

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

Independent Auditor's Report

To the Shareholders of Thanachart Capital Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Thanachart Capital Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Thanachart Capital Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thanachart Capital Public Company Limited and its subsidiaries and of Thanachart Capital Public Company Limited as at 31 December 2018, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

Allowances for doubtful accounts

As discussed in Note 10 to the consolidated financial statements, as at 31 December 2018 the Group had loans to customers of Baht 820,771 million (accounting for 77% of total assets) and allowance for doubtful accounts amounting to Baht 24,144 million, which are material amounts. The allowance for doubtful accounts is estimated based on criteria established by the Bank of Thailand and relies on various assumptions. Therefore, the management is required to exercise considerable judgment in determining the assumptions to be used. Because the allowance for doubtful accounts is material and estimated based on judgement, I addressed the adequacy of allowance for doubtful accounts as a key audit matter.

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

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

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

Recognition of interest income

For the year 2018, the Group recognised interest income on loans to customers amounting to Baht 43,613 million (accounting for 64% of total income). The interest income was derived from a variety of loans provided to a large number of customers and each type of loan agreement had different conditions. Moreover, the recognition of interest income relies primarily on data processed by information systems and regulations require the Group to cease accrual of interest income for overdue loans. I therefore addressed the measurement and occurrence of interest income as a key audit matter.

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

Goodwill

As at 31 December 2018, goodwill of Baht 17,799 million was presented in the financial statements. I have focused on the examination of the impairment of goodwill because the impairment assessment on goodwill is a significant accounting estimate requiring the management to exercise a judgment in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate.

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

Insurance contract liabilities

As discussed in Note 26 to the consolidated financial statements, as at 31 December 2018, the Company and its subsidiaries have life policy reserves of Baht 7,903 million and outstanding claims from insurance contracts of Baht 1,695 million that are treated as part of the insurance / life insurance contract liabilities in the financial statements. Life reserves are the accumulated reserves for insurance policies in force from the inception of the insurance contracts to the end of the reporting period, and are calculated under an actuarial method which applies several assumptions that are best estimates of obligations under the insurance contracts at that time. Changes in these assumptions will affect the balance of life reserves. The loss reserves and outstanding claims are estimates of claims incurred and reported and claims incurred but not reported made by the management of the subsidiaries using actuarial methods and assumptions that are determined with reference to historical data. The assumptions require management to exercise judgment. In addition, the estimates of these reserves are dependent on the accuracy of the data related to the number, amounts and nature of both current and historical claims incurred. I therefore focused on the completeness of these reserves.

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

EY Office Limited

Bangkok: 25 February 2019

Thanachart Capital Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2018

(Unit: Thousand Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
Assets					
Cash		11,021,897	11,453,283	-	-
Interbank and money market items - net	6	99,117,357	95,918,183	23,512	22,346
Derivatives assets	7	2,005,388	2,889,208	-	-
Investments - net	8	170,436,987	178,702,646	1,855,854	2,787,420
Investments in subsidiary and associated companies - net	9	3,026,903	2,827,333	33,166,944	33,822,462
Loans to customers and accrued interest receivables	10				
Loans to customers		820,771,229	767,889,652	1,466,959	806,749
Accrued interest receivables		656,970	601,200	2	2
Total loans to customers and accrued interest receivables		821,428,199	768,490,852	1,466,961	806,751
Less: Deferred revenue		(66,158,693)	(55,128,589)	(2,117)	(1,951)
Allowance for doubtful accounts	11	(24,144,379)	(24,517,149)	(86,371)	(79,899)
Revaluation allowance for debt restructuring	12	(603)	(977)	-	-
Net loans to customers and accrued interest receivables		731,124,524	688,844,137	1,378,473	724,901
Customers' liability under acceptances		9,164	9,824	-	-
Property foreclosed - net	14	4,822,435	4,747,089	851,814	708,943
Land, premises and equipment - net	15	8,042,888	8,677,958	38,623	45,502
Intangible assets - net	16	1,850,151	2,263,007	759	873
Goodwill	17	17,799,200	17,636,604	-	-
Deferred tax assets	18	779,113	908,093	-	-
Receivables from purchase and sale of securities	19	2,639,539	3,126,780	289,344	-
Other assets - net	20	8,253,626	7,520,778	38,254	37,050
Total assets		1,060,929,172	1,025,524,923	37,643,577	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 December 2018

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Liabilities and equity					
Deposits	21	751,916,956	716,091,089	-	-
Interbank and money market items	22	71,922,702	82,342,804	-	-
Liability payable on demand		1,163,165	1,988,656	-	-
Derivatives liabilities	7	2,097,019	2,867,633	-	-
Debts issued and borrowings	23	55,012,914	51,595,578	12,200,000	12,700,000
Bank's liability under acceptances		9,164	9,824	-	-
Provisions	24	3,914,644	3,679,324	28,683	25,888
Deferred tax liabilities	18	1,402,533	1,323,465	133,868	149,488
Accrued interest payables	25	2,276,928	2,453,222	89,756	98,371
Insurance contracts liabilities	26	14,061,571	14,641,100	-	-
Payables from purchase and sale of securities	27	1,324,840	2,258,566	192,451	-
Other liabilities	28	17,908,473	16,203,390	315,569	302,084
Total liabilities		923,010,909	895,454,651	12,960,327	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 December 2018

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Equity					
Share capital	29				
Registered, issued and paid-up					
13,216 preferred shares of Baht 10 each		132	132	132	132
1,165,116,487 common shares of Baht 10 each					
(2017: 1,206,466,487 common shares of Baht 10 each)		11,651,165	12,064,665	11,651,165	12,064,665
		11,651,297	12,064,797	11,651,297	12,064,797
Premium on common share		2,065,645	2,065,645	2,065,645	2,065,645
Other components of equity	30	2,352,253	3,067,410	531,430	593,864
Retained earnings					
Appropriated - statutory reserve	31	1,277,830	1,277,830	1,277,830	1,277,830
- treasury share reserve		764,980	1,399,914	764,980	1,399,914
Unappropriated		48,388,381	43,544,720	9,157,048	8,871,530
Less: Treasury shares - common shares	29	(764,980)	(1,399,914)	(764,980)	(1,399,914)
Equity attributable to owners of the Company		65,735,406	62,020,402	24,683,250	24,873,666
Non-controlling interests		72,182,857	68,049,870	-	-
Total equity		137,918,263	130,070,272	24,683,250	24,873,666
Total liabilities and equity		1,060,929,172	1,025,524,923	37,643,577	38,149,497

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

Directors

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2018

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

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Profit or loss					
Interest income	34	46,558,981	44,681,323	80,413	75,458
Interest expenses	35	(15,791,750)	(15,510,956)	(571,714)	(582,275)
Net interest income		30,767,231	29,170,367	(491,301)	(506,817)
Fees and service income		10,243,728	9,097,431	556	525
Fees and service expenses		(3,586,102)	(3,207,407)	(539)	(488)
Net fees and service income	36	6,657,626	5,890,024	17	37
Gains on trading and foreign exchange transactions	37	309,740	664,994	-	-
Gains on investments	38	458,989	1,908,241	109,417	484,669
Share of profit from investments accounted for under equity method	9.5	542,607	336,899	-	-
Gains (losses) on property foreclosed and other assets		588,487	51,850	220,122	(93,231)
Insurance/Life insurance income	39	7,800,929	7,355,875	-	-
Dividend income		502,518	557,466	3,594,276	2,818,719
Other operating income		1,539,608	1,387,142	124,466	94,338
Total operating income		49,167,735	47,322,858	3,556,997	2,797,715
Insurance expenses	40	(4,992,679)	(4,750,950)	-	-
Net operating income		44,175,056	42,571,908	3,556,997	2,797,715
Other operating expenses					
Employee's expenses		11,413,336	12,202,011	121,529	115,378
Directors' remuneration	41	101,810	92,737	39,674	36,845
Premises and equipment expenses		2,629,454	2,835,015	19,287	20,146
Taxes and duties		733,017	745,870	3,354	5,395
Other expenses		6,101,753	4,960,283	48,946	51,676
Total other operating expenses		20,979,370	20,835,916	232,790	229,440
Impairment loss of loans and debt securities	42	4,784,661	6,236,181	7,780	36,180
Profit before income tax		18,411,025	15,499,811	3,316,427	2,532,095
Income tax	18.2	(2,604,474)	(1,158,647)	12	(152,857)
Profit for the year		15,806,551	14,341,164	3,316,439	2,379,238

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the year ended 31 December 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	43				
<i>Transactions that will be reclassified subsequently to profit or loss</i>					
Gains (losses) on change in value of available-for-sale securities		(1,460,910)	1,330,352	(78,042)	114,174
Share of other comprehensive income (loss) of an associate		(93,732)	32,782	-	-
Income tax relating to components of other comprehensive income (loss)		297,067	(267,443)	15,608	(22,835)
		<u>(1,257,575)</u>	<u>1,095,691</u>	<u>(62,434)</u>	<u>91,339</u>
<i>Transactions that will never be reclassified subsequently to profit or loss</i>					
Share of other comprehensive losses of an associate		(158)	-	-	-
Actuarial gains (losses) on defined benefit plan		3,543	(235,784)	(621)	(2,272)
Income tax relating to components of other comprehensive income (loss)		236	46,560	-	-
		<u>3,621</u>	<u>(189,224)</u>	<u>(621)</u>	<u>(2,272)</u>
Total other comprehensive income (loss)		<u>(1,253,954)</u>	<u>906,467</u>	<u>(63,055)</u>	<u>89,067</u>
Total comprehensive income		<u>14,552,597</u>	<u>15,247,631</u>	<u>3,253,384</u>	<u>2,468,305</u>
Profit attributable to					
The Company		7,839,428	7,001,170	3,316,439	2,379,238
Non-controlling interests		7,967,123	7,339,994	-	-
		<u>15,806,551</u>	<u>14,341,164</u>	<u>3,316,439</u>	<u>2,379,238</u>
Total comprehensive income attributable to					
The Company		7,142,971	7,515,427	3,253,384	2,468,305
Non-controlling interests		7,409,626	7,732,204	-	-
		<u>14,552,597</u>	<u>15,247,631</u>	<u>3,253,384</u>	<u>2,468,305</u>
Earnings per share of the Company	44				
Basic earnings per share (Baht per share)		6.74	6.01	2.85	2.04
Diluted earnings per share (Baht per share)		6.74	6.01	2.85	2.04

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows

For the year ended 31 December 2018

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit before income tax	18,411,025	15,499,811	3,316,427	2,532,095
Adjustments to reconcile profit before income tax to net cash received by (paid from) operating activities				
Share of profit from investments accounted for under equity method	(542,607)	(336,899)	-	-
Depreciation and amortisation	1,472,395	1,583,572	7,530	7,566
Impairment loss of loans and debt securities	4,784,661	6,236,181	7,780	36,180
Increase in provisions	759,900	676,621	2,174	1,762
Increase (decrease) in allowance for impairment of property foreclosed	(100,141)	232,148	(57,386)	221,157
Increase in allowance for impairment of equipment/other assets	29,234	10,226	2,873	22,981
Unrealised loss (gain) from change in value of investments/ allowance for impairment of investments	199,593	(106,272)	-	-
Gain from disposal of investment in an associated company	(37,890)	(443,025)	(24,875)	(281,235)
Unrealised loss on exchange	132,867	1,455,894	-	-
Gain on the capital returned from investment in a subsidiary	-	-	(58,084)	(52,988)
Loss (gain) on disposal of land, premises and equipment / intangible assets	(25,562)	18,673	(2,143)	(49)
Decrease (increase) in accrued other income receivable	(468,415)	87,235	-	39
	24,615,060	24,914,165	3,194,296	2,487,508
Net interest income	(30,767,231)	(29,170,367)	491,301	506,817
Dividend income	(502,518)	(557,466)	(3,594,276)	(2,818,719)
Cash received from interest on operating activities	43,917,348	41,570,834	59,946	51,953
Cash paid for interest on operating activities	(13,682,204)	(12,349,135)	-	-
Cash paid for income tax	(1,548,867)	(1,170,009)	(5,579)	(4,759)
Income from operating activities before changes in operating assets and liabilities	22,031,588	23,238,022	145,688	222,800

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Cash flows from operating activities (continued)				
Decrease (increase) in operating assets				
Interbank and money market items	(3,132,910)	(47,365,471)	(1,165)	7,950
Derivatives assets	1,230,119	1,111,356	-	-
Investments in trading securities	612,945	(2,823,033)	-	-
Loans to customers	(53,456,768)	(33,505,821)	(658,792)	350,432
Property foreclosed	6,284,126	5,291,669	11,584	(258,526)
Receivables from purchase and sale of securities	487,242	(2,000,917)	(289,344)	-
Other assets	(872,896)	9,075	(2,591)	(9,690)
Increase (decrease) in operating liabilities				
Deposits	35,825,867	39,635,265	-	-
Interbank and money market items	(10,251,111)	16,508,551	-	-
Liability payable on demand	(825,491)	2,231	-	-
Derivatives liabilities	(1,444,263)	(1,744,879)	-	-
Payable from purchase and sales of securities	(1,126,178)	(107,722)	-	-
Insurance contract liabilities	(579,530)	47,361	-	-
Other liabilities	574,324	3,057,358	13,485	(17,947)
Net cash flows from (used in) operating activities	(4,642,936)	1,353,045	(781,135)	295,019
Cash flows from investing activities				
Decrease (increase) in investments in securities	6,390,741	11,294,333	853,701	(451,708)
Cash received from disposal of investment in an associated company	58,449	709,279	29,423	343,218
Cash received from capital return from subsidiary companies	-	-	610,943	-
Cash received from interest	2,781,486	3,830,277	19,860	25,608
Cash received from dividend	752,903	805,191	3,594,276	2,818,719
Cash paid for purchase of premises and equipment / intangible assets	(479,571)	(654,536)	(757)	(7,173)
Cash received from disposal of land, premises and equipment / intangible assets	55,706	23,831	2,930	49
Net cash flows from investing activities	9,559,714	16,008,375	5,110,376	2,728,713

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cash flows from financing activities				
Cash received from debts issued and borrowings	17,620,202	13,223,572	3,100,000	500,000
Cash paid for debts issued and borrowings	(14,202,866)	(23,332,157)	(3,600,000)	(500,000)
Cash paid for interest expenses on debts issued and borrowings	(2,250,088)	(2,770,330)	(577,893)	(578,107)
Cash paid for dividend	(2,678,820)	(2,445,625)	(2,678,820)	(2,445,625)
Cash paid for treasury shares	(572,528)	-	(572,528)	-
Cash paid for dividend to non-controlling interests	(3,264,064)	(2,660,644)	-	-
Net cash flows used in financing activities	(5,348,164)	(17,985,184)	(4,329,241)	(3,023,732)
Net decrease in cash	(431,386)	(623,764)	-	-
Cash at beginning of the year	11,453,283	12,077,047	-	-
Cash at end of the year	11,021,897	11,453,283	-	-

Supplemental cash flows information

Non-cash transactions

Property foreclosed transferred from loans to customers

and investments in receivables purchased

6,126,696 4,793,307 - -

Property foreclosed received from capital returned

from a subsidiary company

- - 98,110 93,183

Bad debt written off

5,653,975 7,672,958 - 771

Payable from purchase of assets

83,612 33,265 - -

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity

For the year ended 31 December 2018

(Unit: Thousand Baht)

	Consolidated financial statements														
	Equity attributable to the Company's shareholders														
	Other components of equity														
	Issued and paid-up share capital		Premium on common share	Amount by which the value of investment		Revaluation surplus on investments - net	Revaluation surplus on assets	Share of other comprehensive income (loss) of an associate	Share of surplus from the change in the ownership interests in subsidiaries of an associate	Retained earnings			Treasury shares	Non-controlling interests	Total
				Share premium of a subsidiary	in subsidiary / associate lower than attributable net book value					Appropriated					
	Preferred shares	Common shares								Statutory reserve	Treasury shares reserve	Unappropriated			
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
Dividend paid (Note 33)	-	-	-	-	-	-	-	-	-	-	-	(2,446,773)	-	-	(2,446,773)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	-	1,148	-	-	1,148
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,660,767)	(2,660,767)
Surplus from the change in the ownership interests in subsidiaries an associate	-	-	-	-	-	-	-	-	59,719	-	-	-	-	17,945	77,664
Transfer to retained earnings	-	-	-	-	-	-	(23,328)	(30,467)	-	-	-	53,795	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	7,001,170	-	7,339,994	14,341,164
Other comprehensive income for the year (loss)	-	-	-	-	-	588,034	-	23,548	-	-	-	(97,325)	-	392,210	906,467
Balance as at 31 December 2017	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
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
Cumulative effect from share capital reduction of an associated company	-	-	-	-	3,625	-	-	2,898	471	-	-	9,436	-	4,806	21,236
Dividend paid (Note 33)	-	-	-	-	-	-	-	-	-	-	-	(2,679,798)	-	-	(2,679,798)
Reversal of dividend on shares held by shareholders who are not entitled to receive dividend	-	-	-	-	-	-	-	-	-	-	-	978	-	-	978
Cash payment for treasury shares (Note 29)	-	-	-	-	-	-	-	-	-	-	-	-	(764,980)	-	(764,980)
Transfer of retained earnings to treasury shares reserve	-	-	-	-	-	-	-	-	-	-	764,980	(764,980)	-	-	-
Share capital reduction from treasury shares cancellation	-	(413,500)	-	-	-	-	-	-	-	-	(1,399,914)	413,500	1,399,914	-	-
Decrease in non - controlling interests of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,281,252)	(3,281,252)
Surplus from the change in the ownership interests in subsidiaries an associate	-	-	-	-	-	-	-	-	(597)	-	-	-	-	(193)	(790)
Transfer to retained earnings	-	-	-	-	-	-	(20,665)	(2,229)	(455)	-	-	23,349	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	7,839,428	-	7,967,123	15,806,551
Other comprehensive income for the year (loss)	-	-	-	-	-	(626,454)	-	(71,751)	-	-	-	1,748	-	(557,497)	(1,253,954)
Balance as at 31 December 2018	132	11,651,165	2,065,645	775,814	230,085	351,460	620,882	314,874	59,138	1,277,830	764,980	48,388,381	(764,980)	72,182,857	137,918,263

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

Thanachart Capital Public Company Limited and its subsidiaries

Statement of changes in equity (continued)

For the year ended 31 December 2018

(Unit: Thousand Baht)

	Separate financial statements									
	Issued and paid-up share capital			Other components of equity		Retained earnings				
	Preferred	Common	Premium on	Revaluation	Revaluation	Appropriated				
	shares	shares	common share	surplus on	surplus on	Statutory	Treasury shares			
	shares	shares	common share	investments - net	assets	reserve	reserve	Unappropriated	Treasury shares	Total
Balance as at 1 January 2017	132	12,064,665	2,065,645	490,247	12,278	1,277,830	1,399,914	8,940,189	(1,399,914)	24,850,986
Dividend paid (Note 33)	-	-	-	-	-	-	-	(2,446,773)	-	(2,446,773)
Reversal of dividend on shares held by shareholders										
who are not entitled to receive dividend	-	-	-	-	-	-	-	1,148	-	1,148
Profit for the year	-	-	-	-	-	-	-	2,379,238	-	2,379,238
Other comprehensive income for the year	-	-	-	91,339	-	-	-	(2,272)	-	89,067
Balance as at 31 December 2017	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
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
Dividend paid (Note 33)	-	-	-	-	-	-	-	(2,679,798)	-	(2,679,798)
Reversal of dividend on shares held by shareholders										
who are not entitled to receive dividend	-	-	-	-	-	-	-	978	-	978
Cash payment for treasury shares (Note 29)	-	-	-	-	-	-	-	-	(764,980)	(764,980)
Transfer of retained earnings to treasury shares reserve	-	-	-	-	-	-	764,980	(764,980)	-	-
Share capital reduction from treasury shares cancellation	-	(413,500)	-	-	-	-	(1,399,914)	413,500	1,399,914	-
Profit for the year	-	-	-	-	-	-	-	3,316,439	-	3,316,439
Other comprehensive income for the year	-	-	-	(62,434)	-	-	-	(621)	-	(63,055)
Balance as at 31 December 2018	132	11,651,165	2,065,645	519,152	12,278	1,277,830	764,980	9,157,048	(764,980)	24,683,250

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

Thanachart Capital Public Company Limited and its subsidiaries

Notes to financial statements

For the year ended 31 December 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** These financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and the principles stipulated by the Bank of Thailand (“BOT”). The presentation of the financial statements has been made in compliance with the BOT’s Notification relating to the preparation and format of the financial statements of commercial banks and holding company of financial business groups, dated 4 December 2015.

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

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

2.2 Basis of preparation of the consolidated financial statements

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

	Nature of business	Percentage of holding by the Company		Percentage of holding by the subsidiaries	
		2018	2017	2018	2017
<u>Subsidiaries directly held by the Company</u>					
Thanachart Bank Plc.	Commercial bank	50.96	50.96	-	-
NFS Asset Management Co., Ltd.	Non-performing asset management	100.00	100.00	-	-
Max Asset Management Co., Ltd.	Non-performing asset management	83.44	83.44	-	-
NASSET Property Fund 6	In liquidation process	99.80	99.80	0.06	0.06
MBK Life Assurance Plc.	Life insurance	51.00	51.00	-	-
TM Broker Co., Ltd.	Insurance broker	51.00	51.00	-	-
MT Service 2016 Co., Ltd.	Service	51.00	51.00	-	-
<u>Subsidiaries indirectly held by the Company</u>					
Thanachart Securities Plc.	Securities business	-	-	100.00	100.00
Thanachart Insurance Plc.	Non-life insurance	-	-	100.00	100.00
Thanachart Fund Management Co., Ltd.	Fund management	-	-	75.00	75.00
Thanachart Broker Co., Ltd.	Insurance broker	-	-	100.00	100.00
Thanachart Group Leasing Co., Ltd.	Hire purchase	-	-	100.00	100.00
Thanachart Management and Services Co., Ltd.	Services	-	-	100.00	100.00
Thanachart Training and Development Co., Ltd.	Training services	-	-	100.00	100.00
TS Asset Management Co., Ltd.	Non-performing asset management	-	-	100.00	100.00
Ratchthani Leasing Plc.	Hire purchase and leasing business	-	-	65.18	65.18
National Leasing Co., Ltd. ⁽¹⁾	In liquidation process	-	-	-	100.00
Security Scib Services Co., Ltd.	Service	-	-	100.00	100.00
RTN Insurance Broker Co., Ltd.	Non-life insurance broker	-	-	65.18	

(1) On 20 September 2018, National Leasing Co., Ltd. returned all capital to its shareholders and registered the completion of its liquidation with the Ministry of Commerce on 22 January 2019.

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

(Unit: Million Baht)

	Total assets		Net operating income for the years	
	2018	2017	2018	2017
Thanachart Bank Plc.	973,716	942,889	33,137	32,851
MBK Life Assurance Plc.	9,287	9,996	112	190
Thanachart Insurance Plc.	13,695	12,749	3,326	3,292
Thanachart Securities Plc.	8,509	11,447	1,644	1,761
TS Asset Management Co., Ltd.	2,066	2,528	120	178
Ratchthani Leasing Plc.	47,124	39,019	2,899	2,378
NFS Asset Management Co., Ltd.	936	1,182	120	62

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

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

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the current year, 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.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018), which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TFRS 18 (revised 2017)	Revenues
TSIC 31 (revised 2017)	Revenue-Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customers Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

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 recognized 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.

The management of the Company and its subsidiaries believe that this standard will not have any significant impact on the financial statements when it is initially applied.

3.3 Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

4. Significant accounting policies

4.1 Revenue recognition

a) Interest and discounts on loans

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

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

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

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

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

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

b) Interest and dividends on investments

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

c) Brokerage fee income

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

d) Interest on margin loans for purchase of securities

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

e) Gains (losses) on investments and derivatives

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

f) Fees and service income

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

g) Insurance/life insurance premium income

Non-life insurance contract

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

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

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

Life insurance contract

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

4.2 Expenses recognition

a) Interest expenses

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

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

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

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

c) Fees and service expenses

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

4.3 Investments

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

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

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

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

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

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

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

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss in the statement of comprehensive income. In case of disposal partial of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

4.4 Investments in receivables purchased and allowance for impairment

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

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

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

4.5 Investments in subsidiary and associated companies

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

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

4.6 Loans to customers

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

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

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

4.7 Allowances for doubtful accounts

a) Allowance for doubtful accounts for loans

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

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

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

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

4.8 Troubled debt restructuring

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

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

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

4.9 Recognition and amortisation of customers' assets

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

4.10 Property foreclosed

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

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

4.11 Land, premises and equipment and depreciation

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

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

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

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

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

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

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

Depreciation is included in determining income.

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

4.12 Intangible assets and amortisation

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

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

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

No amortisation for computer software under development.

4.13 Leasehold rights

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

4.14 Business combination and goodwill

Business combination accounted for under purchase method.

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

4.15 Receivable from/payable to Clearing House

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

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

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

4.17 Classification of insurance contracts

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

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

4.18 Premium receivable and allowance for doubtful accounts

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

4.19 Reinsurance assets and liabilities

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

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

4.20 Premium reserve/life insurance premium reserve

Non-life insurance contract

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

a) Unearned premium reserve

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

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

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

b) Unexpired risks reserve

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

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

Life insurance contract

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

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

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

Non-life insurance contract

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

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

Life insurance contract

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

4.22 Long-term leases

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

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

4.23 Financial derivatives

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

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

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

4.24 Related party transactions

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

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

4.25 Impairment of assets

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

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

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

4.26 Structured notes

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

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

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

4.27 Employee benefits

a) Short-term employee benefits

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

b) Post-employment benefits (Defined contribution plans)

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

c) Post-employment benefits (Defined benefit plans)

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

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

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

4.28 Foreign currencies

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

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

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

4.29 Income tax

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

Current income tax

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

Deferred tax

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

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

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

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

4.30 Provisions

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

4.31 Fair value measurement

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

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

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

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

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

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

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

5. Significant accounting judgments and estimates

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

5.1 Recognition and derecognition of assets and liabilities

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

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

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

5.3 Allowance for impairment of investments in securities

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

5.4 Assessment of investment funds as structured entities

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

5.5 Fair value of financial instruments

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

5.6 Allowance for impairment of property foreclosed

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

5.7 Land, premises and equipment and depreciation

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

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

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

5.8 Goodwill and intangible assets

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

5.9 Deferred tax assets

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

5.10 Finance lease/Operating lease

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

5.11 Unearned premium/Life insurance premium reserve

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

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

5.12 Loss reserve and outstanding claims

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

5.13 Post-employment benefits under defined benefit plans

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

5.14 Litigation and contingent liabilities

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

6. Interbank and money market items (assets)

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	6,634	-	6,634	5,434	800	6,234
Commercial banks	554	33,786	34,340	411	24,258	24,669
Specialised financial institutions	-	39,150	39,150	-	36,891	36,891
Other financial institutions	850	16,567	17,417	798	17,997	18,795
Total	8,038	89,503	97,541	6,643	79,946	86,589
Add: Accrued interest receivables	-	41	41	-	21	21
Less: Deferred revenue	-	-	-	-	(3)	(3)
Less: Allowance for doubtful accounts	-	(161)	(161)	-	(244)	(244)
Total domestic items	8,038	89,383	97,421	6,643	79,720	86,363
Foreign						
US Dollar	1,307	30	1,337	1,397	7,794	9,191
Euro	70	-	70	45	-	45
Others	289	-	289	283	-	283
Total	1,666	30	1,696	1,725	7,794	9,519
Add: Accrued interest receivables	-	-	-	-	36	36
Total foreign items	1,666	30	1,696	1,725	7,830	9,555
Total	9,704	89,413	99,117	8,368	87,550	95,918

(Unit: Million Baht)

	Separate financial statements					
	2018			2017		
	At call	Term	Total	At call	Term	Total
Domestic						
Commercial banks	24	-	24	22	-	22
Add: Accrued interest receivables	-	-	-	-	-	-
Total domestic items	24	-	24	22	-	22

As at 31 December 2018, the Company had deposits with a subsidiary company of Baht 24 million in the separate financial statements (2017: Baht 22 million).

7. Derivatives

As at 31 December 2018 and 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					
	2018			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	460	527	78,516	530	585	85,137
Derivatives for banking book	2	-	137	128	32	9,592
Interest rate						
Derivatives for trading	1,144	1,128	282,096	1,848	1,785	271,684
Derivatives for banking book	-	-	21,530	-	-	20,530
Foreign exchange rate and interest rate						
Derivatives for trading	111	104	5,014	139	138	7,931
Derivatives for banking book	284	334	17,426	243	325	10,425
Others						
Derivatives for trading	4	4	1,216	1	3	2,303
Total	2,005	2,097	405,935	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 year is presented under derivatives assets/derivatives liabilities. Accrued interest receivables/payables per the contracts are recorded as accrued interest receivables under the caption of other assets or accrued interest payables, as the case maybe.

Below are the proportions of trading derivatives transactions classified by counterparty, determined based on the notional amount, as at 31 December 2018 and 2017.

Counterparty	Consolidated financial statements	
	2018	2017
	Percent	Percent
Financial institutions	93.52	93.32
Third parties	6.48	6.68
Total	100.00	100.00

8. Investments

8.1 Classified by type of investments

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2018		2017		2018		2017	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Trading securities								
Government and state enterprises securities	13,330	13,346	11,487	11,500	-	-	-	-
Private debt securities	3,348	3,507	5,135	5,364	-	-	-	-
Domestic marketable equity securities	1,079	958	1,748	1,713	-	-	-	-
	17,757	17,811	18,370	18,577	-	-	-	-
Add: Allowance for change in value	54		207		-		-	
Net	17,811		18,577		-		-	
Available-for-sale securities								
Government and state enterprises securities	100,199	99,910	114,299	114,495	170	170	497	497
Private debt securities	23,725	23,702	25,025	25,373	320	321	686	695
Foreign debt securities	17,385	17,203	10,441	10,430	-	-	-	-
Domestic marketable equity securities	6,025	6,793	3,350	4,531	224	877	224	941
Unit trusts	74	68	610	625	71	66	199	200
	147,408	147,676	153,725	155,454	785	1,434	1,606	2,333
Add: Allowance for change in value	268		1,729		649		727	
Net	147,676		155,454		1,434		2,333	

(Unit: Million Baht)

	Consolidated financial statements				Separate financial statements			
	2018		2017		2018		2017	
	Cost/ Amortised		Cost/ Amortised		Cost/ Amortised		Cost/ Amortised	
	cost	Fair value	cost	Fair value	cost	Fair value	cost	Fair value
Held-to-maturity debt securities								
Government and state enterprises securities	461	467	43	49	-	-	-	-
Private debt securities	220	247	240	273	-	-	-	-
Investment in receivables purchased	838	1,517	956	1,702	498	1,078	529	1,124
	1,519	2,231	1,239	2,024	498	1,078	529	1,124
Less: Allowance for impairment	(221)		(239)		(127)		(126)	
Net	1,298		1,000		371		403	
General investment								
Domestic non-marketable equity securities	3,684		3,681		76		76	
Foreign non-marketable equity securities	1		1		-		-	
Unit trusts	-		25		-		-	
	3,685		3,707		76		76	
Less: Allowance for impairment	(33)		(35)		(25)		(25)	
Net	3,652		3,672		51		51	
Total investments - net	170,437		178,703		1,856		2,787	

8.2 Classified by remaining period of debt securities

(Unit: Million Baht)

Consolidated financial statements										
2018						2017				
Due within						Due within				
Less						Less				
than						than				
1 - 5						1 - 5				
Over						Over				
At call	1 year	years	5 years	Total		At call	1 year	years	5 years	Total
Available-for-sale securities										
Government and state enterprises securities										
	5	54,117	46,075	2	100,199	5	23,293	90,859	142	114,299
Private debt securities	-	2,119	16,957	4,649	23,725	-	1,188	18,865	4,972	25,025
Foreign debt securities	-	-	17,385	-	17,385	-	4,249	5,863	329	10,441
Total	5	56,236	80,417	4,651	141,309	5	28,730	115,587	5,443	149,765
Add: Allowance for change in value										
	-	7	(480)	(21)	(494)	-	39	453	41	533
Total	5	56,243	79,937	4,630	140,815	5	28,769	116,040	5,484	150,298
Held-to-maturity debt securities										
Government and state enterprises securities										
	-	419	-	42	461	-	-	-	43	43
Private debt securities	-	30	40	150	220	-	40	50	150	240
Investments in receivables purchased ⁽¹⁾										
	838	-	-	-	838	956	-	-	-	956
Total	838	449	40	192	1,519	956	40	50	193	1,239
Less: Allowance for impairment										
	(221)	-	-	-	(221)	(239)	-	-	-	(239)
Total	617	449	40	192	1,298	717	40	50	193	1,000
Total debt securities	622	56,692	79,977	4,822	142,113	722	28,809	116,090	5,677	151,298

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

(Unit: Million Baht)

Separate financial statements										
2018					2017					
Due within					Due within					
Less					Less					
than					than					
1 - 5					1 - 5					
Over					Over					
At call	1 year	years	5 years	Total	At call	1 year	years	5 years	Total	
Available-for-sale securities										
Government and state enterprises securities										
-	170	-	-	170	-	497	-	-	497	
Private debt securities										
-	130	190	-	320	-	315	371	-	686	
Total	300	190	-	490	-	812	371	-	1,183	
Add: Allowance for change in value										
-	-	1	-	1	-	6	3	-	9	
Total	300	191	-	491	-	818	374	-	1,192	
Held-to-maturity debt securities										
Investments in receivables purchased ⁽¹⁾										
498	-	-	-	498	529	-	-	-	529	
Total	-	-	-	498	529	-	-	-	529	
Less: Allowance for impairment										
(127)	-	-	-	(127)	(126)	-	-	-	(126)	
Total	371	-	-	371	403	-	-	-	403	
Total debt securities	371	300	191	-	862	403	818	374	-	1,595

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

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

As at 31 December 2018 and 2017, investments in securities in which the Company and its subsidiaries hold not less than 10 percent of the equity of the investee, but which are not treated as subsidiary or associated companies, separated by industry as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Manufacturing and commerce	1,538	1,668	764	828
Banking and finance sector	1	1	-	-
Real estate and construction	21	21	20	20

8.4 Investments in receivables purchased

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

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Investments in receivables purchased	838	956	498	529
Less: Allowance for impairment	(221)	(239)	(127)	(126)
Investments in receivables purchased - net	617	717	371	403

	2018				2017			
	Number	Balance			Number	Balance		
	of	per	Purchase	Yield	of	per	Purchase	Yield
	debtors	agreement	price		debtors	agreement	price	
		Million Baht	Million Baht			Million Baht	Million 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 year	291	7,683	838		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 year	193	4,749	498		193	4,752	529	

In 2018 the Company and its subsidiaries did not enter into any debt restructuring agreements with debtors (2017: Consolidated financial statements: 6 debtors entered into debt restructuring agreements, with book balances before restructuring amounting to Baht 14 million, by means of modification of repayment conditions. There were no losses on debt restructuring, and Baht 8 million of the receivables were due within the year 2017 while Baht 6 million were due within 5 years. Separate financial statements: 5 debtors entered into debt restructuring agreements with book balances before restructuring amounting to Baht 13 million, by means of modification of repayment conditions. There were no losses on debt restructuring, and Baht 7 million of the receivables were due within the year 2017 while Baht 6 million were due within 5 years).

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

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

As at 31 December 2018 and 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		
2018	2017	2018	2017	2018	2017	2018	2017	
		Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	
<u>Investments in receivables purchased</u>								
1. Companies which have loan settlement problems or have defaulted on the repayment	101	114	638	729	1,180	1,287	129	147

Separate financial statements								
Number of debtors		Cost		Fair value/ collateral value		Allowance for possible loss/impairment provided in the accounts		
2018	2017	2018	2017	2018	2017	2018	2017	
		Million	Million	Million	Million	Million	Million	
		Baht	Baht	Baht	Baht	Baht	Baht	
<u>Investments in receivables purchased</u>								
1. Companies which have loan settlement problems or have defaulted on the repayment	64	65	362	392	865	905	58	58

9. Investments in subsidiary and associated companies

9.1 Separate financial statements

As at 31 December 2018 and 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 for the years	
	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	3,183	2,472
NFS Asset Management Co., Ltd.	175	700	100.00	100.00	175	700	56	130
MBK Life Assurance Plc.	700	700	51.00	51.00	460	460	-	-
Max Asset Management Co., Ltd.	40	143	83.44	83.44	33	117	179	45
NASSET Property Fund 6	121	121	99.80	99.80	6	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.	1,695	1,708	10.00	10.00	591	596	126	124
Total investments in subsidiary and associated companies					33,167	33,823	3,544	2,771

During the year 2018, NFS Asset Management Co., Ltd. decreased its registered shares capital and returned Baht 525 million to the Company, based on the par value. However, the Company had no gain on the capital return.

During the year 2018, Max Asset Management Co., Ltd. decreased its registered shares capital and returned Baht 86 million to the Company, based on the par value. However, the Company recorded a gain on capital return of Baht 2 million in the separate financial statements and this was eliminated in the consolidated financial statements.

During the year 2018, NASSET Property Fund 6 returned capital of Baht 98 million to the Company, based on the net asset value. The Company recorded a gain on capital return of Baht 56 million in the separate financial statements and this was eliminated in the consolidated financial statements.

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

(Unit: Million Baht)

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Dividend paid to non-controlling interests during the years		Profit (loss) allocated to non-controlling interests during the years		Other comprehensive income (loss) allocated to non-controlling interests during the years	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(%)	(%)								
Thanachart Bank Plc.										
and its subsidiaries	49.04	49.04	71,544	67,369	3,228	2,652	7,938	7,314	(535)	381
MBK Life Assurance Plc	49.00	49.00	598	631	-	-	(12)	33	(21)	10

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

Summarised information about financial position

(Unit: Million Baht)

	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2018	2017	2018	2017
Total assets	1,046,612	1,009,557	9,765	10,610
Total liabilities	902,406	873,349	8,545	9,322

Summarised information about comprehensive income

(Unit: Million Baht)

	For the years ended 31 December			
	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2018	2017	2018	2017
Net operating income	43,239	41,981	96	202
Profit (loss) for the year	15,458	14,369	(25)	67
Other comprehensive income	(1,062)	806	(43)	21
Total comprehensive income	14,396	15,175	(68)	88

Summarised information about cash flow

(Unit: Million Baht)

	For the years ended 31 December			
	Thanachart Bank Plc. and its subsidiaries		MBK Life Assurance Plc.	
	2018	2017	2018	2017
Cash flow from (used in) operating activities	(9,304)	2,615	2,600	(1,075)
Cash flow from (used in) investing activities	13,193	14,195	(2,598)	1,075
Cash flow used in financing activities	(4,323)	(17,434)	-	-
Net increase (decrease) in cash	(434)	(624)	2	-

9.4 Cash flow information of asset management companies that are subsidiaries

Cash flow information of asset management companies that are subsidiaries for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2018	2017	2018	2017	2018	2017
Cash flows from operating activities						
Profit before income tax	30	48	249	58	123	108
Adjustments to reconcile profit before income tax to net cash received by (paid for) operating activities						
Gain on assets transferred for debt settlement	-	-	(4)	(9)	-	-
Loss on impairment of property foreclosed (reversal)	(5)	(2)	2	(1)	(27)	(6)
Impairment loss of loans and debt securities (reversal)	32	(46)	12	-	(61)	(2)
Others	(1)	(2)	-	(1)	-	1
	56	(2)	259	47	35	101
Net interest income	24	17	24	22	(82)	(148)
Dividend income	(4)	(3)	-	-	-	-
Cash received from interest	4	8	7	-	82	148
Cash paid for income tax	(7)	(16)	(40)	(27)	(36)	(15)
Income (loss) from operating activities before changes in operating assets and liabilities	73	4	250	42	(1)	86
Decrease (increase) in operating assets						
Current investments	(48)	317	(30)	187	-	-
Investments in receivables purchased	-	-	28	11	-	-
Loans to customers	10	57	(108)	(67)	278	333
Property foreclosed	253	92	(132)	(33)	275	347
Other assets	(5)	1	5	(4)	1	(20)
Increase (decrease) in operating liabilities						
Other liabilities	32	(26)	(79)	38	7	(20)
Net cash flows from (used in) operating activities	315	445	(66)	174	560	726
Cash flows from investing activities						
Cash received from dividend	4	3	-	-	-	-
Net cash flows from investing activities	4	3	-	-	-	-

	(Unit: Million Baht)					
	NFS Asset Management Co., Ltd.		Max Asset Management Co., Ltd.		TS Asset Management Co., Ltd.	
	2018	2017	2018	2017	2018	2017
Cash flows from financing activities						
Debts issued and borrowings	282	(230)	458	(57)	-	-
Cash paid for interest on borrowings	(27)	(25)	(32)	(22)	-	-
Cash paid for dividend	(56)	(130)	(215)	(54)	(250)	(330)
Cash paid for capital return	(525)	-	(103)	-	-	-
Net cash flows from (used in) financing activities	(326)	(385)	108	(133)	(250)	(330)
Net increase (decrease) in cash and cash equivalents	(7)	63	42	41	310	396
Cash and cash equivalents at the beginning of the year	93	30	55	14	586	190
Cash and cash equivalents at the end of the year	86	93	97	55	896	586

9.5 Investment in an associated company in the consolidated financial statements

As at 31 December 2018 and 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 during the years		Share of profit during the years		Share of surplus from the change in the ownership subsidiaries of the associate		Share of other comprehensive income during the years	
					Cost method ⁽¹⁾		Equity method									
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	MBK Plc. (operating in property rental, hotel and services businesses)	1,695	1,708	19.90	19.90	855	861	3,027	2,827	251	248	543	337	(1)	82	(94)
Total investment in an associated company					855	861	3,027	2,827	251	248	543	337	(1)	82	(94)	33

(1) After deducting intergroup transactions.

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

9.6 Summarised financial information of an associated company

- a) Summarised financial information of MBK Plc. as at 30 September 2018 and 2017, and for the years then ended are as follows:

Summarised information about financial position

	(Unit: Million Baht)	
	30 September 2018 ⁽¹⁾	30 September 2017 ⁽¹⁾
Total assets	52,119	46,668
Total liabilities	(27,201)	(23,830)
Other equity items of an associated company	221	193
Net assets	25,139	23,031
Shareholding percentage (%)	19.90	19.90
Share of net assets	5,003	4,583
Elimination entries	(2,027)	(1,808)
Goodwill	51	52
Carrying amounts of associate based on equity method	3,027	2,827

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

Summarised information about comprehensive income

	(Unit: Million Baht)	
	For the years ended 30 September ⁽¹⁾	
	2018	2017
Revenue	12,688	10,351
Profit for the year	3,020	1,864
Other comprehensive income	76	1,060
Total comprehensive income for the year	3,096	2,924

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

The share of profit from investment in MBK Plc. accounted for under the equity method was determined based on financial statements of MBK Plc. that were prepared for periods different from those of the Company, due to limited information available. However, they are financial statements prepared for the same length of time and based on the principle of consistency. Therefore, share of profit of the associate under the equity method for the year ended 31 December 2018 was determined based on financial statements that were prepared with reference to financial statements for the year ended 30 September 2018 that had been audited or reviewed by the associate's auditor and adjusted for the effect of differences in accounting policies by the Company's management. In addition, the Company's management considered that the income for the year ended 30 September 2018 is not materially different from the income for the year ended 31 December 2018.

During the year 2018, the Company and Thanachart Bank Plc. (the subsidiary) sold 1,303,700 ordinary shares and 1,290,700 ordinary shares of MBK Plc., respectively. As a result, the shareholding of the Company and its subsidiaries decreased from 19.90 percent to 19.75 percent.

On 26 July 2018, MBK Plc. registered a decrease in its share capital of 13,037,000 shares, reducing its paid-up share capital from 1,707,960,000 shares to 1,694,923,000 shares, and increasing the shareholding of the Company and its subsidiaries from 19.75 percent to 19.90 percent.

b) Fair value of investment in an associated company

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

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
MBK Plc.	6,914	6,560	3,475	3,296

10. Loans to customers and accrued interest receivables

10.1 Classified by loan type

(Unit: Million Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Loans to customers</u>				
Overdrafts	16,370	16,668	-	-
Loans	273,199	263,062	44	48
Notes receivables	38,397	56,185	1,374	711
Hire purchase receivables	486,636	425,996	48	48
Financial lease receivables	2,166	1,710	-	-
Others	181	153	-	-
Less: Deferred revenues	(66,158)	(55,129)	(2)	(2)
Total loans to customers net of deferred revenues	750,791	708,645	1,464	805
Add: Accrued interest receivables	657	601	-	-
Total loans to customers and accrued interest receivables net of deferred revenues	751,448	709,246	1,464	805
Less: Allowance for doubtful accounts				
1) BOT's minimum requirement provision				
- Individual approach	(8,564)	(8,446)	(86)	(80)
- Collective approach	(7,090)	(5,820)	-	-
2) Excess provision	(8,477)	(10,237)	-	-
Less: Revaluation allowance for debt restructuring	(1)	(1)	-	-
Loans to customers and accrued interest receivables - net	727,316	684,742	1,378	725
<u>Securities business receivables</u>				
Credit balances receivables	3,791	4,101	-	-
Other receivables	31	15	-	-
Total securities business receivables	3,822	4,116	-	-
Less: Allowance for doubtful accounts	(13)	(14)	-	-
Securities business receivables - net	3,809	4,102	-	-
Total loans to customers and accrued interest receivables - net	731,125	688,844	1,378	725

10.2 Classified by currency and country

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	743,094	-	743,094	696,946	-	696,946
US Dollar	5,519	4,538	10,057	8,555	5,570	14,125
Other currencies	92	1,370	1,462	161	1,529	1,690
Total*	748,705	5,908	754,613	705,662	7,099	712,761

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,464	-	1,464	805	-	805
Total*	1,464	-	1,464	805	-	805

* Total loans net of deferred revenues

10.3 Classified by type of business and loan classification

(Unit: Million Baht)

	Consolidated financial statements							
	2018							Consolidated
	The Company and subsidiary companies which are financial institutions						Other subsidiary companies	
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Total		
Agricultural and mining	6,495	14	37	10	26	6,582	-	6,582
Manufacturing and commerce	69,123	222	570	517	4,019	74,451	365	74,816
Real estate and construction	46,427	138	202	41	1,730	48,538	62	48,600
Public utilities and services	52,444	110	306	142	984	53,986	128	54,114
Personal consuming								
Housing loans	97,631	1,126	1,543	853	2,072	103,225	55	103,280
Securities business	-	-	-	-	-	-	3,822	3,822
Hire purchase	343,579	25,510	1,433	1,422	740	372,684	47,996	420,680
Others	29,012	615	565	187	693	31,072	330	31,402
Others	11,066	15	-	-	236	11,317	-	11,317
Total*	655,777	27,750	4,656	3,172	10,500	701,855	52,758	754,613

* Total loans net of deferred revenues

(Unit: Million Baht)

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

* Total loans net of deferred revenues

(Unit: Million Baht)

Separate financial statements						
2018						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Manufacturing and commerce	-	-	-	-	2	2
Personal consuming						
Housing loans	10	-	-	-	6	16
Hire purchase	-	-	-	-	46	46
Others	3	-	-	-	30	33
Others	1,367	-	-	-	-	1,367
Total*	1,380	-	-	-	84	1,464

* Total loans net of deferred revenues

(Unit: Million Baht)

	Separate financial statements					
	2017					
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Manufacturing and commerce	-	-	-	-	2	2
Personal consuming						
Housing loans	10	4	-	1	6	21
Hire purchase	-	-	-	-	46	46
Others	3	-	-	-	30	33
Others	703	-	-	-	-	703
Total*	716	4	-	1	84	805

* Total loans net of deferred revenues

10.4 Non-performing loans

As at 31 December 2018 and 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:

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Non-performing loans (excluding accrued interest receivables)				
The Company	84	85	84	85
Banking business	15,881	14,384	-	-
Asset management business	2,363	2,744	-	-
Securities business	45	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	
	2018	2017	2018	2017
The Company	84	85	84	85
Banking business	21,867	21,362	-	-
Securities business	45	14	-	-

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

10.5 Debt restructuring

During the years 2018 and 2017, the Company and its subsidiaries (banking and asset management businesses) have entered into debt restructuring agreements as follows:

	Consolidated financial statements				
Type of restructuring	Number of debtors	Outstanding balances before restructuring ⁽¹⁾	Outstanding balances after restructuring ⁽¹⁾	Type of assets to be transferred	Fair value of assets to be transferred under agreement
		Million Baht	Million Baht		Million Baht
<u>2018</u>					
Modification of repayment conditions	1,200	2,443	2,433		
Transfer of assets and/or common shares and/or modification of repayment conditions	2	56	56	Land, Land and premise thereon	64
Transfer of assets	4	16	16	Land and premise thereon	20
Total	<u>1,206</u>	<u>2,515</u>	<u>2,505</u>		
<u>2017</u>					
Modification of repayment conditions	1,092	2,317	2,317		
Transfer of assets and/or common shares and/or modification of repayment conditions	2	60	59	Land and premise thereon and car	49
Total	<u>1,094</u>	<u>2,377</u>	<u>2,376</u>		

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

Counting from the end of the years, the remaining periods to maturity of receivables which entered into debt restructuring agreements during the years 2018 and 2017, are summarised below.

Periods	Consolidated financial statements			
	2018		2017	
	Number of	Outstanding	Number of	Outstanding
	debtors	balances after restructuring	debtors	balances after restructuring
		Million Baht		Million Baht
Past due after restructuring	375	796	398	1,016
Due within the year	287	692	264	851
Less than 5 years	204	264	264	204
5 - 10 years	216	425	121	193
10 - 15 years	37	132	20	52
Over 15 years	87	196	27	60
Total	1,206	2,505	1,094	2,376

Supplemental information for the years 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	667	866	1	1
Gain on debt settlement/assets transferred for debt settlement	128	49	64	37
Loss on debt restructuring (net of allowance for doubtful accounts as previously recorded)	9	-	-	-
Cash repayment from receivables	2,784	3,613	67	48
Property foreclosed received for debt settlement	93	73	-	-

As at 31 December 2018 and 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	
	2018	2017	2018	2017	2018	2017
			Million Baht	Million Baht	Million Baht	Million Baht
Thanachart Capital Plc.	16	17	28	30	17	17
Thanachart Bank Plc.	6,430	8,465	7,829	8,240	1,532	1,772
TS Asset Management Co., Ltd.	190	238	1,926	2,580	1,180	1,771
Other subsidiaries	109	100	324	319	112	118

10.6 Hire purchase/financial lease receivables

As at 31 December 2018 and 2017, the Company and its subsidiaries, which are engaged in banking, hire purchases and financial leases businesses, have hire purchase and financial lease receivables. These mostly comprise hire purchase agreements or financial lease agreements for cars, trucks and motorcycles. The terms of the agreements are generally between 3 and 7 years and they carry interest at fixed rates stipulated in the agreements.

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2018				
Amounts due under lease agreements				
	Less than			
	1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	116,735	324,322	47,745	488,802
Less: Unearned finance income	(21,223)	(41,495)	(3,438)	(66,156)
Present value of minimum lease payments				
receivables	95,512	282,827	44,307	422,646
Allowance for doubtful accounts				(10,538)
Hire purchase/financial lease				
receivables - net				412,108

* Included non-performing receivables

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2017

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

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2018

	Amounts due under lease agreements			
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	48	-	-	48
Less: Unearned finance income	(2)	-	-	(2)
Present value of minimum lease payments				
receivables	46	-	-	46
Allowance for doubtful accounts				(46)
Hire purchase/financial lease				
receivables - net				-

* Included non-performing receivables

(Unit: Million Baht)

Separate financial statement as at 31 December 2017				
Amounts due under lease agreements				
	Less than 1 year*	1 - 5 years	Over 5 years	Total
Gross investment in the lease	48	-	-	48
Less: Unearned finance income	(2)	-	-	(2)
Present value of minimum lease payments receivables	46	-	-	46
Allowance for doubtful accounts				(46)
Hire purchase/financial lease receivables - net				-

* Included non-performing receivables

10.7 Classified by classification

As at 31 December 2018 and 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⁾						
	2018			2017		
	Net balance			Net balance		
	Loans and accrued interest receivables	used in making allowance for doubtful accounts	Allowance for doubtful accounts	Loans and accrued interest receivables	used in making allowance for doubtful accounts	Allowance for doubtful accounts
Normal	656,410	437,439	4,127	624,843	416,560	3,311
Special mention	27,759	25,868	2,438	26,308	23,844	2,336
Substandard	4,659	2,381	1,639	5,960	2,998	2,241
Doubtful	3,172	1,947	1,155	2,674	1,491	823
Doubtful of loss	10,500	4,390	3,993	8,582	4,111	3,473
Total	702,500	472,025	13,352	668,367	449,004	12,184
Additional allowance for possible uncollectible accounts			8,257			10,017
Total			21,609			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						
	2018			2017		
	Net balance			Net balance		
	Loans and accrued interest receivables	used in making allowance for doubtful accounts	Allowance for doubtful accounts	Loans and accrued interest receivables	used in making allowance for doubtful accounts	Allowance for doubtful accounts
Normal	1,380	1,370	13	716	707	7
Special mention	-	-	-	4	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	1	-	-
Doubtful of loss	84	73	73	84	73	73
Total	1,464	1,443	86	805	780	80

Percentage of allowance for doubtful account set up				
	Hire purchase receivables - personal consumer of Thanachart Bank ⁽²⁾		Other loans	
	2018	2017	2018	2017
Normal	0.93	0.71	1	1
Special mention	9.60	10.03	2	2
Substandard	47.57	40.67	100	100
Doubtful	42.88	39.66	100	100
Doubtful of loss	42.75	40.60	100	100

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

10.8 Loans to companies which have settlement problems

As at 31 December 2018 and 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								
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2018	2017	2018	2017	2018	2017	2018	2017
			Million Baht	Million Baht	Million Baht	Million Baht	Million Baht	Million Baht
1. Listed companies possible to delisting from the SET	5	4	200	205	2	1	3	2
2. Non - listed companies with similar operating results and financial position to listed companies possible to delisting from the SET	30	32	302	554	195	310	107	245
3. Companies which have loan settlement problems or have defaulted on the repayment	1,050	1,035	8,167	8,262	4,638	4,634	3,907	3,874

Separate financial statements								
	Number of debtors		Debt balances		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2018	2017	2018	2017	2018	2017	2018	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

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

As at 31 December 2018 and 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)

	2018			2017		
	Debt		Debt balances net of allowance for doubtful accounts	Debt		Debt balances net of allowance for doubtful accounts
	balances	Allowance for doubtful accounts		balances	Allowance for doubtful accounts	
Normal	3,777	-	3,777	4,102	-	4,102
Substandard	33	1	32	1	1	-
Doubtful	12	12	-	13	13	-
Total	3,822	13	3,809	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.

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

As at 31 December 2018 and 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)

	2018	2017
Current or overdue not over 90 days	46,761	38,793
Overdue 91 - 365 days	831	811
Overdue more than 1 year	179	168
Debtors under legal actions	781	679
Total	48,552	40,451
Allowance for doubtful accounts provided in the accounts	2,521	2,301

11. Allowance for doubtful accounts

(Unit: Million Baht)

Consolidated financial statements									
For the year ended 31 December 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 year	3,311	2,336	2,241	823	3,473	10,017	22,201	2,316	24,517
Increase (decrease) during the year	816	102	(602)	332	5,028	(1,760)	3,916	320	4,236
Bad debts recovery	-	-	-	-	1,033	-	1,033	12	1,045
Bad debts written-off	-	-	-	-	(5,541)	-	(5,541)	(113)	(5,654)
Balance - end of the year	4,127	2,438	1,639	1,155	3,993	8,257	21,609	2,535	24,144

(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

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2018						
	Normal	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Balance - beginning of the year	7	-	-	-	73	80
Increase during the year	6	-	-	-	-	6
Balance - end of the year	13	-	-	-	73	86

(Unit: Million Baht)

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

12. Revaluation allowance for debt restructuring

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Balance - beginning of the year	1	2	-	-
Amortised during the year	-	(1)	-	-
Balance - end of the year	1	1	-	-

13. Classification of assets

As at 31 December 2018 and 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						
2018						
	Interbank and money market items	Loans to customers and accrued interest receivables	Investments	Property foreclosed	Other assets	Total
Normal	85,449	656,410	-	-	142	742,001
Special mention	-	27,759	-	-	109	27,868
Substandard	-	4,659	-	-	11	4,670
Doubtful	-	3,172	-	-	9	3,181
Doubtful of loss	-	10,500	1,094	1,658	423	13,675
Total	85,449	702,500	1,094	1,658	694	791,395

(Unit: Million Baht)

Consolidated financial statements

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

(Unit: Million Baht)

Separate financial statements

	2018					
	Loans to customers and			Property		
	Interbank and money market items	accrued interest receivables	Investments	foreclosed	Other assets	Total
Normal	-	1,380	-	-	-	1,380
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Doubtful of loss	-	84	157	1,251	107	1,599
Total	-	1,464	157	1,251	107	2,979

(Unit: Million Baht)

Separate financial statements

	2017					
	Loans to customers and			Property		
	Interbank and money market items	accrued interest receivables	Investments	foreclosed	Other assets	Total
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

14. Property foreclosed

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2018				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	3,609	102	(611)	3,100
Movable assets	446	6,043	(5,871)	618
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	2,124	503	(154)	2,473
Non-used branches				
External appraiser	368	135	(172)	331
Total property foreclosed	6,547	6,783	(6,808)	6,522
Less: Allowance for impairment	(1,800)	(611)	711	(1,700)
Property foreclosed - net	4,747	6,172	(6,097)	4,822

(Unit: Million Baht)

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

(Unit: Million Baht)

Separate financial statements				
For the year ended 31 December 2018				
	Balance - beginning of the year	Additions	Disposals	Balance - end of the year
Assets transferred for settlement of debts				
Immovable assets				
External appraiser	1,092	7	(54)	1,045
Movable assets	1	-	(1)	-
Assets from purchase by bid on the open market				
Immovable assets				
External appraiser	770	52	(5)	817
Others				
Immovable assets				
External appraiser	154	105	(18)	241
Total property foreclosed	2,017	164	(78)	2,103
Less: Allowance for impairment	(1,308)	(7)	64	(1,251)
Property foreclosed - net	709	157	(14)	852

(Unit: Million Baht)

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

15. Land, premises and equipment

(Unit: Million Baht)

Consolidated financial statements						
For the year ended 31 December 2018						
	Land*	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2018	5,609	2,477	7,279	80	2	15,447
Additions	-	-	184	5	106	295
Transfers/disposals	(126)	(165)	(765)	(23)	(16)	(1,095)
31 December 2018	5,483	2,312	6,698	62	92	14,647
<u>Accumulated depreciation</u>						
1 January 2018	-	1,024	5,609	57	-	6,690
Transfers/disposals	-	(143)	(769)	(21)	-	(933)
Depreciation for the year	-	124	637	7	-	768
31 December 2018	-	1,005	5,477	43	-	6,525
<u>Allowance for impairment</u>						
1 January 2018	57	22	-	-	-	79
31 December 2018	57	22	-	-	-	79
<u>Net book value</u>						
31 December 2018	5,426	1,285	1,221	19	92	8,043
Depreciation for the year						768

* present at revalued amount.

(Unit: Million Baht)

Consolidated financial statements

For the year ended 31 December 2017

	Land*	Buildings and building improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2017	5,993	2,642	7,399	78	12	16,124
Additions	-	1	339	15	71	426
Transfers/disposals	(384)	(166)	(459)	(13)	(81)	(1,103)
31 December 2017	5,609	2,477	7,279	80	2	15,447
<u>Accumulated depreciation</u>						
1 January 2017	-	972	5,387	62	-	6,421
Transfers/disposals	-	(75)	(491)	(11)	-	(577)
Depreciation for the year	-	127	713	6	-	846
31 December 2017	-	1,024	5,609	57	-	6,690
<u>Allowance for impairment</u>						
1 January 2017	68	25	5	-	-	98
Transfers/disposals	(11)	(3)	(5)	-	-	(19)
31 December 2017	57	22	-	-	-	79
<u>Net book value</u>						
31 December 2017	5,552	1,431	1,670	23	2	8,678
Depreciation for the year						846

* present at revalued amount.

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2018						
	Land*	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2018	18	45	62	33	-	158
Additions	-	-	1	-	-	1
Transfers/disposals	-	-	(1)	(14)	-	(15)
31 December 2018	18	45	62	19	-	144
<u>Accumulated depreciation</u>						
1 January 2018	-	32	56	25	-	113
Transfers/disposals	-	-	(1)	(14)	-	(15)
Depreciation for the year	-	2	3	2	-	7
31 December 2018	-	34	58	13	-	105
<u>Net book value</u>						
31 December 2018	18	11	4	6	-	39
Depreciation for the year						7

* present at revalued amount.

(Unit: Million Baht)

Separate financial statements						
For the year ended 31 December 2017						
	Land*	Buildings and buildings improvement	Furniture, fixtures and equipment	Vehicles	Assets under installation	Total
<u>Cost</u>						
1 January 2017	18	45	72	27	-	162
Additions	-	-	1	6	-	7
Transfers/disposals	-	-	(11)	-	-	(11)
31 December 2017	18	45	62	33	-	158
<u>Accumulated depreciation</u>						
1 January 2017	-	30	63	24	-	117
Transfers/disposals	-	-	(11)	-	-	(11)
Depreciation for the year	-	2	4	1	-	7
31 December 2017	-	32	56	25	-	113
<u>Net book value</u>						
31 December 2017	18	13	6	8	-	45
Depreciation for the year						7

* present at revalued amount.

As at 31 December 2018 and 2017, the Company and its subsidiaries have building, office equipment and vehicles which have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment, amounting to approximately Baht 3,999 million and Baht 3,721 million, respectively (separate financial statements: Baht 63 million and Baht 67 million, respectively).

As at 31 December 2018 and 2017, the Company and its subsidiaries have no vehicles acquired under financial lease agreements.

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

Had the land been carried in the financial statements on a historical cost basis, its net book value as at 31 December 2018 and 2017 would have been as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Land	3,995	4,091	3	3

Key assumptions used in the valuation are summarised below.

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

Surplus on revaluation of assets

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

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Balance - beginning of the year	1,559	1,616	15	15
Transferred out during the year	(51)	(57)	-	-
Balance - end of the year	1,508	1,559	15	15

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

16. Intangible assets

(Unit: Million Baht)

For the year ended 31 December 2018						
						Separate financial statements
Consolidated financial statements						
			Membership fees for Thailand Futures	Computer software under development		
Intangible assets from business combination	Computer software	Exchange and others			Total	Computer software
<u>Cost</u>						
1 January 2018	4,100	3,118	7	174	7,399	9
Additions	-	88	-	180	268	-
Transfers/disposals	-	159	-	(159)	-	-
31 December 2018	4,100	3,365	7	195	7,667	9
<u>Accumulated amortisation</u>						
1 January 2018	3,423	1,675	7	-	5,105	8
Amortisation for the year	316	365	-	-	681	-
31 December 2018	3,739	2,040	7	-	5,786	8
<u>Allowance for impairment</u>						
1 January 2018	-	31	-	-	31	-
31 December 2018	-	31	-	-	31	-
<u>Net book value</u>						
31 December 2018	361	1,294	-	195	1,850	1
Remaining amortisation period	1.25 years	0 - 10 years	-	-		0 - 9 years
Amortisation for the year					681	-

For the year ended 31 December 2017

	Consolidated financial statements					Separate financial statements
	Intangible assets from business combination	Computer software	Membership fees for Thailand Futures Exchange and others	Computer software under development	Total	Computer software
<u>Cost</u>						
1 January 2017	4,100	2,856	7	177	7,140	9
Additions	-	117	-	145	262	-
Transfers/disposals	-	145	-	(148)	(3)	-
31 December 2017	4,100	3,118	7	174	7,399	9
<u>Accumulated amortisation</u>						
1 January 2017	3,040	1,353	7	-	4,400	8
Transfers/disposals	-	(3)	-	-	(3)	-
Amortisation for the year	383	325	-	-	708	-
31 December 2017	3,423	1,675	7	-	5,105	8
<u>Allowance for impairment</u>						
1 January 2017	-	31	-	-	31	-
31 December 2017	-	31	-	-	31	-
<u>Net book value</u>						
31 December 2017	677	1,412	-	174	2,263	1
Amortisation for the year					708	-

As at 31 December 2018 and 2017, the Company and its subsidiaries have computer software which have been fully amortised but are still in use with the gross carrying amount, before deducting accumulated amortisation and allowance for impairment, amounting to approximately Baht 552 million and Baht 346 million, respectively (separate financial statements: Baht 8 million and Baht 8 million, respectively).

17. Goodwill

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

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

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

	Rate (Percentage)
Terminal growth rate	4
Discount rate	11

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

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

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

18. Deferred tax assets/ liabilities and income tax

18.1 Deferred tax assets/ liabilities

As at 31 December 2018 and 2017, deferred tax assets/liabilities are as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Deferred tax assets	779	908	-	-
Deferred tax liabilities	(1,402)	(1,323)	(134)	(149)
Net	(623)	(415)	(134)	(149)

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

(Unit: Million Baht)		
Consolidated financial statements		
	2018	2017
Deferred tax assets		
Intercompany gain from disposal of assets	37	182
Non-accrual of interest income	71	67
Allowance for doubtful debts - general provision/other assets	1,069	1,225
Allowance for impairment of properties foreclosed	74	94
Employee benefits	542	536
Provisions	229	188
Accrued expenses	68	82
Insurance contract liabilities	309	300
Fees income received in advance	351	363
Late payment fee	171	175
Others	317	159
	<u>3,238</u>	<u>3,371</u>
Deferred tax assets		
Deferred tax liabilities		
Assets transferred as a result of business combination	(1,087)	(1,108)
Deferred commissions and direct expenses incurred at the initiation of hire purchase	(2,088)	(1,685)
Intangible assets	(72)	(135)
Unrealised gains on changes in value of available-for-sale securities	(189)	(346)
Others	(425)	(512)
	<u>(3,861)</u>	<u>(3,786)</u>
Deferred tax liabilities		
Net	<u>(623)</u>	<u>(415)</u>

(Unit: Million Baht)		
Separate financial statements		
	2018	2017
Deferred tax liabilities		
Unrealised gains on changes in value of available-for-sale securities	(130)	(145)
Others	(4)	(4)
	<u>(134)</u>	<u>(149)</u>
Deferred tax liabilities		

As at 31 December 2018 and 2017, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 3,441 million and Baht 3,080 million, respectively (separate financial statements: Baht 2,937 million and Baht 2,724 million, respectively) on which deferred tax assets have not been recognised as the Company and its subsidiaries believe future taxable profits may not be sufficient to allow full utilisation of the temporary differences and unused full tax losses.

The unused tax losses amounting to Baht 1,323 million will expire by 2019 - 2023.

18.2 Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Current income tax:				
Corporate income tax charge for the year	2,091	879	-	-
Adjustment in respect of income tax from previous year	10	3	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	504	277	-	153
Income tax expense reported in statements of comprehensive income	2,605	1,159	-	153

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Million Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	2018	2017	2018	2017
Deferred tax relating to gain (loss) on changes in value of available-for-sale securities	(292)	266	(16)	23
Deferred tax relating to actuarial gain (loss) on defined benefit plan	-	(46)	-	-
Deferred tax relating to share of other comprehensive income of an associated company	(5)	1	-	-
	(297)	221	(16)	23

Reconciliations between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accounting profit before tax	18,411	15,500	3,316	2,532
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	3,682	3,100	663	506
Adjustment in respect of income tax from previous year	10	3	-	-
Effects of non-taxable revenue and non-deductible expenses - net	(1,087)	(1,944)	(663)	(353)
Income tax expenses reported in statements of comprehensive income	2,605	1,159	-	153

19. Receivables from purchase and sale of securities

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Receivables from purchase and sale of securities	2,640	3,127	289	-

20. Other assets

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accrued premium insurance income	520	308	-	-
Suspense debtors	722	700	-	-
Other receivables	1,816	1,495	112	107
VAT refundable	962	690	-	-
Other receivables - VAT paid in advance				
for customers	251	248	-	-
Deposits	248	246	3	3
Estimated insurance claims recoveries	259	248	-	-
Receivable from clearing house	64	343	-	-
Leasehold right	101	123	9	9
Prepaid corporate income tax	706	661	10	9
Deposits from derivative contracts	337	535	-	-
Prepaid expenses	483	446	7	8
Reinsurance assets	721	418	-	-
Accrued interest and dividend receivables	485	742	2	3
Others	1,103	813	2	2
Total	8,778	8,016	145	141
Less: Allowance for impairment	(524)	(495)	(107)	(104)
Other assets - net	8,254	7,521	38	37

21. Deposits

21.1 Classified by type of deposits

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Current	12,759	11,953	-	-
Saving	351,939	295,390	-	-
Certificates of deposit	85,460	142,505	-	-
Fixed deposits				
- Less than 6 months	44,025	36,529	-	-
- 6 months and up to 1 year	41,832	63,772	-	-
- Over 1 year	215,902	165,942	-	-
Total deposits	751,917	716,091	-	-

21.2 Classified by currency and country

	(Unit: Million Baht)					
	Consolidated financial statements					
	2018			2017		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	751,285	1	751,286	714,351	1	714,352
US Dollar	490	29	519	1,523	31	1,554
Other currencies	109	3	112	182	3	185
Total	751,884	33	751,917	716,056	35	716,091

22. Interbank and money market items (liabilities)

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	At call	Term	Total	At call	Term	Total
Domestic						
Bank of Thailand and Financial Institutions Development Fund	413	-	413	418	372	790
Commercial banks	3,520	12,310	15,830	1,929	21,597	23,526
Specialised financial institutions	32	7,440	7,472	47	12,525	12,572
Other financial institutions	17,770	15,322	33,092	15,390	12,077	27,467
Total domestic items	21,735	35,072	56,807	17,784	46,571	64,355
Foreign						
US Dollar	177	13,921	14,098	274	15,263	15,537
Euro	1	-	1	1	-	1
Baht	485	532	1,017	2,221	229	2,450
Total foreign items	663	14,453	15,116	2,496	15,492	17,988
Total	22,398	49,525	71,923	20,280	62,063	82,343

As at 31 December 2018, interbank and money market items in the consolidated financial statements included loans of a subsidiary company amounting to Baht 2,690 million, a short-term loan 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 (2017: included loans of a subsidiary company amounting to Baht 2,550 million).

23. Debt issued and borrowings

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

(Unit: Million Baht)											
Instrument	Types of borrowings	Issue period	Year of maturity	Interest rate	Face value per unit	Issuance unit		Consolidated		Separate	
						2018	2017	financial statements		financial statements	
								2018	2017	2018	2017
				(Percent annum)	(Baht)	(Thousand unit)	(Thousand unit)				
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
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	-	-
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	-	-
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	-	-

(Unit: Million Baht)											
Instrument	Types of borrowings	Issue period	Year of maturity	Interest rate	Face value per unit	Issuance unit		Consolidated		Separate	
						2018	2017	financial statements		financial statements	
								2018	2017	2018	2017
				(Percent annum)	per (Baht)	(Thousand unit)	(Thousand unit)				
17	Unsubordinated debentures	Year 2018	Year 2019	1.88	1,000	3,100	-	3,100	-	3,100	-
18	Unsubordinated debentures	Year 2018	Year 2020	2.28 - 2.80	1,000	3,865	-	3,815	-	-	-
19	Unsubordinated debentures	Year 2018	Year 2021	2.31 , 2.70	1,000	1,970	-	1,970	-	-	-
20	Unsubordinated debentures	Year 2018	Year 2021	2.30 , 2.50	1,000	1,110	-	1,110	-	-	-
21	Unsubordinated debentures	Year 2018	Year 2020	2.80	1,000	140	-	140	-	-	-
22	Structured notes		Year 2019					277	393	-	-
23	Promissory notes		At call	0.20 - 2.50, 5.65, 6.65				467	399	-	-
24	Promissory notes		Year 2019 - 2021	2.90, 3.30				289	290	-	-
Total debt issued and borrowings								55,013	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), 18), and 19) 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), 14) and 17) are name-registered, unsubordinated, unsecured debenture with no debentures holders' representative, paying interest semi-annually.

Instruments 12), 16), 20) and 21) are name-registered, unsubordinated, unsecured debentures with no debenture holders' representative, paying interest quarterly. The subsidiary has to comply with the terms and conditions specified in the loan agreement, such as maintenance of a debt to equity ratio.

24. Provisions

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2018				
	Loss from litigation	Employee benefits	Obligations from off-balance items	Others
				Total
As at 1 January 2018	361	2,740	167	411
Increase during the year	272	191	3	689
Decrease from actual utilised	(28)	(146)	(12)	(335)
Reversal of provisions	(6)	(13)	(24)	(355)
As at 31 December 2018	599	2,772	134	410

(Unit: Million Baht)

Consolidated financial statements				
For the year ended 31 December 2017				
	Loss from litigation	Employee benefits	Obligations from off-balance items	Others
				Total
As at 1 January 2017	411	2,475	434	357
Increase during the year	41	839	30	1,432
Decrease from actual utilised	(82)	(574)	(7)	(247)
Reversal of provisions	(9)	-	(290)	(1,131)
As at 31 December 2017	361	2,740	167	411

(Unit: Million Baht)

Separate financial statements		
For the year ended 31 December 2018		
Loss from litigation	Employee benefits	Total
As at 1 January 2018	-	26
Increase during the year	-	3
As at 31 December 2018	-	29

(Unit: Million Baht)

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

Long-term employee benefits

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Defined benefit obligation at the beginning of the year	2,378	2,204	26	38
Recognised in profit and loss:				
Current service cost	173	150	1	1
Interest cost	77	74	1	1
Past service costs and gains or losses arising from the payment of benefits	(55)	(199)	-	-
Recognised in other comprehensive income:				
Actuarial (gains) losses arising from				
- Demographic assumptions changes	(2)	97	-	1
- Financial assumptions changes	(8)	96	-	1
- Experience adjustments	6	43	1	-
Employee benefits paid during the year	(59)	(87)	-	(16)
Defined benefit obligation at the end of the year	2,510	2,378	29	26

As at 31 December 2018 and 2017, the Company and its subsidiaries expect to pay Baht 61 million and Baht 59 million, respectively, in long-term employee benefits during the next one year (separate financial statements: nil).

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

	(Percent per annum)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Discount rate	2.66 - 3.35	2.71 - 3.13	3.13	3.11
Future salary increase rate	5.00 - 5.36	5.00 - 5.98	5.00	5.00
Average staff turnover rate (depending on age)	0.00 - 50.00	0.00 - 42.86	0.00 - 25.39	0.00 - 26.10

The result of sensitivity analysis for significant assumptions that affect the increasing in present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

		(Unit: Million Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Change	2018	2017	2018	2017
Discount rate	Decrease 0.25%	64	63	1	1
Future salary increase rate	Increase 0.25%	62	61	1	1
Average staff turnover rate	Decrease 0.25%	56	56	1	1

As at 31 December 2018 and 2017, the weighted average durations of the liabilities for long-term employee benefit of the Company and its subsidiaries are 11, 14, 16, 22 years and 11, 14, 16, 20 years, respectively (separate financial statements: 16 years).

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 732 million (The separate financial statement: Baht 9 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective

25. Accrued interest payables

		(Unit: Million Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
Accrued interest payables		2,277	2,453	90	98

26. Insurance contract liabilities

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	Insurance		Net	Insurance		Net
	contract liabilities	Reinsurance assets		contract liabilities	Reinsurance assets	
Life policy reserve	7,903	-	7,903	8,953	-	8,953
Loss reserves and outstanding claims	1,695	(158)	1,537	1,701	(137)	1,564
Unearned premium reserve	4,381	(564)	3,817	3,851	(281)	3,570
Unexpired risks reserve	-	-	-	3	-	3
Unpaid policy benefits	7	-	7	5	-	5
Other liabilities under insurance policies	76	-	76	128	-	128
Total	14,062	(722)	13,340	14,641	(418)	14,223

Non-life insurance

Assumptions used in determining liabilities from insurance contracts

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

Sensitivity analysis

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

(Unit: Million Baht)

Consolidated financial statements					
2018					
	Change in assumption	Change in gross liabilities	Change in net liabilities	Increase (decrease) on profit before tax	Increase (decrease) on equity
Ultimate loss ratio	Increase 2%	170	157	(157)	(126)
Loss adjustment expense	Increase 2%	12	12	(12)	(10)
Ultimate loss ratio	Decrease 2%	(169)	(156)	156	125
Loss adjustment expense	Decrease 2%	(12)	(12)	12	10

(Unit: Million Baht)

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

Life insurance

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

Mortality rate

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

Related expenses

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

Lapse and surrender rates

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

Discount rate

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

Sensitivity analysis

The result of sensitivity analysis for significant assumptions that affect the present value of the insurance contract liabilities as at 31 December 2018 and 2017 are summarised below:

(Unit: Million Baht)

Consolidated financial statements					
2018					
	Change	Insurance contract liabilities		Effect to	
		Gross		Increase (decrease) on profit before tax	Increase (decrease) on equity
		reinsurance	Net reinsurance		
		increase (decrease)	increase (decrease)		
Mortality rate	Increase 10%	17	-	(17)	(14)
Expenses rate	Increase 10%	9	-	(9)	(7)
Lapse and surrender rates	Increase 10%	(18)	-	18	14
Discount rate	Increase 0.5%	(183)	-	183	147
Mortality rate	Decrease 10%	(18)	-	18	14
Expenses rate	Decrease 10%	(9)	-	9	7
Lapse and surrender rates	Decrease 10%	18	-	(18)	(14)
Discount rate	Decrease 0.1%	27	-	(27)	(22)

(Unit: Million Baht)

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

26.1 Life policy reserve

	(Unit: Million Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Balance - beginning of the year	8,953	9,558
Insurance policy reserves increased from new policies and enforced policies	116	137
Insurance policy reserves decreased from benefit paid, lapse, surrender and others	(1,238)	(1,063)
Assumptions changes	(76)	150
Experience adjustments	148	200
Other adjustments	-	(29)
Balance - end of the year	7,903	8,953

26.2 Loss reserves and outstanding claims

	(Unit: Million Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Balance - beginning of the year	1,701	1,559
Claim expenses for the year	4,733	3,949
Change in loss reserves and outstanding in claims and assumption	280	152
Claim expenses paid during the year	(5,019)	(3,959)
Balance - end of the year	1,695	1,701

26.3 Unearned premium reserve

	(Unit: Million Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Balance - beginning of the year	3,851	3,408
Premium written for the year	8,722	7,655
Premium earned during the current year	(8,192)	(7,212)
Balance - end of the year	4,381	3,851

26.4 Unexpired risks reserve

	(Unit: Million Baht)	
	Consolidated financial statements	
	For the years ended 31 December	
	2018	2017
Balance - beginning of the year	63	19
Increase during the year	673	45
Expire during the year	(511)	(1)
Balance - end of the year	225	63

26.5 Insurance/Life insurance risk

Non-life insurance

Insurance Risk

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

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

Life insurance

Insurance Risk

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

A) Product development and product pricing risk

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

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

B) Underwriting risk

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

C) Claims management risk

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

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

26.6 Unpaid policy benefits

(Unit: Million Baht)

	Consolidated financial statements	
	2018	2017
Death benefits	5	4
Surrender	1	-
Others	1	1
Total unpaid policy benefits	7	5

27. Payables from purchase and sale of securities

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Payables from purchase and sale of securities	1,325	2,259	192	-

28. Other liabilities

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Other payables	2,917	2,741	221	219
Suspense cash received from accounts receivable	2,045	1,962	-	-
Income received in advance	1,758	1,830	-	-
Corporate income tax payable	1,013	408	-	-
Accrued personnel expenses	2,267	2,353	70	69
Accrued contribution fee to the Financial Institutions Development Fund/Deposit Protection Agency	1,750	1,714	-	-
Accrued other expenses	2,158	1,431	4	3
Insurance premium received in advance	1,706	1,422	-	-
Payable to clearing house	795	1,269	-	-
Others	1,499	1,073	21	11
Total other liabilities	17,908	16,203	316	302

29. Share capital/Treasury stocks

During the year ended 31 December 2018, there is no conversion of preferred shares to the Company's common shares. Therefore, as at 31 December 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 30 June 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.

On 27 August 2018, the Board of Directors of the Company approved a decrease of Baht 413,500,000 in the Company's registered share capital due to the end of treasury stock program, though the cancellation of 41,350,000 shares, valued at Baht 1,400 million. The Company registered the decrease in its share capital with the Ministry of Commerce on 31 August 2018 resulting in a decline in the issued and fully paid up share capital from Baht 12,064,797,030 to Baht 11,651,297,030. Of the difference between the treasury stock value and the par value, amounting to Baht 986 million, the Company recognised as a deduction against retained earnings. Moreover, the Company cancelled the appropriation of retained earnings as a reserve for treasury shares amounting Baht 1,400 million, and returned it to unappropriated retained earnings.

As at 31 December 2018, the Company has 14,874,400 treasury shares valued at Baht 765 million. In addition, in January 2019 the Company repurchased 4,592,600 shares with a value of Baht 235 million, and as a result there are a total of 19,467,000 treasury shares with a value of Baht 1,000 million, which is in line with the limit approved by the Board of Directors. Repurchase plan require that the treasury shares are to be sold within 3 years from the repurchase date.

30. Other components of equity

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Share premium of a subsidiary	776	776	-	-
Amount by which the value of investment in subsidiary/associate lower than attributable net book value	230	226	-	-
Revaluation surplus (deficit) on investments				
Revaluation surplus on investments				
Available-for-sale securities				
Debt instruments	60	336	1	9
Equity instruments	988	1,110	653	718
Total	1,048	1,446	654	727
Revaluation deficit on investments				
Available-for-sale securities				
Debt instruments	(307)	(55)	-	-
Equity instruments	(297)	(164)	(5)	-
Total	(604)	(219)	(5)	-
Total revaluation surplus on investments	444	1,227	649	727
Less: The effect of deferred tax liabilities	(93)	(249)	(130)	(145)
Net revaluation surplus on investments	351	978	519	582
Revaluation surplus on assets	776	802	15	15
Less: The effect of deferred tax liabilities	(155)	(160)	(3)	(3)
Net revaluation surplus on assets	621	642	12	12
Share of other comprehensive income of associate	326	399	-	-
Less: The effect of deferred tax liabilities	(11)	(14)	-	-
Net share of other comprehensive income of associate	315	385	-	-
Share of surplus from the change in the ownership interests in subsidiaries of the associate	61	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	59	60	-	-
Total	2,352	3,067	531	594

31. Statutory reserve

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

As at 31 December 2018, the statutory reserve has fully been set aside.

32. Capital funds

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

As at 31 December 2018 and 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)	
	2018	2017
<u>Tier I capital</u>		
Common Equity Tier I capital		
Issued and fully paid-up share capital less treasury shares	10,886	10,665
Share premium	2,066	2,066
Statutory reserve	1,278	1,278
Retained earnings - unappropriated	45,200	41,263
Other components of equity		
Accumulated other comprehensive income	955	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	60,527	57,527
Less: Deductions from Common Equity Tier I capital	(19,720)	(19,613)
Total Common Equity Tier I capital	101,968	95,581
Total Tier I capital	101,968	95,581
<u>Tier II capital</u>		
Subordinated debentures	11,773	12,061
Reserve for assets classified as normal	8,706	8,412
Total Tier II capital	20,479	20,473
Total capital funds	122,447	116,054

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

	2018		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)	15.57	10.375	15.33	9.75
Total Tier I to risk-weighted assets (percent)	12.97	7.875	12.62	7.25
Total Common Equity Tier I to risk-weighted assets (percent)	12.97	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 will disclose capital requirement information as at 31 December 2018 on its website at www.thanachart.co.th within April 2019 and have disclosed capital requirement information as at 30 June 2018 on the website since October 2018.

33. Dividends

During the years ended 31 December 2018 and 2017, the Company has dividend payment as below.

Dividends	Approved by	Dividend payment Million Baht	Dividend per share Baht	Payment date
Interim dividend for the first half-year of 2018	The Company's Board of Directors on 24 September 2018	1,165	1.00	22 October 2018
Dividend for the second half-year of 2017	The Annual General Meeting of shareholders on 25 April 2018	1,515 <u>2,680</u>	1.30 <u>2.30</u>	17 May 2018
Interim dividend for the first half-year of 2017	The Company's Board of Directors on 25 September 2017	1,049	0.90	20 October 2017
Dividend for the second half-year of 2016	The Annual General Meeting of shareholders on 5 April 2017	1,398 <u>2,447</u>	1.20 <u>2.10</u>	3 May 2017

34. Interest income

Interest income for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Interbank and money market items	1,779	1,391	6	-
Investments and trading transactions	257	238	-	-
Investments in debt securities	2,689	3,191	20	24
Loans to customers	17,579	17,786	54	51
Hire purchase and financial lease	24,255	22,075	-	-
Total interest income	46,559	44,681	80	75

35. Interest expenses

Interest expenses for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deposits	9,063	8,698	-	-
Interbank and money market items	997	791	-	-
Contribution fee to the Financial Institutions Development Fund and the Deposit Protection Agency	3,482	3,348	-	-
Debts issued and borrowings				
- Subordinated debentures	-	370	-	-
- Unsubordinated debentures/short-term debentures	1,140	1,197	569	580
- Subordinated instruments	1,077	1,077	-	-
- Others	21	22	-	-
Borrowings cost	12	8	3	2
Total interest expenses	15,792	15,511	572	582

36. Fees and service income

Fees and service income for the years ended 31 December 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	200	202	-	-
Brokerage fee from securities/derivatives	1,251	1,323	-	-
Hire purchase fee income	1,603	1,547	-	-
Credit card fee	1,187	1,065	-	-
ATM and electronic banking services	893	886	-	-
Insurance brokerage fee income	2,061	1,851	-	-
Others	3,049	2,223	1	-
Total fees and service income	10,244	9,097	1	-
Fees and service expenses	(3,586)	(3,207)	(1)	-
Net fees and service income	6,658	5,890	-	-

37. Gains on trading and foreign exchange transactions

Gains on trading and foreign exchange transactions for the years ended 31 December 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	352	277	-	-
Derivatives relating to interest rate	(12)	64	-	-
Debt securities	(119)	211	-	-
Equity securities	(520)	(51)	-	-
Others	609	164	-	-
Total	310	665	-	-

38. Gains on investments

Gains on investments for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Gains (losses) on disposal of available-for-sale securities	(78)	917	6	17
Gain on the capital returned from a subsidiary	-	-	58	53
Gains on disposal of investment in an associate company	38	443	25	281
Gains on debt settlement from investments in receivables purchased	314	263	20	134
Reversal loss on impairment of investments	1	65	-	-
Others	184	220	-	-
Total	459	1,908	109	485

39. Insurance/Life insurance income

Insurance/life insurance income for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Million Baht)	
	Consolidated financial statements	
	2018	2017
Gross premium written	9,079	8,093
Less : Premium ceded to reinsurers	(1,031)	(519)
Net insurance premium income	8,048	7,574
Less: Unearned premium reserve increased from previous year	(247)	(218)
Total	7,801	7,356

40. Insurance expenses

Insurance expenses for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Million Baht)	
	Consolidated financial statements	
	2018	2017
Gross claim and loss adjustment expense	4,103	3,658
Less: Claims recovery from reinsurers	(398)	(56)
Benefit payments under life policies and claims	2,064	1,448
Less: Benefit payment under life policies and claims refundable from reinsurers	(27)	(34)
Commissions and brokerages expenses	334	231
Less: Refundable commissions and brokerages expenses from reinsurers	(291)	(141)
Other underwriting expense	(792)	(355)
Total	4,993	4,751

41. Directors' remuneration

Directors' remuneration represents the benefits paid to the directors of the Company and public subsidiary companies in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to directors who hold executive positions but including the payment of remuneration amounting to Baht 55 million (separate financial statement: Baht 26 million) to the Company's and its subsidiaries' directors, which were approved by the Annual General Meeting of Shareholders of the Company and its subsidiaries.

42. Impairment loss of loans and debt securities

Impairment loss of loans and debt securities for the years ended 31 December 2018 and 2017 consisted of the following:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Impairment loss of loans (reversal)				
Interbank and money market items	(83)	21	-	-
Loans to customers	4,866	6,178	6	(6)
Reversal of revaluation allowance for debts restructured during the year	-	(1)	-	-
Loss from impairment of investments in receivables purchased	2	38	2	42

Total	4,785	6,236	8	36
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43. Components of other comprehensive income

Components of other comprehensive income for the years ended 31 December 2018 and 2017 are as the following:

	(Unit: Million Baht)			
	Consolidated		Separate	
	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 securities:				
Unrealised gains (losses) during the year	(1,539)	2,247	(72)	131
Less: Reclassification of adjustment for realised gains/losses that included in profit or loss	78	(917)	(6)	(17)
	(1,461)	1,330	(78)	114
Share of other comprehensive income of an associate	(94)	33	-	-
Other comprehensive income (loss) for the year	(1,555)	1,363	(78)	114
Impact from related income taxes:				
Income tax - gains (losses) on changes in value of available-for-sale investments	292	(266)	16	(23)
Income tax - other comprehensive income (loss) of an associate	5	(1)	-	-
Impact from related income taxes	297	(267)	16	(23)
	(1,258)	1,096	(62)	91
<i>Transactions that will never be reclassified subsequently to profit or loss</i>				
Actuarial gains (losses) on defined benefit plan	4	(236)	(1)	(2)
Other comprehensive income (loss) for the year	4	(236)	(1)	(2)
Impact from related income taxes:				
Income tax - actuarial gains (losses) on defined benefit plan	-	46	-	-
Impact from related income taxes	-	46	-	-
	4	(190)	(1)	(2)
Other comprehensive income for the year - net	(1,254)	906	(63)	89

44. Earnings per share

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

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

	Consolidated financial statements					
	For the years ended 31 December					
	Profit for the years		Weighted average number of common shares		Earnings per share	
	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	7,839,428	7,001,170	1,163,843	1,165,117	6.74	6.01
Effect of dilutive securities						
Preferred shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	7,839,428	7,001,170	1,163,856	1,165,130	6.74	6.01

	Separate financial statements					
	For the years ended 31 December					
	Profit for the years		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	3,316,439	2,379,238	1,163,843	1,165,117	2.85	2.04
Effect of dilutive securities						
Preferred shares convertible to common shares	-	-	13	13		
Diluted earnings per share						
Profit of common shareholders assuming conversion of dilutive securities	<u>3,316,439</u>	<u>2,379,238</u>	<u>1,163,856</u>	<u>1,165,130</u>	<u>2.85</u>	<u>2.04</u>

45. Provident fund

The Company, its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contributed to the fund monthly, at rates of 2 - 15 percent of their basic salaries, and the Company and its subsidiaries contributed to the fund at stipulated rates. The fund will be paid to the employees upon termination of employment in accordance with the fund rules. During the year ended 31 December 2018, amounting to Baht 431 million was contributed to the fund by the Company and its subsidiaries (separate financial statements: Baht 7 million) (2017: Baht 427 million in the consolidated financial statements and Baht 7 million in the separate financial statements).

46. Related party transactions

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

(Unit: Million Baht)

	For the years ended 31 December				Transfer pricing policy (For the year 2018)
	Consolidated		Separate		
	financial statements		financial statements		
	2018	2017	2018	2017	
<u>Transactions occurred during the years</u>					
Subsidiary companies					
Purchase of debt securities	-	-	743	697	At market price
Sales of debt securities	-	-	1,286	266	At market price
Capital returned from a subsidiary company (2018: gain Baht 58 million 2017: gain Baht 53 million)	-	-	709	93	At the net assets value
Interest income	-	-	59	51	At interest rate of 0.40 - 5.65 percent per annum
Dividend income	-	-	3,418	2,647	As declared
Rental and other service income	-	-	57	47	At the rate agreed under the contract
Other expenses	-	-	1	2	
Associated company					
Dividend income	-	-	126	124	As declared
Other income	-	1	-	-	
Interest expenses	6	4	-	-	At interest rate of 0.40 , 5.65 and 6.65 percent per annum
Dividend paid	-	-	298	273	As declared
Other expenses	105	129	12	11	
Related companies					
Purchase of debt securities	2,932	5,979	-	-	At market price
Sales of debt securities	1,231	4,587	-	-	At market price
Purchase/sales of forward exchange contracts	20,305	58,439	-	-	At market price
Interest income	228	215	-	-	At interest rate of 1.30 - 7.65 percent per annum
Dividend income	90	82	42	39	As declared
Insurance premium/life insurance premium income	4	12	-	-	At the rate agreed under the contract
Other income	2	4	-	-	
Interest expenses	321	198	-	-	At interest rate of 0.40 - 2.92 percent per annum

(Unit: Million Baht)

	For the years ended 31 December				
	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2018	2017	2018	2017	(For the year 2018)
<u>Transactions occurred during the years</u>					
<u>Related companies (continued)</u>					
Dividend paid	3,061	2,377	-	-	As declared
Project management expenses	41	29	11	13	At the contract price calculated by reference to estimated usage time
Other expenses	203	196	7	6	

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

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Subsidiary companies</u>				
Interbank and money market items (assets)	-	-	521	127
Loans to customers	-	-	964	748
<u>Associated company</u>				
Deposits	177	75	-	-
Debt issued and borrowings	95	54	-	-
<u>Related companies</u>				
Interbank and money market items (assets)	65	213	-	-
Loans to customers	5,757	6,361	-	-
Investment in debt securities	49	1,020	-	-
Deposits	1,721	1,606	-	-
Interbank and money market items (liabilities)	12,998	13,661	-	-

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

(Unit: Million Baht)

Consolidated financial statements									
2018									
Assets					Liabilities				
Loans to customers									
Interbank and money market items	Investments - debt securities	and interest receivable s	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Associated company									
MBK Plc.	-	-	-	29	327	-	134	2	-
Related companies									
Other related companies	11	-	5,575	32	1,366	13,022	-	58	1,348
	11	-	5,575	61	1,693	13,022	134	60	1,348

(Unit: Million Baht)

Consolidated financial statements									
2017									
Assets					Liabilities				
Loans to customers									
Interbank and money market items	Investments - debt securities	and interest receivable s	Other assets	Deposits	Interbank and money market items	Debt issued and borrowings	Other liabilities	Commitments	
Associated company									
MBK Plc.	-	-	-	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

(Unit: Million Baht)

	Separate financial statements								
	2018								
	Assets				Liabilities				
	Interbank	Investments	Loans to	Other	Deposits	Interbank	Debt	Other	Commitments
	and money		customers			and money			
market	- debt	and interest			market	issued and			
items	securities	receivables	assets		items	borrowings	liabilities		
Subsidiary companies									
Thanachart Bank Plc.	23	-	-	200	-	-	-	3	-
Thanachart Securities Plc.	-	-	-	-	-	-	-	192	-
NFS Asset Management									
Co., Ltd.	-	-	702	-	-	-	-	-	-
Max Asset Management									
Co., Ltd.	-	-	663	-	-	-	-	-	-
TM Broker Co., Ltd.	-	-	2	-	-	-	-	-	-
Associated company									
MBK Plc.	-	-	-	3	-	-	-	-	-
	23	-	1,367	203	-	-	-	195	-

(Unit: Million Baht)

	Separate financial statements								
	2017								
	Assets				Liabilities				
	Interbank		Loans to			Interbank			
	and money	Investments	customers			and money	Debt		
	market	- debt	and interest	Other		market	issued and	Other	
	items	securities	receivables	assets	Deposits	items	borrowings	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	-

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

		(Unit: Million Baht)	
Company's name	Interest rate	Outstanding balances	
		2018	2017
	(For the year 2018)		
Max Asset Management Co., Ltd.	MLR of Thanachart Bank - 1%	663	281
NFS Asset Management Co., Ltd.	MLR of Thanachart Bank - 1%	702	420
TM Broker Co., Ltd.	MLR of Thanachart Bank - 1%	2	2
Total		1,367	703

As at 31 December 2018, the Company and its subsidiaries have investments amounting to Baht 1,694 million (Baht 814 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 (2017: Baht 1,835 million in the consolidated financial statements and Baht 878 million in the separate financial statements).

As at 31 December 2018 and 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:

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Loans to customers	103	88	-	-
Deposits	1,204	1,527	-	-

Directors and management's remuneration

During the years 2018 and 2017, the Company and its subsidiaries recorded the following benefits to their key management personnel, including directors:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Short-term employee benefits	771	773	103	97
Post-employment benefits	16	17	1	1
	<u>787</u>	<u>790</u>	<u>104</u>	<u>98</u>

47. Financial information classified by operating segment

47.1 Financial position and results of operations classified by business activity

The financial position as at 31 December 2018 and 2017, and the operating results for the years then ended, classified by domestic and foreign operations, are as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	2018			
	Domestic operations	Foreign operations	Eliminations	Total
Total assets	1,060,687	28,079	(27,837)	1,060,929
Interbank and money market items (assets)	112,886	14,068	(27,837)	99,117
Investments	156,491	13,946	-	170,437
Investment in an associated company	3,027	-	-	3,027
Loans to customers and accrued interest receivables	731,125	-	-	731,125
Deposits	751,917	-	-	751,917
Interbank and money market items (liabilities)	71,923	27,837	(27,837)	71,923
Debt issued and borrowings	55,013	-	-	55,013

(Unit: Million Baht)

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

(Unit: Million Baht)

Consolidated financial statements				
2018				
	Domestic operations	Foreign operations	Eliminations	Total
Interest income	46,450	785	(676)	46,559
Interest expenses	(15,792)	(676)	676	(15,792)
Net interest income	30,658	109	-	30,767
Net fees and service income	6,658	-	-	6,658
Net insurance/life insurance income	2,808	-	-	2,808
Other operating income	3,942	-	-	3,942
Other operating expenses	(20,979)	-	-	(20,979)
Impairment loss of loans and debt securities	(4,785)	-	-	(4,785)
Profit before income tax	18,302	109	-	18,411
Income tax	(2,605)	-	-	(2,605)
Profit before non-controlling interests	15,697	109	-	15,806

(Unit: Million Baht)

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

47.2 Financial positions and results of operations classified by business type

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

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

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

(Unit: Million Baht)

	2018								
	Securities								
	The	Banking	business and	Life	Non-life	Asset			
	Company	business	Fund management	insurance business	insurance business	management business	Other businesses	Eliminations	Consolidated
Net interest income	(491)	28,365	207	266	204	36	2,341	(161)	30,767
Other operating income	4,048	9,251	2,564	(170)	2,088	464	1,336	(6,173)	13,408
Other operating expenses	(233)	(17,784)	(1,224)	(138)	(998)	(116)	(1,031)	545	(20,979)
Impairment loss of loans and debt securities	(8)	(4,465)	-	-	-	17	(389)	60	(4,785)
Profit before income tax	3,316	15,367	1,547	(42)	1,294	401	2,257	(5,729)	18,411
Income tax	-	(1,456)	(300)	17	(252)	(110)	(431)	(73)	(2,605)
Profit before non-controlling interests	3,316	13,911	1,247	(25)	1,042	291	1,826	(5,802)	15,806

(Unit: Million Baht)

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

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

(Unit: Million Baht)

	The Company	Banking business	Securities business and		Life insurance business	Non-life insurance business	Asset management business	Other businesses	Eliminations	Consolidated
			Fund management							
Segment assets										
As at 31 December 2018	37,644	984,124	9,557		9,765	14,494	4,622	48,658	(47,935)	1,060,929
As at 31 December 2017	38,150	954,460	12,306		10,610	13,452	4,782	40,617	(48,852)	1,025,525

47.3 Major of principal customers

In the years 2018 and 2017, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

48. Encumbrance of assets

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

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
Interbank and money market items (assets)				
Placed at insurance registrar	750	770	-	-
Placed at court	2	3	-	-
Investments in securities				
Placed at insurance registrar	2,193	2,462	-	-
Placed at court	13	30	-	-
Security lending	-	10	-	-
Placed for electricity usage	1	1	-	-
Property foreclosed				
Immovable assets subject to buyback				
options or first rights refusal	1	2	-	-
Immovable assets subject to purchase or				
sell agreements with clients but currently				
being settled in installments or through				
transfer of ownership	288	30	-	-
	3,248	3,308	-	-

49. Commitments and contingent liabilities

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

49.1 Commitments

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Aval to bills	303	115	-	-
Guarantees of loans	2,402	2,291	-	-
Liability under unmatured import bills	283	270	-	-
Letter of credits	759	1,045	-	-
Other obligations				
Committed (but not drawn) overdraft	22,341	23,832	-	-
Others	61,019	55,644	1	1
Total	87,107	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 7 to the financial statements.

49.2 As at 31 December 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:

Year	(Unit: Million Baht)	
	Consolidated	Separate
	financial statements	financial statements
	Other companies	Other companies
2019	1,867	11
2020	1,345	3
2021 onward	1,361	1

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.

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

SCIB entered into a business transfer agreement with Bangkok Metropolitan Bank Plc. (“BMB”), effective from 1 April 2002, and transferred its assets and those of BMB to Petchburi Asset Management Co., Ltd. (“PAM”), before they were transferred to Sukhumvit Asset Management Co., Ltd. (“SAM”). Subsequently, SCIB transferred its entire business, including commitments and agreements with PAM and/or SAM, to Thanachart Bank, effective from 1 October 2011. Thanachart Bank thus has commitments as a result of such transfer. However, the commitments of the Financial Institutions Development Fund (“FIDF”) to SCIB have been transferred to/assumed by Thanachart Bank as the purchaser of SCIB’s shares from FIDF. As at 31 December 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 December 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 50 to the financial statements.

- d) Outstanding letters of guarantee.

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

50. Contingent liabilities/litigation

- a) As at 31 December 2018, the Company and its subsidiaries have contingent liabilities amounting to approximately Baht 2,419 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.

51. Letter of guarantees

As at 31 December 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).

52. Financial instruments

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

52.1 Credit risk

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

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

52.2 Market risk

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

a) Interest rate risk

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

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

As at 31 December 2018 and 2017, financial assets and liabilities classified by types of interest rate are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements			
	2018			Total
	Floating interest rate	Fixed interest rate	Non- interest bearing	
<u>Financial assets</u>				
Cash	-	-	11,022	11,022
Interbank and money market items	1,351	90,382	7,504	99,237
Derivatives assets	-	-	2,005	2,005
Investments	838	158,662	10,869	170,369
Loans to customers ⁽¹⁾	213,812	540,541	260	754,613
Receivables from purchase and sale of securities	-	-	2,640	2,640
Other assets - receivable from clearing house	-	-	64	64
<u>Financial liabilities</u>				
Deposits	361,816	383,034	7,067	751,917
Interbank and money market items	17,924	52,695	1,304	71,923
Liability payable on demand	-	-	1,163	1,163
Derivatives liabilities	-	-	2,097	2,097
Debt issued and borrowings	137	54,876	-	55,013
Payables from purchase and sale of securities	-	-	1,325	1,325
Other liabilities - payable to clearing house	-	-	795	795

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

(Unit: Million Baht)

	Consolidated financial statements			
	2017			
Transactions	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Cash	-	-	11,453	11,453
Interbank and money market items	1,063	88,486	6,556	96,105
Derivatives assets	-	-	2,889	2,889
Investments	956	166,664	9,421	177,041
Loans to customers ⁽¹⁾	221,104	491,500	157	712,761
Receivables from purchase and sale of securities	-	-	3,127	3,127
Other assets - receivable from clearing house	-	-	343	343
<u>Financial liabilities</u>				
Deposits	304,946	404,079	7,066	716,091
Interbank and money market items	16,875	63,761	1,707	82,343
Liability payable on demand	-	-	1,989	1,989
Derivatives liabilities	-	-	2,868	2,868
Debt issued and borrowings	62	51,534	-	51,596
Payables from purchase and sale of securities	-	-	2,259	2,259
Other liabilities - payable to clearing house	-	-	1,269	1,269

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

(Unit: Million Baht)

Transactions	Separate financial statements			
	2018			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Interbank and money market items	13	-	11	24
Investments	498	490	371	1,359
Loans to customers ⁽¹⁾	1,382	70	12	1,464
Receivables from purchase and sale of securities	-	-	289	289
<u>Financial liabilities</u>				
Debt issued and borrowings	-	12,200	-	12,200
Payables from purchase and sale of securities	-	-	192	192

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

(Unit: Million Baht)

Transactions	Separate financial statements			
	2017			
	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
<u>Financial assets</u>				
Interbank and money market items	15	-	7	22
Investments	529	1,183	499	2,211
Loans to customers ⁽¹⁾	722	70	13	805
<u>Financial liabilities</u>				
Debt issued and borrowings	-	12,700	-	12,700

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

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

(Unit: Million Baht)

	Consolidated financial statements						
	2018						
	Repricing or maturity date						Weighted
		0 - 3	3 - 12	1 - 5	Over 5		average
Transactions	At call	months	months	years	years	Total	interest rates
							Percent
<u>Financial assets</u>							
Interbank and money market items	850	86,032	3,500	-	-	90,382	1.38 - 2.50
Investments	-	59,520	14,105	79,353	5,684	158,662	1.23 - 3.88
Loans to customers	6,511	36,361	19,492	241,421	236,756	540,541	1.28 - 10.55
<u>Financial liabilities</u>							
Deposits	18	127,523	212,005	43,488	-	383,034	1.60
Interbank and money market items	920	38,257	11,281	1,749	488	52,695	1.88 - 1.95
Debt issued and borrowings	330	2,477	6,724	24,915	20,430	54,876	1.00 - 3.97

(Unit: Million Baht)

	Consolidated financial statements						
	2017						
	Repricing or maturity date						Weighted
		0 - 3	3 - 12	1 - 5	Over 5		average
Transactions	At call	months	months	years	years	Total	interest rates
							Percent
<u>Financial assets</u>							
Interbank and money market items	750	79,073	6,963	500	1,200	88,486	0.35 - 2.11
Investments	-	25,894	14,454	119,277	7,039	166,664	1.90 - 3.88
Loans to customers	4,643	44,916	25,871	240,130	175,940	491,500	1.28 - 10.58
<u>Financial liabilities</u>							
Deposits	51	129,188	233,576	41,264	-	404,079	1.60
Interbank and money market items	1,699	39,070	20,759	1,118	1,115	63,761	1.44 - 1.90
Debt issued and borrowings	388	893	6,200	21,823	22,230	51,534	1.00 - 5.52

(Unit: Million Baht)

Separate financial statements							
2018							
Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Investments	-	170	130	190	-	490	2.88
Loans to customers	70	-	-	-	-	70	10.55
<u>Financial liabilities</u>							
Debt issued and borrowings	-	-	3,600	7,700	900	12,200	3.97

(Unit: Million Baht)

Separate financial statements							
2017							
Transactions	Repricing or maturity date					Total	Weighted average interest rates Percent
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
<u>Financial assets</u>							
Investments	-	-	813	370	-	1,183	2.67
Loans to customers	70	-	-	-	-	70	10.58
<u>Financial liabilities</u>							
Debt issued and borrowings	-	500	3,100	6,400	2,700	12,700	4.58

In addition, the average balances of the financial assets and liabilities of the Company and its subsidiaries generating revenues and expenses, calculated based on the average balances outstanding during the year, and the average interest rate for the years 2018 and 2017 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	Average	Interest	Average	Average	Interest	Average
	balances		rate	balances		rate
			(Percent)			(Percent)
<u>Interest bearings financial assets</u>						
Interbank and money market items	88,894	1,779	2.00	60,378	1,391	2.30
Investments and trading operations	14,335	257	1.79	13,483	238	1.77
Investments in debt securities	135,887	2,689	1.98	159,485	3,191	2.00
Loans to customers/hire purchase and financial lease	711,447	41,834	5.88	681,458	39,861	5.85
<u>Interest bearings financial liabilities</u>						
Deposits	706,411	12,545	1.78	683,002	12,046	1.76
Interbank and money market items	70,993	997	1.40	67,105	791	1.18
Debt issued and borrowings	54,175	2,250	4.15	59,000	2,674	4.53

(Unit: Million Baht)

	Separate financial statements					
	2018			2017		
	Average	Interest	Average	Average	Interest	Average
	balances		rate	balances		rate
			(Percent)			(Percent)
<u>Interest bearings financial assets</u>						
Interbank and money market items	512	6	1.09	120	-	0.32
Investments in debt securities	1,041	20	1.97	1,172	24	2.05
Loans to customers/hire purchase and financial lease	1,000	54	5.69	742	51	6.77
<u>Interest bearings financial liabilities</u>						
Debt issued and borrowings	12,715	572	4.50	12,585	582	4.63

b) Foreign exchange risk

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

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

The status of subsidiaries' foreign currency balances as at 31 December 2018 and 2017 can be summarised as follows:

(Unit: Million Baht)

	Consolidated financial statements				
	2018				
	US Dollar	Euro	Yen	Australian Dollar	Others
<u>Foreign currency in the statements of financial position</u>					
Cash	192	94	21	14	43
Interbank and money market items	1,337	70	79	29	181
Investments	17,386	-	-	-	-
Loans to customers and accrued interest receivable	10,103	51	30	1,377	10
Other assets	296	-	-	-	-
Total assets	29,314	215	130	1,420	234
Deposits	519	23	1	31	57
Interbank and money market items	14,098	1	-	-	-
Total liabilities	14,617	24	1	31	57
Net	14,697	191	129	1,389	177
<u>Foreign currency commitments</u>					
Guarantees of loans	800	1	-	-	-
Liability under unmatured import bills	196	3	27	-	-
Letter of credits	609	48	18	-	3
Others commitments	544	5	-	-	-

(Unit: Million Baht)

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

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

(Unit: Million Baht)

	Consolidated financial statements				
	2018				
	Australian				
	US Dollar	Euro	Yen	Dollar	Others
Foreign exchange contracts					
- Bought	40,304	214	225	1	674
- Sold	37,035	348	346	1,378	828
Cross currency and interest rate swap contracts					
- Bought	2,378	-	-	-	-
- Sold	19,962	-	-	-	-
Interest rate swap contracts					
- Bought	66,154	-	-	-	-
- Sold	66,154	-	-	-	-

(Unit: Million Baht)

	Consolidated financial statements				
	2017				
	Australian				
	US Dollar	Euro	Yen	Dollar	Others
Foreign exchange contracts					
- Bought	43,563	845	170	54	553
- Sold	49,685	985	303	1,575	661
Cross currency and interest rate swap contracts					
- Bought	3,827	-	-	-	-
- Sold	14,431	-	-	-	-
Interest rate swap contracts					
- Bought	64,098	-	-	-	-
- Sold	64,098	-	-	-	-

c) Equity position risk/commodity risk

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

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

52.3 Liquidity risk

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

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

Counting from the financial position date, the periods to maturity of financial instruments held as at 31 December 2018 and 2017 are as follows:

(Unit: Million Baht)

Transactions	Consolidated financial statements				
	2018				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Cash	11,022	-	-	-	11,022
Interbank and money market items	9,704	89,533	-	-	99,237
Derivatives assets	-	670	1,335	-	2,005
Investments	843	73,362	85,300	10,864	170,369
Loans to customers ⁽¹⁾	41,158	187,162	526,293	-	754,613
Receivables from purchase and sale of securities	-	2,640	-	-	2,640
Other assets - receivable from clearing house	-	64	-	-	64
<u>Financial liabilities</u>					
Deposits	364,735	342,845	44,337	-	751,917
Interbank and money market items	22,398	47,288	2,237	-	71,923
Liability payable on demand	1,163	-	-	-	1,163
Derivatives liabilities	-	703	1,394	-	2,097
Debt issued and borrowings	467	9,201	45,345	-	55,013
Payables from purchase and sale of securities	-	1,325	-	-	1,325
Other liabilities - payable to clearing house	-	795	-	-	795
<u>Commitments</u>					
Aval to bill	2	291	10	-	303
Guarantees of loans	87	2,315	-	-	2,402
Liability under unmatured import bills	57	226	-	-	283
Letter of credits	31	728	-	-	759
Other commitments	37,732	43,858	1,770	-	83,360

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

(Unit: Million Baht)

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

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

(Unit: Million Baht)

Transactions	Separate financial statements				
	2018				
	At call	Less than 1 year	Over 1 year	Unspecified	Total
<u>Financial assets</u>					
Interbank and money market items	24	-	-	-	24
Investments	498	300	190	371	1,359
Loans to customers ⁽¹⁾	1,452	2	10	-	1,464
Receivables from purchase and sale of securities	-	289	-	-	289
<u>Financial liabilities</u>					
Debt issued and borrowings	-	3,600	8,600	-	12,200
Payables from purchase and sale of securities	-	192	-	-	192
<u>Commitments</u>					
Other commitments	1	-	-	-	1

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

(Unit: Million Baht)

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

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

52.4 Fair value

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

(Unit: Million Baht)

	Consolidated financial statements				
	2018				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
Derivatives assets	1,719	1,719	-	1,719	-
Investments	165,487	165,487	7,751	157,736	-
Derivatives liabilities	1,763	1,763	2	1,761	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land	5,426	5,426	-	-	5,426
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Cash	11,022	11,022	11,022	-	-
Interbank and money market items (assets)	99,117	99,117	8,851	64,095	26,171
Derivatives assets	286	315	-	315	-
Investments	4,950	11,048	-	714	10,334
Loans to customers	731,125	740,803	-	318,070	422,733
Receivables from purchase and sale of securities	2,640	2,640	-	2,640	-
Other assets - receivable from clearing house	64	64	-	64	-
Deposits	751,917	752,091	368,883	383,208	-
Interbank and money market items (liabilities)	71,923	71,923	19,227	33,275	19,421
Liability payable on demand	1,163	1,163	1,163	-	-
Derivatives liabilities	334	480	-	480	-
Debt issued and borrowings	55,013	55,830	-	55,830	-
Payables from purchase and sale of securities	1,325	1,325	-	1,325	-
Other liabilities - payable to clearing house	795	795	-	795	-

(Unit: Million Baht)

	Consolidated financial statements				
	2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
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	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land	5,552	5,552	-	-	5,552
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Cash	11,453	11,453	11,453	-	-
Interbank and money market items (assets)	95,918	95,918	7,571	55,998	32,349
Derivatives assets	371	529	-	529	-
Investments	4,672	10,459	-	356	10,103
Loans to customers	688,844	697,259	-	324,656	372,603
Receivables from purchase and sale of securities	3,127	3,127	-	3,127	-
Other assets - receivable from clearing house	343	343	-	343	-
Deposits	716,091	716,308	312,012	404,296	-
Interbank and money market items (liabilities)	82,343	82,345	18,581	46,920	16,844
Liability payable on demand	1,989	1,989	1,989	-	-
Derivatives liabilities	357	360	-	360	-
Debt issued and borrowings	51,596	53,391	-	53,391	-
Payables from purchase and sale of securities	2,259	2,259	-	2,259	-
Other liabilities - payable to clearing house	1,269	1,269	-	1,269	-

(Unit: Million Baht)

	Separate financial statements				
	2018				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
Investments	1,434	1,434	877	557	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land	18	18	-	-	18
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Interbank and money market items (assets)	24	24	24	-	-
Investments	422	1,626	-	-	1,626
Loans to customers	1,378	1,378	-	1,366	12
Receivables from purchase and sale of securities	289	289	-	289	-
Debt issued and borrowings	12,200	12,741	-	12,741	-
Payables from purchase and sale of securities	192	192	-	192	-

(Unit: Million Baht)

	Separate financial statements				
	2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
<u>Financial assets and liabilities measured at fair value</u>					
Investments	2,333	2,333	941	1,392	-
<u>Non-financial assets measured at fair value</u>					
Land, premises and equipment - land	18	18	-	-	18
<u>Financial assets and liabilities for which fair value are disclosed</u>					
Interbank and money market items (assets)	22	22	22	-	-
Investments	454	1,655	-	-	1,655
Loans to customers	725	725	-	713	12
Debt issued and borrowings	12,700	13,629	-	13,629	-

Valuation techniques and inputs used for fair value measurement

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

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

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

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

52.5 Financial derivatives

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

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

As at 31 December 2018 and 2017, the Company and its subsidiaries have financial derivatives for trading and hedging (banking book) as classified by their maturities as follows:

(Unit: Million Baht)

	Consolidated financial statements					
	2018			2017		
	Less than	Over	Total	Less than	Over	Total
	1 year	1 year		1 year	1 year	
Foreign exchange contracts						
- Bought	41,418	-	41,418	45,185	-	45,185
- Sold	39,935	-	39,935	53,209	-	53,209
Cross currency and interest rate swap contracts						
- Bought	276	2,102	2,378	1,412	2,415	3,827
- Sold	438	19,524	19,962	5,680	8,751	14,431
Interest rate swap contracts						
- Paid fixed interest rate	32,174	129,237	161,411	38,084	116,132	154,216
- Paid floating interest rate	33,349	108,866	142,215	39,358	98,641	137,999
- Received fixed interest rate	33,349	108,266	141,615	39,358	98,041	137,399
- Received floating interest rate	32,174	129,837	162,011	38,084	116,732	154,816
Future contracts						
- Bought	53	-	53	239	-	239
- Sold	876	-	876	1,668	-	1,668
Derivative warrant contracts						
- Sold	9	-	9	1	-	1
Other						
- Sold	278	-	278	396	-	396

53. Events after the reporting period

On 25 February 2019, the Board of Directors of the Company passed a resolution to propose the payment of a dividend of Baht 1.60 per share, or a total of Baht 1,833 million, to the ordinary and preference shareholders, to be considered by the Annual General Meeting of Shareholders.

54. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2019.