)	(55,128,589)	(2,159)	(1,951)
Allowance for doubtful accounts	7	(25,230,574)	(24,517,149)	(82,259)	(79,899)
Revaluation allowance for debt restructuring	8	(770)	(977)	-	-
Net loans to customers and accrued interest receivables		689,040,439	688,844,137	871,777	724,901
Customers' liability under acceptances		10,394	9,824	-	-
Property foreclosed - net		4,771,543	4,747,089	708,835	708,943
Land, premises and equipment - net		8,432,859	8,677,958	43,119	45,502
Intangible assets - net		2,170,719	2,263,007	840	873
Goodwill		17,677,253	17,636,604	-	-
Deferred tax assets		919,236	908,093	-	-
Receivables from purchase and sale of securities		7,408,296	3,126,780	-	-
Accrued interest and dividend receivables		976,629	741,618	88,826	3,253
Other assets - net	10	6,598,426	6,779,160	37,208	33,797
Total assets		1,026,119,939	1,025,524,923	37,731,628	38,149,497

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 March 2018

		(Unit: Thousand Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Note	31 March 2018	31 December 2017	31 March 2018	31 December 2017
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and equity					
Deposits		701,028,382	716,091,089	-	-
Interbank and money market items	11	81,183,992	82,342,804	-	-
Liability payable on demand		2,738,462	1,988,656	-	-
Derivatives liabilities	3	3,185,592	2,867,633	-	-
Debts issued and borrowings	12	53,628,883	51,595,578	12,200,000	12,700,000
Bank's liability under acceptances		10,394	9,824	-	-
Provisions	13	4,033,733	3,679,324	26,197	25,888
Deferred tax liabilities		1,191,298	1,323,465	143,447	149,488
Accrued interest payables		2,793,781	2,453,222	199,577	98,371
Insurance contracts liabilities	14	14,703,846	14,641,100	-	-
Payables from purchase and sale of securities		13,631,636	2,258,566	-	-
Other liabilities	15	14,095,372	16,203,390	293,171	302,084
Total liabilities		892,225,371	895,454,651	12,862,392	13,275,831

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 March 2018

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Note				
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Equity				
Share capital	16			
Registered, issued and paid-up				
13,216 preferred shares of Baht 10 each	132	132	132	132
1,206,466,487 common shares of Baht 10 each	12,064,665	12,064,665	12,064,665	12,064,665
	12,064,797	12,064,797	12,064,797	12,064,797
Premium on common share	2,065,645	2,065,645	2,065,645	2,065,645
Other components of equity	17	3,067,410	570,082	593,864
Retained earnings				
Appropriated - statutory reserve	1,277,830	1,277,830	1,277,830	1,277,830
- treasury share reserve	1,399,914	1,399,914	1,399,914	1,399,914
Unappropriated	45,445,869	43,544,720	8,890,882	8,871,530
Less: Treasury shares - common shares	16	(1,399,914)	(1,399,914)	(1,399,914)
Equity attributable to owners of the Company		63,893,427	24,869,236	24,873,666
Non-controlling interests		70,001,141	-	-
Total equity		133,894,568	24,869,236	24,873,666
Total liabilities and equity		1,026,119,939	37,731,628	38,149,497

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

Directors

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income

For the three-month period ended 31 March 2018

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

Note	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Profit or loss				
Interest income	11,330,476	10,848,638	17,367	20,722
Interest expenses	(3,874,120)	(3,761,972)	(142,140)	(144,271)
Net interest income	7,456,356	7,086,666	(124,773)	(123,549)
Fees and service income	2,607,780	2,238,031	44	124
Fees and service expenses	(902,189)	(797,701)	(20)	(21)
Net fees and service income	1,705,591	1,440,330	24	103
Gains on trading and foreign exchange transactions	152,498	184,687	-	-
Gains on investments	467,270	190,753	18,166	4,930
Share of profit from investments accounted for under equity method	77,554	75,499	-	-
Insurance/Life insurance income	1,931,841	1,735,471	-	-
Dividend income	93,533	89,195	162,955	254,729
Other operating income	355,548	318,003	12,631	24,294
Total operating income	12,240,191	11,120,604	69,003	160,507
Insurance expenses	(1,263,647)	(1,168,009)	-	-
Net operating income	10,976,544	9,952,595	69,003	160,507
Other operating expenses				
Employee's expenses	2,944,014	3,073,609	30,017	33,028
Directors' remuneration	12,323	10,512	3,550	3,312
Premises and equipment expenses	648,884	710,857	5,022	5,040
Taxes and duties	180,126	186,856	423	811
Losses (gains) on property foreclosed and other assets	17,100	21,441	(2,436)	49,991
Other expenses	1,642,203	1,462,691	11,048	12,139
Total other operating expenses	5,444,650	5,465,966	47,624	104,321
Impairment loss of loans and debt securities (reversal)	1,431,474	852,050	2,122	(4,064)
Profit before income tax	4,100,420	3,634,579	19,257	60,250
Income tax	(187,671)	(317,100)	95	(205)
Profit for the period	3,912,749	3,317,479	19,352	60,045

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the three-month period ended 31 March 2018

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

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
Other comprehensive income	26				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale investments		(38,827)	375,450	(29,728)	(18,390)
Share of other comprehensive income (loss) of an associate		5,098	(18,372)	-	-
Income tax relating to components of other comprehensive income (loss)		7,664	(73,702)	5,946	3,678
		(26,065)	283,376	(23,782)	(14,712)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Share of other comprehensive loss of an associate		(158)	-	-	-
Income tax relating to components of other comprehensive income (loss)		(2)	-	-	-
		(160)	-	-	-
Total other comprehensive income (loss)		(26,225)	283,376	(23,782)	(14,712)
Total comprehensive income (loss)		<u>3,886,524</u>	<u>3,600,855</u>	<u>(4,430)</u>	<u>45,333</u>
Profit attributable to					
The Company		1,898,684	1,602,290	19,352	60,045
Non-controlling interests		2,014,065	1,715,189	-	-
		<u>3,912,749</u>	<u>3,317,479</u>	<u>19,352</u>	<u>60,045</u>
Total comprehensive income (loss) attributable to					
The Company		1,873,025	1,730,137	(4,430)	45,333
Non-controlling interests		2,013,499	1,870,718	-	-
		<u>3,886,524</u>	<u>3,600,855</u>	<u>(4,430)</u>	<u>45,333</u>
Earnings per share of the Company					
	27				
Basic earnings per share (Baht per share)		1.63	1.38	0.02	0.05
Diluted earnings per share (Baht per share)		1.63	1.38	0.02	0.05

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows

For the three-month period ended 31 March 2018

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
Cash flows from operating activities				
Profit before income tax	4,100,420	3,634,579	19,257	60,250
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	(77,554)	(75,499)	-	-
Depreciation and amortisation	364,313	394,619	4,514	3,913
Impairment loss of loans and debt securities (reversal)	1,431,474	852,050	2,122	(4,064)
Increase in provisions	556,349	297,546	309	1,152
Increase (decrease) in allowance for impairment of property foreclosed	59,207	42,325	(1,114)	48,559
Increase (decrease) in allowance for impairment of equipment/other assets	6,309	25,426	(11)	(4)
Unrealised loss (gain) from change in value of investments/ allowance for impairment of investments	28,055	(34,657)	-	-
Unrealised loss on exchange	432,112	355,494	-	-
Loss (gain) on disposal of premises and equipment/intangible assets	(3,182)	3,801	(1,321)	(37)
Decrease (increase) in accrued other income receivable	5,700	219,131	(1,979)	(2,256)
	6,903,203	5,714,815	21,777	107,513
Net interest income	(7,456,356)	(7,086,666)	124,773	123,549
Dividend income	(93,533)	(89,195)	(162,955)	(254,729)
Cash received from interest on operating activities	10,707,413	10,168,951	10,868	15,165
Cash paid for interest on operating activities	(3,930,052)	(3,460,156)	-	-
Cash paid for income tax	(100,168)	(98,832)	(469)	(540)
Income from operating activities before changes in operating assets and liabilities (loss)	6,030,507	5,148,917	(6,006)	(9,042)

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the three-month period ended 31 March 2018

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
Cash flows from operating activities (continued)				
Decrease (increase) in operating assets				
Interbank and money market items	(17,066,574)	9,303,366	3,966	9,662
Derivatives assets	774,504	974,689	-	-
Investments in trading securities	941,773	(2,478,711)	-	-
Loans to customers	(3,458,547)	5,856,478	(147,984)	253,724
Property foreclosed	1,207,669	1,271,289	180	1,050
Receivables from purchase and sale of securities	(4,281,516)	(2,872,575)	-	-
Other assets	103,523	1,296,389	(3,975)	(4,009)
Increase (decrease) in operating liabilities				
Deposits	(15,062,707)	(547,250)	-	-
Interbank and money market items	(972,253)	(5,710,091)	-	-
Liability payable on demand	749,806	31,278	-	-
Derivatives liabilities	(875,714)	(1,066,299)	-	-
Payable from purchase and sales of securities	11,373,070	7,211,245	-	-
Insurance contract liabilities	62,746	358,381	-	-
Other liabilities	(1,700,870)	(1,095,261)	(8,914)	(28,897)
Net cash flows from (use in) operating activities	(22,174,583)	17,681,845	(162,733)	222,488
Cash flows from investing activities				
Decrease (increase) in investments in securities	17,855,450	(23,778,033)	618,225	(361,280)
Cash received from interest	633,467	1,049,395	1,072	2,280
Cash received from dividend	40,376	22,061	82,134	176,052
Cash paid for purchase of premises and equipment/ intangible assets	(56,729)	(74,298)	(53)	-
Cash received from disposal of premises and equipment	4,981	5,938	1,820	37
Net cash flows from (use in) investing activities	18,477,545	(22,774,937)	703,198	(182,911)

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the three-month period ended 31 March 2018

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
Cash flows from financing activities				
Cash received from debts issued and borrowings	3,457,500	3,573,265	-	-
Cash paid for debts issued and borrowings	(1,424,195)	(408,924)	(500,000)	-
Cash paid for interest expenses on debts issued and borrowings	(454,886)	(586,313)	(40,455)	(39,567)
Cash paid for dividend to non-controlling interests	(62,228)	(8,880)	-	-
Net cash flows from (use in) financing activities	1,516,191	2,569,148	(540,455)	(39,567)
Net increase (decrease) in cash	(2,180,847)	(2,523,944)	10	10
Cash at beginning of the period	11,453,283	12,077,047	-	-
Cash at end of the period	9,272,436	9,553,103	10	10

Supplemental cash flows information

Non-cash transactions

Property foreclosed transferred from loans to customers

and investments in receivables purchased

1,220,866 1,122,186 - -

Bad debt written off

926,973 1,479,346 - -

Payable from purchase of assets

36,448 23,114 - -

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity

For the three-month period ended 31 March 2018

(Unit: Thousand Baht)

Consolidated financial statements																
Equity attributable to the Company's shareholders																
Other components of equity																
	Issued and		Premium on common share of a subsidiary	Amount by which the value of investment in subsidiary lower than attributable net book value			Revaluation surplus on investments - net	Revaluation surplus on an assets	Share of other comprehensive income (loss) of an associate	Share of surplus from the change in the ownership interests in subsidiaries of an associate	Retained earnings			Treasury shares	Non-controlling interests	Total
	Preferred shares	Common shares		in subsidiary lower than attributable net book value	Revaluation surplus on investments - net	Revaluation surplus on an assets					Share of other comprehensive income (loss) of an associate	Share of surplus from the change in the ownership interests in subsidiaries of an associate	Appropriated			
	Preferred shares	Common shares	Share of a subsidiary	in subsidiary lower than attributable net book value	Revaluation surplus on investments - net	Revaluation surplus on an assets	Share of other comprehensive income (loss) of an associate	Share of surplus from the change in the ownership interests in subsidiaries of an associate	Share of surplus from the change in the ownership interests in subsidiaries of an associate	Statutory reserve	Treasury shares reserve	Unappropriated	Treasury shares	Non-controlling interests	Total	
Balance as at 1 January 2017	132	12,064,665	2,065,645	775,814	226,460	389,880	664,875	392,875	-	1,277,830	1,399,914	39,032,705	(1,399,914)	62,960,488	119,851,369	
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,814)	(8,814)	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,602,290	-	1,715,189	3,317,479	
Other comprehensive income for the period (loss)	-	-	-	-	-	145,624	-	(17,777)	-	-	-	-	-	155,529	283,376	
Balance as at 31 March 2017	132	12,064,665	2,065,645	775,814	226,460	535,504	664,875	375,098	-	1,277,830	1,399,914	40,634,995	(1,399,914)	64,822,392	123,443,410	
Balance as at 1 January 2018	132	12,064,665	2,065,645	775,814	226,460	977,914	641,547	385,956	59,719	1,277,830	1,399,914	43,544,720	(1,399,914)	68,049,870	130,070,272	
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(62,228)	(62,228)	
Transfer to retained earnings	-	-	-	-	-	-	(2,465)	-	-	-	-	2,465	-	-	-	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,898,684	-	2,014,065	3,912,749	
Other comprehensive income for the period (loss)	-	-	-	-	-	(27,175)	-	1,516	-	-	-	-	-	(566)	(26,225)	
Balance as at 31 March 2018	132	12,064,665	2,065,645	775,814	226,460	950,739	639,082	387,472	59,719	1,277,830	1,399,914	45,445,869	(1,399,914)	70,001,141	133,894,568	

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

(Unaudited but reviewed)

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the three-month period ended 31 March 2018

(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	Revaluation	Revaluation	Appropriated			Treasury shares	Total
				surplus on investments - net	surplus on assets	Statutory reserve	Treasury shares reserve	Unappropriated		
Balance as at 1 January 2017	132	12,064,665	2,065,645	490,247	12,278	1,277,830	1,399,914	8,940,189	(1,399,914)	24,850,986
Profit for the period	-	-	-	-	-	-	-	60,045	-	60,045
Other comprehensive income for the period (loss)	-	-	-	(14,712)	-	-	-	-	-	(14,712)
Balance as at 31 March 2017	<u>132</u>	<u>12,064,665</u>	<u>2,065,645</u>	<u>475,535</u>	<u>12,278</u>	<u>1,277,830</u>	<u>1,399,914</u>	<u>9,000,234</u>	<u>(1,399,914)</u>	<u>24,896,319</u>
Balance as at 1 January 2018	132	12,064,665	2,065,645	581,586	12,278	1,277,830	1,399,914	8,871,530	(1,399,914)	24,873,666
Profit for the period	-	-	-	-	-	-	-	19,352	-	19,352
Other comprehensive income for the period (loss)	-	-	-	(23,782)	-	-	-	-	-	(23,782)
Balance as at 31 March 2018	<u>132</u>	<u>12,064,665</u>	<u>2,065,645</u>	<u>557,804</u>	<u>12,278</u>	<u>1,277,830</u>	<u>1,399,914</u>	<u>8,890,882</u>	<u>(1,399,914)</u>	<u>24,869,236</u>

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

Thanachart Capital Public Company Limited and its subsidiaries
Notes to interim financial statements
For the three-month period ended 31 March 2018

1. General information

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

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

2. Basis of preparation of the financial statements

2.1 Basis of preparation of the interim financial statements

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

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

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

2.2 Basis of preparation of the interim consolidated financial statements

- a) The interim consolidated financial statements were prepared on the same basis as the consolidated financial statements for the year ended 31 December 2017, and there were no changes in shareholding structure during this period. Therefore, the interim consolidated financial statements included the financial statements of the Company and the following subsidiary companies.

	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	<u>Subsidiaries directly held by the Company</u>			
Thanachart Bank Plc.	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	100.00	100.00	-	-
Max Asset Management Co., Ltd.	83.44	83.44	-	-
NASSET Property Fund 6	99.80	99.80	0.06	0.06
MBK Life Assurance Plc.	51.00	51.00	-	-
TM Broker Co., Ltd.	51.00	51.00	-	-
MT Service 2016 Co., Ltd.	51.00	51.00	-	-
<u>Subsidiaries indirectly held by the Company</u>				
Thanachart Securities Plc.	-	-	100.00	100.00
Thanachart Insurance Plc.	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	-	-	100.00	100.00
TS Asset Management Co., Ltd.	-	-	100.00	100.00
Ratchthani Leasing Plc.	-	-	65.18	65.18
National Leasing Co., Ltd.	-	-	100.00	100.00
Security Scib Services Co., Ltd.	-	-	100.00	100.00

- b) Total assets and net operating income of the subsidiaries that have significant impact to and are included in the consolidated financial statements as at 31 March 2018 and 31 December 2017 and for the three-month periods ended 31 March 2018 and 2017, after eliminating significant intercompany transactions, are as follows:

(Unit: Million Baht)

	Total assets		Net operating income for the three-month periods ended 31 March	
	31 March	31 December		
	2018	2017	2018	2017
Thanachart Bank Plc.	940,703	942,889	8,308	7,787
MBK Life Assurance Plc.	10,180	9,996	15	33
Thanachart Insurance Plc.	13,179	12,749	818	734
Thanachart Securities Plc.	11,853	11,447	547	476
TS Asset Management Co., Ltd.	2,428	2,528	20	51
Ratchthani Leasing Plc.	41,584	39,019	681	564
NFS Asset Management Co., Ltd.	1,306	1,182	4	7

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

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

2.4 New financial reporting standards

a) Financial reporting standards that became effective in the current year

During the period, the Company and its subsidiaries have adopted the 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 adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

b) Financial reporting standard that will become effective in the future

During the period, the Federation of Accounting Professions issued the financial reporting standard TFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on or after 1 January 2019. Key principles of this standard are summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes TAS 11 Construction Contracts and TAS 18 Revenue, together with related Interpretations. Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

At present, the management of the Company and its subsidiaries is evaluating the impact of this standard to the financial statements in the year when it is adopted.

2.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2017.

3. Derivatives

As at 31 March 2018 and 31 December 2017, the notional amount and the fair value of trading derivatives, and the adjustments made on an accrual basis for hedging derivatives (banking book), were classified by type of risk as follows:

(Unit: Million Baht)

Types of risk	Consolidated financial statements					
	31 March 2018			31 December 2017		
	Fair value/Adjustments on an accrual basis		Notional amount*	Fair value/Adjustments on an accrual basis		Notional amount*
	Assets	Liabilities		Assets	Liabilities	
Foreign exchange rate						
Derivatives for trading	1,023	991	109,508	530	585	85,137
Derivatives for banking book	415	66	12,083	128	32	9,592
Interest rate						
Derivatives for trading	1,774	1,731	267,628	1,848	1,785	271,684
Derivatives for banking book	-	-	20,530	-	-	20,530
Foreign exchange rate and interest rate						
Derivatives for trading	286	288	7,744	139	138	7,931
Derivatives for banking book	515	106	15,925	243	325	10,425
Others						
Derivatives for trading	1	4	2,064	1	3	2,303
Total	4,014	3,186	435,482	2,889	2,868	407,602

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

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

4. Investments

4.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	31 March 2018		31 December 2017		31 March 2018		31 December 2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
Trading securities								
Government and state								
enterprises securities	10,139	10,146	11,487	11,500	-	-	-	-
Private debt securities	5,314	5,535	5,135	5,364	-	-	-	-
Domestic marketable								
equity securities	1,976	1,912	1,748	1,713	-	-	-	-
	17,429	17,593	18,370	18,577	-	-	-	-
Add: Allowance for change in value	164		207		-		-	
Net	17,593		18,577		-		-	
Available-for-sale securities								
Government and state								
enterprises securities	96,100	96,414	114,299	114,495	50	50	497	497
Private debt securities	18,792	19,082	25,025	25,373	636	645	686	695
Foreign debt securities	15,804	15,743	10,441	10,430	-	-	-	-
Domestic marketable								
equity securities	3,999	5,151	3,350	4,531	224	913	224	941
Unit trusts	491	486	610	625	80	79	199	200
	135,186	136,876	153,725	155,454	990	1,687	1,606	2,333
Add: Allowance for change in value	1,690		1,729		697		727	
Net	136,876		155,454		1,687		2,333	
Held-to-maturity debt securities								
Government and state								
enterprises securities	218	224	43	49	-	-	-	-
Private debt securities	240	272	240	273	-	-	-	-
Investment in receivables								
purchased	935	1,668	956	1,710	527	1,112	529	1,132
	1,393	2,164	1,239	2,032	527	1,112	529	1,132
Less: Allowance for impairment	(239)		(239)		(125)		(126)	
Net	1,154		1,000		402		403	

(Unaudited but reviewed)

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	31 March 2018		31 December 2017		31 March 2018		31 December 2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
General investment								
Domestic non-marketable								
equity securities	3,684		3,681		76		76	
Foreign non-marketable								
equity securities	1		1		-		-	
Unit trusts	25		25		-		-	
	<u>3,710</u>		<u>3,707</u>		<u>76</u>		<u>76</u>	
Less: Allowance for								
impairment	(35)		(35)		(25)		(25)	
Net	<u>3,675</u>		<u>3,672</u>		<u>51</u>		<u>51</u>	
Total investments - net	<u>159,298</u>		<u>178,703</u>		<u>2,140</u>		<u>2,787</u>	

4.2 Investments in receivables purchased

Investments in receivables purchased are loans receivable purchased through bidding from local financial institutions. The outstanding balances of loans receivable as at 31 March 2018 and 31 December 2017 can be summarised as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Investments in receivables purchased	935	956	527	529
Less: Allowance for impairment	(239)	(239)	(125)	(126)
Investments in receivables purchased - net	<u>696</u>	<u>717</u>	<u>402</u>	<u>403</u>

(Unaudited but reviewed)

	31 March 2018				31 December 2017					
	Number	Balance		Yield	Number	Balance		Yield		
	of	per	Purchase		of	per	Purchase			
	debtors	agreement	price	debtors	agreement	price	debtors	agreement	price	Yield
	Million	Million	Percent		Million	Million	Percent			
	Baht	Baht			Baht	Baht				
<u>Consolidated financial statements</u>										
Total accumulated investments										
in receivables purchased	2,938	33,611	7,845	1.75 - 18.97	2,938	33,611	7,845	1.75 - 18.97		
Outstanding investments in										
receivables purchased as at										
the end of the period	304	8,192	935		307	8,240	956			
<u>Separate financial statements</u>										
Total accumulated investments										
in receivables purchased	691	8,190	1,937	11.94 - 18.97	691	8,190	1,937	11.94 - 18.97		
Outstanding investments in										
receivables purchased as at										
the end of the period	193	4,752	527		193	4,752	529			

During the three-month period ended 31 March 2018, the Company and its subsidiaries have not entered into debt restructuring agreement with debtors (for the three-month period ended 31 March 2017: the Company entered into debt restructuring agreement from its investment in 2 debtors with book balances before restructuring amounting to Baht 7 million, by means of modification of repayment conditions. There were no losses on debt restructuring, where by the receivables are due in full within the year 2017).

Restructured receivables are transferred to the loans account on the debt restructuring agreement date, in accordance with the BOT's regulations. They are transferred at their book value, which is considered to be fair value. Therefore, as at 31 March 2018 and 31 December 2017, there was no outstanding restructured receivables in the investments in receivables purchased account.

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

As at 31 March 2018 and 31 December 2017, 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		
31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
Investments in receivables purchased								
1. Companies which have loan settlement problems or have defaulted on the repayment	113	114	727	729	1,276	1,295	147	147

Separate financial statements								
Number of debtors		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts		
31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
Investments in receivables purchased								
1. Companies which have loan settlement problems or have defaulted on the repayment	65	65	391	392	892	913	58	58

5. Investments in subsidiary and associated companies

5.1 Separate financial statements

As at 31 March 2018 and 31 December 2017, 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	
	31 March	31 December	31 March	31 December	31 March	31 December	for the three-month periods ended 31 March	
	2018	2017	2018	2017	2018	2017	2018	2017
<u>Subsidiary companies</u>								
Thanachart Bank Plc.	60,649	60,649	50.96	50.96	31,866	31,866	-	-
NFS Asset Management Co., Ltd.	700	700	100.00	100.00	700	700	42	129
MBK Life Assurance Plc.	700	700	51.00	51.00	460	460	-	-
Max Asset Management Co., Ltd.	143	143	83.44	83.44	117	117	38	45
NASSET Property Fund 6	121	121	99.80	99.80	48	48	-	-
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	10.00	596	596	63	62
Total investments in subsidiary and associated companies					33,823	33,823	143	236

5.2 Consolidated financial statements

As at 31 March 2018 and 31 December 2017, 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		Share of profit		Share of other comprehensive income	
	31 March	31 December	31 March	31 December	Cost method ⁽¹⁾		Equity method		for the three-month periods ended		for the three-month periods ended		for the three-month periods ended	
	2018	2017	2018	2017	March	December	March	December	31 March		31 March		31 March	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
MBK Plc. (operating in property rental, hotel and services businesses)	1,708	1,708	19.90	19.90	861	861	2,784	2,827	126	124	78	75	5	(18)
Total investment in an associated company					861	861	2,784	2,827	126	124	78	75	5	(18)

(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.

5.3 Summarised financial information of an associated company

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

Paid-up share capital		Total assets ⁽¹⁾		Total liabilities ⁽¹⁾		Total income for the three-month periods ended		Profit for the three-month periods ended		Other comprehensive income for the three-month periods ended	
31 December 2017	30 September 2017	31 December 2017	30 September 2017	31 December 2017	30 September 2017	31 December		31 December		31 December ⁽¹⁾	
						2017	2016	2017	2016	2017	2016
1,708	1,708	48,983	46,668	24,854	23,830	2,863	2,717	529	553	819	233

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

The share of profit from investment in MBK Plc. accounted for under the equity method was determined based on financial statements of MBK Plc. that were prepared for periods different from those of the Company, due to limited information available. However, they are financial statements prepared for the same length of time and based on the principle of consistency. Therefore, share of profit of the associate under the equity method for the three-month period ended 31 March 2018 was determined based on financial statements that were prepared with reference to financial statements for the three-month period ended 31 December 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 profit for the three-month period ended 31 December 2017 is not materially different from the profit for the three-month period ended 31 March 2018.

- b) Fair value of investment in an associated company

As at 31 March 2018 and 31 December 2017, the fair value of investment in an associated company which is listed on the Stock Exchange of Thailand is as follows:

	Consolidated financial statements		Separate financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
MBK Plc.	7,851	6,560	3,945	3,296

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
<u>Loans to customers</u>				
Overdrafts	16,369	16,668	-	-
Loans	261,860	263,062	46	48
Notes receivables	48,430	56,185	861	711
Hire purchase receivables	437,585	425,996	49	48
Financial lease receivables	1,678	1,710	-	-
Others	152	153	-	-
Less: Deferred revenues	(57,208)	(55,129)	(2)	(2)
Total loans to customers net of deferred revenues	708,866	708,645	954	805
Add: Accrued interest receivables	579	601	-	-
Total loans to customers and accrued interest receivables net of deferred revenues	709,445	709,246	954	805
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(8,731)	(8,446)	(82)	(80)
- Collective approach	(6,265)	(5,820)	-	-
2) Excess provision	(10,221)	(10,237)	-	-
Less: Revaluation allowance for debt restructuring	(1)	(1)	-	-
Loans to customers and accrued interest receivables - net	684,227	684,742	872	725
<u>Securities business receivables</u>				
Credit balances receivables	4,809	4,101	-	-
Other receivables	18	15	-	-
Total securities business receivables	4,827	4,116	-	-
Less: Allowance for doubtful accounts	(14)	(14)	-	-
Securities business receivables - net	4,813	4,102	-	-
Total loans to customers and accrued interest receivables - net	689,040	688,844	872	725

6.2 Non-performing loans

As at 31 March 2018 and 31 December 2017, the Company and its subsidiaries (banking, securities and asset management businesses) had non-performing loans classified in accordance with the Notification of the BOT and SEC (debtors classified as substandard, doubtful and doubtful of loss) as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Non-performing loans (excluding accrued interest receivables)				
The Company	86	85	86	85
Banking business	15,371	14,384	-	-
Asset management business	2,768	2,744	-	-
Securities business	14	14	-	-

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

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
The Company	86	85	86	85
Banking business	21,784	21,362	-	-
Securities business	14	14	-	-

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

6.3 Debt restructuring

During the three-month periods ended 31 March 2018 and 2017, The subsidiaries (banking and asset management businesses) have entered into debt restructuring agreements with their debtors as follows:

Consolidated financial statements					
For the three-month periods ended 31 March					
Type of restructuring	Number of debtors	Outstanding balances before restructuring ⁽¹⁾ Million Baht	Outstanding balances after restructuring ⁽¹⁾ Million Baht	Type of assets to be transferred	Fair value of assets to be transferred under agreement Million Baht
2018					
Modification of repayment conditions	262	512	512		
Total	262	512	512		
2017					
Modification of repayment conditions	357	480	480		
Transfer of assets and/or common shares and/or modification of repayment conditions	1	7	7	Land and premise thereon	7
Total	358	487	487		

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

Counting from the end of the period, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the three-month periods ended 31 March 2018 and 2017, are summarised below.

Consolidated financial statements				
For the three-month periods ended 31 March				
Periods	2018		2017	
	Number of debtors	Outstanding balances after restructuring Million Baht	Number of debtors	Outstanding balances after restructuring Million Baht
Past due after restructuring	28	50	25	8
Due within the year	47	117	75	164
Less than 5 years	107	132	163	121
5 - 10 years	48	117	71	109
10 - 15 years	8	33	11	47
Over 15 years	24	63	13	38
Total	262	512	358	487

Supplemental information for the three-month periods ended 31 March 2018 and 2017 relating to restructured loans is as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Interest income recognised in the statements of comprehensive income	161	182	-	-
Gain on debt settlement/assets transferred for debt settlement	17	12	-	11
Cash repayment from receivables	705	978	1	18
Property foreclosed received for debts settlement	3	9	-	-

As at 31 March 2018 and 31 December 2017, the Company and its subsidiaries have the following restructured receivables balances (principal and accrued interest receivable):

	Restructured receivables						
	Number of receivables		Outstanding balances		Outstanding balances, net of collateral		
	31	31	31	31	31	31	
	March	December	March	December	March	December	
2018		2017		2018		2017	
		Million Baht		Million Baht		Million Baht	
Thanachart Capital Plc.	17	17	29	30	17	17	
Thanachart Bank Plc.	7,829	8,465	8,105	8,240	1,770	1,772	
TS Asset Management Co., Ltd.	231	238	2,531	2,580	1,664	1,771	
Other subsidiaries	101	100	279	319	127	118	

6.4 Classified by classification

As at 31 March 2018 and 31 December 2017, the Company and its financial institution subsidiaries (banking and asset management businesses) classified and made allowances against their loans in accordance with the BOT's guidelines as summarised below.

(Unit: Million Baht)

Consolidated financial statements ⁽¹⁾						
	31 March 2018			31 December 2017		
	Net balance			Net balance		
	Loans and	used in making		Loans and	used in making	
	accrued	allowance for	Allowance	accrued	allowance for	Allowance
	interest	doubtful	for doubtful	interest	doubtful	for doubtful
	receivables	accounts	accounts	receivables	accounts	accounts
Normal	621,358	412,669	3,671	624,843	416,560	3,311
Special mention	26,422	24,198	2,163	26,308	23,844	2,336
Substandard	4,159	2,204	1,498	5,960	2,998	2,241
Doubtful	4,960	2,433	1,727	2,674	1,491	823
Doubtful of loss	9,110	4,372	3,774	8,582	4,111	3,473
Total	666,009	445,876	12,833	668,367	449,004	12,184
Additional allowance for possible uncollectible accounts			10,001			10,017
Total			22,834			22,201

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

(Unit: Million Baht)

Separate financial statements						
	31 March 2018			31 December 2017		
	Net balance			Net balance		
	Loans and	used in making		Loans and	used in making	
	accrued	allowance for	Allowance	accrued	allowance for	Allowance
	interest	doubtful	for doubtful	interest	doubtful	for doubtful
	receivables	accounts	accounts	receivables	accounts	accounts
Normal	865	857	8	716	707	7
Special mention	3	-	-	4	-	-
Substandard	-	-	-	-	-	-
Doubtful	1	-	-	1	-	-
Doubtful of loss	85	74	74	84	73	73
Total	954	931	82	805	780	80

	Percentage of allowance for doubtful account set up			
	Hire purchase receivables - personal			
	consumer of Thanachart Bank ⁽²⁾		Other loans	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Normal	0.85	0.71	1	1
Special mention	9.15	10.03	2	2
Substandard	42.97	40.67	100	100
Doubtful	40.69	39.66	100	100
Doubtful of loss	47.05	40.60	100	100

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

6.5 Loans to companies which have settlement problems

As at 31 March 2018 and 31 December 2017, loans of the Company and its subsidiaries (which engaged in banking business, asset management business, hire purchase and financial lease businesses) in the consolidated financial statements and the separate financial statements included amounts due from companies with weak financial positions and poor operating results, as follows:

	Consolidated financial statements							
							Allowance for doubtful accounts provided in the accounts	
	Number of debtors		Debt balances		Collateral value			
	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
1. Listed companies possible to delisting from the SET	5	4	205	205	1	1	3	2
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	34	32	558	554	310	310	248	245
3. Companies which have loan settlement problems or have defaulted on the repayment	1,017	1,035	8,236	8,262	4,556	4,634	3,923	3,874

Separate financial statements

	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Companies which have loan settlement problems or have defaulted on the repayment	19	20	16	16	14	11	10	10

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

As at 31 March 2018 and 31 December 2017, a subsidiary company operating in the securities business classified securities business receivables and accrued interest receivables in accordance with the Notification of the Securities and Exchange Commission (“SEC”) governing accounting for the non-performing debts of securities companies as follows:

(Unit: Million Baht)

	31 March 2018			31 December 2017		
	Debt balances	Allowance for doubtful accounts	Debt balances net of allowance for doubtful accounts	Debt balances	Allowance for doubtful accounts	Debt balances net of allowance for doubtful accounts
Normal	4,813	-	4,813	4,102	-	4,102
Substandard	1	1	-	1	1	-
Doubtful	13	13	-	13	13	-
Total	4,827	14	4,813	4,116	14	4,102

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

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

As at 31 March 2018 and 31 December 2017, hire purchase and financial lease receivables balances of subsidiary companies engaged in hire purchase and financial lease businesses are classified by the due date of the contracts (after elimination) as follows:

(Unit: Million Baht)

	31 March 2018	31 December 2017
Current or overdue not over 90 days	41,305	38,793
Overdue 91 - 365 days	828	811
Overdue more than 1 year	164	168
Debtors under legal actions	719	679
Total	43,016	40,451
Allowance for doubtful accounts provided in the accounts	2,381	2,301

7. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements

For the three-month period ended 31 March 2018

The Company and subsidiary companies which are financial institutions

	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Excess provision	Total	Other subsidiary companies	Consolidated
Balance - beginning of the period	3,311	2,336	2,241	823	3,473	10,017	22,201	2,316	24,517
Increase (decrease) during the period	360	(173)	(743)	904	1,039	(16)	1,371	93	1,464
Bad debts recovery	-	-	-	-	174	-	174	3	177
Bad debts written-off	-	-	-	-	(912)	-	(912)	(15)	(927)
Balance - end of the period	3,671	2,163	1,498	1,727	3,774	10,001	22,834	2,397	25,231

(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)
Balance - end of the year	3,311	2,336	2,241	823	3,473	10,017	22,201	2,316	24,517

(Unaudited but reviewed)

(Unit: Million Baht)

	Separate financial statements					Total
	For the three-month period ended 31 March 2018					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	
Balance - beginning of the period	7	-	-	-	73	80
Increase during the period	1	-	-	-	1	2
Balance - end of the period	8	-	-	-	74	82

(Unit: Million Baht)

	Separate financial statements					Total
	For the year ended 31 December 2017					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	
Balance - beginning of the year	10	-	-	-	76	86
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

8. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the	For the	For the	For the
	three-month period ended 31 March 2018	year ended 31 December 2017	three-month period ended 31 March 2018	year ended 31 December 2017
Balance - beginning of the period/year	1	2	-	-
Amortised during the period/year	-	(1)	-	-
Balance - end of the period/year	1	1	-	-

9. Classification of assets

As at 31 March 2018 and 31 December 2017, the quality of assets of the Company and its financial institution subsidiaries (banking and asset management businesses) classified in accordance with the announcements of the Bank of Thailand are as follows:

(Unit: Million Baht)

Consolidated financial statements						
31 March 2018						
	Interbank and money market items	Loans to customers and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	91,831	621,358	-	-	208	713,397
Special mention	-	26,422	-	-	115	26,537
Substandard	-	4,159	-	-	10	4,169
Doubtful	-	4,960	-	-	9	4,969
Doubtful of loss	-	9,110	487	1,821	403	11,821
Total	91,831	666,009	487	1,821	745	760,893

(Unit: Million Baht)

Consolidated financial statements						
31 December 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

(Unaudited but reviewed)

(Unit: Million Baht)

Separate financial statements						
31 March 2018						
	Loans to customers and			Property		
	Interbank and	accrued				
	money market	interest		foreclosed	Other assets	Total
	items	receivables	Investments			
Normal	-	865	-	-	-	865
Special mention	-	3	-	-	-	3
Substandard	-	-	-	-	-	-
Doubtful	-	1	-	-	-	1
Doubtful of loss	-	85	151	1,307	104	1,647
Total	-	954	151	1,307	104	2,516

(Unit: Million Baht)

Separate financial statements						
31 December 2017						
	Loans to customers and			Property		
	Interbank and	accrued				
	money market	interest		foreclosed	Other assets	Total
	items	receivables	Investments			
Normal	-	716	-	-	-	716
Special mention	-	4	-	-	-	4
Substandard	-	-	-	-	-	-
Doubtful	-	1	-	-	-	1
Doubtful of loss	-	84	151	1,308	104	1,647
Total	-	805	151	1,308	104	2,368

10. Other assets

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December		31 December	
	31 March 2018	2017	31 March 2018	2017
Accrued premium insurance income	276	308	-	-
Suspense debtors	279	700	-	-
Other receivables	1,798	1,495	107	107
VAT refundable	770	690	-	-
Other receivables - VAT paid in advance				
for customers	248	248	-	-
Deposits	245	246	3	3
Estimated insurance claims recoveries	255	248	-	-
Receivable from clearing house	81	343	-	-
Leasehold right	117	123	9	9
Prepaid corporate income tax	718	661	10	9
Deposits from derivative contracts	389	535	-	-
Prepaid expenses	568	446	9	8
Reinsurance assets	478	418	-	-
Others	878	813	3	2
Total	7,100	7,274	141	138
Less: Allowance for impairment	(502)	(495)	(104)	(104)
Other assets - net	6,598	6,779	37	34

11. Interbank and money market items (liabilities)

As at 31 March 2018, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting to Baht 2,500 million, consisting of (i) a loan of Baht 800 million, repayable in full within 3 years from the date of the loan drawdown and 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 1,500 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 (31 December 2017: included loans of a subsidiary company amounting to Baht 2,550 million).

(Unaudited but reviewed)

12. Debt issued and borrowings

As at 31 March 2018 and 31 December 2017, the balance of domestic debt issued and borrowings, stated in Baht, are as follows:

Instrument	Types of borrowings	Issue period	Year of maturity	Interest rate		Face value per unit	Issuance unit		Consolidated financial statements		Separate financial statements	
							31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017
							(Thousand unit)	(Thousand unit)				
				(Percent annum)	per	(Baht)						
1	Subordinated instruments issued under Tier II	Year 2014	Year 2024	6.00		1,000	13,000	13,000	12,530	12,530	-	-
2	Subordinated instruments issued under Tier II	Year 2015	Year 2025	4.65		1,000	7,000	7,000	7,000	7,000	-	-
3	Unsubordinated debentures	Year 2012	Year 2022	4.60		1,000	3,000	3,000	3,000	3,000	3,000	3,000
4	Unsubordinated debentures	Year 2013	Year 2018	4.70		1,000	3,100	3,100	3,100	3,100	3,100	3,100
5	Unsubordinated debentures	Year 2013	Year 2020	5.03		1,000	2,900	2,900	2,900	2,900	2,900	2,900
6	Unsubordinated debentures	Year 2013	Year 2023	4.85, 5.00		1,000	1,800	1,800	1,800	1,800	1,800	1,800
7	Unsubordinated debentures	Year 2013	Year 2025	4.95		1,000	900	900	900	900	900	900
8	Unsubordinated debentures	Year 2014	Year 2018	4.75		1,000	2,000	2,000	2,000	2,000	-	-
9	Unsubordinated debentures	Year 2015	Year 2018	1.96		1,000	-	500	-	500	-	500
10	Unsubordinated debentures	Year 2015	Year 2018	3.00, 3.10		1,000	1,100	1,100	1,100	1,100	-	-
11	Unsubordinated debentures	Year 2016	Year 2019	2.70, 2.88		1,000	1,700	1,700	1,400	1,400	-	-
12	Unsubordinated debentures	Year 2016	Year 2019	2.95, 3.00		1,000	1,735	1,735	1,735	1,735	-	-
13	Unsubordinated debentures	Year 2017	Year 2019	2.52		1,000	2,000	2,000	2,000	2,000	-	-
14	Unsubordinated debentures	Year 2017	Year 2019	1.75		1,000	500	500	500	500	500	500
15	Unsubordinated debentures	Year 2017	Year 2020	2.39 - 2.88		1,000	10,060	10,060	10,010	9,979	-	-
16	Unsubordinated debentures	Year 2017	Year 2020	2.58		1,000	70	70	70	70	-	-

(Unaudited but reviewed)

(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	
						31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017
						(Percent annum)	per (Baht)	(Thousand unit)	(Thousand unit)		
17	Unsubordinated debentures	Year 2018	Year 2020	2.28	1,000	600	-	600	-	-	-
18	Unsubordinated debentures	Year 2018	Year 2021	2.31	1,000	1,800	-	1,800	-	-	-
19	Unsubordinated debentures	Year 2018	Year 2021	2.30	1,000	500	-	500	-	-	-
20	Structured notes		Year 2018	1.00				31	393	-	-
21	Promissory notes		At call	0.20 - 2.50, 5.65, 6.65				414	399	-	-
22	Promissory notes		Year 2019 - 2020	2.90, 3.30				239	290	-	-
Total debt issued and borrowings								53,629	51,596	12,200	12,700

Instruments 1) and 2) 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 8) 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 10), 11), 13), 15), 17) and 18) 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 3) to 7), 9) and 14) are name-registered, unsubordinated, unsecured debenture with no debentures holders' representative, paying interest semi-annually.

Instruments 12), 16) and 19) are name-registered, unsubordinated, unsecured debentures with no debenture holders' representative, paying interest quarterly. The subsidiary has to comply with the terms and conditions specified in the loan agreement, such as maintenance of a debt to equity ratio.

13. Provisions

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Loss from litigation	576	361	-	-
Employee benefits payable	2,687	2,740	26	26
Obligations from off-balance items	161	167	-	-
Others	610	411	-	-
Total	4,034	3,679	26	26

(Unaudited but reviewed)

14. Insurance contract liabilities

(Unit: Million Baht)

	Consolidated financial statements					
	31 March 2018			31 December 2017		
	Insurance contract liabilities	Reinsurance assets	Net	Insurance contract liabilities	Reinsurance assets	Net
Life policy reserve	8,754	-	8,754	8,953	-	8,953
Loss reserves and outstanding claims	1,729	(145)	1,584	1,701	(137)	1,564
Unearned premium reserve	4,092	(333)	3,759	3,851	(281)	3,570
Unexpired risks reserve	39	-	39	3	-	3
Unpaid policy benefits	6	-	6	5	-	5
Other liabilities under insurance policies	84	-	84	128	-	128
Total	14,704	(478)	14,226	14,641	(418)	14,223

15. Other liabilities

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Other payables	3,546	2,741	223	219
Suspense cash received from accounts receivable	1,336	1,962	-	-
Income received in advance	1,808	1,830	-	-
Corporate income tax payable	701	408	-	-
Accrued personnel expenses	1,423	2,353	57	69
Accrued contribution fee to the Financial Institutions Development Fund/Deposit Protection Agency	862	1,714	-	-
Accrued other expenses	1,386	1,431	3	3
Insurance premium received in advance	1,461	1,422	-	-
Payable to clearing house	587	1,269	-	-
Others	985	1,073	10	11
Total other liabilities	14,095	16,203	293	302

16. Share capital/Treasury stocks

During the three-month period ended 31 March 2018, there is no conversion of preferred shares to the Company's common shares. Therefore, as at 31 March 2018, 13,216 preferred shares remained unconverted. Each preferred share can convert to 1 common share. The conversion right is unconditional and does not expire.

As at 31 March 2018, the Company has 41,350,000 treasury shares valued at Baht 1,400 million that were repurchased during 10 February 2015 to 9 August 2015. Repurchase plan require that the treasury shares are to be sold within 3 years from the repurchase date.

17. Other components of equity

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Share premium of a subsidiary	776	776	-	-
Amount by which the value of investment in subsidiary lower than attributable net book value	226	226	-	-
Revaluation surplus (deficit) on investments				
Revaluation surplus on investments				
Available-for-sale securities				
Debt instruments	336	336	9	9
Equity instruments	1,073	1,110	689	718
Total	1,409	1,446	698	727
Revaluation deficit on investments				
Available-for-sale securities				
Debt instruments	(50)	(55)	-	-
Equity instruments	(166)	(164)	(1)	-
Total	(216)	(219)	(1)	-
Total revaluation surplus on investments	1,193	1,227	697	727
Less: The effect of deferred tax liabilities	(242)	(249)	(139)	(145)
Net revaluation surplus on investments	951	978	558	582
Revaluation surplus on assets	799	802	15	15
Less: The effect of deferred tax liabilities	(160)	(160)	(3)	(3)
Net revaluation surplus on assets	639	642	12	12
Share of other comprehensive income of associate	401	399	-	-
Less: The effect of deferred tax liabilities	(14)	(14)	-	-
Net share of other comprehensive income of associate	387	385	-	-
Share of surplus from the change in the ownership interests in subsidiaries of the associate	62	62	-	-
Less: The effect of deferred tax liabilities	(2)	(2)	-	-
Net share of surplus from the change in the ownership interests in subsidiaries of the associate	60	60	-	-
Total	3,039	3,067	570	594

18. Capital funds

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

As at 31 March 2018 and 31 December 2017 the capital funds of the Company and its subsidiaries, calculated in accordance with the BOT regulation regarding "Consolidated Supervision", consist of the following:

	(Unit: Million Baht)	
	31 March 2018	31 December 2017
<u>Tier I capital</u>		
Common Equity Tier I capital		
Issued and fully paid-up share capital less treasury shares	10,665	10,665
Share premium	2,066	2,066
Statutory reserve	1,278	1,278
Retained earnings - unappropriated	41,263	41,263
Other components of equity		
Accumulated other comprehensive income	1,633	1,619
Other components of changes in equity	776	776
Portion of non-controlling interest of subsidiary operating		
commercial banking business qualifying as Tier I capital	57,556	57,527
Less: Deductions from Common Equity Tier I capital	(20,108)	(19,613)
Total Common Equity Tier I capital	95,129	95,581
Total Tier I capital	95,129	95,581
<u>Tier II capital</u>		
Subordinated debentures	12,145	12,061
Reserve for assets classified as normal	8,440	8,412
Total Tier II capital	20,585	20,473
Total capital funds	115,714	116,054

As at 31 March 2018 and 31 December 2017, the capital adequacy ratios of the financial group calculated in accordance with the Notification of the BOT are as follows:

	31 March 2018		31 December 2017	
	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)	15.20	10.375	15.33	9.75
Total Tier I to risk-weighted assets (percent)	12.50	7.875	12.62	7.25
Total Common Equity Tier I to risk-weighted assets (percent)	12.50	6.375	12.62	5.75

In compliance with the Notification of the BOT regarding Consolidated Supervision, the Company has to disclose qualitative and quantitative information about the capital requirements of the Company and its subsidiaries in the financial group (Full Consolidation). The Company has disclosed capital requirement information as at 31 December 2017 on its website at www.thanachart.co.th in April 2018.

19. Interest income

Interest income for the three-month periods ended 31 March 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Interbank and money market items	483	270	-	-
Investments and trading transactions	63	58	-	-
Investments in debt securities	641	830	6	6
Loans to customers	4,314	4,362	11	15
Hire purchase and financial lease	5,829	5,329	-	-
Total interest income	11,330	10,849	17	21

20. Interest expenses

Interest expenses for the three-month periods ended 31 March 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deposits	2,258	2,054	-	-
Interbank and money market items	200	185	-	-
Contribution fee to the Financial Institutions Development Fund and the Deposit Protection Agency	862	807	-	-
Debts issued and borrowings				
- Subordinated debentures	-	145	-	-
- Unsubordinated debentures/short-term debentures	281	297	142	144
- Subordinated instruments	266	266	-	-
- Others	5	6	-	-
Borrowings cost	2	2	-	-
Total interest expenses	<u>3,874</u>	<u>3,762</u>	<u>142</u>	<u>144</u>

21. Fees and service income

Fees and service income for the three-month periods ended 31 March 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Fees and service income				
Acceptance, aval and guarantees	47	48	-	-
Brokerage fee from securities/derivatives	408	355	-	-
Hire purchase fee income	399	390	-	-
Credit card fee	284	252	-	-
ATM and electronic banking services	225	240	-	-
Insurance brokerage fee income	514	463	-	-
Others	731	490	-	-
Total fees and service income	<u>2,608</u>	<u>2,238</u>	<u>-</u>	<u>-</u>
Fees and service expenses	<u>(902)</u>	<u>(798)</u>	<u>-</u>	<u>-</u>
Net fees and service income	<u>1,706</u>	<u>1,440</u>	<u>-</u>	<u>-</u>

22. Gains on trading and foreign exchange transactions

Gains (losses) on trading and foreign exchange transactions for the three-month periods ended 31 March 2018 and 2017 consisted of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Foreign exchange and derivatives relating to				
foreign exchange	77	90	-	-
Derivatives relating to interest	8	13	-	-
Debt securities	30	47	-	-
Equity securities	(99)	(62)	-	-
Others	136	97	-	-
Total	152	185	-	-

23. Gains on investments

Gains on investments for the three-month periods ended 31 March 2018 and 2017 consisted of the following:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Gains on disposal of available-for-sale securities	348	117	1	1
Gains on debt settlement/assets transferred				
from investments in receivables purchased	78	14	17	4
Reversal of impairment on investments	-	60	-	-
Others	41	-	-	-
Total	467	191	18	5

24. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the three-month periods ended 31 March 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Impairment loss of loans (reversal)				
Interbank and money market items	(32)	(7)	-	-
Loans to customers	1,463	858	2	(4)
Loss from impairment of investments in receivables purchased	-	1	-	-
Total	1,431	852	2	(4)

25. Income tax

Income tax expenses for the three-month periods ended 31 March 2018 and 2017 are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Current income tax:				
Interim corporate income tax	323	244	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(136)	73	-	-
Income tax expense reported in statements of comprehensive income	187	317	-	-

A subsidiary company has no tax expenses for the three-month period ended 31 March 2018 because the subsidiary has unused tax losses resulting from the liquidation of its subsidiary. As at 31 March 2018, a subsidiary has unused tax losses arising from the liquidation of its subsidiary totaling Baht 1,543 million.

The amounts of income tax relating to each component of other comprehensive income for the three-month periods ended 31 March 2018 and 2017 are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax relating to gain (loss) on changes in value of available-for-sale investments	(8)	75	(6)	(3)
Deferred tax relating to share of other comprehensive income of associate	-	(1)	-	-
	(8)	74	(6)	(3)

26. Components of other comprehensive income

Components of other comprehensive income for the three-month periods ended 31 March 2018 and 2017 are as the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
Other comprehensive income				
<i>Transactions that will be reclassified subsequently to profit or loss</i>				
Available-for-sale investments:				
Unrealised gains (losses) during the period	309	492	(29)	(17)
Less: Reclassification of adjustment for realised gains/losses that included in profit or loss	(348)	(117)	(1)	(1)
	(39)	375	(30)	(18)
Share of other comprehensive income (losses) of an associate company	5	(18)	-	-
Other comprehensive income for the period (loss)	(34)	357	(30)	(18)
Impact from relevant income taxes:				
Income taxes - gains (losses) on changes in value of available-for-sale investments	8	(75)	6	3
Income taxes - other comprehensive income of an associate company	-	1	-	-
Impact from related income taxes	8	(74)	6	3
	(26)	283	(24)	(15)
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Share of other comprehensive income in associate	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Impact from related income tax				
Income tax - share of other comprehensive income of associate	-	-	-	-
Impact from related income tax	-	-	-	-
	-	-	-	-
Other comprehensive income for the period - net of related income tax (loss)	(26)	283	(24)	(15)

27. Earnings per share

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

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

Consolidated financial statements						
For the three-month periods ended 31 March						
Profit for the period		Weighted average number of common shares		Earnings per share		
2018	2017	2018	2017	2018	2017	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Profit attributable to the Company	1,898,684	1,602,290	1,165,117	1,165,117	1.63	1.38
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	1,898,684	1,602,290	1,165,130	1,165,130	1.63	1.38

	Separate financial statements					
	For the three-month periods ended 31 March					
	Profit for the period		Weighted average number of common shares		Earnings per share	
	2018	2017	2018	2017	2018	2017
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Profits attributable to the Company	19,352	60,045	1,165,117	1,165,117	0.02	0.05
Effect of dilutive securities						
Preference shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profits of common shareholders assuming conversion of dilutive securities	19,352	60,045	1,165,130	1,165,130	0.02	0.05

28. Related party transactions

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

(Unit: Million Baht)

	For the three-month periods ended 31 March				Transfer pricing policy (For the year 2018)
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2018	2017	2018	2017	
<u>Transactions occurred during the periods</u>					
Subsidiary companies					
Purchase of debt securities	-	-	-	190	
Sales of debt securities	-	-	499	-	At market prices
Interest income	-	-	11	15	At interest rate of 0.40 - 5.65 percent per annum
Dividend income	-	-	80	174	As declared
Rental and other service income	-	-	11	12	At the rate agreed under the contract
Other expenses	-	-	-	1	
Associated company					
Dividend income	-	-	63	62	As declared
Other income	-	1	-	-	
Interest expenses	1	1	-	-	At interest rate of 0.40, 5.65 and 6.65 percent per annum
Other expenses	26	32	3	3	

(Unaudited but reviewed)

(Unit: Million Baht)

	For the three-month periods ended 31 March				Transfer pricing policy (For the year 2018)
	Consolidated		Separate		
	financial statements		financial statements		
	2018	2017	2018	2017	
Transactions occurred during the periods					
(continued)					
Related companies					
Purchase of debt securities	2,363	915	-	-	At market prices
Sales of debt securities	711	868	-	-	At market prices
Purchase/sales of forward exchange contracts	10,041	21,294	-	-	At market prices
Interest income	50	69	-	-	At interest rate of 1.30 - 7.65 percent per annum
Dividend income	35	33	18	16	As declared
Insurance premium/life insurance premium income	1	1	-	-	At the rate agreed under the contract
Other income	2	1	-	-	
Interest expenses	62	43	-	-	At interest rate of 0.40 - 2.30 percent per annum
Project management expenses	6	11	3	3	At the contract price calculated by reference to estimated usage time
Other expenses	41	34	-	-	

The outstanding balances of the above transactions during the three-month periods ended 31 March 2018 and 2017 have been shown at the average balance at the end of each month as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Subsidiary companies				
Interbank and money market items (assets)	-	-	23	30
Loans to customers	-	-	779	856
Debt issued and borrowings	-	-	-	8
Associated company				
Deposits	41	111	-	-
Debts issued and borrowings	69	58	-	-
Related companies				
Interbank and money market items (assets)	188	220	-	-
Loans to customers	6,112	8,614	-	-
Investment in debt securities	159	1,273	-	-
Deposits	2,139	1,671	-	-
Interbank and money market items (liabilities)	12,731	14,130	-	-

(Unaudited but reviewed)

As at 31 March 2018 and 31 December 2017, the significant outstanding balances of the above transactions are as follows:

(Unit: Million Baht)

Consolidated financial statements									
31 March 2018									
Assets					Liabilities				
Interbank and money market items	Investment - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Associated company									
MBK Plc.	-	-	-	155	52	-	79	2	-
Related companies									
Other related companies	39	47	6,374	49	1,998	12,569	-	100	871
	39	47	6,374	204	2,050	12,569	79	102	871

(Unit: Million Baht)

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

(Unaudited but reviewed)

(Unit: Million Baht)

Separate financial statements									
31 March 2018									
Assets					Liabilities				
Interbank and money market items	Investment s - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Subsidiary companies									
Thanachart Bank Plc.	18	-	-	-	-	-	2	-	-
Thanachart Securities Plc.	-	-	-	1	-	-	-	-	-
NFS Asset Management Co., Ltd.	-	-	462	1	-	-	-	-	-
Max Asset Management Co., Ltd.	-	-	390	1	-	-	-	-	-
TM Broker Co., Ltd.	-	-	2	-	-	-	-	-	-
Associated company									
MBK Plc.	-	-	-	66	-	-	-	-	-
	18	-	854	69	-	-	2	-	-

(Unit: Million Baht)

Separate financial statements									
31 December 2017									
Assets					Liabilities				
Interbank and money market items	Investments - debt securities	Loans to customers and interest receivables	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Subsidiary companies									
Thanachart Bank Plc.	22	-	-	-	-	-	1	-	-
Thanachart Securities Plc.	-	-	-	1	-	-	-	-	-
NFS Asset Management Co., Ltd.	-	-	420	-	-	-	-	-	-
Max Asset Management Co., Ltd.	-	-	281	-	-	-	-	-	-
TM Broker Co., Ltd.	-	-	2	-	-	-	-	-	-
Associated company									
MBK Plc.	-	-	-	3	-	-	-	-	-
	22	-	703	4	-	-	1	-	-

(Unaudited but reviewed)

As at 31 March 2018 and 31 December 2017, the Company has loans to subsidiary companies as follows:

(Unit: Million Baht)

Company's name	Interest rate	Outstanding balances	
		31 March 2018	31 December 2017
	(For the year 2018)		
Max Asset Management Co., Ltd.	MLR of Thanachart Bank - 1%	390	281
NFS Asset Management Co., Ltd.	MLR of Thanachart Bank - 1%	462	420
TM Broker Co., Ltd.	MLR of Thanachart Bank - 1%	2	2
Total		854	703

As at 31 March 2018, the Company and its subsidiaries have investments amounting to Baht 1,765 million (Baht 849 million in the separate financial statements) in related companies in which they are related by means of members of their management being shareholders and/or directors of those companies (31 December 2017: Baht 1,835 million in the consolidated financial statements and Baht 878 million in the separate financial statements).

As at 31 March 2018 and 31 December 2017, the Company and its subsidiaries have the following related parties transactions with executive employees of the Company and companies within Thanachart Group from management level up, including related persons who together with these employees:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Loans to customers	83	88	-	-
Deposits	1,253	1,527	-	-

Directors and management's remuneration

During the three-month periods ended 31 March 2018 and 2017, 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	
	2018	2017	2018	2017
Short-term employee benefits	154	169	20	19
Post-employment benefits	4	5	-	-
	<u>158</u>	<u>174</u>	<u>20</u>	<u>19</u>

29. Financial information classified by operating segment

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

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

(Unaudited but reviewed)

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

(Unit: Million Baht)

For the three-month period ended 31 March 2018									
	The	Banking	Securities	Life	Non-life	Asset	Other		
	Company	business	business	insurance	insurance	management	businesses	Eliminations	Consolidated
				business	business	business			
Net interest income	(125)	6,897	49	70	47	9	546	(37)	7,456
Other operating income	194	2,010	777	(58)	531	82	310	(326)	3,520
Other operating expenses	(48)	(4,628)	(306)	(34)	(237)	(77)	(242)	127	(5,445)
Impairment loss of loans and debt securities	(2)	(1,336)	-	-	-	(5)	(121)	33	(1,431)
Profit (loss) before income tax	19	2,943	520	(22)	341	9	493	(203)	4,100
Income tax	-	102	(100)	1	(67)	(13)	(96)	(14)	(187)
Profit (loss) before non-controlling interests	19	3,045	420	(21)	274	(4)	397	(217)	3,913

(Unit: Million Baht)

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

The segment assets of the Company and its subsidiaries as at 31 March 2018 and 31 December 2017 are as follow:

(Unit: Million Baht)

	The	Banking	Securities	Life	Non-life	Asset	Other		
	Company	business	business	insurance	insurance	management	businesses	Eliminations	Consolidated
				business	business	business			
Segment assets									
As at 31 March 2018	37,732	952,510	12,689	10,688	13,801	5,046	43,124	(49,470)	1,026,120
As at 31 December	38,150	954,460	12,306	10,610	13,452	4,782	40,617	(48,852)	1,025,525

2017

30. Encumbrance of assets

As at 31 March 2018 and 31 December 2017, the Company and its subsidiaries have the following encumbrance assets, presented at book value as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Interbank and money market items (assets)				
Placed at insurance registrar	770	770	-	-
Placed at court	2	3	-	-
Investments in securities				
Placed at insurance registrar	2,290	2,462	-	-
Placed at court	30	30	-	-
Security lending	7	10	-	-
Placed for electricity usage	1	1	-	-
Property foreclosed				
Immovable assets subject to buyback options or first rights refusal	3	2	-	-
Immovable assets subject to purchase or sell agreements with clients but currently being settled in installments or through transfer of ownership	361	30	-	-
	<u>3,464</u>	<u>3,308</u>	<u>-</u>	<u>-</u>

31. Commitments and contingent liabilities

As at 31 March 2018 and 31 December 2017, significant commitments and contingent liabilities consisted of:

31.1 Commitments

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Aval to bills	146	115	-	-
Guarantees of loans	2,490	2,291	-	-
Liability under unmatured import bills	229	270	-	-
Letter of credits	915	1,045	-	-
Other obligations				
Committed (but not drawn) overdraft	26,349	23,832	-	-
Others	57,359	55,644	1	1
Total	87,488	83,197	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 3 to the financial statements.

31.2 As at 31 March 2018, 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	1,417	16		
2019	1,376	3		
2020 onward	2,309	2		

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

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

SCIB entered into a business transfer agreement with Bangkok Metropolitan Bank Plc. (“BMB”), effective from 1 April 2002, and transferred its assets and those of BMB to Petchburi Asset Management Co., Ltd. (“PAM”), before they were transferred to Sukhumvit Asset Management Co., Ltd. (“SAM”). Subsequently, SCIB transferred its entire business, including commitments and agreements with PAM and/or SAM, to Thanachart Bank, effective from 1 October 2011. Thanachart Bank thus has commitments as a result of such transfer. However, the commitments of the Financial Institutions Development Fund (“FIDF”) to SCIB have been transferred to/assumed by Thanachart Bank as the purchaser of SCIB’s shares from FIDF. As at 31 March 2018, outstanding obligations are summarised below.

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

As at 31 March 2018, 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 32 to the financial statements.

- d) Outstanding letters of guarantee.

The FIDF deposited an amount equal to the loss compensation limit with Thanachart Bank in FIDF's account. This deposit account is to compensate for losses incurred as a result of the transfer of business from BMB, if actual losses are incurred due to the outstanding issues described in a), b), c) and d) above. As at 31 March 2018, the deposit account of the FIDF with Thanachart Bank to fund the payment of compensation for losses has an outstanding balance of approximately Baht 407 million.

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

32. Contingent liabilities/litigation

- a) As at 31 March 2018, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 2,900 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.

33. Letter of guarantees

As at 31 March 2018, 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).

34. Fair value of financial instruments

As at 31 March 2018 and 31 December 2017, the Company and its subsidiaries have financial assets and financial liabilities that were measured at fair value which presented based on fair value hierarchy as follows:

(Unit: Million Baht)

Consolidated financial statements					
31 March 2018					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Derivatives assets	3,084	3,084	-	3,084	-
Investments	154,469	154,469	7,063	147,406	-
Derivatives liabilities	3,014	3,014	4	3,010	-

(Unit: Million Baht)

Consolidated financial statements					
31 December 2017					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
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	-

(Unit: Million Baht)

Separate financial statements					
31 March 2018					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Investments	1,687	1,687	913	774	-

(Unit: Million Baht)

Separate financial statements					
31 December 2017					
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Investments	2,333	2,333	941	1,392	-

Valuation techniques and inputs used for Level 2 fair value measurement

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

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

35. Events after the reporting period

On 25 April 2018, the Annual General Meeting of the Shareholders of the Company passed a resolution to pay to dividend at a rate of Baht 1.30 per share, or a total of Baht 1,515 million, to the ordinary and preference shareholders.

36. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 10 May 2018.